

Bulletin:

Regulatory Action On Capital Money Market Fund Is Manageable

April 26, 2021

Taiwan Ratings Corp. said today that recent regulatory disciplinary action taken on Capital Investment Trust Corp. is unlikely to result in sizeable fund redemption of **Capital 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. Even under a significant withdrawal of funds, we believe that Capital Money Market Fund's experienced investment management and relatively diversified unitholder composition should help the fund weather through the redemption risk and support the stable credit quality of the invested portfolio. 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, Capital Money Market Fund's assets under management totaled new Taiwan dollar (NT\$) 77.8 billion, comprising commercial papers (63%), bank deposits (32%), and repurchase agreements (5%). 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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PRIMARY CREDIT ANALYST

Caroline Shih

Taipei

+886-2-2175-6833

[caroline.shih](mailto:caroline.shih@spglobal.com)

[@spglobal.com](https://twitter.com/spglobal.com)

[caroline.shih](mailto:caroline.shih@taiwanratings.com.tw)

[@taiwanratings.com.tw](https://twitter.com/taiwanratings.com.tw)

SECONDARY CONTACT

Joe Lin

Taipei

+886-2-2175-6832

[joe.lin](mailto:joe.lin@spglobal.com)

[@spglobal.com](https://twitter.com/spglobal.com)

[joe.lin](mailto:joe.lin@taiwanratings.com.tw)

[@taiwanratings.com.tw](https://twitter.com/taiwanratings.com.tw)

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