



Brokerage Firms

Research Team

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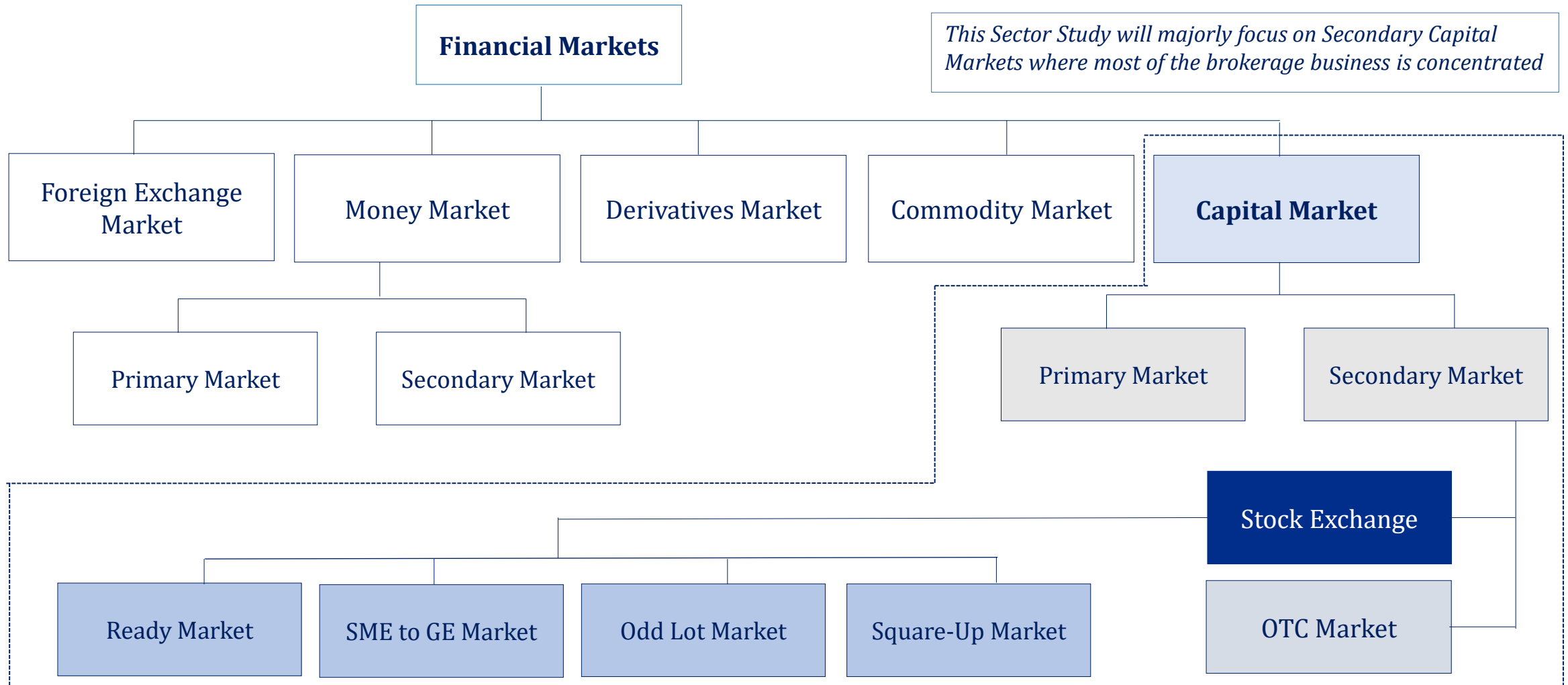


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Introduction | Types of Financial Markets



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Capital Markets | An Overview

- Capital markets are a broad category of markets facilitating the buying and selling of financial instruments. In particular, there are two categories of financial instruments in which markets are involved. These are equity securities (stocks or shares), and debt securities (bonds or debentures). Capital markets facilitate in issuance of stocks and bonds for medium-term and long-term durations, generally terms of one year or more.
- Other than the distinction between equity and debt, capital markets are also generally divided into two categories, primary markets and secondary markets. In primary markets, stocks and bonds are issued directly from companies to investors, businesses and other institutions, often through underwriting. In Secondary Markets, securities that have already been issued are sold and bought among the investors or traders.
- The capital market structure in Pakistan consists of an apex regulator of the markets, the Securities and Exchange Commission Pakistan (SECP), Pakistan Stock Exchange (Equity Market), Mercantile Exchanges (Commodity Market), Central Depository Company (CDC) and a Clearing and Settlement Company. The structure further includes intermediaries or market participants such as brokers (including Online only/Trading Only brokers), which handle the transaction of shares in the capital markets on behalf of investors.
- The level of capital market development is an important determinant of the savings, efficiency of investment and ultimately the rate of economic growth.
- This Sector Study shall be focus on the Secondary Capital Markets and KSE-100 shall be used as the benchmark Index for analysis purpose.

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PSX Products

- **Equity**
 - **Regular/Ready Market:** In this market segment, stocks of all companies listed are traded. Transactions are settled in two days (T+2).
 - **SME to Growth Enterprise Market:** Shares of companies with post-issue paid-up capital between PKR25mln and PKR200mln are traded. Target investors for this segment include Qualified Institutional Buyers (QIBs) and High Net Worth Individuals (HNWI).
 - **Odd lot Market:** In this market segment, investors can trade in securities in lots which are less than normal/regular lots (500 shares). The minimum number of shares that can be traded is 1. Settlement takes place in T+2 days.
 - **Square Up Market:** In this market segment, if a Clearing Member (CM) fails to deliver the sold securities, then the failed deliveries are squared up in the Square-up Market.
 - **Real Estate Investment Trust (REIT):** REIT is a fund-based trust that owns income-producing real estate, buys real estate, develops, manages/operates and sells real estate assets. REITs are modelled after mutual funds where all taxable income is paid out as dividends to shareholders.
 - **Negotiated Deals:** Here, negotiated deals are conducted outside the Exchange Trading Systems and are reported through the interface provided by the Exchange. These transactions are conducted between brokers.
- **Fixed Income | Secondary Market Trading**
 - **Corporate Debt Instruments:** These include Term Finance Certificates (TFCs), SUKUK Certificates, Registered Bonds, Corporate Bonds etc., and all kinds of debt instruments issued by any Pakistani company or a corporation registered in Pakistan.
 - **Government Debt Instruments:** These are debt instruments issued by the Government of Pakistan. These include PIBs (fixed and floating), Treasury Bills, National Savings Bonds, and Islamic Ijarah Sukuks (fixed and floating).

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PSX Products

▪ Derivatives

- **Deliverable Futures Contract (DFC):** DFCs are standardized futures contracts to buy or sell eligible underlying securities with actual delivery of the said security occurring at the expiry of the contract. The minimum lot for trading in DFC is 1 contract that consists of standard 500 shares of underlying security. Contract maturity is 90 days after the contract is listed.
- **Single Stock Cash Settled Futures (CSF):** It is a standardized contract which allows buying or selling of eligible underlying shares at a certain date in the future, at futures price i.e., the price on which it is bought or sold in the CSF market. It is settled in cash, where the result of the settlement is the cash difference between the futures price and final settlement price. The minimum lot for trading in CSF is 1 contract that provides exposure of standard 500 shares of underlying shares. Contract maturity is 90 days after the contract is listed.
- **Stock Index Futures Contract (SIFC):** SIFC is a standardized contract which allows buying or selling a standardized value of the underlying stock index on a future date at a futures price i.e., the price at which it is bought or sold in the SIFC market. SIFC gives an opportunity to investors to trade in the relevant market by buying index futures with related underlying index instead of buying index's individual securities. It has a contract multiplier of Rs.5 or any other determined by PSX. Contract maturity is 90 days.

- **Exchange Traded Funds (ETFs):** ETF is a pooled investment vehicle with units that can be bought or sold on the Stock Exchange at a market-determined price. Similar to mutual funds units, ETF owns the underlying assets (stocks or bonds) and offers investors a proportionate share in a pool of stocks, bonds, and other assets. The ETFs have Net Asset Values (NAVs) which are listed on PSX website. The NAV of an ETF is the sum of marked-to-market values of the individual portfolio holdings plus the portion of the assets held in cash and cash equivalents, less all the accrued ETF expenses. The NAVs of these securities are disseminated during the day. The Settlement Dates of these securities is T + 2.
- **Margin Trading System (MTS):** In MTS (Margin Trading System), an investor can buy MTS eligible securities having a part percentage of funds available of the total value of MTS eligible securities bought. An investor may buy a number of MTS eligible securities while having only a fixed percentage of funds available. The remaining amount is financed or leveraged by the Brokerage firm. The percentage of funds required for MTS is defined by the Brokerage firm which shall not be less than 15% of the total value of MTS eligible securities purchased or VAR (Value at Risk – A percentage number signifying the decline in the value of an asset class in a particular period of time). A mark-up rate of not more than Kibor+8% is charged against the leveraged securities held under MTS. Margin Trading Contracts are settled in T+2 days.
- **Government Debt Securities (GDS)- Primary Market Auction:** The Ministry of Finance (MoF) has recently approved some amendments to the rules governing the issuance, registration, trading, and transfer of GDS through the Capital Market Infrastructure Institutions (CMIIs) such as the Pakistan Stock Exchange (PSX), National Clearing and Settlement Company of Pakistan (NCCPL), and Central Depository Company of Pakistan (CDC). As per the new arrangement, PSX may conduct the primary market issuance of Government Debt Securities.

