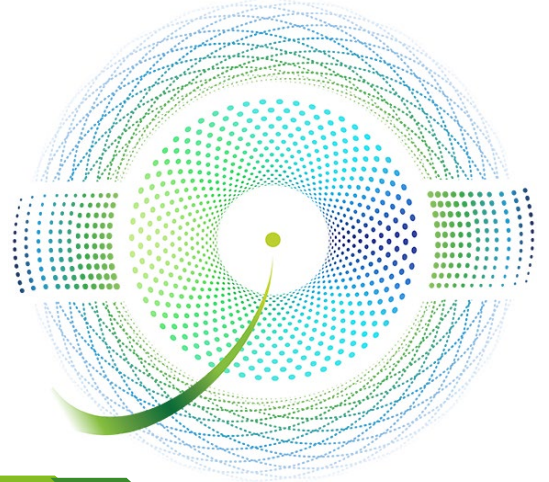


## IBOR Transition & Transfer Pricing (TP)

IBOR rates will start being phased out as from 1<sup>st</sup> January 2022.

This change presents challenges and potential business risks, including transfer pricing compliance risks.



### WHY DOES IT MATTER?

- As from 1<sup>st</sup> January 2022, banks will no longer submit certain IBORs
- IBORs will be replaced by specific Risk Free Rates (RFR)
- All contracts including references to IBORs will need to be revisited

### WHERE IS THE POTENTIAL TP IMPACT?

- Intercompany floating rate loans
- Intra-group cash pooling arrangements
- Group-wide TP policies for financial transactions
- Advance Transfer Pricing Agreements (APA) covering impacted transactions

### WHAT ARE THE KEY TP CHALLENGES?

- Ensure the transition is achieved in an arm's length manner through proper conduct and contractual amendments
- Minimize the risk of triggering new transactions (i.e., the need to reset/retest the entire transactions)
- Withstand the increasing scrutiny of intra-group financing transactions by the tax authorities

### How we can help



#### CHOOSING THE NEW RATES

- Assist in assessing reasonable replacement rates from an arm's length perspective (overnight RFRs vs term rates, etc.)
- Advise on the practicalities of applying the adopted new rates, e.g. backward looking vs forward looking approach, in light of prevailing market practices



#### ENSURING CONTINUITY

- Review or design effective fallback clauses in inter-company contracts
- Determine proper interest adjustments to achieve a balanced transition for lender and borrower
- Overhaul Group TP policies for financial transactions reflecting the new rates, as applicable




#### BUILDING A SUSTAINABLE POSITION

- Ensure consistency across TP, tax, accounting, legal and operational aspects
- Prepare robust TP documentation sustaining the new pricing policy
- Harmonize the new pricing policy across all countries involved




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