



Brokerage Firms

Research Team

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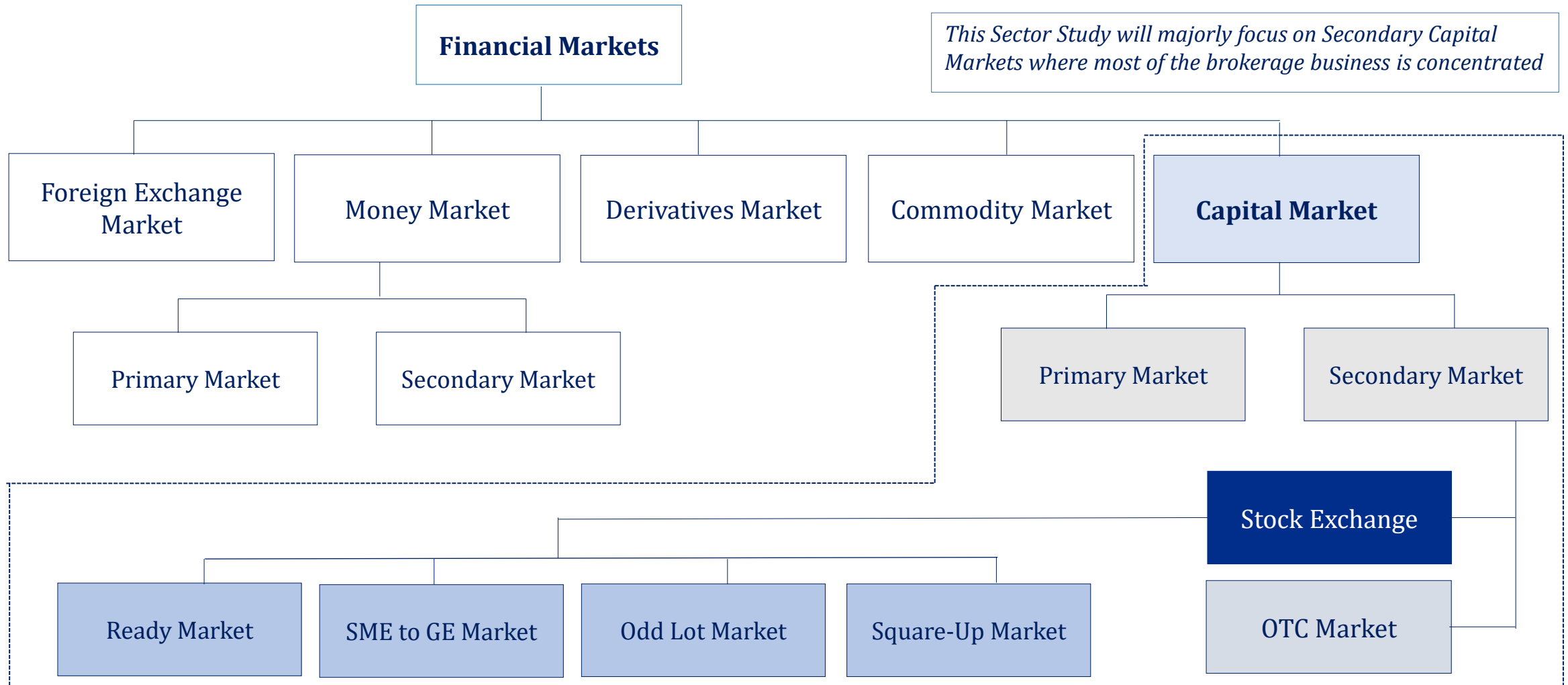
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Introduction | Types of Financial Markets



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Capital Markets | An Overview

- Capital markets facilitate the issuance and trading of long-term financial instruments, primarily equity securities (shares) and debt securities (bonds, sukuk, debentures, etc., generally with maturities exceeding one year), enabling capital formation and long-term financing.
- Based on the stage of issuance, capital markets are divided into primary markets, where new securities are issued directly by issuers to investors, and secondary markets, where already issued securities are traded among investors, providing liquidity and price discovery.
- Pakistan's capital markets operate under the regulatory oversight of the Securities and Exchange Commission of Pakistan (SECP), with key infrastructure institutions including the Pakistan Stock Exchange (PSX), Pakistan Mercantile Exchange (PMEX), Central Depository Company (CDC), and National Clearing Company of Pakistan Limited (NCCPL).
- Market participation is facilitated through intermediaries, primarily brokerage firms (including full-service and trading-only/online brokers), which execute securities transactions on behalf of investors.
- The development and efficiency of capital markets play a critical role in mobilizing savings, improving investment efficiency, and supporting long-term economic growth.
- This sector study focuses on the secondary equity market, using the KSE-100 Index as the benchmark for analysis.

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PSX Products

- **Equity**
 - **Regular/Ready Market:** In this market segment, shares of all listed companies are traded on the Pakistan Stock Exchange (PSX). Transactions are settled on a T+1 basis, following the implementation of the shortened settlement cycle.
 - **SME & Growth Enterprise Market (GEM):** This segment facilitates trading in shares of companies with post-issue paid-up capital between PKR 25 million and PKR 200 million. The segment is primarily targeted toward Qualified Institutional Buyers (QIBs) and High Net Worth Individuals (HNWIs).
 - **Odd lot Market:** Allows trading in quantities smaller than the normal market lot (500 shares). The minimum tradable quantity is one share, with settlement conducted on a T+1 basis.
 - **Square Up Market:** In cases where a Clearing Member fails to deliver sold securities, the unsettled positions are squared up through the Square-Up Market as per exchange-defined procedures.
 - **Real Estate Investment Trust (REIT):** REITs are fund-based trusts that invest in income-generating real estate assets, including acquisition, development, management, and sale of properties. REITs are structured similarly to mutual funds, with taxable income distributed to unit holders.
 - **Negotiated Deals:** These transactions are executed outside the exchange's trading system between brokers and are subsequently reported to the Exchange through the prescribed reporting interface.
- **Fixed Income | Secondary Market Trading**
 - **Corporate Debt Instruments:** These include Term Finance Certificates (TFCs), Sukuks, registered bonds, corporate bonds, and other debt instruments issued by Pakistani companies or locally registered corporates.
 - **Government Debt Instruments:** These comprise debt securities issued by the Government of Pakistan, including Pakistan Investment Bonds (fixed and floating), Treasury Bills, National Saving instruments, and Government Ijarah Sukuk (fixed and floating), traded in the secondary market.

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PSX Products

▪ Derivatives

- **Deliverable Futures Contracts (DFCs):** DFCs are standardized futures contracts for buying or selling eligible underlying securities, with physical delivery of the underlying shares at contract expiry. The minimum trading lot is one contract, representing 500 shares of the underlying security. Each contract has a 90-day maturity from the date of listing.
- **Single Stock Cash-Settled Futures (CSFs):** CSFs are standardized futures contracts that allow market participants to buy or sell eligible underlying shares at a predetermined futures price, with cash settlement at maturity. Settlement is based on the difference between the futures price and the final settlement price. Each contract represents exposure to 500 shares, with a 90-day maturity.
- **Stock Index Futures Contracts (SIFCs):** SIFCs are standardized contracts that allow buying or selling a defined value of an underlying stock index at a future date. These contracts provide exposure to the broader market without trading individual securities. The contract carries a multiplier of PKR 5 (or as determined by PSX) and has a 90-day maturity.

- **Exchange-Traded Funds (ETFs):** ETFs are pooled investment vehicles whose units are listed and traded on the Pakistan Stock Exchange at market-determined prices. ETFs hold underlying assets such as equities or fixed-income instruments and provide investors with proportionate ownership in the portfolio. Net Asset Values (NAVs) are calculated on a mark-to-market basis and disseminated during the trading day. ETF trades are settled under the T+1 settlement cycle, in line with the equity market.
- **Margin Trading System:** Under MTS, investors may purchase eligible securities by contributing a portion of the total value, while the remaining amount is financed by the brokerage firm. The minimum margin requirement is not less than 15% of the value of securities purchased or the applicable Value at Risk (VaR), as determined by regulations. The financing markup is capped at KIBOR plus 8%. MTS transactions follow the T+1 settlement cycle, consistent with the prevailing equity settlement framework.
- **Government Debt Securities (GDS) - Primary Market Auction:** The Ministry of Finance has approved a framework enabling Capital Market Infrastructure Institutions (CMIIs), including the Pakistan Stock Exchange, National Clearing Company of Pakistan Limited, and Central Depository Company of Pakistan Limited, to support the issuance, registration, trading, and transfer of Government Debt Securities. Under this arrangement, PSX may facilitate primary market issuance of GDS, enhancing market accessibility and distribution.

