'LVWU *HQ
2FWREHU

2ULJLQDO (

&RPPLWWHH RI ([SHUWV RQ ,QWHUQDWLRQDO &RRSHUDWLRQ LQ 7D[0DWWHUV
7ZHOIWK 6HVVLRQ
*HQHYD 2FWREHU
$JHQGD LWHP
0XWXDO DJUHHPHQW SURFHGXUH
² GLVSXWH DYRLGDQFH DQG UHVROXWLRQ

&RRUGLQDWRU V 5HSRUW RQ :RUNVKRS RQ WKH 0XWXDO $JUHHPHQW 3URFHGXUH²'LVSXWH $YRLGDQF

, ,QWURGXFWLRQ

7KH IROORZLQJ UHSRUW FRQWDLQV D VXPPDU\ RI WKH 3URFHGXUH²'LVSXWH 5HVROXWLRQ GLVFXVVLRQV FRQGXFWHG E\ WKH &RU 6XEFRPPLWWHH .LP -DFLQWR +HQDUHV 7KH 5HSRUW L ZKLFK KDYH EHHQ GLVFXVVHG LQ WKH 6XEFRPPLWWHH DV KDV QRW VRXJKW WR UHDFK FRQVHQVXV RQ DOO WKH LV FRYHU DV PXFK UHOHYDQW JURXQG DV SRVVLEOH IRU FR RI WKH &RPPLWWHH DQG WR IRUP WKH EDVLV RI IXUWKH DV ZHOO DV DQ\ IXWXUH 6XEFRPPLWWHH GLVFXVVLRQV SDUWLFXODU

x

2SWLRQV IRU HQVXULQJ WKH 0$3 SURFHGXUH XQ DOWHUQDWLYHV LQ WKH 81 0RGHO IXQFWLRQV SRVVLEOH

&RRSHUDWLYH &RPSOLDQFH

$W WKH ILUVW PHHWLQJ RI WKH 6XEFRPPLWWHH RQ &RRSHUDWLYH &RPSOLDQFH 7KH GHOHJDWHV GLVFXVVHG WKH LVVXHV UDLVHG LQ WKH UHSRUW DQG DJUHHG WKDW WKH GHYHORSLQJ HFRQRPLHV 7KH XQGHUVWDQGLQJ LGHQWLILHG WKDW RI WKH PRUH FRQVWUXFWLYH GLDORJXH EHWZHHQ WUDGLWLRQDO GRQRUV DQG HPHUJLQJ WUXVW DQG HQKDQFHPHQW XQGHUVWDQGLQJ

,9 0HFKDQLVPV WR 5HVROYH &URVV %RUGHU 'LVSXW

,9 2EMHFWLYHV IRU DQ (IIHFWLYH 'LVSXWH 5HVROXV

'XULQJ WKH 6XEFRPPLWWHH V GLVFXVVLRQV VHYHUDO R ZKLFK PD\ VHUYH WR RULHQWDWH DQ\ GLVSXWH UHVROXW

,W VKRXOG QRW LQWHUIHUH ZLWK WKH QHHG IRU FRX UHYHQXH IURP HFRQRPLF DFWLYLWLHV FRQGXFWHG ZL EDVH
,W VKRXOG QRW DIIHFW FRXQWULHV DELOLW\ WR FR EDVHG RQ WKH DSSOLFDWLRQ RI LQWHUQDWLRQDOO\ D UXOHV DQG SULQFLSOHV RI LQWHUQDWLRQDO WD[ODZ
,W VKRXOG SURPRWH DQ LQYHVWPHQW FOLPDWH LQYHVWPHQWV LV SUHGLFWDEOH E\ HQKDQFLQJ WKH GRXEOH WD[DWLRQ
,W VKRXOG SURYLGH FRPIRUW WR FRPSHWHQW DXWKRU WKHVH SURFHVVHV DUH DQVZHUDEOH E\ HIIHFWLYH DFFRXQW WKH GLIIHUHQW OHYHOV RI H[SHULHQFH DQG 0$3 DQG UHODWHG SURFHGXUHV