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Global | Overview

- The adjacent table summarizes the 10 largest stock exchanges in the world in terms of the market capitalization. The top 10 exchanges combined represent approximately ~80.1% of the global market capitalization.
- During CY24, the highest returns were earned by the Hang Seng and S&P 500 : ~(1.9)% and ~(1.8)%, respectively. While, the lowest returns during CY24 were earned by Shanghai Composite: ~(-0.5)% and FTSE 100~(-0.3%).
- Pakistan and Sri Lanka faced similar economic crises recently. Sri Lanka defaulted on its Sovereign debt. However, stock market in both countries have performed well after economic recovery, lower inflation rates and significant policy rate cuts.
- Pakistan Stock Exchange market capitalization improved to USD ~52.1bln in Dec'24 (Dec'23: USD~32.2bln) the Pakistan Stock Exchange (PSX) experienced a remarkable comeback in the CY24, as stocks surged by ~80.4%, making it the second-best performing market globally after Argentina, while Colombo Stock Exchange market capitalization improved to USD ~16.2bln in Dec'24. (Dec'23: USD~13.1bln)

Stock Exchange	Country	Market Capitalization (USD bln) [Dec'24]	Index Name	Number of Stocks listed
New York Stock Exchange	USA	31,576	S&P 500	500
Nasdaq	USA	30,610	Nasdaq	100
Shanghai Stock Exchange	China	7,186	Shanghai Composite	50
Euronext	Europe	5,441	Euro Stoxx 50	50
Tokyo Stock Exchange	Japan	6,556	Nikkei 225	225
National Stock Exchange of India	India	5,697	NIFTY 50	50
Hong Kong Exchange	Hong Kong	4,550	Hang Seng	50
Shenzhen Stock Exchange	China	4,529	SZSE 1000	1,000
Toronto Stock Exchange	Canada	3,551	S&P TSX 60	60
London Stock Exchange	UK	2,987	FTSE 100	100
Pakistan Stock Exchange	Pakistan	52.1	KSE-100	100
Colombo Stock Exchange	Sri Lanka	16.2	S&P SL20	20

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Global | Monthly Index Based Returns

Indices	Jan'24	Feb'24	Mar'24	Apr'24	May'24	Jun'24	Jul'24	Aug'24	Sep'24	Oct'24	Nov'24	Dec'24	Monthly Average
S&P 500	1.6%	5.2%	3.1%	-4.2%	4.8%	3.5%	1.1%	2.3%	2.0%	-0.9%	5.7%	-2.5%	1.8%
Nasdaq	1.0%	6.1%	1.7%	-4.4%	6.8%	5.9%	-0.7%	0.6%	2.6%	-0.5%	6.2%	0.4%	2.1%
Shanghai Composite	-6.2%	8.1%	-1.2%	0.8%	-4.4%	-0.1%	1.5%	-5.2%	0.7%	-2.5%	0.2%	1.9%	-0.5%
Euro Stoxx 50	-1.7%	-0.3%	5.4%	2.6%	1.2%	-4.8%	4.2%	0.9%	0.4%	-2.5%	-1.6%	4.3%	0.7%
Nikkei 225	7.8%	4.9%	3.5%	-0.9%	1.1%	1.3%	-0.5%	-2.9%	-2.5%	1.9%	-0.5%	3.9%	1.4%
Hang Seng	-8.4%	6.9%	-0.1%	7.8%	1.7%	-0.9%	-1.5%	4.6%	20.0%	-5.1%	-4.9%	3.0%	1.9%
SZSE Component	-13.7%	13.6%	0.8%	2.0%	-2.3%	-5.5%	-1.1%	-4.6%	26.1%	0.6%	0.2%	-1.7%	1.1%
FTSE 100	-1.3%	-0.1%	-3.6%	2.6%	-4.2%	0.5%	2.3%	-2.9%	1.9%	-2.5%	1.5%	2.7%	-0.3%
NIFTY 50	0.6%	2.8%	0.8%	3.6%	0.5%	6.9%	4.3%	0.9%	2.1%	-6.1%	-0.4%	7.9%	2.0%
CSE	-3.2%	3.3%	7.4%	8.0%	-2.1%	0.3%	-6.1%	-4.7%	9.1%	7.7%	-2.6%	1.2%	1.5%
KSE 100 Index	-0.8%	4.2%	3.8%	6.1%	6.7%	3.4%	-0.7%	0.8%	3.3%	9.7%	13.9%	13.6%	5.3%

Note: Index based returns are average returns for each month.

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Global | P/E

- The P/E ratio of KSE -100 index was recorded at ~7.8 as at December 31, 2024. Moreover, the average P/E ratio of KSE -100 index for CY24 was ~5.8%. Additionally, earnings and revenues of the listed companies on KSE-100 index have grown ~5.8% and 6.7%, respectively during CY24.

Indices	Jan'24	Feb'24	Mar'24	Apr'24	May'24	Jun'24	Jul'24	Aug'24	Sep'24	Oct'24	Nov'24	Dec'24	Avg
S&P 500	23.9	24.6	25.2	25.4	25.2	26.1	26.0	28.1	27.4	26.9	27.1	27.8	26.1
NIFTY 50	22.3	22.6	22.8	22.0	21.6	22.8	23.3	23.5	24.3	22.9	22.2	21.8	22.6
SSE	11.4	12.1	12.2	12.5	13.2	12.7	12.4	12.2	14.3	13.9	14.1	14.2	12.9
DSE	15.7	15.8	14.3	13.3	11.2	12.3	12.6	13.7	13.1	11.2	12.3	12.0	13.1
CSE	11.0	9.4	9.6	10.0	10.1	8.7	8.2	7.3	7.5	7.9	7.1	8.6	8.9
FTSE 100	12.0	16.6	16.5	17.0	18.9	18.2	19.2	20.7	20.8	20.1	19.8	19.6	18.2
Hang Seng	10.8	11.2	11.3	11.9	12.3	11.8	11.3	11.1	12.2	12.4	11.7	12.3	11.7
KSE-100 Index	5.3	5.2	5.1	5.3	5.5	5.7	5.6	5.4	5.5	6.4	7.0	7.8	5.8

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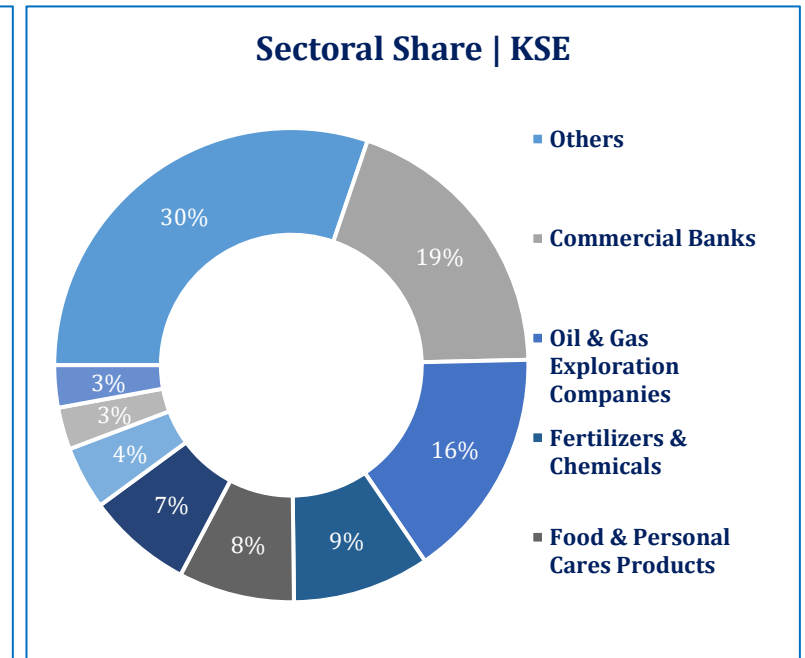
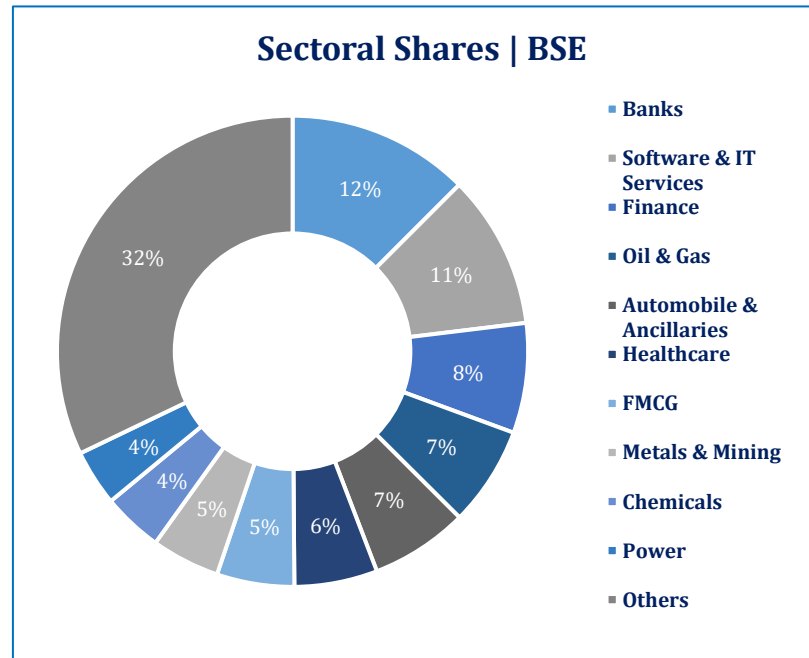
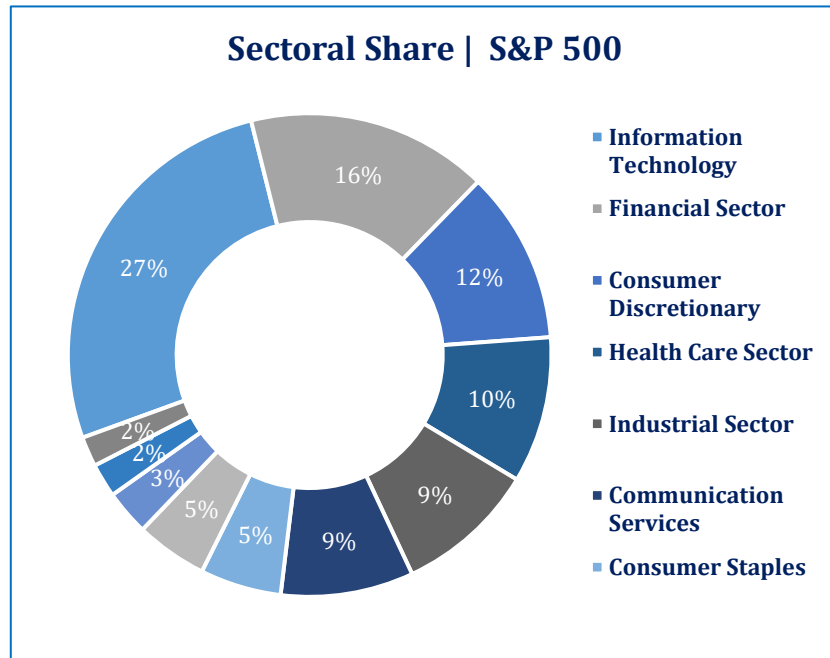
Global | Indices Performance