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Global | Overview

- Global equity markets remain highly concentrated, with the top 10 stock exchanges accounting for approximately ~80% of total global equity market capitalization. The New York Stock Exchange (NYSE) and Nasdaq, each exceeding USD 30 trillion in market capitalization, continued to dominate global liquidity, underscoring the structural concentration in developed markets.
- During CY25, equity markets delivered generally positive full-year returns across major regions. In the United States, the S&P 500 recorded an annual gain of ~16.4%, while the Nasdaq Composite rallied ~20.5%, supported by strong earnings and investor enthusiasm for technology-led growth.
- Asian markets outperformed on average. The Hang Seng Index posted notable strength with a ~28% full-year return, and the Shanghai Composite delivered ~18%, reflecting broad investor interest in Chinese equities during 2025. The Nikkei 225 in Japan also contributed to the positive regional performance, driven by domestic economic indicators and cyclical recovery trends.
- European equities also recorded strong annual gains. The FTSE 100 generated approximately a ~21.5% return for the year, marking one of its best performances in recent history, supported by cyclical sector strength and valuation recovery.
- The Pakistan Stock Exchange (PSX) demonstrated robust relative performance in CY25. Market capitalization increased to approximately USD ~70 billion in December 2025, up from ~USD ~52 billion in December 2024, alongside the KSE-100 Index posting a substantial ~51.2% annual gain. This positioned PSX among the top-performing equity markets globally, significantly outperforming several smaller regional peers such as Sri Lanka's Colombo Stock Exchange, despite ongoing macroeconomic and sovereign debt pressures.

Stock Exchange	Country	Market Capitalization (USD bln) [Dec'25]	Index Name	Number of Stocks listed
New York Stock Exchange	USA	31,402	S&P 500	500
Nasdaq	USA	35,995	Nasdaq	3,334
Shanghai Stock Exchange	China	9,144	Shanghai Composite	2,269
Euronext	Europe	8,098	Euro Stoxx 50	50
Tokyo Stock Exchange	Japan	6,556	Nikkei 225	225
National Stock Exchange of India	India	5,270	NIFTY 50	50
Hong Kong Exchange	Hong Kong	6,089	Hang Seng	82
Shenzhen Stock Exchange	China	6,134	SZSE 1000	1,000
Toronto Stock Exchange	Canada	4,573	S&P TSX 60	60
London Stock Exchange	UK	3,981	FTSE 100	100
Pakistan Stock Exchange	Pakistan	70	KSE-100	100
Colombo Stock Exchange	Sri Lanka	27	S&P SL20	20

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Global | Monthly Index Based Returns

Indices (Return)	Jan'25	Feb'25	Mar'25	Apr'25	May'25	Jun'25	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25	Monthly Average
S&P 500	2.7%	-1.4%	-5.8%	-0.8%	6.2%	5.0%	2.2%	1.9%	3.5%	2.3%	0.1%	-0.1%	1.3%
Nasdaq	1.2%	-1.9%	-8.6%	1.3%	7.4%	6.9%	4.1%	3.0%	7.5%	5.3%	-2.5%	0.3%	2.0%
Shanghai Composite	-3.0%	2.2%	0.5%	-1.7%	2.1%	2.9%	3.7%	8.0%	0.6%	1.9%	-1.7%	2.1%	1.5%
Euro Stoxx 50	8.6%	3.3%	-3.9%	-1.7%	4.0%	-1.2%	0.3%	0.6%	3.3%	2.4%	0.1%	2.3%	1.5%
Nikkei 225	-0.8%	-6.1%	-4.1%	1.2%	5.3%	6.6%	1.4%	4.0%	5.2%	16.6%	-4.1%	0.2%	2.1%
Hang Seng	0.8%	13.4%	0.8%	-4.33%	5.3%	3.4%	2.9%	1.2%	7.1%	-3.53%	-0.18%	-0.88%	4.4%
SZSE Component	-2.5%	4.5%	-1.0%	-5.8%	1.4%	4.2%	5.2%	15.3%	6.5%	-1.1%	-3.0%	4.2%	2.3%
FTSE 100	6.1%	1.6%	-2.6%	-1.0%	3.3%	-0.1%	4.2%	0.6%	1.8%	3.9%	0.0%	2.2%	1.7%
NIFTY 50	-0.6%	-5.9%	6.3%	3.5%	1.7%	3.1%	-2.9%	-1.4%	0.8%	4.5%	1.9%	-0.3%	0.9%
CSE	6.6%	-3.6%	-4.2%	0.0%	6.5%	7.0%	9.0%	6.9%	3.7%	4.7%	-0.3%	-0.5%	3.0%
KSE 100 Index	-0.8%	-0.9%	4.0%	-5.5%	7.5%	5.0%	11.0%	6.6%	11.4%	-2.3%	3.1%	4.4%	3.6%

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

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Global | P/E

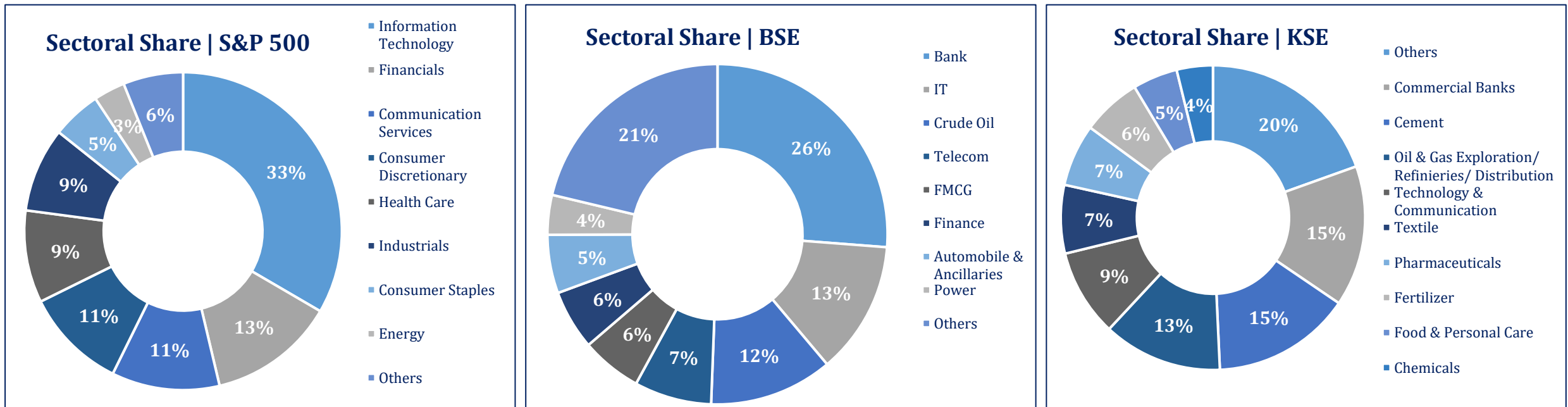
- The P/E ratio of KSE -100 index was recorded at ~9.8 as at December 31, 2025. Moreover, the average P/E ratio of KSE -100 index for CY25 was ~8.8%.

Indices (P/E)	Jan'25	Feb'25	Mar'25	Apr'25	May'25	Jun'25	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25	Monthly Average
S&P 500	37.2	34.8	32.6	35.1	36.1	37.5	37.9	38.6	39.3	39.3	39.8	40.2	37.4
NIFTY 50	21.3	19.7	21.4	21.9	22.3	23.0	21.9	21.5	21.8	22.6	22.8	22.8	21.9
SSE	13.7	13.9	14.1	13.8	13.6	14.0	14.5	15.6	15.7	16.0	15.8	16.1	14.7
DSE	9.5	9.7	9.7	9.4	8.8	9.3	10.5	20.8	10.3	9.9	8.9	8.6	10.5
CSE	9.0	8.9	8.0	7.9	8.2	7.8	8.6	8.7	8.7	9.5	10.1	9.7	8.8
FTSE 100	20.1	18.2	18.2	17.5	19.7	19.4	20.2	19.7	19.6	20.5	19.9	20.5	19.5
Hang Seng	12.3	13.5	13.2	12.5	13.1	13.7	14.3	14.6	14.5	14.9	14.3	14.1	13.8
KSE-100 Index	7.8	7.7	8.2	8.1	8.0	8.2	9.1	9.8	10.1	9.7	9.2	9.8	8.8

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Global | Sectoral Composition

- The S&P 500 remains heavily skewed toward Information Technology (33.4%), reflecting the dominance of large-cap technology and platform companies with global revenue bases, strong earnings visibility, and scalability. Sustained investor preference for growth, AI adoption, and digital platforms has structurally increased the weight of IT and communication-related sectors in developed markets.
- The BSE shows a bank-led but relatively diversified structure, with Banks at 26%, followed by IT (13%) and Crude Oil (12%). This composition reflects India's credit-led growth model, the importance of financial intermediation, export-oriented IT services, and the presence of large integrated energy companies within the index.
- The KSE-100 is more concentrated in cyclical and commodity-linked sectors, with Commercial Banks and Cement sector each at 15% weightage, and Oil & Gas sector at 13%. This structure reflects Pakistan's reliance on domestic credit growth, infrastructure and construction activity, and energy-related sectors, resulting in higher sensitivity to interest rates, fiscal conditions, and commodity price cycles compared to developed and larger emerging markets..



