

Rating Research Services

Media Release:

Taiwan Ratings Corp. Applies Revised Nonbank Financial Institutions Criteria To Rate Securities Firms And Finance Companies

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Taiwan Ratings Corp. (TRC) today said it has reviewed its ratings on rated securities firms and finance companies (FINCOs) in Taiwan by applying the new ratings criteria for the sector, published by Standard & Poor's Ratings Services on Dec. 9, 2014'. TRC generally adopts, on a mutatis mutandis basis, the ratings criteria used by Standard & Poor's. Generally, the ratings movements were driven by increased emphasis on globally consistent measures of risk-adjusted capitalization, funding and liquidity, increased emphasis on business stability, and, to a lesser degree the introduction of an anchor.

The methodology first sets the anchors for each nonbank financial institution (NBFI) sector in a given country. The anchor reflects the economic and industry risks that a sector faces. We use our bank anchors (derived according to our "Banking Industry Country Risk Assessment Methodology And Assumptions," published Nov. 9, 2011) as the starting point. See the summaries below for details of our securities firms' and FINCOs' anchors in Taiwan. Please also see the "Ratings List" below for the ratings on these companies and the rating actions we took as a result of applying our new criteria.

Our 'bb+' anchor for Taiwan securities firms reflects our view of the sector's economic and industry risk. The anchor will be two notches below the Taiwan bank anchor, which is derived from our Banking Industry Country Risk Assessment. The securities firm anchor reflects our view that economic risk in the securities sector is incrementally higher than for banks, and takes into consideration our assessment of Taiwan's volatile equity market in which the majority of Taiwan

securities firms' business is focused. We also regard the industry risk of Taiwan securities firms as being higher than for banks, given the less-stable revenue base which tends to fluctuate with domestic stock market performance. In addition, Taiwan securities firms' reliance on wholesale funding is weaker than banking counterparts with retail and diversified funding sources.

Our 'bb+' anchor for Taiwan FINCOs reflects our view of the sector's economic and industry risk. This anchor is also two notches below the Taiwan bank anchor, in consideration of the fact that FINCOs in Taiwan are mostly regulated by the Financial Supervisory Commission, which has prudential financial requirements and reporting standards that are not as robust as those for banks. The regulatory oversight for Taiwan FINCOs is under the same framework as banks, but is less comprehensive. In general, we assess FINCOs as having adequate profit margins and the market shares for leading players are relative stable, suggesting a certain level of entry barriers. However, the reliance of Taiwan FINCOs on wholesale funding and the lack of direct access to central bank funding weaken their risk assessment compared with banks, which benefit from retail and diversified funding sources.

We have now removed our ratings on all entities listed below from under criteria observation (UCO) and removed the UCO identifier.

We anticipate publishing research reports within 30 business days for most issuer credit ratings or outlooks that have changed as a result of the new criteria, as well as for the debt ratings, where relevant, by type--senior, subordinated, junior subordinated, and preferred stock. We also anticipate publishing research reports in the first quarter of 2015 for those entities that we did not change our issuer credit ratings or outlooks under the new criteria.

Related Criteria And Research

Related Criteria

- **Nonbank Financial Institutions Rating Methodology**, Dec. 9, 2014
- **Issue Credit Ratings For Nonbank Financial Institutions And Nonbank Financial Service Companies**, Dec. 9, 2014
- **Understanding Taiwan Ratings' Rating Definitions**, www.taiwanratings.com, Nov. 18, 2014
- **TRC Financial Services Sector Issue Credit Rating Criteria**, www.taiwanratings.com, Sept. 23, 2014
- **General Criteria: National And Regional Scale Credit Ratings**, Sept. 22, 2014
- **Group Rating Methodology**, Nov. 19, 2013
- **Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions**, Nov. 19, 2013
- **Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions**, July. 17, 2013
- **Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings**, Oct. 1, 2012
- **Banking Industry Country Risk Assessment Methodology And Assumptions**, Nov. 9, 2011
- **Rating Government-Related Entities: Methodology And Assumptions**, Dec. 9, 2010
- **Bank Capital Methodology And Assumptions**, Dec. 6, 2010

(Unless otherwise stated, these articles are published on www.standardandpoors.com, access to which requires a registered account)

Ratings List

Upgraded; Outlook

	To	From
Yuanta Securities Co. Ltd.		
Issuer Credit Ratings	twAA / Stable / twA-1+	twAA- / Stable / twA-1+
Yuanta Commercial Bank		
Issuer Credit Ratings	twAA / Stable / twA-1+	twAA- / Stable / twA-1+
Unsecured Subordinated Debenture	twAA-	twA+
Unsecured Subordinated Debenture	twA+	twA
Yuanta Securities Finance Co. Ltd.		
Issuer Credit Ratings	twAA / Stable / twA-1+	twAA- / Stable / twA-1+
Yuanta Financial Holding Co. Ltd.		
Issuer Credit Ratings	twAA- / Stable / twA-1+	twA+ / Stable / twA-1
Unsecured Corporate Bond	twAA-	twA+

Ratings Affirmed; Outlook

BankTaiwan Securities Co. Ltd.		
Issuer Credit Ratings	twAA+ / Stable / twA-1+	
Capital Securities Co. Ltd.		
Issuer Credit Ratings	twA / Stable / twA-1	
Cathay Securities Co. Ltd.		
Issuer Credit Ratings	twA+ / Stable / twA-1	
CDC Finance & Leasing Corp.		
Issuer Credit Ratings	twA / Stable / twA-1	
Citigroup Global Markets Taiwan Securities		
Issuer Credit Ratings	twAA / Stable / twA-1+	
First Securities Inc.		
Issuer Credit Ratings	twA+ / Stable / twA-1	
Fortune Motors Co. Ltd.		
Issuer Credit Ratings	twA / Stable / twA-2	
Fubon Securities Co. Ltd.		
Issuer Credit Ratings	twAA+ / Stable / twA-1+	
Global Securities Finance Corp.		
Issuer Credit Ratings	twBBB+ / Stable / twA-2	
Hotai Finance Corp.		
Issuer Credit Ratings	twAA- / Stable / twA-1+	
Unsecured Corporate Bond	twAA-	
Hua Nan Securities Co. Ltd.		
Issuer Credit Ratings	twA+ / Stable / twA-1	
KGI Securities Co. Ltd.		
Issuer Credit Ratings	twAA- / Stable / twA-1+	

Unsecured Corporate Bond	twAA-
MasterLink Securities Corp.	
Issuer Credit Ratings	twA / Stable / twA-1
Mega Bills Finance Corp.	
Issuer Credit Ratings	twAA / Stable / twA-1+
Mega Securities Co. Ltd.	
Issuer Credit Ratings	twAA- / Stable / twA-1+
President Securities Corp.	
Issuer Credit Ratings	twA / Stable / twA-1
ShinShin Credit Corp.	
Issuer Credit Ratings	twA- / Stable / twA-2
SinoPac Securities Corp.	
Issuer Credit Ratings	twA+ / Stable / twA-1
Taiwan Acceptance Corp.	
Issuer Credit Ratings	twA / Stable / twA-1
Unsecured Corporate Bond	twA

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