- The global capital markets have seen rapid changes and significant developments in CY24. In CY24, firms continued to seek liquidity in more markets worldwide, driven by the growing size and sophistication of emerging markets. Countries like India, Brazil, Vietnam, and the Philippines became ever-more attractive destinations for investment due to their robust economic growth and improving market infrastructure.
- The U.S. stock market, being the largest worldwide, has consistently outperformed others. Notably, the S&P 500 achieved a return exceeding for the third time in the past five years. Its monthly average index-based return clocked in at $\sim 1.8\%$ during CY24. However, the Shanghai Stock Exchange (SSE Composite Index) recorded the monthly average return of $\sim (-0.5)\%$, on the back of the issue pertained to a tumbling real estate as well as the manufacturing sectors.
- Meanwhile, the KSE-100 Index of the Pakistan Stock Exchange (PSX) recorded an impressive 85.0% rise in PKR (87.0% in USD terms) during CY24, marking one of its best performances in recent years. The market capitalization of listed companies surged by 52.0%, reaching PKR 14.5trn, KSE-100 returns during CY24 clocked in at $\sim 84.3\%$. The performance of KSE-100 index improved on the back of three major factors: First, the geopolitical events such as reduced risk of default as foreign reserves begin to stabilize and IMF's funding decisions as Pakistan received its first tranche of IMF program in Sep'24, second, economic events such as changes in monetary policy rate reduction to $\sim 13.0\%$ in Dec'24 from $\sim 22.0\%$ in Jun'24, current account surplus balance and GDP growth rate, and third, inflationary pressures as CPI was reduced to $\sim 4.1\%$ in Dec'24.

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Global | Sectoral Composition

- The S&P 500 index is dominated by the Information Technology sector which makes up ~26.7% of the total market. This is due to the presence of companies such as Apple, Microsoft and Amazon, whose individual market capitalization nearly touch USD~9.0trn mark.
- The Bombay Stock Exchange (BSE) index is dominated by the Banks and Information Technology sectors which occupy ~12.1% and ~11.3%, respectively, of the total market, whereas the top 10 sectors collectively account for ~76.6% of the total market capitalization.
- The data pertaining to sectoral composition of KSE-100 index is based on market capitalization of PKR~13.9trn as on Dec'24. The largest sector is Commercial Banks for which the market capitalization stands at PKR~2.7trn and accounts for ~16.0% of the total. Oil and Gas Exploration Companies and Fertilizer & Chemicals with a market capitalization of PKR~2.2trn and PKR~1.3 each, are the next largest sectors and contribute ~9.0% and ~8.0% each to the total market capitalization.



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Global | MSCI Classification

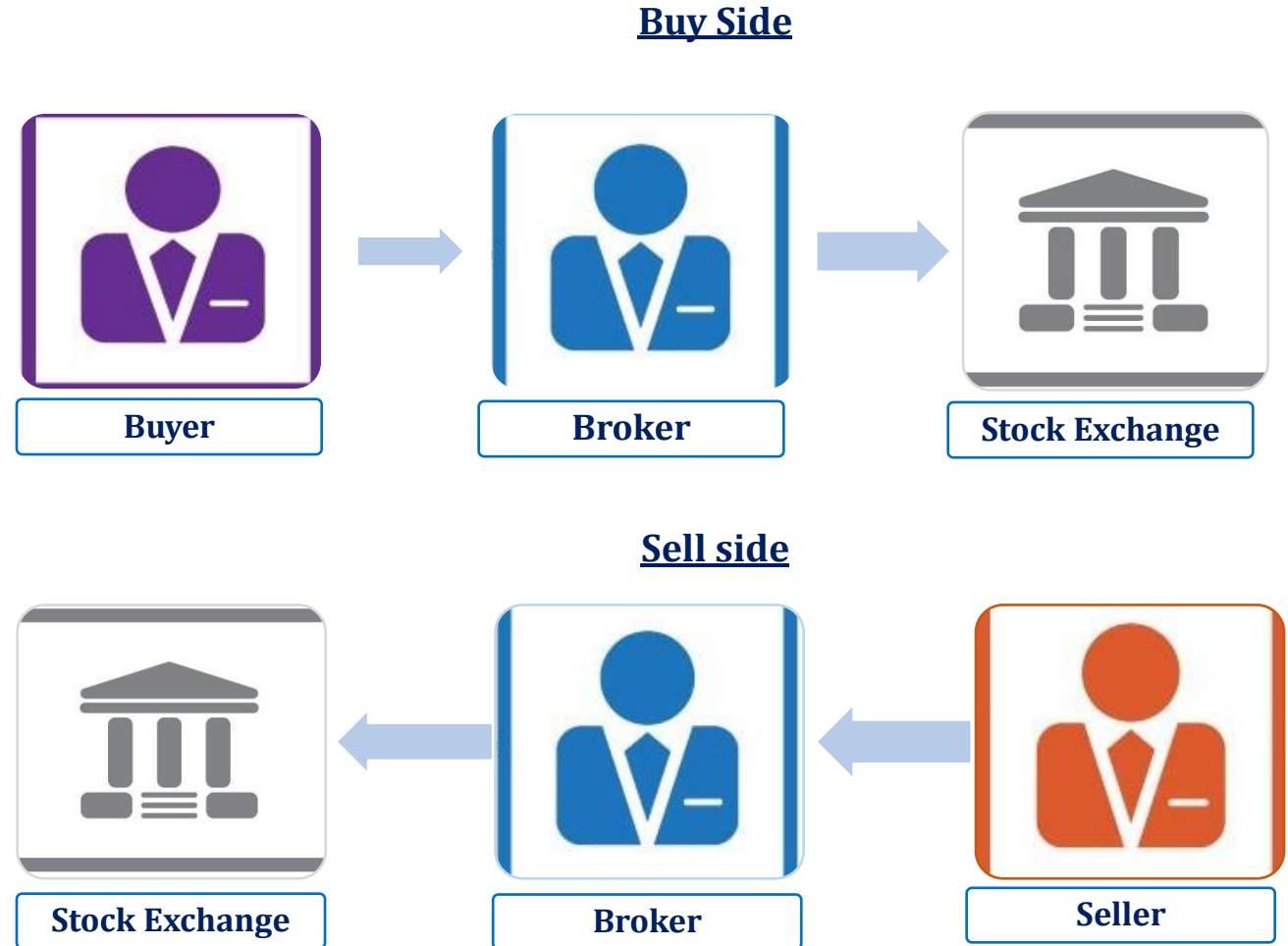
- Pakistan was re-classified from the Emerging Markets Index to Frontier Market Index in Sep'21. The downgradation to Frontier Markets impacts not only the foreign inflows but also affects the traded value and turnover of the capital markets.
- For Pakistan to ascend to emerging markets status, it must meet the following criteria: (i) a market capitalization of at least USD ~2,066mln for a minimum of 3 companies, (ii) a free float market capitalization of at least USD ~1,033mln for a minimum of 3 companies, and (iii) a security liquidity of ~15% of the Annualized Traded Value Ratio (ATVR) for at least 3 companies.
- To quote the MSCI statement regarding downgrading, "Although the Pakistani equity market meets the requirements for market accessibility under the classification framework for emerging markets, **it no longer meets the standards for size and liquidity.**" Hence, Pakistan's capital market is considered as smaller, riskier and illiquid compared to other developing countries that are categorised in emerging markets.
- In Nov'24**, Pakistan occupied a weight of ~5.2%, in the Frontier Markets Index, where the 8 Pakistani companies Citi Pharma, Crescent Steel & Allied, Fast Cables, Flying Cement, Pakistan Oxygen, Shifa International Hospitals, Thatta Cement, and TRG were included in Frontier Market Small Cap Index.

Developed Markets			Emerging Markets			Frontier Markets		
Americas	Europe & Middle East	Pacific	Americas	Europe, Middle East & Africa	Asia	Europe & CIS	Middle East & Africa	Asia
1. Canada 2. USA	1. Austria 2. Belgium 3. Denmark 4. Finland 5. France 6. Germany 7. Ireland 8. Israel 9. Italy 10. Netherlands 11. Norway 12. Portugal 13. Spain 14. Sweden 15. Switzerland 16. UK	1. Australia 2. Hong Kong 3. Japan 4. New Zealand 5. Singapore	1. Brazil 2. Chile 3. Colombia 4. Mexico 5. Peru	1. Czech Republic 2. Egypt 3. Greece 4. Hungary 5. Kuwait 6. Poland 7. Qatar 8. Russia 9. KSA 10. South Africa 11. Turkey 12. UAE	1. China 2. India 3. Indonesia 4. Korea 5. Malaysia 6. Philippines 7. Taiwan 8. Thailand	1. Croatia 2. Estonia 3. Iceland 4. Lithuania 5. Kazakhstan 6. Romania 7. Serbia 8. Slovenia 9. Latvia	1. Kenya 2. Mauritius 3. Morocco 4. Nigeria 5. Tunisia 6. WAEMU* 7. Bahrain 8. Jordan 9. Oman	1. Bangladesh 2. Sri Lanka 3. Vietnam 4. Pakistan

Brokerage Firms

Local | Introduction

- A broker or brokerage firm acts as an intermediary by matching a customer's buy order with a third party's sell order or vice versa.
- Brokerage firms receive compensation through a commission or fees that is charged once the transaction has been successfully completed. This amount may be paid by the customer or the exchange.
- The commission range of 3 paisa/ share or 0.15% of the transaction value (whichever is higher) up to 2.5% of the transaction value is prescribed by Pakistan Stock Exchange.
- The Securities and Exchange Commission (SECP) is the regulatory body. Licensing of the securities brokers is regulated by Securities act, 2015 and Securities Brokers (Licensing and operations) Regulations, 2016.