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Global | MSCI Classification

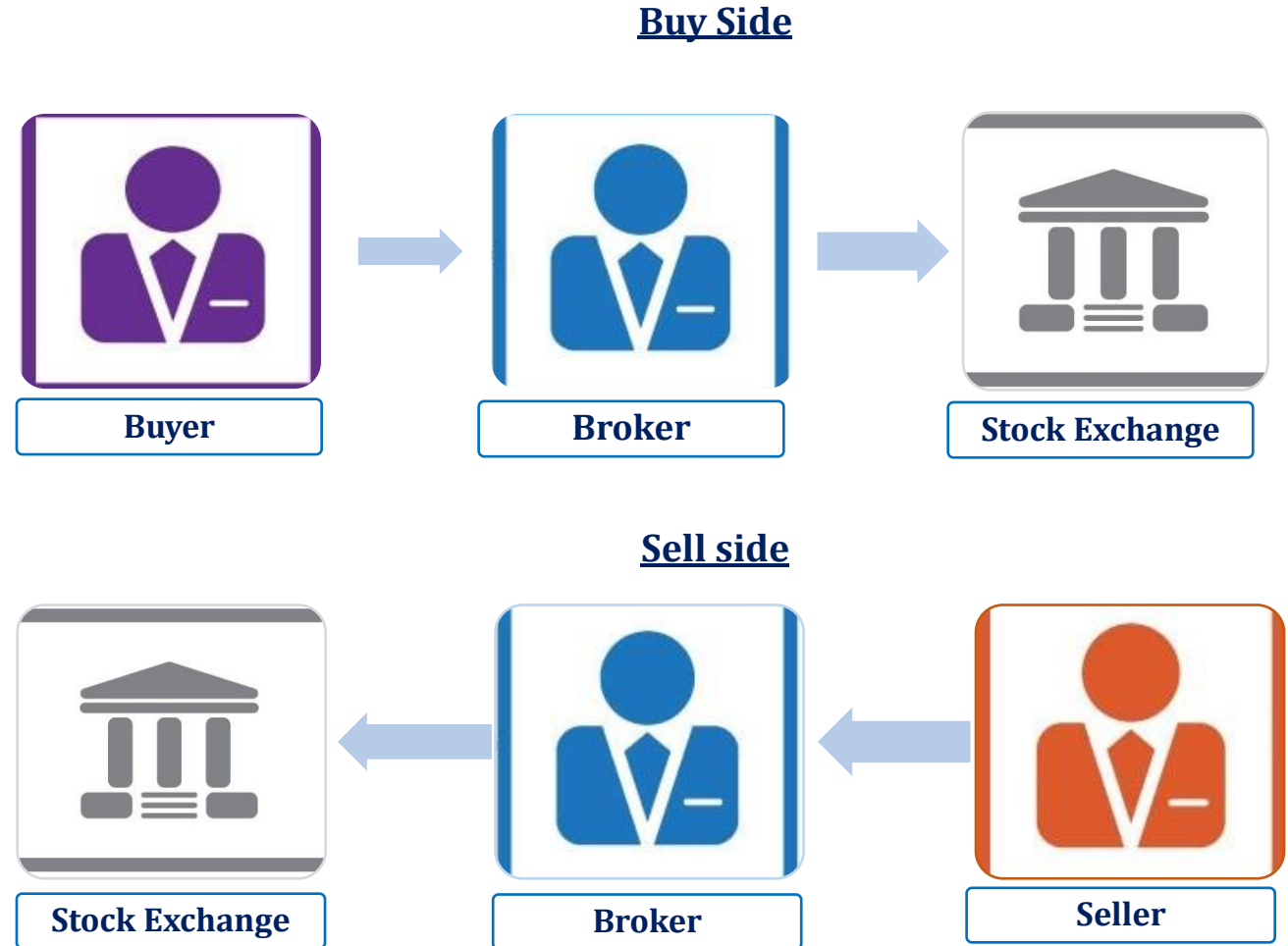
- Pakistan was re-classified from the Emerging Markets Index to Frontier Market Index in Sep'21. The downgradation to Frontier Markets impacts not only the foreign inflows but also affects the traded value and turnover of the capital markets.
- For Pakistan to ascend to emerging markets status, it must 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 smaller, riskier, and illiquid compared to other developing countries that are categorised in emerging markets.
- In the Nov 2025** MSCI index review, three Pakistani banks, Askari Bank, Bank of Punjab, and Meezan Bank, were added to the Frontier Markets Index, along with several smaller Pakistani companies added to the Frontier Markets Small Cap Index, reflecting increased representation within the frontier segment. Pakistan's estimated weight in the standard Frontier Markets Index was cited at ~6.7% in that review.

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 minimum 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.



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Local | Overview

- The KSE-100 Index is currently at historic high. The market has posted strong returns of 89.2% in FY24, 60.1% in FY25, and 51.2% in 6MFY26 so far. It has been one of the best performing markets in recent years reflecting sustained improvement in macroeconomic indicators and renewed investor confidence.
- Market liquidity expanded significantly, with average KSE-100 volumes increasing from ~89,779 (000) in FY23 to ~266mln in FY25 and ~367mln in 6MFY26, indicating deeper market participation. The higher trading volumes have significantly augmented brokerage activity.
- There are currently ~206 brokerage firms licensed by the Securities and Exchange Commission of Pakistan (SECP).
- Pakistan currently has 1 licensed digital broker, Tamkeen Securities. It is Pakistan’s first fully digital, online-only securities broker, licensed by the Securities and Exchange Commission of Pakistan (SECP), allowing investors to open accounts and trade entirely online.

Sector Overview	FY21	FY22	FY23	FY24	FY25	6MFY25	6MFY26
KSE-100 Index(period-end)	47,356	41,541	41,453	78,445	125,627	115,127	174,054
KSE-100 Return	37.6%	-12.3%	-0.2%	89.2%	60.1%	84.3%	51.2%
KSE-100 Average Volumes (mln)	247.0	114.9	89.8	234.0	266.1	280.3	366.8
Market Capitalization as a Percentage of GDP	14.90%	10.4%	7.6%	9.8%	13.4%	10.9%	33.3%
No. of Brokerage Firms*	203	~194	196	197	206	197	206
Regulatory Authority	Securities & Exchange Commission (SECP)						

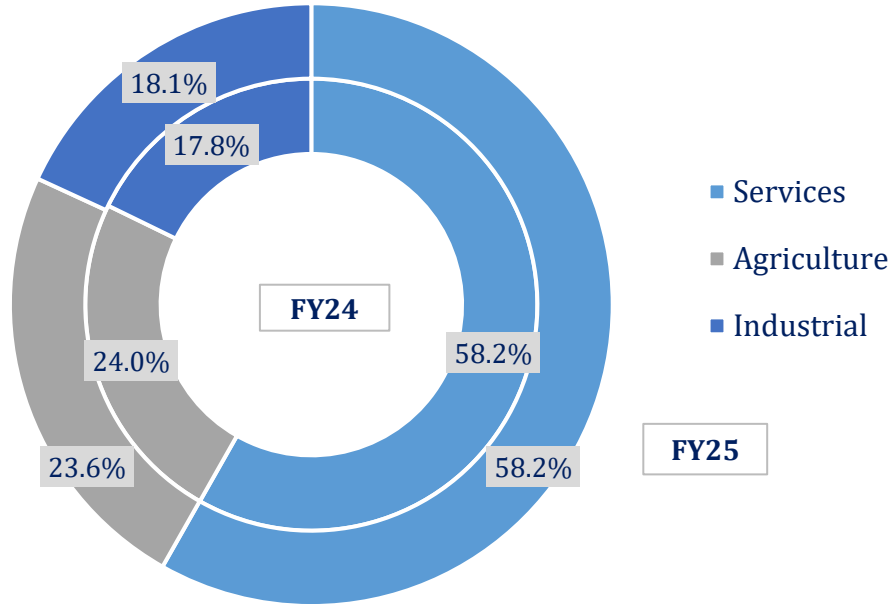
Notes: *6MFY26 GDP figure is prorated.