,9 1RQ %LQGLQJ 'LVSXWH 5HVROXWLRQ 0HFKDQLVPV 1%

'XULQJ WKH ILUVW PHHWLQJ RI WKH 6XEFRPPLWWHH QR DV D PHDQV RI LPSURYLQJ WKH HIILFLHQF\ RI WKH 0$3 DPLFDEOH QDWXUH RI 0$3 QHJRWLDWLRQV 7KHUH ZDV PHPEHUV WKDW 1%'5 VKRXOG EH IXUWKHU H[SORUHG DQG WKLV WRSLF ZKLFK ZDV SUHVHQWHG DQG GLVFXVVHG G $QQH[

'XULQJ WKH GLVFXVVLRQ RI WKH UHSRUW DV SDUW RI W FOHDU WKDW WKHUH ZDV QR FRQVHQVXV DPRQJ 6XEFRPP RI ELQGLQJ DQG QRQ ELQGLQJ GLVSXWH UHVROXWLRQ &RPPLWWHH ZLVKHV WR IXUWKHU H[SORUH WKLV WRSLF &RQYHQWLRQ DQG LWV &RPPHQWDU\ RU ZLWK D YLHZ WR SRVVLEOH IXWXUH +DQGERRN RQ 'LVSXWH 5HVROXWLRQ WHUPV VXFK DV JRRG RIILFHV PHGLDWLRQ FRQFL GHWHUPLQDW R
Q W PH€P W \NÌÑ0

HYDOXDWLRQ RU D FRPELQDWLRQ RI ERWK LV WKDW WK
OHYHOV EHWZHHQ WKH SDUWLHV WR D 0$3 DQG IDFLOL
SURFHGXUH :KLOH WKH FRQFHUQV VXUURXQGLQJ PDQG
ZRXOG QRW DSSO\ WR QRQ ELQGLQJ SURFHGXUHV 1%'5
GLVSXWH

$V DQ LQFUHDVLQJ QXPEHU RI FRXQWULHV LQFOXGLQJ G
RI LPSURYLQJ WKHLU WD[WUHDW\ GLVSXWH UHVROXWL
PHDVXUHV WKDW FRXOG RU VKRXOG EH HQYLVLRQHG LQ RU
UHTXLVLWH FDSDFLW\ EXLOGLQJ DQG IXUWKHU WKH HIIHF
UHTXLUHPHQWV

6LQFH WR GDWH WKH 81 0RGHO GRHV QRW SURYLGH [
FRQWH[W WKH LQFOXVLRQ RI VXFK JXLGDQFH LQWR WKH
6® L%¹ ¯O%v W L0D V ™ W„€ •8R y @ $8g ¬ W ¯ € 0V0 ì W„€ JX L W 0

VHFRQG 6HHHWSLQQJ7KHSLBHQWLILHV GLIIHUHQW W\SHV RI 0
RXWOLQHV WKHLU SRVVLEOH:KLGYDQWKEJXEBQRPGWRXGKWB
WR UHDFK FRQVHQVXV RQ DWKHSWZRXVBVDGUHVG
&RPPLWWHHUYXDUWRIHU DQDO\VLV RI WKLV WRSLF ZKLFK F
IRU GHYHORSLQQWKEXQWUHV EH FRQVLGHUHG ZKHQ DJU
SUDFWLFDOLWLHV RIWEVHLPQHXBGRDWLRQU WSGDWH W
&RPPHQWWKH*XLGH WRU 1$3 D IXWXUH +DQGERRN RQ 'LVSX

9 5HFRPPHQGDWLRQV RQ KRZ WR WDNH IRUZDUG WKH ZRU

9 W d€ Z ppBSLRQÀ¼Va

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$QQH[

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%DFNJURXQG

7KH ODVW \HDUV EURXJKW VLJQLILFDQW FKDQJHV LQ WKH
'LVFRQWHQW ZLWK GLIIHUHQW VWDNHKROGHUV ZLWK WKH
GXULQJ WKH HDUO\ V UHVXOWLQJ LQ SXEOLF GLVFXV
UHDVRQDEOHQHVV RI WKRVH FODLPV DQG LQ
3URILW 6KLIWLQJ %(36 SURMHFWV WKDW DUH LQWHQGHG WR
WKDW ZDV FRQGXFWHG E\ 2(&' W:¥UÐ V Y1`H H0p°€VÀ H (&
GX %UV UÀ``X 00 À