Brokerage Firms

Local | Overview

- Brokerage firms offer a variety of services to their customers including money management, tax advice and financial consultation. They also provide up-to-date stock quotes, research services regarding economic environment and market analysis.
- All securities brokers are required to take license from SECP to undertake Securities Broker's activity. Licensing of Securities Broker's (Licensing & Operations) Regulations, 2016. The regulations include the eligibility criteria, licensing procedure, effect of refusal of license, renewal, general obligations and responsibilities of securities brokers.
- Renewal of broker's license is subject to payment of fees as prescribed in Securities Broker's (Licensing & Operations) Regulations, 2016.
- There are currently ~197 brokerage firms licensed by the Securities and Exchange Commission of Pakistan (SECP). Out of these, ~25 brokerage firms have Entity Ratings while ~23 have Broker Management Ratings and ~44 have Broker Fiduciary Ratings.

Sector Overview	FY22	FY23	FY24	6MFY24	6MFY25
KSE-100 Index(period-end)	41,541	41,453	78,445	62,451	115,127
KSE-100 Return	-12.3%	-0.2%	89.2%	54.5%	84.3%
KSE-100 Average Volumes (000)	114,877	89,779	233,956	247,581	283,512
Market Capitalization as a Percentage of GDP	10.4%	7.6%	9.8%	17.6%	*27.5%
No. of Brokerage Firms	~194	~196	~197	~196	~197
Regulatory Authority	Securities & Exchange Commission (SECP)				

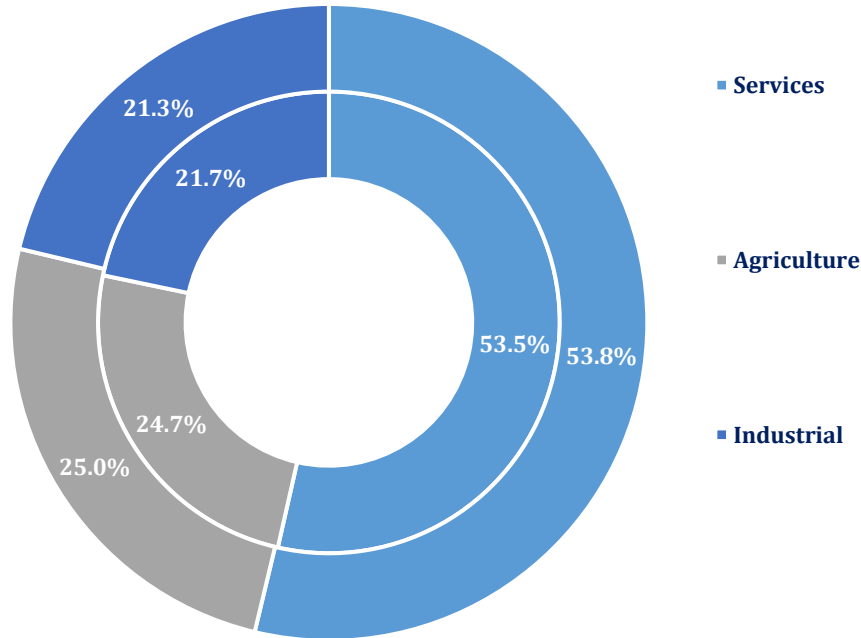
Notes: *6MFY25 GDP figure is prorated.

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Local | GDP Breakdown

- Pakistan's real GDP posted a growth of ~2.5% in FY24 (FY23: ~-0.2%). In nominal terms, during FY24, GDP stood at PKR~105.6trln as compared to PKR~83.9trln in FY23.
- The top 5 sectors in terms of contribution to GDP are (i) Wholesale & Retail Trade; (ii) Transport, Storage & Communication; (iii) Livestock; (iv) Large Scale Manufacturing; and (v) Other Private Services.

Sectoral Share in GDP



Sector-wise GDP Break-Up (%)				
Sector	FY23	FY24	1QFY24	1QFY25
Livestock	14.1	13.9	14.6	16.4
Crops	9.8	10.5	9.8	8.7
Forestry	0.5	0.4	0.4	0.4
Fishing	0.3	0.3	0.2	0.2
Agricultural Sector	24.7	25.0	25.0	25.7
Large Scale Manufacturing	10.7	10.2	10.4	9.8
Electricity Generation + Distribution & Gas Distribution	2.5	2.6	2.4	2.4
Small Scale Manufacturing	2.2	2.3	2.3	2.4
Construction	2.7	2.5	2.7	2.4
Mining & Quarrying	2.2	2.2	2.1	2.3
Slaughtering	1.4	1.5	1.5	1.6
Industrial Sector	21.7	21.3	21.4	20.9
Wholesale & Retail Trade	19.9	19.4	19.2	19
Transport, Storage & Communication	5.4	7.3	6.9	7.3
Other Private Services	8.6	8.8	8.6	9.3
Housing Services	4.2	3.7	3.8	3.9
General Government Services	4.4	4.0	4.1	4.0
Education	2.4	2.3	2.2	2.3
Human Health & Social Work Activities	1.5	1.5	1.5	1.7
Finance & Insurance	4.0	3.7	4.1	2.5
Information & Communication	1.6	1.6	1.5	1.7
Accommodation & Food and Services	1.5	1.5	1.6	1.6
Services Sector	53.5	53.8	53.5	53.3

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Local | Yearly Economic Indicators

Monetary Sector	FY15	FY16	FY17	FY18	FY19	5 Year Avg	FY20	FY21	FY22	FY23	FY24	5 Year Avg	6MFY24	6MFY25
Avg. Inflation Rate (CPI)	4.5%	2.9%	4.2%	3.9%	7.3%	4.6%	10.7%	8.9%	11.4%	29.4%	23.8%	18.8%	29.7%	7.3%
Avg. KIBOR (%)	8.9%	6.5%	6.1%	6.4%	10.4%	7.7%	12.0%	7.4%	10.8%	18.3%	21.9%	14.1%	22.6%	15.9%
Monetary Policy Rate (MPR) (period-end)	6.5%	5.8%	5.8%	6.5%	12.3%	7.4%	7.0%	7.0%	13.8%	22.0%	20.5%	14.1%	22.0%	13.0%
Avg. PKRV (%)	8.7%	6.3%	6.0%	6.3%	10.2%	7.5%	11.8%	7.3%	10.7%	18.1%	21.7%	13.9%	22.4%	15.6%
Avg. Exchange Rate (USD/PKR)	101.5	104.4	104.8	110.1	136.5	111.4	158.4	160.5	191.9	247.7	283.2	208.3	287.3	278.2
External Sector	FY15	FY16	FY17	FY18	FY19	5 Year Avg	FY20	FY21	FY22	FY23	FY24	5 Year Avg	6MFY24	6MFY25
Current Account Balance (USD mln)	-2,815	-4,961	-12,270	-19,195	-13,434	-10,535	-2,970	-1,852	-17,481	-3,276	-1,695	-5,455	-831	1,210
Exports (USD mln)	24,090	21,972	22,003	24,768	24,257	23,418	22,536	25,630	31,792	27,735	30,677	27,674	14,981	16,639
Imports (USD mln)	41,357	41,118	48,001	55,671	51,869	47,603	43,645	53,785	80,177	55,198	54,798	57,521	26,129	27,842
Trade Balance (USD mln)	-17,267	-19,146	-25,998	-30,903	-27,612	-24,185	-21,109	-28,155	-48,385	-27,463	-24,121	-29,847	-11,148	-11,203
FX Reserves (USD mln)	18,699	23,099	21,403	16,384	14,482	18,813	18,886	24,398	15,537	9,160	13,996	16,395	12,673	15,927

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Local | Monthly Economic Indicators

Monetary Sector	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Avg. Inflation Rate (CPI)	28.3%	23.1%	20.7%	17.3%	11.8%	12.6%	11.1%	9.6%	6.9%	7.2%	4.9%	4.1%
Avg. KIBOR (%)	21.0%	21.5%	21.5%	21.6%	21.3%	20.4%	19.9%	18.6%	17.0%	14.5%	13.4%	12.3%
Monetary Policy Rate (MPR) (period-end)	22.0%	22.0%	22.0%	22.0%	22.0%	20.5%	19.5%	19.5%	17.5%	17.5%	15.0%	13.0%
Avg. PKRV (%)	20.9%	21.3%	21.2%	21.3%	21.2%	20.4%	19.6%	18.2%	16.6%	14.1%	13.1%	12.0%
Avg. Exchange Rate (USD/PKR)	280.5	279.3	278.7	278.2	278.3	278.4	278.4	278.6	278.2	277.7	277.9	278.2
External Sector	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
(USD mln)												
Current Account balance for the Month	-303	98	434	491	-248	-313	-246	29	86	349	684	582
Exports	2,791	2,583	2,572	2,351	2,389	2,558	2,307	2,762	2,839	2,982	2,833	2,919
Imports	4,771	4,306	4,873	4,846	4,948	4,964	4,278	4,509	4,671	4,567	4,518	5,393
Trade Balance	-1,980	-1,723	-2,301	-2,495	-2,559	-2,406	-1,971	-1,747	-1,832	-1,585	-1,685	-2,474
FX Reserves	12,594	12,448	12,760	13,750	13,650	13,996	13,967	14,147	15,401	15,467	16,133	15,927