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Local | GDP Breakdown

- Pakistan's real GDP posted a growth of ~3.01% in FY25 (FY24: ~2.6%). In nominal terms, GDP stood at PKR~114.7trln in FY25, as compared to PKR~105.1trln in FY24.
- 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	FY24	FY25	1QFY25	1QFY26
Livestock	14.7	14.6	15.7	16.1
Crops	8.5	8.2	8.0	7.5
Forestry	0.5	0.5	0.5	0.5
Fishing	0.3	0.3	0.3	0.2
Agricultural Sector	24.0	23.6	24.5	24.3
Large Scale Manufacturing	8.3	8.0	7.8	7.8
Electricity Generation + Distribution & Gas Distribution	2.1	2.6	2.3	2.8
Small Scale Manufacturing	2.3	2.4	2.4	2.5
Construction	2.2	2.3	2.1	2.5
Mining & Quarrying	1.6	1.4	1.5	1.4
Slaughtering	1.3	1.4	1.4	1.4
Industrial Sector	17.8	18.1	17.5	18.4
Wholesale & Retail Trade	18.3	17.8	17.6	17.5
Transportation & Storage	10.6	10.5	10.7	10.7
Other Private Services	8.5	8.9	8.9	8.9
Housing Services	5.8	5.9	5.9	5.9
General Government Services	4.0	4.3	4.2	4.4
Education	3.1	3.2	3.1	3.2
Human Health & Social Work Activities	1.7	1.7	1.7	1.7
Finance & Insurance	1.5	1.5	1.4	1.5
Information & Communication	2.9	3.0	3.0	2.0
Accommodation & Food and Services	1.47	1.49	1.5	1.5
Services Sector	58.2	58.2	58.0	57.3

Note: GDP value is at constant basic prices of 2015-16

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Local | Yearly Economic Indicators

Monetary Sector	FY16	FY17	FY18	FY19	FY20	5 Year Avg	FY21	FY22	FY23	FY24	FY25	5 Year Avg	6MFY25	6MFY26
Avg. Inflation Rate (CPI)	2.9%	4.2%	3.9%	7.3%	10.7%	5.8%	8.9%	21.3%	29.4%	23.8%	4.8%	17.6%	7.3%	5.1%
Avg. KIBOR (%)	6.5%	6.1%	6.4%	10.4%	12.0%	8.3%	7.4%	10.8%	18.3%	21.9%	13.9%	14.5%	15.9%	11.1%
Monetary Policy Rate (MPR) (period-end)	5.8%	5.8%	6.5%	12.3%	7.0%	7.5%	7.0%	13.8%	22.0%	20.5%	11.0%	14.9%	13.0%	10.5%
Avg. PKRV (%)	6.3%	6.0%	6.3%	10.2%	11.8%	8.1%	7.3%	10.7%	18.1%	21.7%	13.6%	14.3%	15.6%	10.9%
Avg. Exchange Rate (USD/PKR)	104.4	104.8	110.1	136.5	158.4	122.8	160.5	191.9	247.7	283.2	279.3	232.5	278.2	281.7
External Sector	FY16	FY17	FY18	FY19	FY20	5 Year Avg	FY21	FY22	FY23	FY24	FY25	5 Year Avg	6MFY25	6MFY26
Current Account Balance (USD mln)	-4,961	-12,270	-19,195	-13,434	-2,970	-10,566	-1,852	-17,481	-3,276	-1,695	2,113	-4,438.2	1,210	-1,174
Exports (USD mln)	21,972	22,003	24,768	24,257	22,536	23,107	25,630	31,792	27,735	30,677	32,303	29,627.4	16,297	15,507
Imports (USD mln)	41,118	48,001	55,671	51,869	43,645	48,061	53,785	80,177	55,198	54,798	59,088	60,609.2	27,938	31,325
Trade Balance (USD mln)	-19,146	-25,998	-30,903	-27,612	-21,109	-24,954	-28,155	-48,385	-27,463	-24,121	-26,785	-30,981.8	-11,641	-15,818
FX Reserves (USD mln)	23,099	21,403	16,384	14,482	18,886	18,851	24,398	15,537	9,160	13,996	19,269	16,472.0	15,927	20,742

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Local | Monthly Economic Indicators

Monetary Sector	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Avg. Inflation Rate (CPI)	2.4%	1.5%	0.7%	0.3%	3.5%	3.2%	4.1%	3.0%	5.6%	6.2%	6.1%	5.6%
Avg. KIBOR (%)	11.9%	11.8%	12.0%	12.1%	11.5%	11.2%	11.0%	11.1%	11.1%	11.2%	11.2%	10.9%
Monetary Policy Rate (MPR) (period-end)	12.0%	12.0%	12.0%	12.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	10.5%
Avg. PKRV (%)	12.8%	12.0%	12.0%	12.0%	11.1%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	10.7%
Avg. Exchange Rate (USD/PKR)	278.8	279.4	280.1	280.7	281.7	283.1	284.2	282.2	281.5	281.1	280.7	280.3
External Sector (USD mln)	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Current Account balance for the Month	-393	-85	1,276	28	-111	260	-529	-324	116	-291	98	-244
Exports	3,008	2,609	2,760	2,606	2,444	2,594	2,750	2,488	2,609	2,632	2,277	2,751
Imports	5,481	5,050	4,938	5,244	5,498	4,998	5,429	5,020	5,040	5,383	4,716	5,737
Trade Balance	-2,473	-2,441	-2,178	-2,638	-3,054	-2,404	-2,679	-2,532	-2,431	-2,751	-2,439	-2,986
FX Reserves	15,599	15,397	15,014	14,759	16,077	19,270	18,976	19,077	18,904	19,174	19,136	20,742

Note: MPR percentages are percentages at the month end

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Local | KSE-100 Returns | Monthly & Annual

KSE-100 Index	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	6MFY25	6MFY26
Index Value	37,784	46,565	41,911	33,902	34,422	47,356	41,541	41,453	78,445	125,627	115,127	174,054
Returns (%)	9.8%	23.2%	-10.0%	-19.1%	1.5%	37.5%	-12.3%	-0.2%	89.2%	60.1%	84.3%	51.2%
Avg Volume ('000)	113,970	140,349	83,873	96,809	135,873	246,962	114,877	89,779	233,956	268,821	280,291	366,771

KSE-100 Index	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25
Index Value	47,807	40,471	37,067	40,735	43,755	44,596	40,420	62,451	115,127	174,054
Return (%)	45.7%	-15.3%	-8.4%	9.9%	7.4%	1.9%	-9.4%	54.5%	84.3%	51.2%
Avg Daily Volume ('000)	130,599	102,467	96,572	107,225	208,139	190,870	98,396	166,594	252,596	309,760

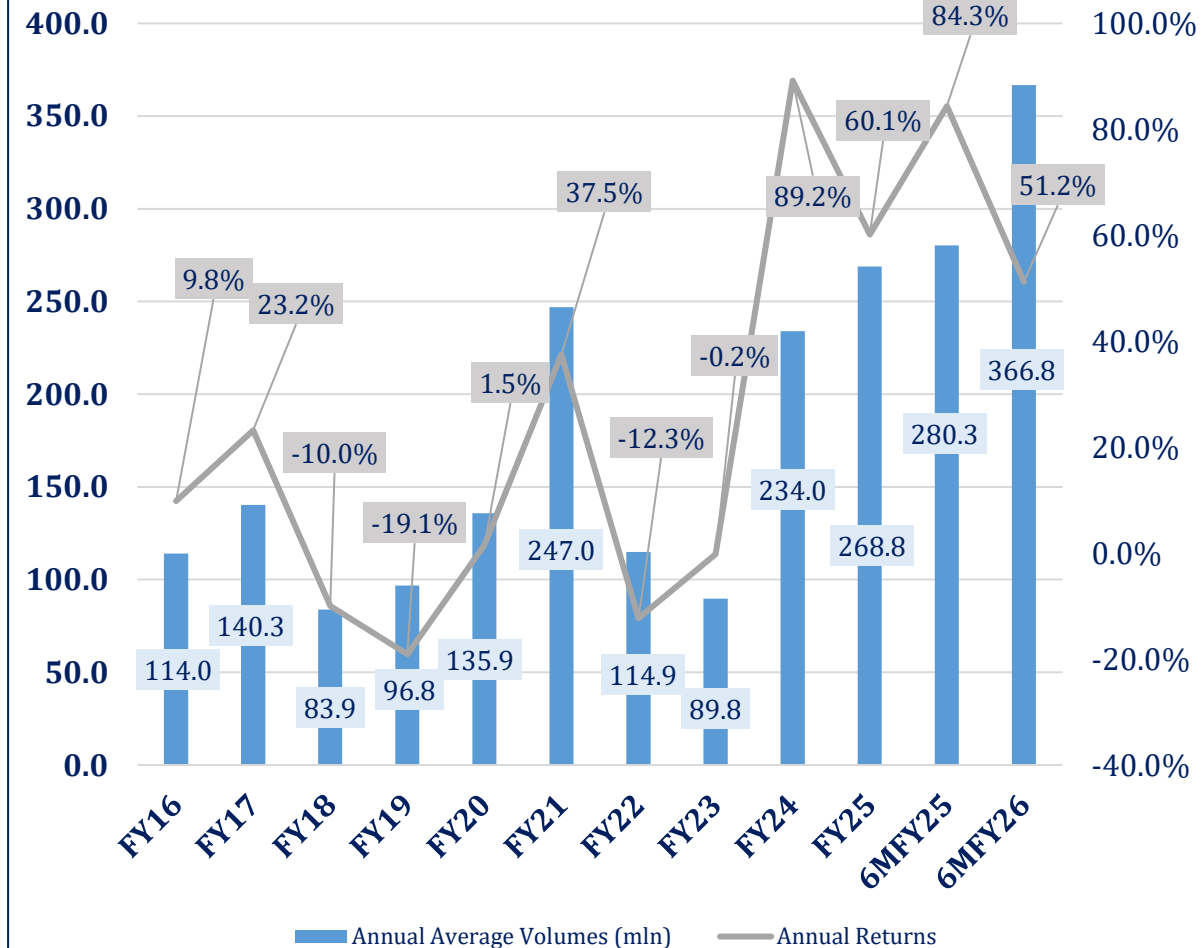
KSE-100 Index	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Index Value	114,256	113,252	117,807	111,327	119,691	125,627	139,390	148,618	165,494	161,632	166,678	174,054
Return (%)	-0.8%	-0.9%	4.0%	-5.5%	7.5%	5.0%	11.0%	6.6%	11.4%	-2.3%	3.1%	4.4%
Avg Daily Volume ('000)	284,965	269,062	205,479	266,430	248,734	241,819	261,470	305,808	495,405	506,558	270,506	360,879

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

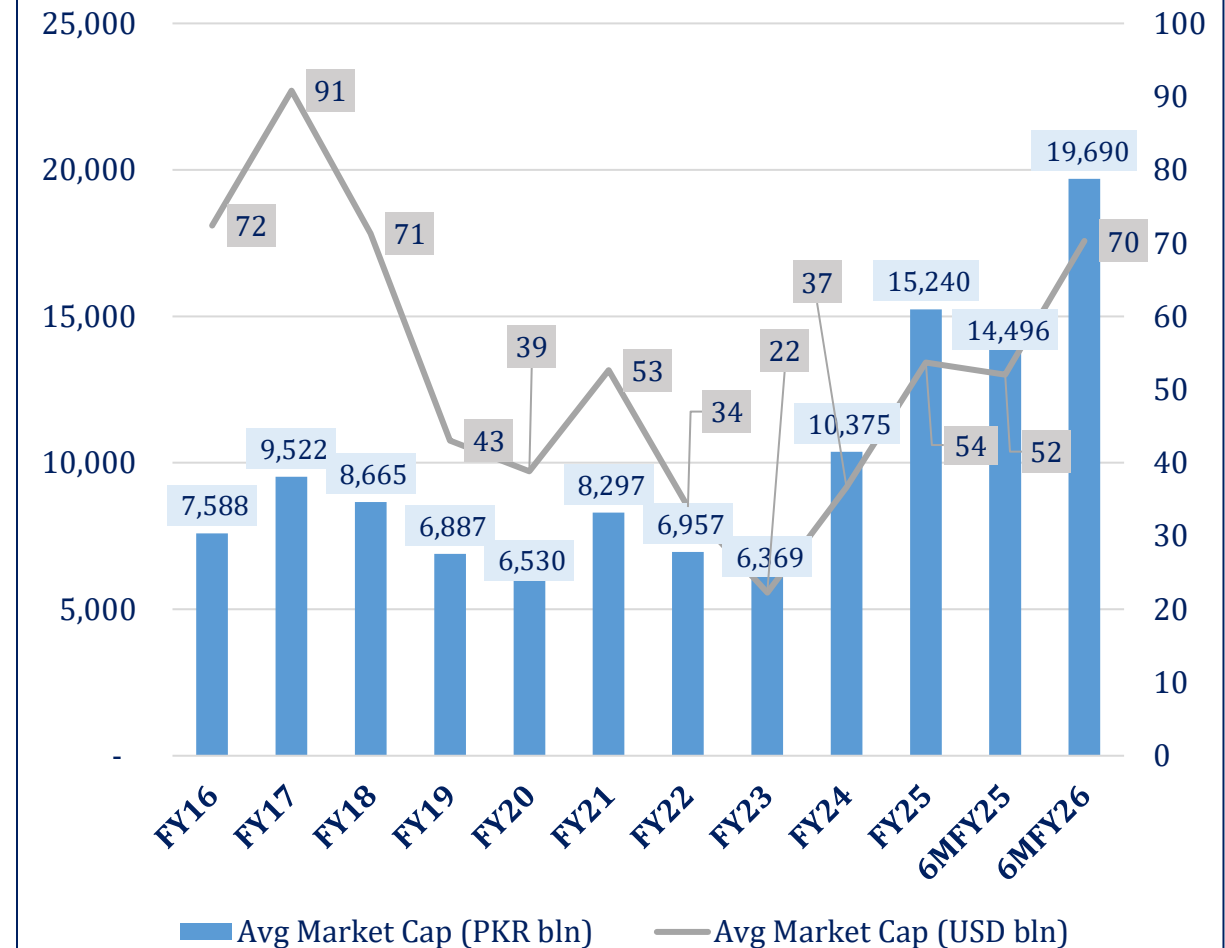
Brokerage Firms

Local | Market Volumes & Capitalization

KSE-100 | Growth in Average Volumes



Market Capitalization



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

Brokerage Firms

Local | Fee-based Income

- As per SECP Notice No. N-1258, brokerage commissions on PSX trades are subject to a minimum charge of PKR 0.03 per share or 0.15% of transaction value (whichever is higher), with an upper cap of 2.5%. This framework was introduced to curb zero-commission practices and ensure the sustainability of brokerage income stream.
- During CY25, trading activity on PSX remained elevated, with monthly KSE-100 volumes ranging between ~3.9bn and ~15.0bn shares, reflecting improved market participation amid macroeconomic stabilization, reduced currency volatility, and regulatory measures targeting undocumented capital and FX market distortions.
- Based on the prescribed minimum brokerage fee of PKR 0.03 per share, estimated sector-wide fee-based income for CY25 is approximately PKR ~2.5bn, compared to ~PKR 1.9bn in CY24, representing an increase of ~31.5% YoY. The growth is primarily volume-driven, as KSE-100 traded volumes increased from ~64 bln in CY24 to ~83 bln in CY25, underscoring the strong linkage between market liquidity and brokerage earnings.

Brokerage Fee Income CY25		
Month	Total Volumes (mln) (KSE-100)	Minimum Fee (PKR mln) (3 paisa/share)
Jan-25	6,554	197
Feb-25	5,112	153
Mar-25	4,098	123
Apr-25	5,329	160
May-25	4,975	149
Jun-25	4,594	138
Jul-25	6,014	180
Aug-25	6,116	183
Sep-25	11,925	358
Oct-25	15,046	451
Nov-25	5,410	162
Dec-25	7,939	238

Notes: *Estimates are based on minimum fess (3 paisa/share)

Brokerage Firms

Local | Net Buy/Sell

Net Buy/Sell (PKR mln)								Net Buy/Sell (USD mln)							
Participants	FY21	FY22	FY23	FY24	FY25	7MFY25	7MFY26	Participants	FY21	FY22	FY23	FY24	FY25	7MFY25	7MFY26
Individuals	53,276	28,420	20,142	-16,602	19,430	14,259	69,455	Individuals	332	157	84	-60	69	51	-206
Companies	22,142	20,182	26,233	10,224	26,673	13,368	441,027	Companies	138	111	100	36	95	48	125
Banks / DFIs	-15,412	21,030	17,923	-40,353	108,028	-13,549	-333,411	Banks / DFIs	-95	115	74	-141	386	-49	-1179
NBFC	27	500	63	-271	633	-234	881	NBFC	0	3	0	-0.9	2	-1	3
Mutual Funds	1,761	-23,598	-35,820	-13,382	-65,169	47,395	-30,447	Mutual Funds	10	-128	-144	-47	-232	171	343
Other Organizations	6,889	10,481	5,858	-9,283	3,418	-3,309	-15,679	Other Organizations	45	60	25	-33	12	-12	1380
Broker Proprietary Trading	-5,270	-3,409	-3,917	-6,036	-4,887	-2,958	1,068	Broker Proprietary Trading	-32	-20	-15	-21	-18	-11	4
Insurance Companies	-1,357	-1,810	-30,543	36,153	-3,181	1,167	-43,244	Insurance Companies	-10	-1	-124	126	-11	4	-153
LIPI NET	62,055	51,796	-62	-39,550	84,945	56,139	89,650	LIPI NET	387	298	-2	-141	303	201	317
Foreign Individuals	12	662	5,559	295	-709	-723	-1131	Foreign Individuals	0	4	24	1	-3	-3	-4
Foreign Corporates	-60,141	-63,841	-15,734	42,749	-91,932	-57,498	-86,521	Foreign Corporates	-375	-367	-67	152	329	-206	-306
Overseas Pakistanis	-1,926	11,383	10,244	-3,494	7,693	2,086	-1,994	Overseas Pakistanis	-13	65	45	-13	27	7	-7
FIPI NET	-62,055	-51,796	70	39,550	-84,948	-56,135	-89,646	FIPI NET	-387	-298	2	140	353	-202	-317

