



The Pakistan Credit Rating Agency Limited

## Rating Report

### NBP Fund Management Limited

#### Report Contents

1. Rating Analysis
2. Rating Scale
3. Regulatory and Supplementary Disclosure

#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
22-Jun-2022	AM1	-	Stable	Maintain	-
23-Jun-2021	AM1	-	Stable	Maintain	-
24-Jun-2020	AM1	-	Stable	Maintain	-
24-Dec-2019	AM1	-	Stable	Maintain	-
27-Jun-2019	AM1	-	Stable	Maintain	-
28-Dec-2018	AM1	-	Stable	Maintain	-
30-Jun-2018	AM1	-	Stable	Maintain	-
08-Dec-2017	AM1	-	Stable	Maintain	-
21-Apr-2017	AM1	-	Stable	Upgrade	-
04-Aug-2016	AM2++	-	Stable	Maintain	-
04-Jul-2016	AM2++	-	Rating Watch	Rating Watch	-

#### Rating Rationale and Key Rating Drivers

The rating reflects the NBP Fund Management Limited's ("NBP Fund" or the "Company") dominant market position as one of the leading players in the asset management industry. The rating takes comfort from stable & professional management team, well defined investment process, well-developed risk management function, and strong brand name. The AMC has one of the biggest sales infrastructure, aggressive sales strategy is in place which has strengthened the sales force and contributed towards enhanced retail clientele and geographic expansion. Since Jun'21, the AUMs base of the Company meagerly grew by ~1% (as on Mar'22) as the Company focused on money market and fixed income categories. However, the market share fell to 14.9% at end Mar'22 (FY21: 15.9%) whereby the market grew on a faster pace by ~7.6%. The large retail customer base of the Company, having granularity, provides support to the AUMs base. The Company boasts with 207,648 retail clients as at Mar'22 which is the highest number in market. During 9MFY22, the fund performance has remained above par with majority of the Funds beat the industry averages except equity category fund's which remained in line with market performance and could not generate the expected returns. The capitalization and fee generation capabilities provide cushion against market volatility. The Company remained profitable during 9MFY22 with PKR 198mln while the equity base of the Company reported at PKR 1,325mln. The rating incorporates the Company's association with a renowned bank - National Bank of Pakistan - and potential synergies.

The rating is dependent on the management's ability to sustain its market share. Upholding strong organization structure and controls along with retention of key personnel is imperative. Consistent superior fund performance remains imperative for the rating.

#### Disclosure

<b>Name of Rated Entity</b>	NBP Fund Management Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Methodology   Asset Manager Rating(Jun-21),Criteria   Rating Modifiers(Jun-21)
<b>Related Research</b>	Sector Study   Asset Managers(Jun-21)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504



## Profile

**Structure** NBP Fund Management Limited (Formerly: NBP Fullerton Asset Management Limited), was incorporated in 2005 as a public unlisted company.

**Background** The Company is licensed by SECP to carry out asset management and investment advisory services. NBP Fund is one of the largest Asset Management companies in Pakistan with diversified product slate in conventional and shariah compliant categories.

**Market Share** The market share of Company has decreased by 1% and currently stood at 14.9% at end Mar'22 (Jun'21: 15.9%). However, the Company still retained its second highest AUMs share in market.

**Diversification Of Fund Mix** The Company is currently managing a diverse product slate of thirty-four funds in twelve different conventional and Shariah Compliant categories, one dedicated equity fund, two voluntary pension schemes and one exchange traded fund. Several investment advisory mandates SMAs.

**Investor Concentration** At AMC level, the top 10 investor concentration stood at 26.5% at end Mar'22 and the average related party holding represents 17.6% of total AUM.

## Ownership

**Ownership Structure** NBP is the largest shareholder of NBPFML with a stake of 54% followed by Baltoro Growth Fund with a stake of 36%. The CEO of NBP Fund, Dr. Amjad Waheed, CFA, and family members, hold the remaining 10% stake in the Company.