7 0vlV I` Ð O Ð• F@ `LÀVMHV0LGYZE@A0V —(B2 UPN 5 P 5 WK H2À ` W O C V2 UP N V F R O` W À q @ T

RI WKH 2(&' WKH %(36)LQDQFLDO 5HSRUWLQJ &RQGLWLRQ PLQLPXP
WKH PDQGDWRU\ H[FKDQJH RI 3V

7KH ULVNV IRU D WD[SD\HU

$Q 3 FDQ OHDG WR LQFUHDVHG 3 GXPSLQJ \RXU VWRFN DQG
WKDW D FHUWDLQ WUDQVDFWLRQ LV QRW DXGLWHG DW D
IDFWXDO DVVXPSWLRQV WDNHQ LQ DQ 3 GLG SURRI WR
DVVXPSWLRQV GR QRW WUHDW 7$FRXQGHG SHQGHG FDVH
UHVXOWLQJ LQ GRXEOHG DGPLQLVWUDWLYH FRVW IRU WK

5LVN PLWLJDWLRQ WKURXJK WUDQVSDUHQF\
6RPH RI WKH ULVNV PHQWLRQHG LQ WKH SDUDJUDSKV DE
LQFUHDVHG WUDQVSDUHQF\ DQG WKDW DUH URRWHG LQ WKH RQH VLG
PLQLPL]HG LI DOO LQWHUHVWHG MXULVGLFWLRQV DUH LQ
H[FKDQJHV WR ZHHQ WKH MXULVGLFWLRQV LQYROYHG LQ WKH
DEOH WR WDNH GLDHGHQWKXSSUHDEKVV RI XQZDQWHG G
RWKHU IRUPV RI PLVXVH DUH UHGXFHG $W WKH VDPH WL
ZHOO LI MXULVGLFWLRQV RSHQO\ VKDUH WKHLU RSLQLR
FORVLQJ RI WKH JDS LQ DV\PPHWULF VLWXDWLRQV WKLV
DQG FDQ WHVWHG E\ DQ\RQH ZKR LV LQWHUHVWHG

6RPH FRXQWULHV FOHDQXS WLPHUDWHV DV $VVRV GH
GHVFULEHG LQ WKH SDUDJUDSKV DERYH4@Pp $P DëDU pÀ

,QLWLDWLQJ DQ 3 3URJUDP

'DWD FROOHFWLRQ DQG DQDO\VLV

,Q RUGHU WR HQDEOH FRXQWULHV WR PDNH D IDFW EDVH
ZKHWKHU WR VWDUW DQ 3 SURJUDP RU QRW PRUH GDW
&RXQWULHV KDYH WKH RSWLRQ WR VXEPLW GDWD RQ WKH
QHJDWLYH HIIHFWV RI WKHVH SURJUDPV DQG DV IDU DV
7$V 7KLV ZRXOG QRW RQO\ KHOS FRXQWULHV FRQVLGHU
FRXQWULHV WKDW LQWURGXFHG 3V DOUHDG\ $OO VWD
LQYROYHG LQ WKLV SURFHVV RI GDWD JDWKHULQJ DQG L
YDOLGLW\ RI DQ 3

.H\ IHDWXUHV RI 3$3V

5XQQLQJ DQ 3 SURJUDP QHHGV WLPH &RXQWDEOH UHV
&RQWULEXWLRQV DQ 3 SURJUDP ZLOO YHU\ OLNH
UHYHQXH RI D 7$ 7KH JRDOV RI DQ 3 SURJUDP ZKLFK
FRQIOLFWV DQG RIIHULQJ DQ DWWUDFWLYH JRYHUQDQFH
FRPPLWPHQWV

,Q RUGHU WR EH DEOH WR UXQ D ZHOO IXQFWLRQLQJ 3
VSHFLILF DUHDV QHHGHG VNLOOV DUH ILUVW DQG IRUHPRVW
WD[ODZ ZKLFK DUH LQ SDUWLFXODU WUDQVIHU SULFLQJ
WLPH VRIW VNLOOV VKRXOG EH ORRNHG DW DV ZHOO OL
6RPH 7$V PDGH WKH H[SHULHQFH WKDW IRU ORQJ VHUYLQ
XVHG WR PRUH FRRSHUDWLYH IRUPV RI FRPPXQLFDWLRQ
PD\ UHVXOW LQ HQGXULQJ FRQIOLFWV EHWZHHQ WD[SD\H
EHQHILWV RI 3V

