Media Release:

KGI Futures Co. Ltd. Assigned 'twAA/twA-1+' Ratings On Strong Group Support; Outlook Stable

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Overview

- Our ratings on Taiwan-based KGI Futures Co. Ltd. reflect our view of the high likelihood of support from its ultimate parent, KGI Financial Holding Co. Ltd. (KGI FHC) group.
- We classify KGI Futures as a core entity of its immediate parent KGI Securities Co. Ltd, which we in turn view as a core subgroup of KGI FHC group and provides securities-related products to the group's clients.
- We have assigned our 'twAA' long-term and 'twA-1+' short-term issuer credit ratings to KGI Futures.
- The stable rating outlook reflects the outlook on KGI Securities. We believe KGI Futures will remain a core subsidiary within the subgroup over the next two years, and the ratings on KGI Futures will move in tandem with those on KGI Securities.

Rating Action

Taiwan Ratings Corp. today assigned its 'twAA' long-term and 'twA-1+' short-term issuer credit ratings to KGI Futures. The outlook on the long-term rating is stable.

Rationale

The ratings reflect our view that KGI Futures would receive ultimate parental support under all foreseeable situations. This reflects our view of KGI Future's core status to immediate parent KGI Securities, which as a core subgroup provides securities-related products and services to clients of the ultimate KGI FHC group. KGI Futures operates as a futures commission merchant and is an important business line under KGI Securities' broad securities-related product lines.

We also acknowledge the close operational linkage and robust cross-selling activities between KGI Securities and KGI Futures. As of Dec. 31, 2025, KGI Futures contributes around 9% of KGI Securities' total assets, 8% of its net worth, and 7% of its profits. We view the KGI Securities subgroup to be integral to KGI FHC group's business strategy and therefore we expect support to flow from the wider group to KGI Futures, as needed. KGI Securities owns 99.6% of KGI Futures and both companies' reputations are closely linked with that of the wider KGI FHC group under a similar brand and logo.

KGI Futures position as one of the largest futures commission merchants in Taiwan supports the ratings. As of May 31, 2026, the company holds a 26% market share of the domestic futures brokerage market (No. 1 ranking) and a 12% share of foreign futures brokerage (No. 3). We believe KGI Futures will maintain its customer base through its use of high-quality digital services, robust system stability, and an extensive international network. Its parent and largest introducing broker, KGI Securities, provides a consistent business flow for the subsidiary, accounting for approximately 12% of KGI Futures' total trading volume in the first half of 2026. KGI Futures also provides foreign brokerage services through KGI Securities' Hong Kong, Singapore and Thailand subsidiaries for which the foreign subsidiaries act as clearing brokers.

We anticipate KGI Futures maintaining a regulatory adjusted net capital ratio above 40%. We believe that under the company's prudent capital policy it will take the necessary measures to sustain its capital adequacy above 40% over the long term. That's despite heightened domestic trading volume under bullish market sentiment helped nudge the ratio below the company's internal target of 40% since June 2025. KGI Securities demonstrated commitment to supporting KGI Futures' business growth through a new Taiwan dollar (NT$) 1.7 billion capital injection in June 2026 further supports our assessment of the subsidiary's core status to the subgroup.

Satisfactory risk management framework is consistent with KGI Securities' standards. To mitigate customer default risk, KGI Futures employs rigorous 'know-your-customer' protocols and proactively adjusts margin requirements or imposes order constraints on illiquid underlying assets. Meanwhile, the company uses stop-loss mechanisms and maintains continuous monitoring of value-at-risk and position deltas to manage market risk. Additionally, KGI Futures regularly assesses the credit profiles of its clearing brokers to mitigate counterparty credit risk.

Outlook

The stable rating outlook on KGI Futures reflects the outlook on KGI Securities. We anticipate the company will remain a core subsidiary to the KGI Securities subgroup over the next two years. At the same time, we believe the subgroup is integral to KGI FHC group; therefore, our ratings on KGI Futures will move in tandem with our ratings on KGI Securities.

Downward scenario

We may lower the rating on KGI Futures if we revise downward our assessment of the KGI FHC group credit profile. This could result from:

- Weakening of the group credit profile over the next one to two years, possibly due to deterioration in the credit profile of the group's flagship unit, KGI Life Insurance Co. Ltd., or weakened capitalization of either KGI Bank Co. Ltd. or KGI Securities; or
- The group's operating performance weakens to materially below that of similarly rated peer financial holding groups in Taiwan.

We may also lower the rating on KGI Futures if we assess KGI Futures' importance to the subgroup has weakened, either due to its weaker performance or significantly decline of contribution to the subgroup.

Upward scenario

We may upgrade KGI Futures if we revise upward our assessment of the KGI FHC group credit profile. However, we consider the likelihood of an upgrade to be relatively limited over the next two years.

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - May 05, 2026
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021

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

Ratings List

New Ratings

KGI Futures Co. Ltd.	
Issuer Credit Rating	twAA/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.