

Bulletin:

Regulatory Action On UPAMC James Bond Money Market Fund Is Manageable

April 26, 2021

Taiwan Ratings Corp. said today that recent regulatory disciplinary action taken on Uni-President Assets Management Corp. is unlikely to result in sizeable fund redemption of **UPAMC James Bond Money Market Fund** (twAAf), thereby limiting the risk of significant deterioration in the fund's credit quality or credit score and ultimately the rating. On April 22, 2021, in response to a regulatory violation of the discretionary mandate, Taiwan's financial regulatory announced that it would halt the fund house's new discretionary mandate for three months, alongside a penalty of new Taiwan dollar (NT\$) 4.5 million and dismissal or temporary suspension of the staff involved in a recent compliance incident by the fund house. This regulatory action will also constrain some business development of the fund house in the coming years.

We see only a remote likelihood of material fund redemption following the compliance incident. This is based on the impact of similar previous events on fund size and portfolio credit quality in Taiwan. In addition, we believe that UPAMC James Bond Money Market Fund can effectively manage the risk of significant redemption, if any, and maintain stable portfolio credit quality, underpinned by the experienced fund management as well as the buffer of the fund credit score. The compliance incident does not change our management assessments for the fund because the incident is not directly related to the fund's management, in our view.

As of March 31, 2021, UPAMC James Bond Money Market Fund's assets under management totaled new Taiwan dollar (NT\$) 48.9 billion, comprising bank deposits (56%), commercial papers (25%), and repurchase agreements (19%). The portfolio composition and fund size are similar before and after the incident, and the fund credit score is largely unchanged.

This report does not constitute a rating action.

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