7KH SHUVRQV DV GHVFULEHG DERYH FDQQRW DOZD\V EH
+HQFH KLULQJ SHUVRQQHO IURP RXWVLGH WKH RUJDQL]D
VNLOOHG SHUVRQV FDQ W EH IRXQG WKHUH $W WKH VDP
LQ VDODULHV EHWZHHQ SULYDWH DQG SXEOLF HPSOR\HU
ZKHUH LW LV QRW RQO\ GLIILFXOW WR KLUH QHZ HPSOR\H
WKH 7$ VWDII E\ VRPH HPSOR\HHV PHUHO\ DV DQ HGXFDWL
GUDLQ RI VNLOOV D 7$ KDV WR VHHN WR RIIHU LQFHQWLY
SULYDWH WR SXEOLF VHFWRU HPSOR\HHV PD\ EH PRUH IO
ZRUNLQJ KRXUV DQG SODFHV

7KH SHUVRQQHO UXQQLQJ DQ 3 SURJUDP PXVW EH
QHHGV ZLOO QRW GLIIHU PXFK IURP ZKDW LV QHHGHG IR
PRVW H[SHQVLYH HTXLSPHQW WR FRPPHUFLDO G
DOORZ WKHP WR FRQGXFW D SURSHU FRPSDUDELOLW\ DQ
XVXDOO\ HIIRUWV KLJK EXSWURQ PDQ\ HFRQRPLHV VXFK LQ
VRRQ WKURXJK WKH LQFUHDVHG TXDOLW\ RI D 7$V WUDQ

(YHQWXDOO\ SRWHQWLDO WUDYHO H[SHQVHV DQG 3 W
PXOWLODWHUDO 3 VWZRLOODFHQHPHHWWLQJV WDVWEHWZHHQ UHSUH
:KLOH VXFK FRVWV FDQ FHUWDLQO\ EH UHGXFHG E\ RWKH
RU YLGHRFRQIHUHQFHV WUDYHOLQJ FDQ W EH DYRLGHG
WKH ZLOOLQJQHVV WR FRPSURPLVH LV VWLOO KLJK@`R€ ƈ

ZKHWKHU WKH\ DUH ZLOOLQJ WR DFFHSW)XUWKHUPRUH WKHLU SDUWLFLSDWLRQ
REVHUYHG WKDW MXULVGLFWLRQV LQWURGXFHG3 SURJ
IHZ MXULVGLFWLRQV SXEOLVK VWDWLVWLFDO GDWD RQ W
GXUDWLRQ RI SURFHHGLQJ

,Q VRPH GHYHORSLQJ FRXQWULHV3 LQ
JXLGHOLQHV KDYH EHHQ [PSOHG &RORPELD *HRUJLD
JXLGHOLQHV KDYH EHHQ SUHSDUHG $QG LQ 8NUDLQH 5
EHHQ XSGDWHG 8QIRUWXQDWHO\ PRVW RI WKHVH FRXQW
(QJOLVK PDNLQJ LW GLIILFXOW IRU RWKHU MXULVGLFWLO
MXULVGLFWLRQV FDQ VRPHWLPHV RQO\ GUDZ RQ WKH ZRU
2(&' HWF RU RQ PDWHULDO WKDW LV SXEOLFL]HG E\ PRU
W\SLFDOO\ ELJJHU HFRQRPLHV

6XPPDU\

&RQVLGHULQJ DOO WKH HOHPHQWV DUJXHG DERYH LW ZR
IXUWKHU VWXG\ ZRXOG EH QHHGHG EHIRUH D JHQHUDO U
3V LV ,QGHHG 3V LQYROYH VLJQLILFDQW ULVNV IRU
YHU\ OLPLWHG VHWV RI FRXQWULHV EH DZDUH RI WKH ULVNV DQG EHQ
SURJUDP DQG FDUHIXOO\ DQDO\]H DQG EDODQFH WKHP 7
WRZDUGV VWDUWLQJ 3SURJUDPV VWDJH W+RZHYHU
QHJOLJLEOH FRVWV DQG ULVNV LW RIWHQ VHHPV MXVWL
EHJLQQLQJ RI WKH LQWURGXFWLRQ RI QHZ 73 UHJLPHV :KHWK
DYRLGLQJ ODWHU FRQIOLFWV KDV WR EH GHFLGHG IRU HY
PXFK RQ WKH FDSDFLW\ RI WKH UHVSHFWLYH 7$)RU WKH
WKHHFFXPXODWLRQ RI FRPSUHKHQVLYH GDWD PD\ EH LQGLV
RQ 3 SURJUDPV FXUUHQWO\ LPSOHPHQWHG DURXQG WK