**Business Acumen** Building on decades of expertise and sustained profitability, National Bank of Pakistan enjoys strong financial foundation and outreach across all regions of the country. It is one of the most recognized names in banking industry.

**Financial Strength** NBP is the largest shareholder followed by Baltoro Growth Fund. Association with NBP provides a strength with a network of 1,504 domestic and 21 overseas branches. NBP enjoys highest credit rating of 'AAA' by PACRA. With an asset base of PKR 3.9tn at end Dec'21, the association with National Bank of Pakistan provides strong support and lend credence to NBP Fund.

## Governance

**Board Structure** The Company's nine-member board comprises the CEO, three representatives of National Bank of Pakistan, two representatives of Baltoro Growth Fund and three independent directors

**Members' Profile** Muhammad Abdul Wahid Sethi, Mehnaz Salar and Tauqeer Mazhar are the representatives of NBP whilst Ali Saigol and Imran Zaffar are the representatives of Baltoro Growth Fund. The board carries diversified experience (32 Years on average) in different business areas, particularly banking and investment management

**Board Effectiveness** There are three committees at the board level, Audit and Risk Committee, HR and Remuneration Committee and Strategy and Business Planning for effective monitoring and board assistance. The board meeting attendance ratio is almost 100% for all board of directors

**Transparency** The external auditors of the Company are Yusuf Adil Chartered Accountants, which fall under category A+ auditor.

## Management

**Organizational Structure** NBP Fund operates through thirteen departments. For smooth functioning, there are nine management committees headed by the CEO except for Operational & Financial Risk Management Committee, which is headed by the CFO.

**Management Team** The management team of NBP Fund comprises of experienced and qualified professionals. CEO, Dr. Amjad Waheed, CFA, holds a Doctorate in Business Administration. He has extensive experience in domestic and international capital markets spanning over two decades. Mr. Asim Wahab Khan, Chief Investment Officer (replaced ex-CIO Mr. Sajjad Anwar), holds MBA in Finance and is a CFA Charter holder. He has been associated with the Company for more than six years.

**Technology Infrastructure** The Company is using an in-house developed asset management application as its core business software. The system has separate modules for equity and fixed income securities.

**Control Environment** The risk management department is being led by Mr. Saadat Saeed ACA, CFA and FRM and generates a variety of MIS reports. NBP Fund has an in-house Internal Audit Department (IAD), headed by Mr. Syed Waheed Ul Hassan Abidi CA. IAD is independent of the management and reports quarterly to the Audit and Risk Committee of the Board.

## Investment Risk Management

**Credit Risk** The Company has an internal risk assessment software (MIS reports) that generates variety of reports, and limits overall exposure as per defined limits.

**Liquidity Profile** The Company has a sound IT infrastructure providing liquidity status report to management team. NBPFML maintains liquidity cushions for anticipated redemption requirements and strictly adheres to defined limits.

**Market Risk** The risk management department conducts regular sessions with the fund management department to deliberate on the prevailing industry dynamics and market conditions. NBP Fund manages market risk by monitoring exposure in marketable securities, following the internal risk management policies, and regulations laid down by the SECP.

## Portfolio Management

**IC Composition** The investment decision making process is well-structured with the CEO providing critical support. The Company convenes separate Investment Committees, each for fixed income and equity funds. Each committee comprises CEO, CIO and Head of Research along with the head of fixed income and head of equity accompanied by respective fund managers and head of risk as a permanent member.

**Effectiveness** The Investment Committee formally meets on weekly basis and the research department presents an investment summary to the committee.

**Investment Research And Analysis** The research department falls under the purview of CIO, headed by Mr. Hassan Raza, CFA having over six years of experience in the equity research. The team comprises of six well experienced and qualified research analysts. Fund performance is also monitored by the research department on a regular basis. To retain and increase its share in the SMA segment, management has a complete separate team to provide personalized services to high net worth individuals.

