

Media Release:

Ratings On President Securities Corp. Affirmed At 'twA/twA-1' Despite Weaker Capitalization; Outlook Stable

June 23, 2021

Overview

- PSC's capitalization has weakened with a RAC ratio now representing strong capitalization compared with very strong capital previously.
- Nonetheless, we acknowledge that PSC's liquidity management has strengthened through a tightened policy and satisfactory track record over the past three years.
- We have affirmed our 'twA' long-term and 'twA-1' short-term issuer credit ratings on PSC.
- The rating outlook is stable to reflect our view that PSC will maintain its strong capitalization and adequate-high liquidity assessment over the next one to two years.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twA' long-term and 'twA-1' short-term issuer credit ratings on **President Securities Corp. (PSC)**. The outlook on the long-term rating is stable.

Rationale

We believe PSC's capitalization has weakened to strong from our previous assessment of very strong. This is reflected by a decline in the company's risk-adjusted capital (RAC) ratio to below 15% over the past year and we forecast the ratio will remain at this level for the coming two years. This satisfies our lower assessment of strong capitalization, compared with very strong previously.

PSC's value-at-risk has been climbing since 2020 under its trading strategy and strong stock market performance and is the primary reason behind the company's weakened capitalization. Market risk assets are likely to remain high over the coming one to two years due to the high level of value-at-risk under potential stock market volatility and the company's investment trading strategy. Nonetheless, PSC's capitalization will likely remain strong over the next one to two years, given the firm's adequate risk control.

At the same time, we believe PSC's liquidity improved, supported by the company's tightened liquidity management and satisfactory track record. PSC's liquidity coverage metric has strengthened to at least 110% over the past three years and we believe the proactive policies will help sustain the ratio at a level to support our assessment of adequate-high liquidity.

PRIMARY CREDIT ANALYST

Caroline Shih

Taipei

+886-2-2175-6833

caroline.shih

@spglobal.com

caroline.shih

@taiwanratings.com.tw

SECONDARY CONTACT

Eunice Fan

Taipei

+886-2-2175-6818

eunice.fan

@spglobal.com

eunice.fan

@taiwanratings.com.tw

Media Release: Ratings On President Securities Corp. Affirmed At 'twA/twA-1' Despite Weaker Capitalization; Outlook Stable

The ratings continue to reflect our view of PSC's strong capitalization, adequate risk controls, and satisfactory domestic market shares for the company's key business lines. Counterbalancing these strengths are the sensitivity of PSC's profitability to stock market volatility, and the company's reliance on short-term wholesale funding, despite its improved liquidity profile.

Outlook

The stable outlook on PSC reflects our view that the company will maintain strong capitalization, adequate risk controls, and average market position over the next one to two years. Nonetheless, we expect the company's profitability to remain highly correlated to the performance of Taiwan's stock market but consistent with the domestic industry's performance over the same period.

Downward scenario

We may lower the long-term rating if the RAC ratio drops below 10% due to excessive risk taking or if the company incurs significant investment losses because of looser risk controls. We may also downgrade PSC if the company fails to maintain liquidity coverage metrics above 100% due to aggressive expansion in the company's fixed-income portfolio that weakens its liquidity position.

Upward scenario

We may raise the rating if the company can substantially improve its business and geographic diversification, market position, and profitability without sacrificing its risk profile and appetite.

Related Criteria & Research

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- Criteria | Financial Institutions | General: Nonbank Financial Institutions Rating Methodology - December 09, 2014
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - November 09, 2011
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

President Securities Corp.

Issuer Credit Rating

twA/Stable/twA-1

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

Copyright © by Taiwan Ratings Corp. All rights reserved.

Media Release: Ratings On President Securities Corp. Affirmed At 'twA/twA-1' Despite Weaker Capitalization; Outlook Stable

Copyright © 2021 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, www.taiwanratings.com (free of charge), and rrs.taiwanratings.com.tw (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.