Note: MPR percentages are percentages at the month end

Brokerage Firms

Local | KSE-100 Returns | Monthly & Annual

KSE-100 Index	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	6MFY24	6MFY25
Index Value	34,399	37,784	46,565	41,911	33,902	34,422	47,356	41,541	41,453	78,445	62,451	115,127
Returns (%)	16.0%	9.8%	23.2%	-10.0%	-19.1%	1.5%	37.5%	-12.3%	-0.2%	89.2%	54.5%	84.3%
Avg. Volume ('000)	140,985	113,970	140,349	83,873	96,809	135,873	246,962	114,877	89,779	233,956	247,581	283,512

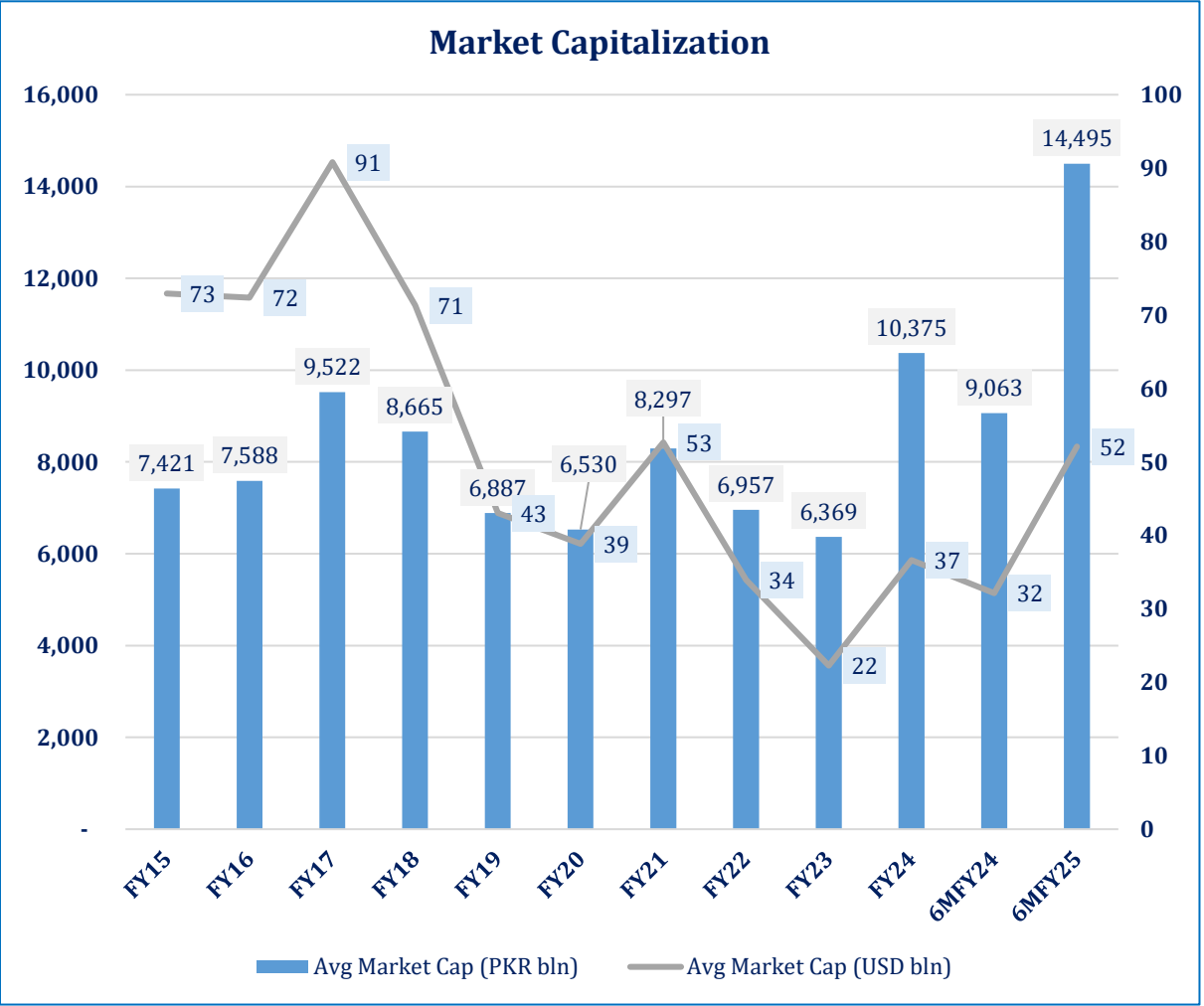
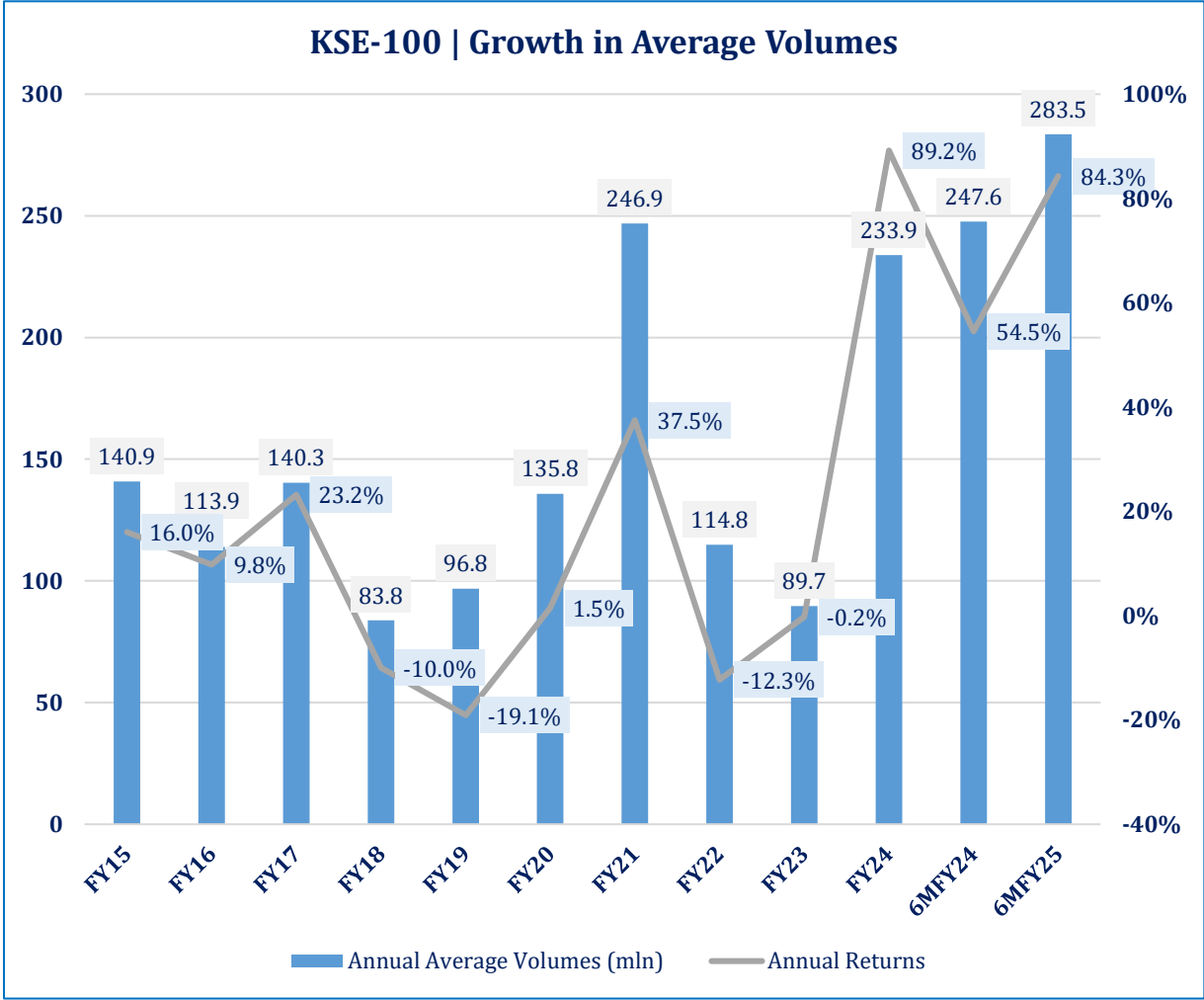
KSE-100 Index	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24
Index Value	32,816	47,807	40,471	37,067	40,735	43,755	44,596	40,420	62,451	115,127
Returns (%)	2.1%	45.7%	-15.3%	-8.4%	9.9%	7.4%	1.9%	-9.4%	54.5%	84.3%
Avg. Volume ('000)	142,929	130,599	102,467	96,572	107,225	208,139	190,870	98,396	166,594	252,596

KSE-100 Index	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Index Value	61,979	64,578	67,005	71,102	75,878	78,445	77,887	78,488	81,114	88,967	101,357	115,127
Returns (%)	-0.8%	4.2%	3.8%	6.1%	6.7%	3.4%	-0.7%	0.8%	3.3%	9.7%	13.9%	13.6%
Avg. Volume ('000)	294,969	190,529	163,948	241,316	236,408	175,794	186,225	160,700	153,609	273,320	379,481	542,521

Note: Index Values are the closing values on the last trading day of each month/year

Brokerage Firms

Local | Market Volumes & Capitalization s



Note: Market capitalization are the closing values on the last trading day of each FY.