## Customer Relationship

**Investor Services** Fund offers online portal, mobile-app, 1-Link and M-Net ATM services to facilitate its investors for online transactions. The Company has also setup a call center for complaints resolution. The company has also developed an Online Portfolio Information System for SMA Clients.

**Investor Reporting** The Company publishes fund manager reports on its website in a timely manner. The CEO and CIO also provides summarized short videos on market and sector analytics.

**Distribution And Sales Network** Distribution and sales network of the Company comprises of retail and Corporate segments. The retail segment falls under the purview of CEO. NBP Fund has a large sales team of ~900 employees. Client Relationship Management is implemented centrally and provides useful guidance in monitoring performance of sales managers and investment consultants.

## Performance

**Asset Under Management** Since Jun'21, AUM base of the Company meagerly grew by ~1% (as on Mar'22) as the Company focused on money market and fixed income categories. However, the market share fell to 14.9% at end Mar'22 (FY21: 15.9%) whereby the market grew on a faster pace by ~7.6%. The Company boasts with 207,648 retail clients as at Mar'22 which is the highest number in market.

**Asset Manager** The management fee earned during 9MFY22 stood at PKR 796mln (SPLY: PKR 746mln). The profitability of Company was PKR 198mln (SPLY: PKR 178.5mln), cash and cash equivalents amounted to PKR 17mln (SPLY: PKR 23.6mln). The Company has strong capitalization with equity standing at PKR 1.3bln at Mar'22.

