

Bulletin:

Fubon Chi-Hsiang Money Market Fund Can Withstand Regulatory Action On Fund Management Company

September 14, 2023

Recent regulatory disciplinary action on Fubon Asset Management Co. Ltd., the fund manager of **Fubon Chi-Hsiang Money Market Fund** (Fubon Chi-Hsiang MMF), is unlikely to lead to significant deterioration in the fund portfolio's credit quality.

On Sep. 12, 2023, Taiwan's financial regulator announced disciplinary action on Fubon Asset Management Co. Ltd. The regulatory action came in response to previous misconduct by a few equity fund managers at the fund management company, albeit unrelated to the management of Fubon Chi-Hsiang MMF (twAAf). Fubon Asset Management received a penalty of new Taiwan dollar (NT\$) 1.8 million along with the forced dismissal of the equity fund managers.

We see only a remote likelihood of material redemption of Fubon Chi-Hsiang MMF following the regulatory action. We base this view on the fact that previous similar events on rated funds in Taiwan over the past few years had only a generally mild impact on the funds' size and portfolio credit quality. We believe that even with significant redemption from Fubon Chi-Hsiang MMF, the fund's sophisticated investment managers and the fund's credit score buffer can weather this redemption risk. The compliance incident does not change our management assessments for the fund, given that the incident was not directly related to the fund's management.

As of Aug. 31, 2023, Fubon Chi-Hsiang MMF held assets under management of NT\$42.5 billion, comprising commercial papers (60%), bank deposits (32%), and repurchase agreements (8%). We expect the recent portfolio composition and fund size to be similar to pre-incident levels, and accordingly the fund credit score is largely unchanged.

This report does not constitute a rating action.

PRIMARY CREDIT ANALYST

Caroline Shih
Taipei
+886-2-2175-6833
caroline.shih
@spglobal.com
caroline.shih
@taiwanratings.com.tw

SECONDARY CONTACT

Joe Lin
Taipei
+886-2-2175-6832
joe.lin
@spglobal.com
joe.lin
@taiwanratings.com.tw

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