Brokerage Firms

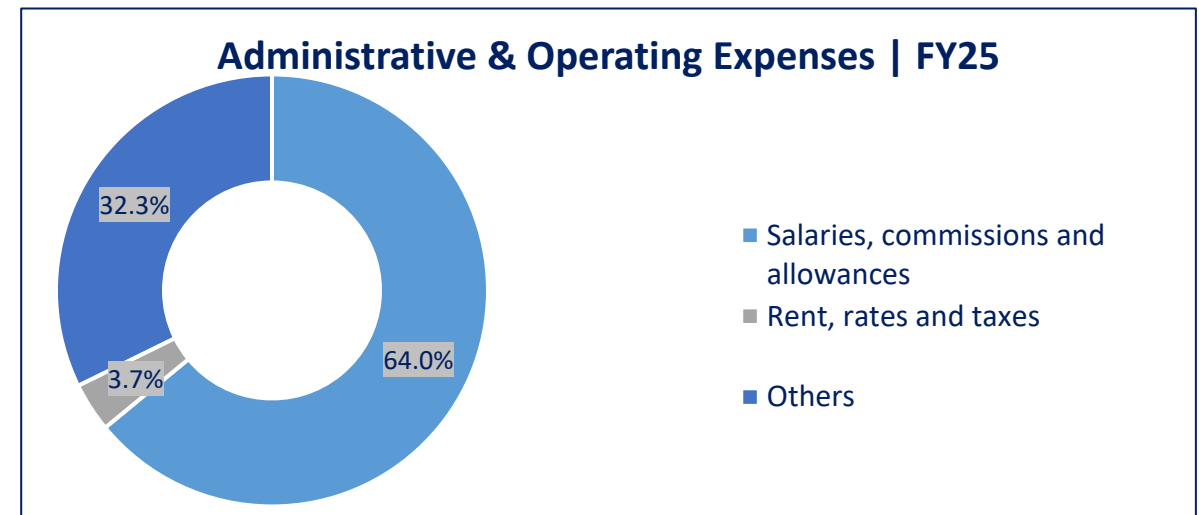
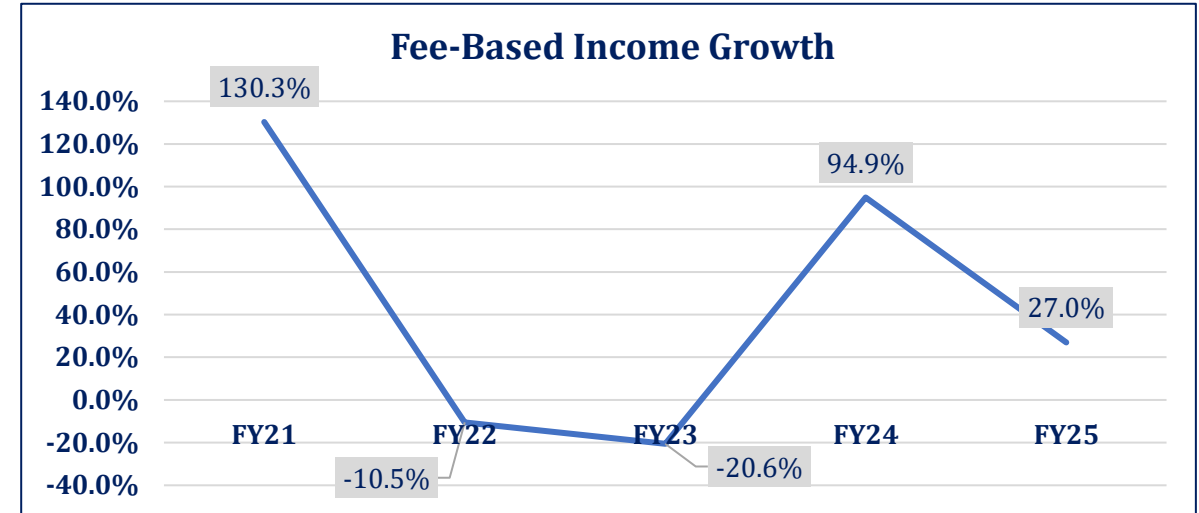
Local | Business Risk

Operating Revenue

- Fee-based income growth shows a clear pattern over FY21–FY25 aligned with market returns, general economic environment, interest rates and other event that affect stock market. After post-COVID recovery in FY21, income declined in FY22 (-10.5%) and FY23 (-20.6%), reflecting weak market activity and subdued investor participation. This was followed by a sharp rebound of +94.9% in FY24, driven by economic stability and positive market sentiment. Growth moderated to +27.0% in FY25, indicating normalization after an exceptional rebound year.
- The decline in FY22–FY23 reflects very high interest rates in the country, weak economic indicators and political instability leading to weak investor sentiment, which compressed trading volumes at PSX. Conversely, the rebound in FY24–FY25 reflects improved macroeconomic stability, stabilization of the PKR, policy clarity under IMF engagement, and revival in equity market participation.

Cost Structure:

- The cost structure of the sector remains heavily HR-driven. Salaries, commissions and allowances account for 64.0% of total administrative and operating expenses like other services sectors. Other individual cost heads are relatively small. This structure implies that profitability is highly sensitive to revenue growth, with limited short-term flexibility on the cost side.



Brokerage Firms

Local | Financial Risk

- Credit risk stems from potential defaults by clients on settlement of trades executed on their behalf. Given the brokerage model’s reliance on margin financing and receivables, effective client screening, collateral management, and continuous monitoring of exposures remain critical in limiting counterparty losses. Periods of heightened market volatility may elevate receivable risk, particularly when trading volumes expand rapidly.
- Market risk primarily arises from fluctuations in share prices, directly impacting the value of proprietary investments and positions taken.
- The Sector’s exposure to market risk can be assessed through the Equity Instruments to Total Investments ratio. The Sector’s average ratio stood at ~54.0% in FY25, compared to ~62.9% in FY24. The peak in FY24 indicates increased equity positioning amid improved market sentiment and gradual reduction in interest rates. The subsequent moderation in FY25 suggests portfolio rationalization and a relatively cautious stance following volatility and macroeconomic adjustments. Overall, equity exposure remains sizeable, keeping earnings sensitive to market swings.
- Liquidity risk reflects the Sector’s ability to meet trade-related obligations as they fall due and is measured through the Liquid Assets to Trade-Related Liabilities ratio. A ratio above 100% indicates adequate coverage. The Sector’s liquidity strengthened significantly to ~1,288.0% in FY25 (FY24: ~1040.7%), reflecting very high liquid balances and prudent management. The elevated ratio indicates strong short-term settlement capacity.
- Capital adequacy, assessed through the Equity to Total Assets ratio, stood at ~48.9% in FY25 (FY24: ~52.8) The declining trend suggests asset growth outpacing internal capital generation. However, capitalization remains adequate to absorb market and credit shocks, albeit with comparatively lower headroom than prior years.

Sector Average	FY21	FY22	FY23	FY24	FY25
Equity Instrument/Investment	56.3%	57.4%	53.8%	62.9%	54.0%
Liquid Assets/Trade Related Liabilities	231.1%	322.2%	517.7%	1,040.7%	1,288.0%
Equity/Total Assets	63.0%	59.3%	58.7%	52.8%	48.9%

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 is a comprehensive set of regulations that governs 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).

Categories	Trading Only		Trading and Self Clearing	Trading and Clearing
Description	<p>Online Only</p> <p>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	7.5mln	PKR 15mln	PKR 50mln	PKR 500mln
Liquid Capital Requirement	Not Applicable	PKR 5mln	PKR 10mln	PKR 50mln
Minimum Net Capital Balance	PKR 1mln	Not Applicable	PKR 10mln	PKR 15mln
Assets Under Custody Limit	Not Applicable	2x of Net Worth	25x of Net Worth	35x of Net Worth

Brokerage Firms

Local | Regulatory Framework | Recent Developments

- In the Annual Budget FY22, the Government of Pakistan expanded the tax framework applicable to brokerage firms and related market participants by broadening the definition of “withholding agent/prescribed person” under Section 233 of the Income Tax Ordinance, 2001. Individuals and entities with turnover of PKR 100 million or more were brought into the withholding regime, widening the base for advance tax collection on securities transactions. Amendments to Sections 233A and 233AA continued to authorize advance tax collection on the purchase and sale of shares and on margin financing arrangements through the stock exchange and NCCPL, thereby strengthening documentation and tax compliance within the capital market ecosystem.
- In May 2023, the Pakistan Stock Exchange (PSX) launched the New Trading System (NTS), replacing the legacy Karachi Automated Trading System (KATS). The system, procured from the Shenzhen Stock Exchange at an estimated cost of approximately USD 2.85 million, incorporates enhanced surveillance, risk management, and cybersecurity features. The transition has significantly improved trade execution efficiency, operational resilience, and system capacity, aligning Pakistan’s trading infrastructure more closely with international standards.
- In 2024, the Securities and Exchange Commission of Pakistan (SECP) notified the Securities Managers (Licensing and Operations) Regulations, 2024, establishing a formal regulatory framework enabling eligible brokerage firms to obtain a securities manager license and offer discretionary portfolio management services. Under the regulations, applicants must meet defined eligibility criteria, including a minimum net worth of PKR 30 million, a Broker Fiduciary Rating (BFR) of at least 2, and adequate research, compliance, and operational capabilities. Client funds and securities are required to be maintained with an independent custodian, and the minimum investment size per client under a securities manager arrangement has been set at PKR 5 million, strengthening investor protection and governance standards.
- The same tax and regulatory regime has been carried forward in the FY26 Budget, indicating policy continuity and regulatory stability for brokerage firms. This consistency supports business planning, compliance clarity, and sustained development of Pakistan’s capital markets framework.

Brokerage Firms

SWOT Analysis

- Strong regulatory oversight through SECP and PSX.
- Strong market performance and stable currency, boosting investor confidence
- Strong trading and surveillance system.

- Low penetration reflected in very low individual investors.
- Stringent regulatory requirements could create difficulties for small brokers.
- Reputational and perception risk .



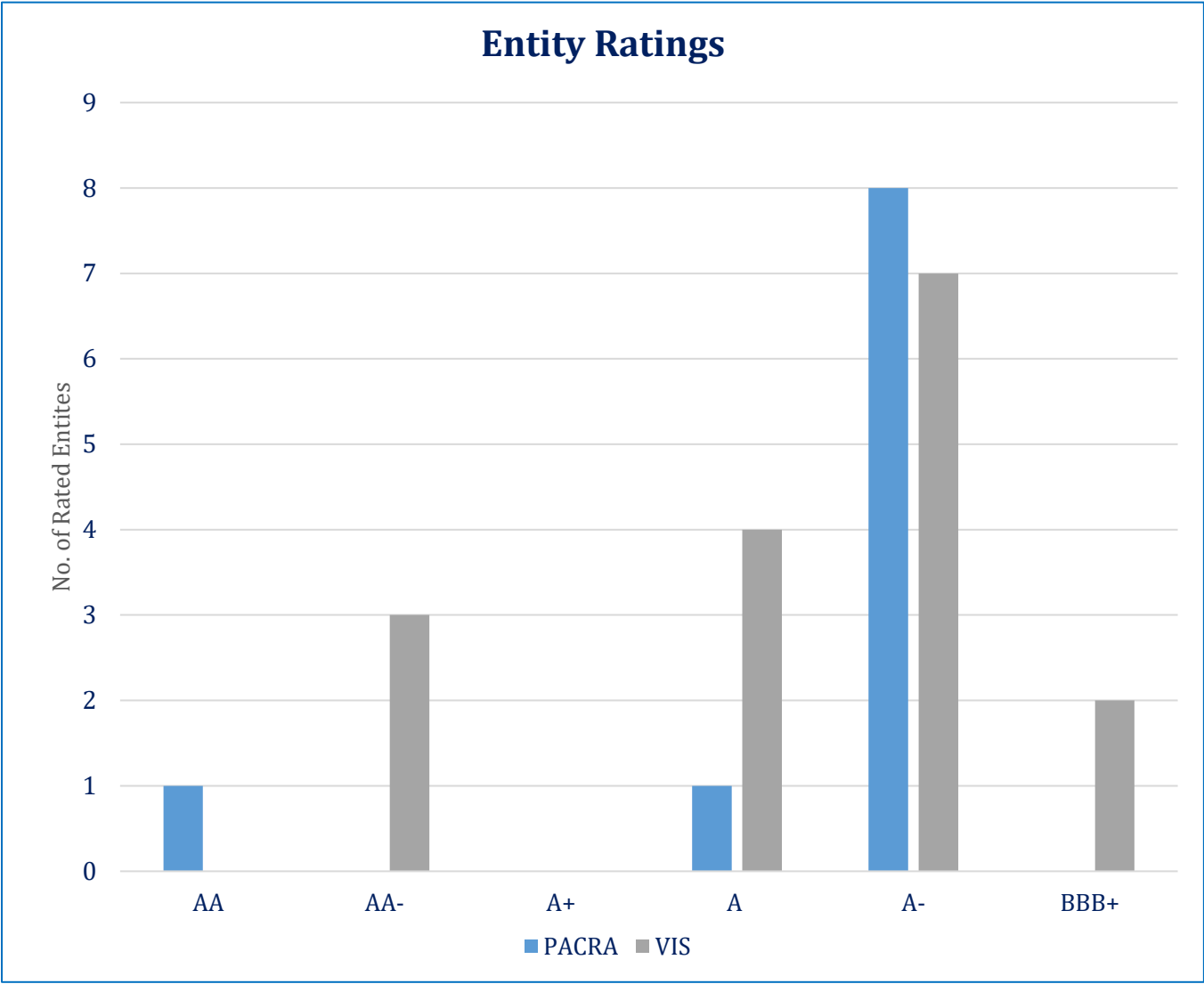
- Economic volatility and external factors, especially geo-political situation, can impact the market.
- The rise of offshore, unregulated trading platforms and "informal" digital investment schemes creating shadow markets
- History of asset bubbles.

- Strong regulatory drive to strengthen trading and related infrastructure
- Low investor base signifies room for growth
- Digital onboarding of investors and API integration with banks
- Limited investment opportunities and relatively low interest rates making equities attractive for investors.