Fund's Performance   NBP Fund Management Limited																
Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' min)			Return   9MFY22			9M-FYTD		Return   Rolling 12 Months			Rolling 12 Months	
				Mar-22	Dec-21	Jun'21	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Benchmark	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Benchmark
1	NBP Financial Sector Income Fund	Income	23.0%	39,095	39,286	40,638	9.4%	5.8%	9.6%	3.7%	-0.2%	8.9%	8.2%	9.1%	0.7%	-0.2%
2	NBP Money Market Fund	Money Market	22.1%	37,575	31,310	21,623	10.1%	5.8%	8.2%	4.3%	1.9%	9.5%	8.0%	7.8%	1.5%	1.7%
3	NBP Stock Fund	Equity	9.6%	16,277	18,250	20,694	-2.5%	-9.6%	-4.5%	7.1%	2.0%	2.7%	-7.2%	1.1%	9.9%	1.6%
4	NBP Islamic Mahana Amdani Fund	Shariah Compliant Income	7.1%	12,122	12,962	15,085	7.9%	5.9%	3.2%	2.0%	4.7%	7.6%	8.0%	3.2%	-0.4%	4.4%
5	NBP Islamic Daily Dividend Fund	Shariah Compliant Money Market	6.3%	10,744	11,959	13,292	8.5%	5.2%	3.4%	3.3%	5.1%	8.1%	7.0%	3.3%	1.1%	4.8%
6	NBP Income Opportunity Fund	Income	5.2%	8,789	10,254	7,954	9.0%	5.8%	9.6%	3.3%	-0.6%	8.6%	8.2%	9.1%	0.4%	-0.5%
7	NBP Islamic Money Market Fund	Shariah Compliant Money Market	3.9%	6,598	5,789	4,823	8.3%	5.2%	3.4%	3.1%	4.9%	7.8%	7.0%	3.3%	0.8%	4.5%
8	NBP Islamic Stock Fund	Shariah Compliant Equity	3.7%	6,365	6,674	8,203	-6.4%	-9.1%	-4.8%	2.7%	-1.6%	-2.5%	-9.4%	-0.2%	6.9%	-2.3%
9	NBP Islamic Income Fund*	Shariah Compliant Income	3.2%	5,449	4,281	3,247	8.3%	5.9%	3.2%	2.4%	5.1%	8.0%	8.0%	3.2%	0.0%	4.8%
10	NBP Mahana Amdani Fund	Income	2.6%	4,346	4,779	5,287	8.2%	5.8%	9.6%	2.5%	-1.4%	8.0%	8.2%	9.1%	-0.2%	-1.1%
11	NBP Islamic Sarmaya Izafa Fund	Shariah Compliant Asset Allocation	2.4%	4,141	4,607	5,611	-1.2%	-2.1%	-3.5%	0.9%	2.3%	2.6%	-0.7%	0.2%	3.3%	2.4%
12	NBP Riba Free Savings Fund	Shariah Compliant Income	1.8%	3,005	3,358	4,327	7.9%	5.9%	3.2%	2.0%	4.7%	7.5%	8.0%	3.2%	-0.5%	4.3%
13	NBP Islamic Savings Fund	Shariah Compliant Income	1.3%	2,159	2,135	2,155	8.4%	5.9%	3.2%	2.5%	5.2%	7.9%	8.0%	3.2%	-0.1%	4.7%
14	NBP Savings Fund	Income	0.9%	1,511	1,497	1,532	8.4%	5.8%	9.6%	2.7%	-1.2%	7.9%	8.2%	9.1%	-0.3%	-1.2%
15	NBP Government Securities Liquid Fund	Money Market	0.5%	926	1,006	1,439	10.8%	5.8%	8.2%	5.0%	2.6%	9.9%	8.0%	7.8%	1.9%	2.1%
16	NBP Islamic Energy Fund	Shariah Compliant Equity	0.4%	722	697	865	-5.9%	-9.1%	-4.8%	3.2%	-1.1%	-5.6%	-9.4%	-0.2%	3.8%	-5.4%
17	NBP Financial Sector Fund	Equity	0.3%	462	430	445	6.1%	-9.6%	-4.5%	15.7%	10.6%	11.9%	-7.2%	1.1%	19.1%	10.8%
18	NAFA Islamic Capital Preservation Plan I	Shariah Compliant Fund of Funds - CPPI	0.1%	92	97	130	5.0%	0.7%	-1.3%	4.3%	6.3%	7.7%	1.5%	1.7%	6.2%	6.0%
19	NBP Government Securities Savings Fund	Income	0.1%	157	157	213	9.8%	5.8%	9.4%	4.1%	0.4%	9.3%	8.2%	9.0%	1.1%	0.3%
20	NBP Islamic Regular Income Fund	Shariah Compliant Asset Allocation	0.1%	127	127	148	-6.8%	-2.1%	-3.6%	-4.7%	-3.2%	-4.6%	-0.7%	0.5%	-3.9%	-5.1%
21	NAFA Islamic Active Allocation Plan III	Shariah Compliant Fund of Funds	0.1%	135	137	138	7.1%	4.3%	-2.7%	2.8%	9.8%	10.8%	5.7%	1.2%	5.1%	9.6%
22	NAFA Islamic Active Allocation Plan IV	Shariah Compliant Fund of Funds	0.1%	136	139	137	4.9%	4.3%	-2.8%	0.6%	7.7%	8.5%	5.7%	1.2%	2.8%	7.3%
23	NAFA Islamic Active Allocation Plan V	Shariah Compliant Fund of Funds	0.0%	59	70	78	3.7%	4.3%	-2.9%	-0.6%	6.6%	7.0%	5.7%	1.0%	1.3%	6.0%
24	NAFA Islamic Capital Preservation Plan III	Shariah Compliant Fund of Funds - CPPI	0.0%	50	54	79	2.1%	0.7%	-1.2%	1.4%	3.3%	4.1%	1.5%	0.6%	2.6%	3.5%
25	NAFA Islamic Active Allocation Plan VIII	Shariah Compliant Fund of Funds	0.0%	46	50	57	3.9%	4.3%	-3.0%	-0.4%	6.9%	7.4%	5.7%	1.0%	1.7%	6.4%
26	NAFA Islamic Capital Preservation Plan II	Shariah Compliant Fund of Funds - CPPI	0.0%	45	48	92	3.5%	0.7%	-0.9%	2.8%	4.4%	5.9%	1.5%	1.7%	4.4%	4.2%