Brokerage Firms

Local | Fee-based Income

- As per PSX Notice No. N-1258, the commission range of 3 paisa/share or 0.15% of the value (whichever is higher) up to 2.5% of the transaction value has been prescribed, in light of the fact that some brokerage houses were charging nominal or zero commission rates.
- Additionally, average daily volumes of the KSE-100 index stood at ~251.2mln shares in CY24 (CY23: ~166.8mln) on the back of positive market sentiment owing to a policy rate cuts, crackdown on hoarders and smugglers of USD, and structural reforms in the Exchange Companies (ECs) sector to cater foreign exchange needs of the general public burgeoning external account deficit.
- The estimated brokerage sector fee-based income during CY24 as per the minimum fee (3 paisa/share) increased to PKR~1.9bln (CY23: PKR~1.2bln) a YoY increase of ~53.2% due to increase in the volume of KSE-100 by ~53.2% YoY as it clocked in at ~62.3bln (CY23: ~40.6bln).

*Estimated Brokerage Fee Income CY24		
Month	Total Volumes (KSE-100)	Minimum Fee (3 paisa/share)
Jan-24	6,784,275,806	203,528,274
Feb-24	3,620,055,434	108,601,663
Mar-24	3,442,916,566	103,287,497
Apr-24	4,585,000,275	137,550,008
May-24	4,964,561,989	148,936,860
Jun-24	2,988,505,860	89,655,176
Jul-24	3,798,187,922	113,945,638
Aug-24	3,374,705,448	101,241,163
Sep-24	3,072,181,927	92,165,458
Oct-24	6,286,357,342	188,590,720
Nov-24	7,969,099,191	239,072,976
Dec-24	11,392,932,369	341,787,971
Total	62,278,780,129	1,868,363,404

Brokerage Firms

Local | Net Buy/Sell

Net Buy/Sell (PKR mln)							
Participants	FY20	FY21	FY22	FY23	FY24	6MFY24	6MFY25
Individuals	34,001	53,276	28,420	20,142	-16,602	-2,249	7,329
Companies	4,245	22,142	20,182	26,233	10,224	14,904	7,422
Banks / DFIs	-8,516	-15,412	21,030	17,923	-40,353	-26,730	-5,760
NBFC	707	27	500	63	-271	-84	-121
Mutual Funds	-7,792	1,761	-23,598	-35,820	-13,382	-14,547	50,810
Other Organizations	4,973	6,889	10,481	5,858	-9,283	-3,038	-4,801
Broker Proprietary Trading	-2,105	-5,270	-3,409	-3,917	-6,036	-6,165	-1,619
Insurance Companies	20,179	-1,357	-1,810	-30,543	36,153	17,736	-1,347
LIPI NET	45,691	62,055	51,796	-62	-39,550	-20,173	51,912
Foreign Individuals	-134	12	662	5,559	295	354	-529
Foreign Corporates	-49,033	-60,141	-63,841	-15,734	42,749	21,162	-50,924
Overseas Pakistanis	3,477	-1,926	11,383	10,244	-3,494	-1,343	-459
FIPI NET	-45,691	-62,055	-51,796	70	39,550	20,173	-51,912

Net Buy/Sell (USD mln)							
Participants	FY20	FY21	FY22	FY23	FY24	6MFY24	6MFY25
Individuals	213	332	157	84	-60	-8	26
Companies	27	138	111	100	36	53	27
Banks / DFIs	-55	-95	115	74	-141	-92	-21
NBFC	5	0	3	0	-0.9	0	-0.4
Mutual Funds	-50	10	-128	-144	-47	-51	183
Other Organizations	32	45	60	25	-33	-11	-17
Broker Proprietary Trading	-13	-32	-20	-15	-21	-21	-6
Insurance Companies	128	-10	-1	-124	126	60	-5
LIPI NET	285	387	298	-2	-141	-71	187
Foreign Individuals	-1	0	4	24	1	1	-2
Foreign Corporates	-306	-375	-367	-67	152	75	-183
Overseas Pakistanis	22	-13	65	45	-13	-5	-2
FIPI NET	-285	-387	-298	2	140	71	-187

Note: FIPI stands for Foreign Investors Portfolio Investments, while LIPI means Local Investors Portfolio Investments.

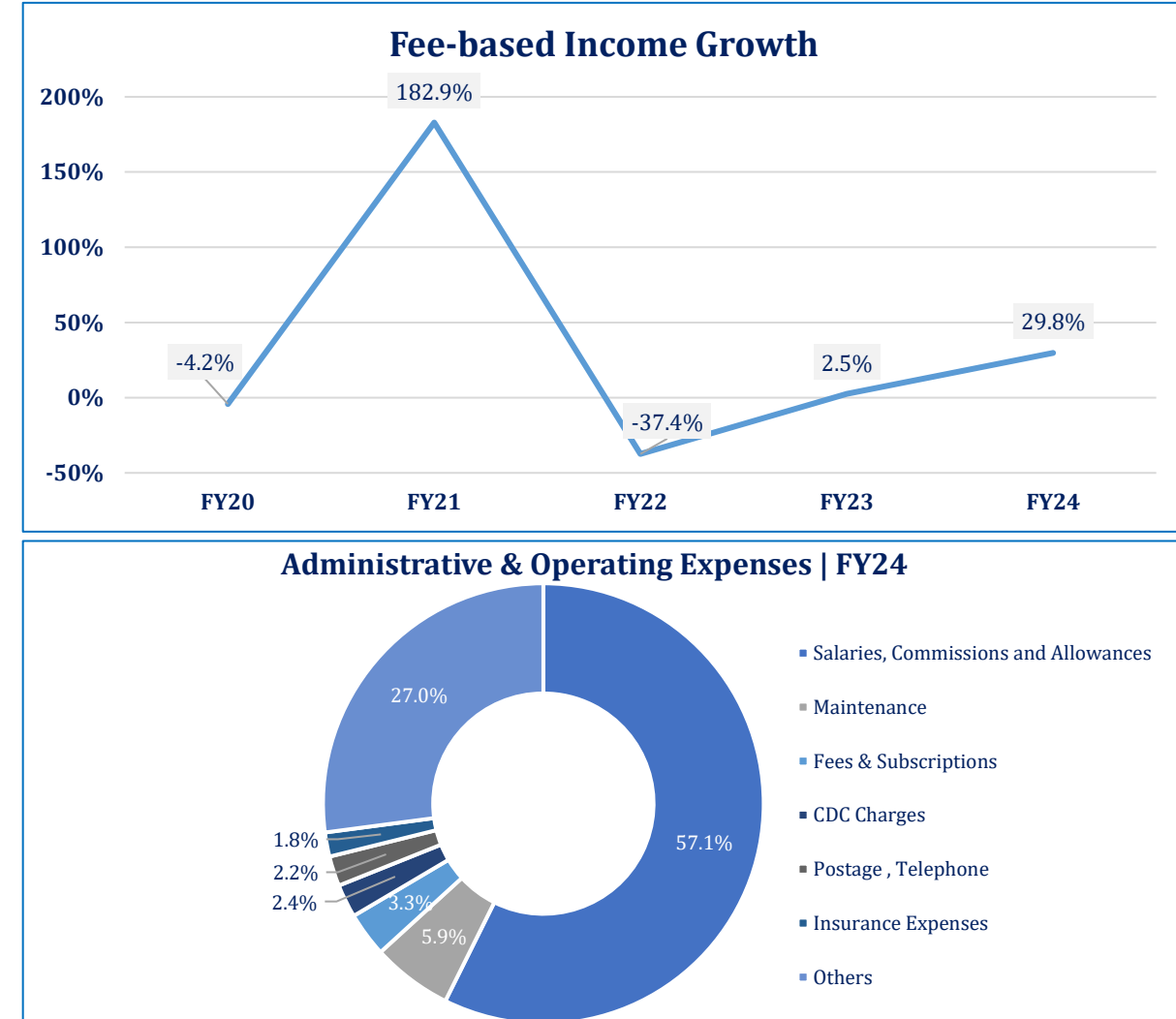
Brokerage Firms

Local | Business Risk

Operating Revenue

- The Sector's fee-based income increased by ~29.8% in FY24 (SPLY: ~2.5% growth). During the year, brokers' performance was impacted by positive investor sentiment Improving macroeconomic indicators under the new IMF program, i.e. falling inflation, falling yields on fixed income, aggressive monetary easing of 900 bps by the central bank improved external accounts, stable currency, and political stability, drove the strong performance of market in FY24 This can also be inferred from improved average volume of KSE -100 index in FY24~170.6mln compared to ~86.4mln in FY23.
- PSX also saw an increase in offerings in CY24, with the witnessing 07 IPOs, compared to just 01 IPO in the previous year. The total amount raised from investors through the 07 offerings in FY24 stood at PKR 8.4bln, marking the highest level since 2021.

Cost Structure: In FY24, ~57.1% of the administrative and operating expenses comprised salaries, commissions and allowances, followed by ~5.9% maintenance charges and ~3.3% Fees and Subscription, While during FY24 administrative & operative expense increased by ~10.6% YoY.



Brokerage Firms

Local | Financial Risk

- **Credit risk** emanates from the inability of clients to pay for the securities purchased on their behalf. This can be minimized through appropriate procedures and controls regarding client acceptance and assessment of client credit worthiness.
- **Market risk** arises primarily from adverse movements in investment values such as the change in stock price of an equity instrument. Investors can have different appetites for the level of market risk that they are willing to take on. Moreover, different instruments have different levels of risk associated with them.
- The Sector’s exposure to market risk can be evaluated through the equity instruments to total investments ratio. A higher share of equity indicates greater level of market risk. The Sector’s average equity instruments to total investments ratio stood at ~52.6% in FY24 (FY23: ~37.8%).
- **Liquidity risk** occurs due to insufficient funds to meet financial obligations when they become due. This can be minimized by maintaining sufficient liquid investments and having the ability to raise funds in a timely and cost-effective manner from external sources.
- The liquidity risk can be evaluated through the Liquid Assets-to-Trade related Liabilities ratio. The Sector recorded an average liquidity ratio of ~175.0% in FY24 (FY23: ~285.4%). A ratio above 100% indicates that firms have enough liquidity to pay off liabilities that may arise in the short term.
- **Capital Adequacy:** The Sector’s average equity to total assets ratio clocked in at ~49.1% during FY24 (FY23: ~55.0%).

Sector Average	FY20	FY21	FY22	FY23	FY24
Equity Instrument/Investment	64.7%	62.5%	59.0%	37.8%	52.6%
Liquid Assets/Trade Related Liabilities	262.1%	193.9%	353.5%	285.4%	175.0%
Equity/Total Assets	58.0%	62.5%	54.0%	55.0%	49.1%

Note: Calculations are based on PACRA rated Brokerage Firms

Brokerage Firms

Local | Regulatory Framework

- The primary regulatory body for brokers is the Securities and Exchange Commission of Pakistan. There are a comprehensive set of regulations that govern the activities of brokers. These include the Securities Brokers (Licensing and Operations) Regulations 2016, the SECP Act 1997, the Anti-Money Laundering Act 2010 as well as regulations of the Pakistan Stock Exchange (PSX), Central Depository Company (CDC) and National Clearing Company of Pakistan (NCCPL).
- The PSX prescribes a standard commission range of 3 paise/share or 0.15% of the transaction value (whichever is higher) up to 2.5% of the transaction value. The table shows the broker categories in the guidebook on licensing of securities updated on Apr 01, 2023.

Categories	Trading Only		Trading and Self Clearing	Trading and Clearing
Description	<p>The broker can only execute its proprietary trades and trades on behalf of its customers but cannot settle executed trades or keep custody of securities or money owned by it and its customers.</p> <p>Online Only The emerging category of exclusively online brokers seeks to prompt fresh entrants to initiate brokerage operations with reduced initial infrastructure and operational expenses, relying solely on electronic methods.</p>		<p>The broker can execute as well as settle its proprietary trades and trades executed on behalf of its customers and can keep custody of securities and money owned by it and its customers subject to such conditions as may be imposed by the Commission.</p>	<p>The broker can execute as well as settle its proprietary trades and trades executed on behalf of its customers and can keep custody of securities and cash owned by it and its customers subject to such conditions as imposed by the Commission and, in addition, such securities broker can settle trades of other securities brokers and their customers and keep custody of the securities and cash owned by such other securities brokers and their customers.</p>
Minimum Net Worth	PKR 15mln	7.5mln	PKR 50mln	PKR 500mln
Liquid Capital Requirement	PKR 5mln	Not Applicable	PKR 10mln	PKR 50mln
Minimum Net Capital Balance	Not Applicable	PKR 1mln	PKR 10mln	PKR 15mln
Assets Under Custody Limit	2x of Net Worth	Not Applicable	25x of Net Worth	35x of Net Worth

Brokerage Firms

Local | Regulatory Framework | Recent Developments

- The GoP made certain amendments to the tax structure applicable for brokerage firms through the Annual Budget FY22 and it is still applicable.
 - i. Individuals having turnover of PKR~100mln or more added to the classification of 'withholding agent/prescribed person' for the purpose of collecting tax under section 233 of the Income Tax Ordinance, 2001. Previously, the withholding agent classification included federal, provincial and local governments, companies and association of persons.
 - ii. In addition, sections 233A and 233AA were both withdrawn in the budget. Section 233A encompassed the collection of advance tax by the stock exchanges on purchase and sale of shares. Meanwhile, section 233AA encompassed the collection of advance tax by NCCPL from margin financiers, trading financiers and lenders in respect of margin financing.
- The Pakistan Stock Exchange (PSX) launched a technologically-advanced New Trading System (NTS) on May 15, 2023 that replaced KATS (Karachi Automated Trading System). This new system aims to enhance security features, addressing concerns related to investor data protection and resolving issues of data leaks and theft. The New Trading System (NTS) was purchased from the Shenzhen Stock Exchange (SZSE) for USD~2.85mln. It has a built-in surveillance system capable of preventing and detecting data leakages and theft attempts. It can also conclude trading sessions in just 30 seconds, as compared to 30 minutes required with the current KATS.
- The Securities and Exchange Commission of Pakistan (SECP) has notified the Securities Managers (Licensing and Operations) Regulations 2024, the new regulatory framework allows eligible securities brokers to offer portfolio management services upon obtaining a securities manager license from the SECP. Prior to these regulations, securities brokers were prohibited from providing investment advisory services. To obtain a securities manager license, brokers must meet specific eligibility criteria, including maintaining a minimum net worth of Rs30 million and a Broker Fiduciary Rating (BFR) of 2 or higher. Additionally, applicants must demonstrate sufficient research capabilities to perform the functions of a securities manager. Under the regulations, customer funds and securities must be held by an independent custodian. The minimum investment threshold for a securities manager to accept from a client is set at Rs5m.

Brokerage Firms

SWOT Analysis

- Strong regulatory oversight through SECP and PSX.
- Potential significant returns, boosting investor confidence

Strengths

Weaknesses

- Any kind of uncertainty, be it political, social or economic can have a negative impact on the stock market and in turn on the brokerage firms.
- Some of the regulatory requirements, e.g. minimum capital, may be difficult for small brokers to meet.

- Deteriorating economic indicators such current account deficit, currency depreciation and rising inflation can create negative sentiment in the market.

Threats

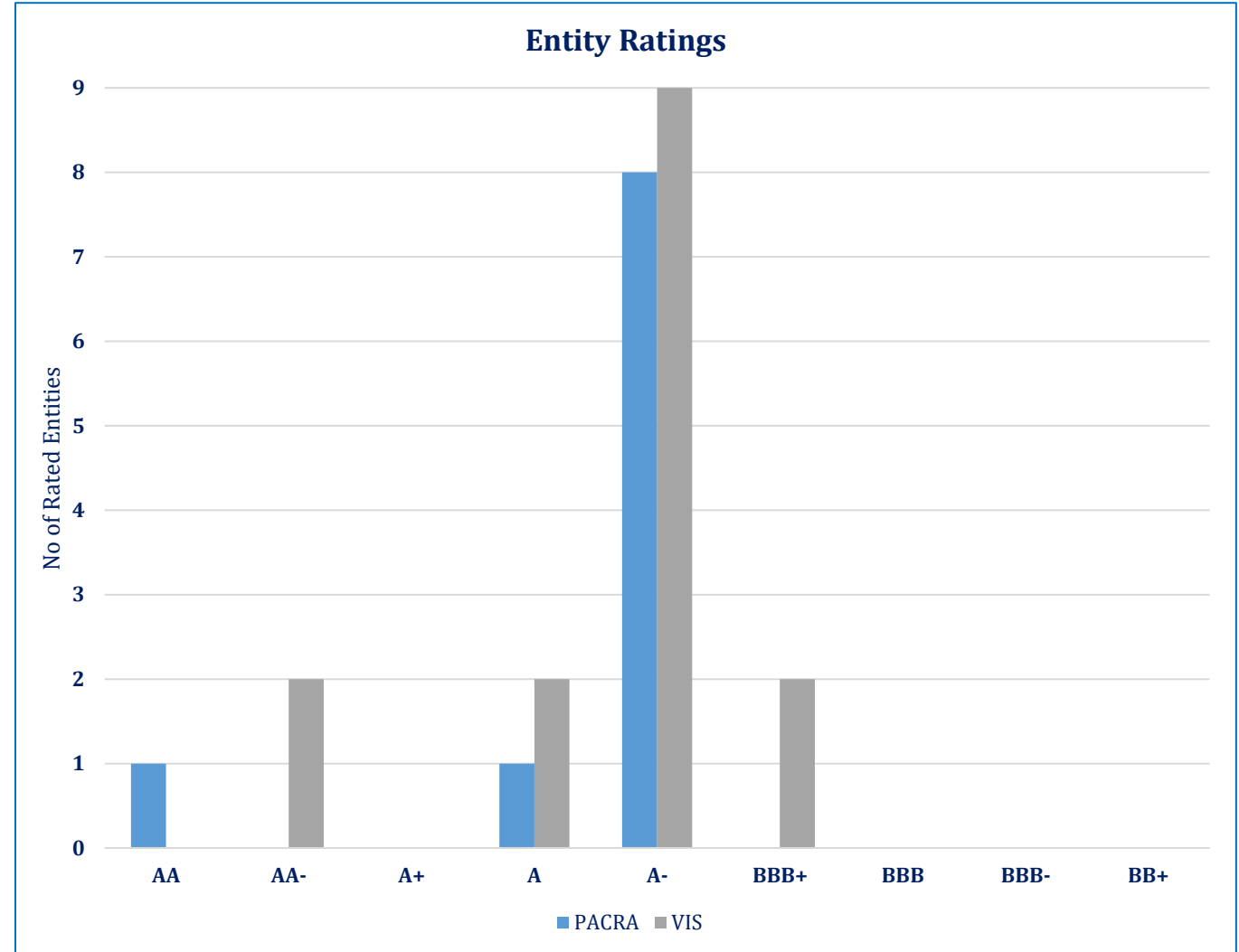
Opportunities

- Pakistan is a highly volatile economy; such an environment can create potential opportunities for earning high returns.