Brokerage Firms

Rating Curve

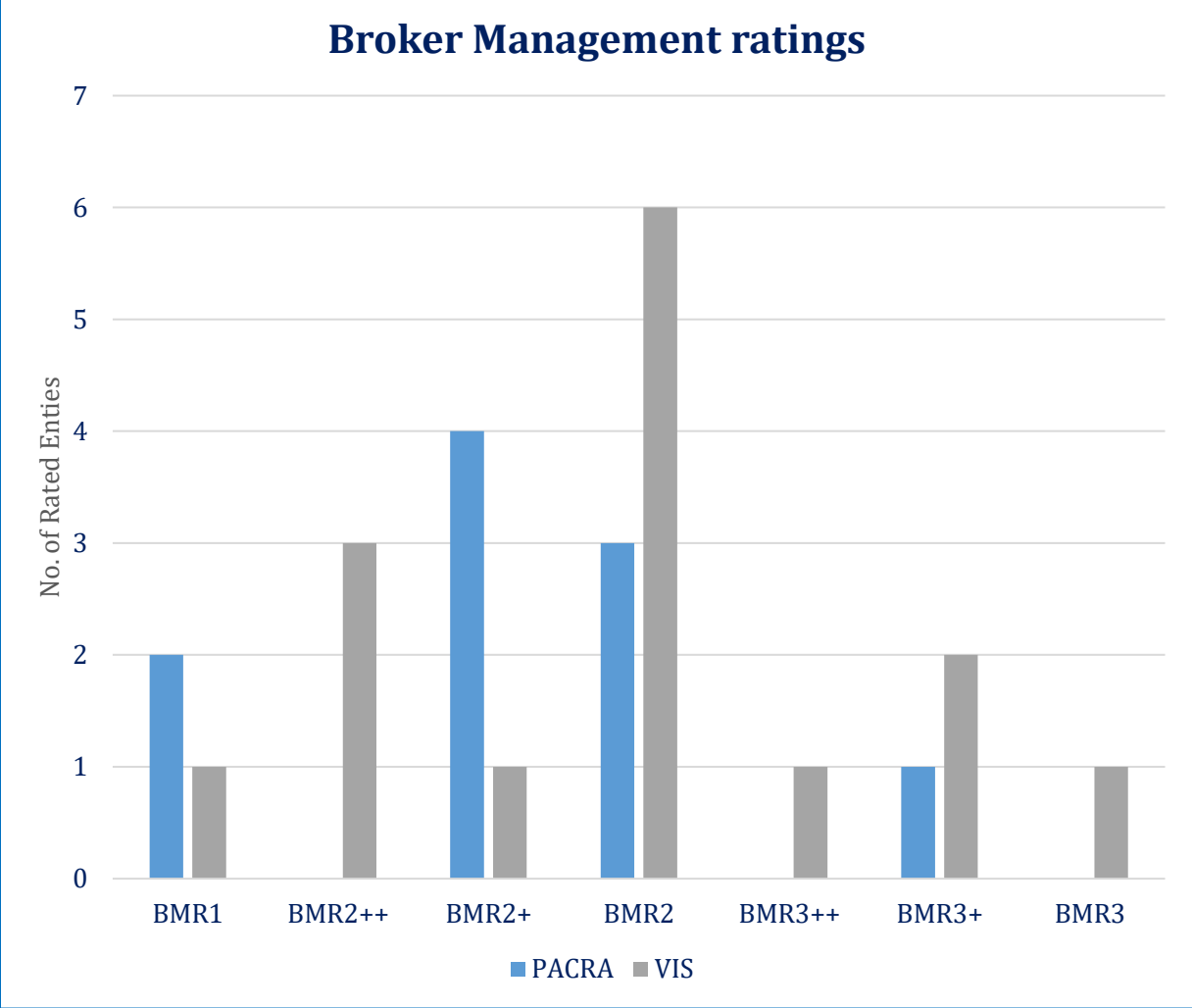
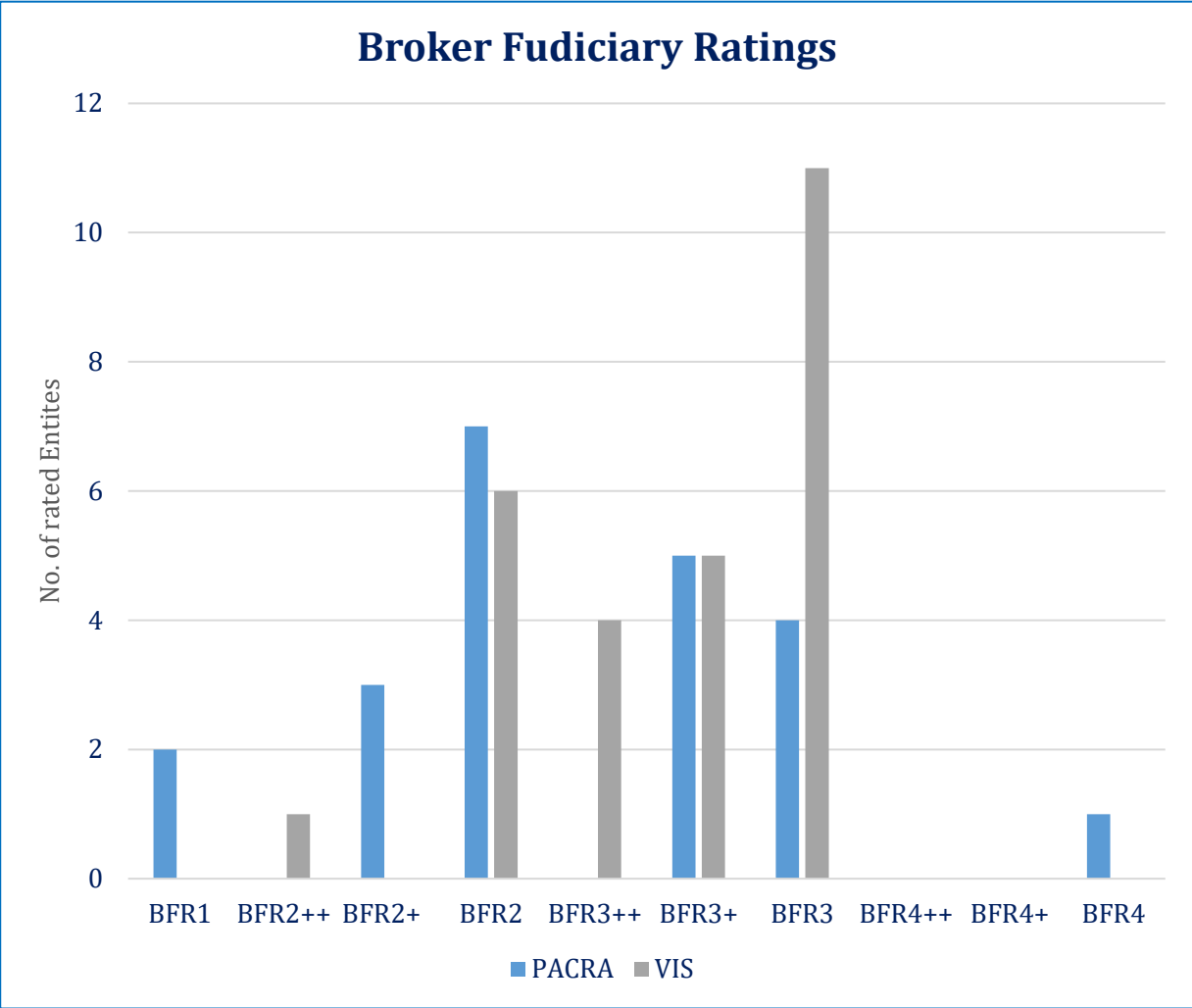
- PACRA rates 22 Brokerage firms. Out of which PACRA provides Entity ratings to 10 brokerage firms with a long-term rating in the bandwidth of A- to AA.
- PACRA also provides Broker Management Ratings (BMR) ratings to 10 brokerage firms with a long-term rating bandwidth of BMR3+ to BMR1. PACRA's Broker Management Rating aims to facilitate investors to differentiate between brokers on the basis of quality of management and services provided.
- PACRA provides 22 Broker Fiduciary Ratings (BFR) with a long-term rating bandwidth of BFR4 to BFR1. Broker Fiduciary Rating (BFR) represents PACRA's opinion on the customer service and sustainability of operations of a broker.



Note: PACRA provides ratings in multiple categories for select brokerage firms.

Brokerage Firms

Rating Curve



Brokerage Firms

Outlook: Stable

- The outlook for brokerage firms remains stable, supported by strong equity market returns and a stable macroeconomic environment in FY25. This momentum has been carried forward in FY26 with major economic indicators (inflation, interest rates, exchange rate, GDP growth etc.) showing signs of recovery or relative improvement.
- PSX has performed very well in the last 2 years and has been one of the best-performing markets in the world. The KSE-100 Index reached an all-time high of ~191,032.73 points on January 23, 2026, with a P/E ratio of 10.5x, reflecting a sharp rebound in investor confidence following macroeconomic stabilization. This momentum was seen throughout CY25, supporting elevated trading activity and sustaining brokerage fee income, albeit at a more normalized growth pace. The YoY market returns were 60.1% in FY25 and 51.2% in 1HFY26.
- The market is currently seeing some consolidation as of mid-February 2026, trading in the 180,000 – 183,000 range as investors engage in profit-taking following the January peak.
- Valuations remain supportive, with the KSE-100 index P/E recorded at ~9.8x as at December 31, 2025, and an average CY25 P/E of ~8.8x, indicating that the market continues to trade at a discount to regional peers. Lower valuations are expected to support continued local investor participation, particularly in a declining interest-rate environment.
- Trading volumes have increased gradually, resulting in higher brokerage income for the sector.
- Market turnover is expected to remain higher than historical averages, as monthly KSE-100 traded volumes ranged between ~4.1bn and ~15.0bn shares during CY25, directly supporting brokerage fee-based revenues. While volumes may moderate from peak levels, the shift to T+1 settlement and improved trading infrastructure is expected to sustain turnover efficiency.
- In CY25, the Pakistan Stock Exchange witnessed 7 new IPO-related listings, matching the count from the previous year, while successfully conducting 13 GoP Ijarah Sukuk auctions that raised over PKR 2.21 trillion. This consistent primary market activity, coupled with record-breaking auction volumes, underscores a robust revival in investor confidence and a significant deepening of Pakistan's capital markets.
- The market is expected to continue its strong performance, especially given the lack of other investment avenues. However, it remains susceptible to adverse macroeconomic changes and evolving geopolitical situations in the region. These external events can derail the positive momentum.

Brokerage Firms

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- BSE India

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