

BROKER MANAGEMENT RATING REPORT

BMA Capital Management Limited

REPORT DATE:

December 8, 2017

RATING ANALYSTS:

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APPLICABLE
METHODOLOGY:

Broker Management Ratings 2017:

<http://jcrvis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR2+
Rating Rationale	The rating signifies strong HR & IT services; sound regulatory compliance levels, internal and external control framework, client relationship and risk management while financial management is adequate.
Rating Date	8 December 2017

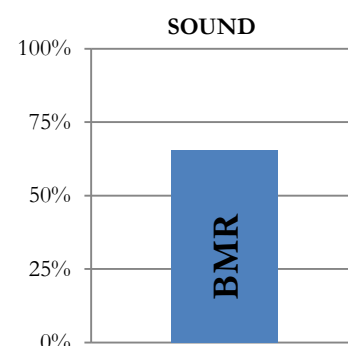
COMPANY INFORMATION

Incorporated in 1992	External auditors: RSM Avais Hyder Liaquat Nauman Chartered Accountants
Public limited Company	Chairman of the Board: Moazzam M. Malik
Key Shareholders (with stake 5% or more): Ganjbaksh Mauritius Limited – 49.0%; Mr. Moazzam Mazhar Malik – 29.0%; Mr. Muddassar Mazhar Malik – 14.0%; Ms. Shehla Mazhar – 8.0%	Chief Executive Officer: Nadir Rahman

Corporate Profile

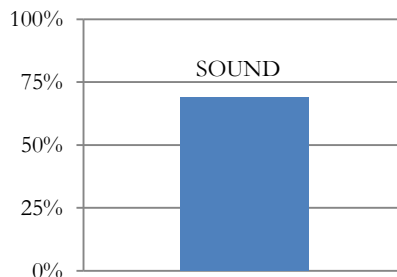
BMA Capital Management Limited was incorporated in 1992 under the Companies Ordinance 1984 as a public limited company. BMA commenced its operations as a full scale financial services firm. BMA Capital has several functional units including financial advisory, equity brokerage, fixed income brokerage, and Forex. Moreover, BMA Asset Management Company Limited is the wholly owned subsidiary of BMA Capital.

The company holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX) since 1992. The 37% shareholding of the company is held between the Directors and their spouse and the remaining 63% is divided between the associated companies and related parties. External auditors of the company are RSM Avais Hyder Liaquat Nauman Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan (SBP).



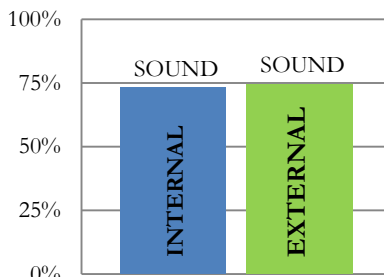
Rating Factors Scores

Regulatory Requirement: & Supervision



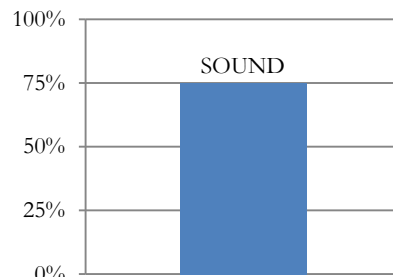
- Compliance with regulatory requirements is sound.
- Constitution of Board Level HR and Risk Management committee would enhance board level governance.
- Board composition has room for improvement with regards to mix of independent and executive directors.

Internal & External Control Framework



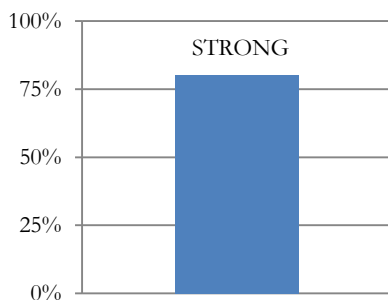
- Internal controls are supported by well-defined policy framework; however, the same may be periodically reviewed to ensure up to date compliance levels.
- Quality of external auditors and focus on KYC is robust.

Client Relationship & Fairplay



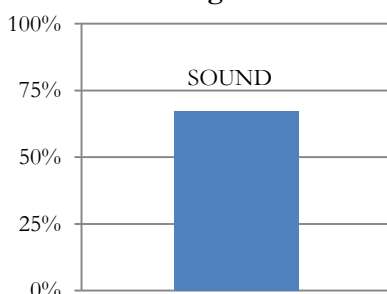
- Execution of trades and reporting to clients is considered adequate.
- Customer grievances process, though in place, may be improved upon by adding greater visibility on website homepage to complaint header and sms text complaint service may be added.

HR & Infrastructure



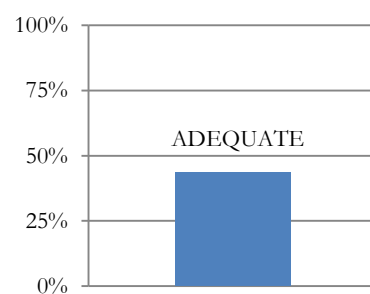
- In line with regulatory requirements, the company has a team of experienced professionals and a well-structured organogram.
- IT infrastructure is commensurate with the size of the organization.
- Off-site backup's maintenance at third party and the DR exercises ensure the continuity of business.

Compliance & Risk Management



- Compliance, Internal Audit and Risk Management functions are independently placed.
- Although mechanism for credit analysis of clients is in place, assignment of tighter credit limits may further improve operational risk management.
- Trade review procedures and policies may need to be further developed.

Financial Management



- Revenue base may be diversified further to improve profitability and reduce volatility in market risk.
- Although leverage indicators are high, there are sufficient liquid assets to cover liabilities. Leverage indicators would need to be monitored closely.
- Continued focus on enhancement of core income, liquidity management and monitoring of efficiency levels would improve financial management.

JCR-VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: BROKER MANAGEMENT RATING

BMR1A

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

BMR1++, BMR1+, BMR1

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

BMR2++, BMR2+, BMR2

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

BMR3++, BMR3+, BMR3

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

BMR4++, BMR4+, BMR4

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

BMR5

Weak regulatory compliance and business practices

Rating Outlooks:

The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	BMA Capital Management Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BMR			
	12/08/2017	BMR2+	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.			
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
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