27	NAFA Islamic Capital Preservation Plan IV	Shariah Compliant Fund of Funds - CPPI	0.0%	35	45	47	2.8%	0.7%	0.6%	2.1%	2.2%	4.3%	1.5%	1.8%	2.8%	2.5%
28	NBP Islamic Capital Preservation Plan V	Shariah Compliant Fund of Funds - CPPI	0.0%	30	34	54	3.1%	0.7%	1.2%	2.4%	1.9%	4.3%	1.5%	2.2%	2.8%	2.1%
29	NAFA Islamic Active Allocation Plan VII	Shariah Compliant Fund of Funds	0.0%	27	28	27	2.4%	4.3%	-2.9%	-1.9%	5.3%	5.7%	5.7%	1.1%	0.0%	4.6%
30	NAFA Islamic Active Allocation Plan II	Shariah Compliant Fund of Funds	0.0%	25	26	24	19.6%	4.3%	-2.7%	15.3%	22.3%	23.7%	5.7%	1.3%	18.0%	22.4%
31	NAFA Islamic Active Allocation Plan I	Shariah Compliant Fund of Funds	0.0%	20	22	18	34.9%	4.3%	-2.8%	30.6%	37.7%	39.7%	5.7%	1.2%	34.0%	38.5%
32	NAFA Islamic Active Allocation Plan VI	Shariah Compliant Fund of Funds	0.0%	14	28	48	5.0%	4.3%	-3.8%	0.7%	8.8%	8.1%	5.7%	0.1%	2.4%	8.0%
33	NBP Government Securities Plan I	Income	0.0%	-	-	192	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
34	NBP Active Allocation Riba Free Savings Fund	Shariah Compliant Income	0.0%	-	1	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
35	NBP Balanced Fund	Balanced	0.5%	908	907	1,608	1.2%	-4.9%	-0.3%	6.1%	1.5%	4.9%	-2.2%	4.2%	7.1%	0.7%
36	NBP Sarmaya Izafa Fund	Asset Allocation	0.6%	935	1,111	1,454	-0.2%	-3.7%	-2.4%	3.5%	2.2%	3.8%	-1.3%	2.4%	5.1%	1.4%
37	NAFA Islamic Principal Protected Fund II	Shariah Compliant Capital Protected Fund	0.0%	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
38	NBP Active Allocation Riba Free Savings Fund	Shariah Compliant Income	0.0%	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
39	NBP Pakistan Growth Exchange Traded Fund	ETF	0.0%	8	12	7										
40	NBP Pension Fund - All	VPF	4.0%	6,803	6,662	6,480				-	-				-	-
Sum/Average:			100.0%	169,940	169,026	168,251										

\* Since Launch on 01st Nov 2019

CY22 0.5% EMFY22 0.5%

**Asset Manager Rating**

An independent opinion on the quality and expertise deployed by an asset management company

Scale	Definition
AM1	<b>Very high quality.</b> Asset manager meets or exceeds the overall investment management industry best practices and highest benchmarks.
AM2++ AM2+ AM2	<b>High quality.</b> Asset manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors.
AM3++ AM3+ AM3	<b>Good quality.</b> Asset manager meets investment management industry standards and benchmarks.
AM4++ AM4+ AM4	<b>Adequate quality.</b> Asset manager demonstrates an adequate organization that meets key investment management industry standards and benchmarks.
AM5	<b>Weak.</b> Asset manager does not meet the minimum investment management industry standards and benchmarks.

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.</p>	<p><b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p><b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p><b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
---	---	--	--	---

**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

**Disclaimer:** PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

### **Rating Team Statements**

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

### **2) Conflict of Interest**

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

### **Restrictions**

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

### **Conduct of Business**

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

### **Independence & Conflict of interest**

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

### **Monitoring and review**

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

### **Probability of Default**

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

### **Proprietary Information**

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent