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Service Level Document

Service description

Tax authorities worldwide have been paying increased attention to intercompany financial transactions due to the OECD's (Organisation for Economic Cooperation and Development) focus on BEPS (base erosion and profit shifting) efforts. OECD has released detailed guidance on financial transactions, which is being implemented globally. Closing the "Tax Gap" is a priority for tax authorities, who are investing in resources to reduce budget deficits and build trust in the tax system.

Compliant with OECD guidelines (General Considerations, Effect of Group Membership, Determining the Arm's Length Interest Rate), the solution EDF-X - Transfer Pricing covers over 600 million companies & financial institutions (Private & Listed) globally and combines Moody's time-tested & leading credit risk models (i.e. RiskCalc, CreditEdge, Payment model etc.) to enable Tax Authorities, multinational enterprises and tax advisory firms to ensure that the credit risk score and interest rate of an intercompany loan align with OECD transfer pricing guidelines. It's never been easier to accurately determine a credit risk score and market interest rate for an intercompany loan.

→ Use of transparent, time-tested credit risk modelling methodology

→ Access to detailed financial data and credit worthiness of public and private entities globally

→ Clear and accurate determination of intercompany relationships

→ Review of parent entity's financial health to assess whether the parental support on credit worthiness of the subsidiary was positive, negative or neutral

→ Assess multiple interest rate scenarios and other qualitative factors for subsidiaries and affiliates

→ Review arm's length comparable entities to calculate profit level indicators and fair pricing

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Service features (non-exhaustive list)

→ **Comprehensive Credit Analysis:** Evaluates creditworthiness considering qualitative and quantitative factors

→ **Online Access:** Accessible via Desktop Web Service and API

→ **Data Sources:** EDFX is leveraging the biggest company database (Orbis) and the biggest default observations database (CRD) to build robust models with the highest predictive power in the market

→ **Expected Default Frequency (EDF):** Provides prospective Probability of Default (PD) over 1 to 10 years

→ **PD Implied Rating:** Associates a Moody's rating level with the calculated EDF value

→ **Early Warning Score:** Alerts to potential distress using market and sector data.

→ **Industry Median Comparison:** Allows peer comparison for better context

→ **Customizable Analysis:** Users can modify data and conduct tests

→ **Loss Given Default (LGD) and Expected Loss (EL):** Provides additional insights into credit risk and Instrument-level rating

→ **Qualitative Analysis:** Includes customizable scorecards for detailed assessment

→ **Parent/Group Support Framework:** Assesses support from parent or group entities and transform it into an overall Rating

→ **Median Credit Spread:** Offers objective risk assessment in basis points

→ **Reference Rate Options**: Choose between LIBOR and other market reference rates.

→ **Bond Screener:** Analyze over 8m bonds for screening and benchmarking

→ **Price, Duration, and Yield:** Benchmark commercial parameters for bonds

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Benefits

→ **Enhanced Risk Assessment:** Provides a comprehensive view of credit risk.

→ **Alignment with OECD Guidelines**: Key TP features are aligned with chapter 10 of the OECD guidelines for TP

→ **User-Friendly Access:** Easy-to-use online platform

→ **Reliable Data:** Utilizes extensive databases for accurate analysis

→ **Customizable:** Tailors analysis to specific needs

→ **Early Warning Signal:** Identifies potential risks before they escalate and anticipates defaults

→ **Peer Comparison:** Benchmark against industry peers for better insights

→ **Backdating Capability:** Historical analysis for trend identification

→ **Objective Analysis:** Provides clear and transparent risk assessment

→ **Market Insights:** Access to market trends and bond data

→ **Improved Decision Making:** Helps in making informed decisions regarding credit and investments

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The levels of data backup and restore, and disaster recovery Moody's will provide, such as business continuity and disaster recovery plans

→ Moody's routinely performs scans of both its environments and the EDF-X application to identify, evaluate, and remediate vulnerabilities and threats. An external service provider also performs annual penetration tests of Moody's environments and the EDF-X application to identify specific threats and vulnerabilities to benchmark them against leading cybersecurity practices

→ Inbound and outbound connections to the Internet and external networks pass through and are protected by a Moody's managed firewall, an intrusion detection system (IDS), intrusion prevention system (IPS) and/or other threat detection tools. Moody's manages next generation firewalls with layer 4-7 inspection. The firewalls are fed dynamically with threat feeds from multiple sources and is updated on a real time basis. Moody's has various managed
Security Operations Centers that also provide updates to the threat platform and IDS/IPS systems for blocking additional threats from monitors and internal systems. We have also installed next generation endpoint detection and recovery solution (EDR) solutions on our servers and endpoint devices.

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→ The EDF-X application is monitored 24 hours a day by an end point protection and intrusion prevention system (IPS) which correlates events with a global threat cloud that is continuously updated with known and emerging threats and escalates significant events with alerts. Moody's Cyber Fusion team reviews alerts via a security information and event management (SIEM) tool. In the event that an actionable threat is identified, a security incident is declared and the security incident response plan is invoked.

→ An incident or event that disrupts service, functions, or could lead to a loss of operations are classified and addressed accordingly. Incidents classified as severity 1 represent a critical impact to operations. Severity 2 and severity 3 level incidents represent major impact to operations and minor impact to operations, respectively.

→ Moody's supports and continually enhances its incident response policies and plan to define security event and incident types, roles and responsibilities, and responses to events and incidents, including preparation, detection, analysis, declaration, containment, and eradication and recovery. Automated system monitoring processes are in place to help detect incidents and alert Moody's teams 24 hours a day, 7 days a week. Network traffic events are logged to support historical or current incidents. Logs are collected from relevant systems, are stored for a specific amount of time, and require periodic verification of the quality of the logs collected.

Onboarding and implementation

Moody's structured implementation approach ensures that our projects are aligned with our customers' business strategy so they can quickly achieve all benefits of the Moody's Solution. Each customer will have a dedicated team that will cover the following aspects; front line support (helpdesk), training, and commercial account management. Each one of these roles provides a key element, and together will ensure the customer has the best support possible. Moody's support team will always try to help our customers get the most out of the solution they have purchased. Throughout the contract length, our teams of account managers and helpdesk support will help identify more within the solution and share new ways to utilize the database. Access to the system is controlled by usernames and passwords. Who these are attributed to is controlled by our back-end administration site and the users will be sent an email directly containing their login details. Users can be deleted and added on the administration site and passwords can be updated/reset. Anyone who does not have a username/password will not be able to access the system. The admin site can be accessed and controlled by the client and/or Moody's. Within the admin site it is also possible to monitor usage statistics e.g. how frequently users are logging in to the

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system, how much data they are accessing. Users can access EDF-X via a URL which will take them to a user interface, each individual user will log into using their unique email and password. Through this interface, users will have access to all functionality including search criteria, individual company reports, and the tools section which they will be able to access quickly and easily.

Availability of service is 99.5%

After sales support

→ Support and training will be provided by a designated team of a credit risk domain sales specialist and a credit risk solution specialist. The sales specialist will be on-hand to answer any questions around access/use of the EDF-X interface, and if there are any technical questions the solution specialist will be there to answer them.

→ You will also have access to the help desk for any questions they may have. This team can be reached at ma_support@moodys.com. Email support is available 9am to 9pm local time and we aim to respond to each query within 48 hours.

→ There are further resources available within EDF-X itself such as walkthrough user guides and a comprehensive help section including granular documentation and validation documents for the various models.

Technical Requirements

The EDF-X platform will work with Chrome and Microsoft Edge for web access.

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