Brokerage Firms

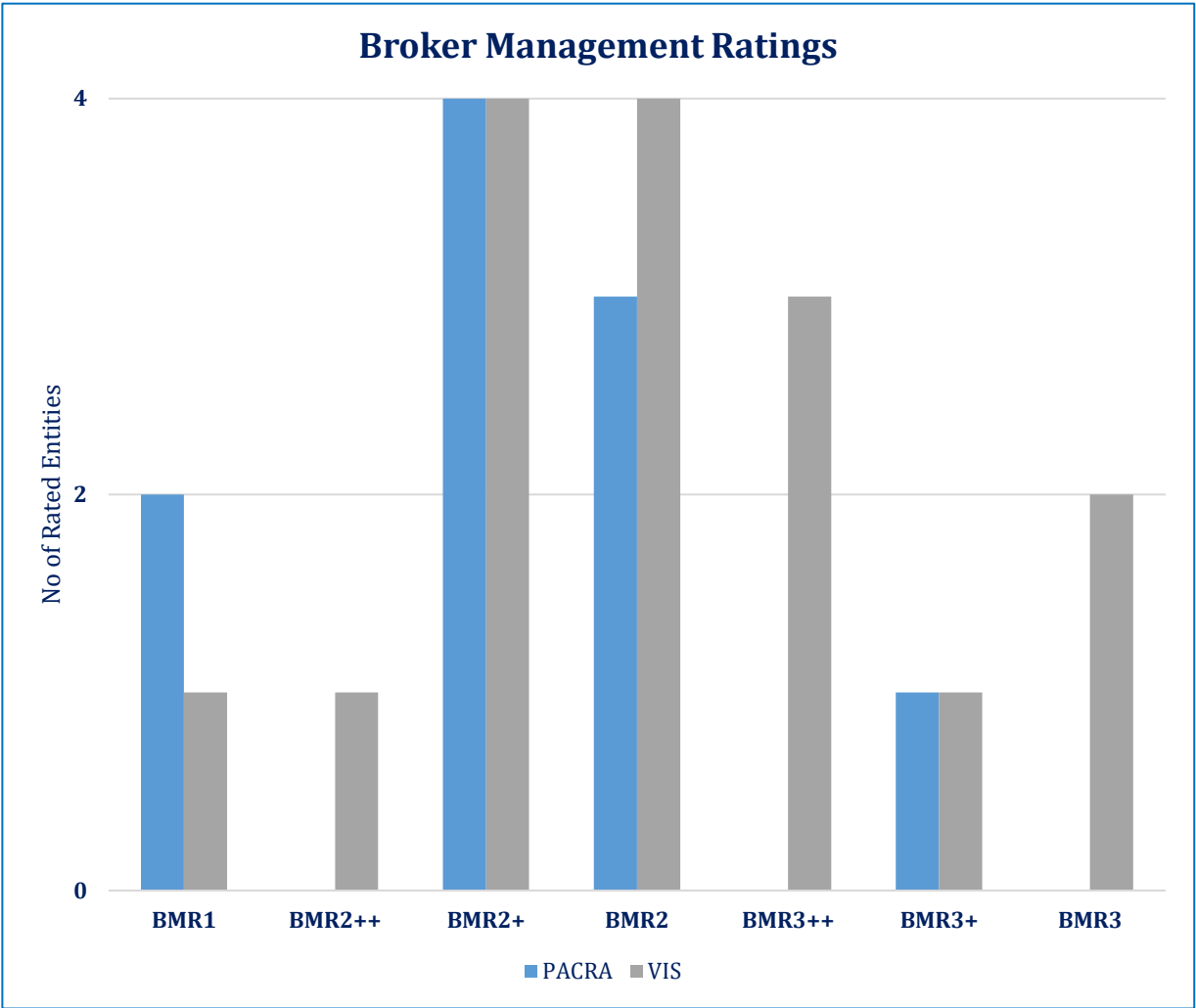
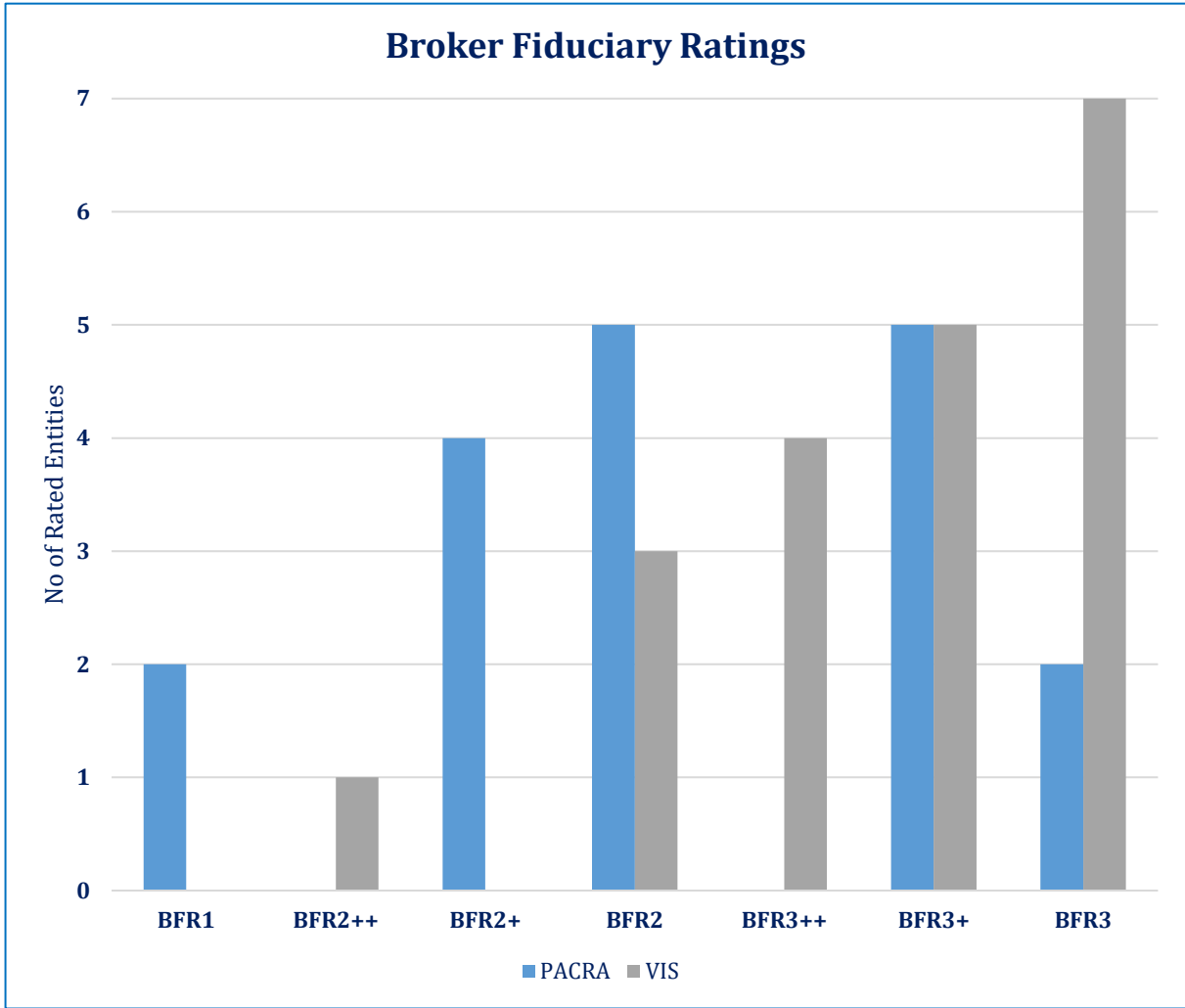
Rating Curve

- PACRA rates a total of 18 Brokerage firms. Out of which PACRA provides Entity ratings to 10 brokerage firms with a long-term rating in the bandwidth of A- to AA.
- In addition, PACRA also provides Broker Management Ratings (BMR) ratings to 10 brokerage firms with a long-term rating bandwidth of BMR3 to BMR1. PACRA's Broker Management Rating aims to facilitate investors to differentiate between brokers on the basis of quality of management and services provided.
- Moreover, PACRA provides 18 Broker Fiduciary Ratings (BFR) with a long-term rating bandwidth of BFR3 to BFR1. Broker Fiduciary Rating (BFR) represents PACRA's opinion on the customer service and sustainability of operations of a broker.



Brokerage Firms

Rating Curve



Brokerage Firms

Outlook: Stable

- In FY24, Pakistan's GDP (nominal) stood at PKR~105.4trn (FY23: PKR~101.1trn), increasing, in real terms, by ~2.4% YoY (FY23: ~-0.21% decline). Industrial activities in FY24 held ~21.9% share in the GDP while manufacturing activities made up ~62.9% of the value addition. In 4QFY24, Pakistan's GDP (nominal) stood at PKR~25.1trn (4QFY23: PKR~21.1trn), rising in real terms by ~3.1% YoY (3QFY24: ~2.4% YoY). The real GDP growth rate (~0.9%) for 1QFY25 signals an improvement in economic activity as compared to SPLY as Pakistan's GDP (nominal) clocked in at PKR~26.2trn.
- In FY24, the Sector was impacted positively as macroeconomic indicators begin to stabilize. Pakistan secured the first IMF trench of USD ~1.03bln in Sep'24, SBP reduced policy rate between Jul'24 to Dec'24 by 900bps to ~13.0% and CPI inflation dropped to ~4.1% reaching to all time low levels of Apr'18.
- Investors sentiment can be directly reflected in broker income as it depicted a staggering increase of ~29.8% YoY . PSX saw 07 IPOs in CY24 compared to the single IPO in CY23, the total amount raised from investors through the 07 offerings in CY24 stood at PKR 8.4bln, marking the highest level since CY21.
- While, in CY24, a return of ~84.3% was observed in KSE-100 index, which was reflective of the rebound in economic activity and improved investor confidence in 2HCY24. KSE-100 index observed an all-time high index value of ~116,169 on Dec 16, 2024 due to a number of reasons that include policy rate cuts, lower inflation, improved foreign reserves and current account surplus which provided an increase in income earning for brokers.
- Going forward these developments are expected to have a positive effect on the performance of KSE-100 index in FY25 as it would improve the investor's confidence regarding the economic stability of the country. Meanwhile, CPEC Phase 2.0 focuses on industrial, agricultural, and trade development, with significant emphasis on infrastructure and renewable energy projects, providing a transformative impact on Pakistan's economic landscape.

Brokerage Firms

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