C G J

$QQH[

$GYDQFH 3ULFLQJ $JUHHPHQWV 6W

&RXQWU	3 \HV Q	XQLODV	ELDQG PXOWDV	&RPPHQWV
(XURSH				
$OEDQLD	\HV	\HV	\HV	7KUHVKROG PLOOI
$XVWULD	\HV	\HV	\HV	)HHV IRU XQLODWHU
%HOJLXP	\HV	\HV	\HV	3XEOLVKHG DQRQ\P

(& &

&RXQWU	3 \HV Q	XQLODV	ELDQG PXOWDW	&RPPHQWV
&RORPEL	\HV	Q D	Q D	
&RVWD 5	\HV	Q D	Q D	1R VHFRQGDU\ OHJL
'RPLQLF \HV 5HSXEOL				

&RXQWU\	3 \HV Q	XQLODV	ELDQG PXOWDW	&RPPHQWV

&RXQWU	3 \HV Q	XQLODV	ELDQG PXOWDW	&RPPHQWV
2PDQ	QR	QR	QR	
3DNLVWD	QR	QR	QR	*HQHUDO UXOLQJ LV
3DSXD 1 *XLQHD	QR	QR	QR	
3KLOLSS	\HV	\HV	\HV	
4DWDU	QR	QR	QR	
5XVVLD	\HV	Q D	Q D	

&RXQWU	3 \HV Q	XQLODV	ELDQG PXOWDV	&RPPHQWV
9LHWQDP	\HV	\HV	\HV	
$QDO\VLV				
7RWDO				
3V				
0D\EH				
$IULFD				
$OJHULD	QR	QR	QR	*HQHUDO UXOLQJ P
$QJROD	QR	QR	QR	
%RWVZD	QR	QR	QR	
&DPHUR	QR	QR	QR	*HQHUDOLQJ UXV
(J\SW	\HV	Q D	Q D	

&RXQWU	3 \HV Q	XQLODV	ELDQG PXOWDV	&RPPHQWV
$QDO\VLV				
7RWDO				
3V				
*UDQG 7RWDO				
-XULVGL				
3V				
0D\EH				

$QQH[

:RUNLQJ *URXS 1RWH

0HGLDWLRQ DQG 2WKHU)RUPV RI 1RQ %LQ

BBBBBBBBBBBBBBBBBBBBBBBBBBBBBBB

$ 7KH ,QWHUHVW RI 81 0HPEHU &RXQWULHV LQ 0HG
1RQ %LQGLQJ 'LVSXWH 5HVROXWLRQ

,Q UHFHQW \HDUV WD[DGPLQLVWUDWLRQV DURXQG WKH
WD[SODQQLQJ VWUDWHJLHV RI 01(V ZKLFK KDV OHG
LPSOHPHQWDWLRQ RI &RXQWU\ 6SHFLILF 5HFRPPHQGDWLRQV LQ D ZLGH UDQJH
PDQ\ RWKHU DFWLRQV WKDW DUH FXUUHQWO\ FRQWHPSO
LQWHUQDWLRQDO SURMHFWV * 2(&' HWF LW LV OLN
ERUGHU WD[GLVSXWHV ZLOO IXUWKHU LQFUHDVH

7KH WUDGLWLRQDO PHDQV RI UHVROYLQJ WKHVH GLVSXW
PXWXDO DJUHHPHQW SURFHGXUH 0$3 0$3 LV ZLGHO\
H[LVWHQW LQ PDQ\ FRXQWULHV DQG RU SDUWO\ LQHIILFL
ODZ VXSSRUW LQDELOLW\ RI DGPLQLVWUDWLRQV WR DO

GLIIHUHQW OHYHOV RI H[SHULHQFH DQG WKH XQHTXD
UHODWHG SURFHGXUHV

,Q WKH GLVFXVVLRQV RI WKH 6XEFRPPLWWHH ZKLFK KDYH
ZDV XQDQLPRXV DJUHHPHQW WKDW WKH WKLUG LPSHUD
SURFHVV RI 1%'5 6XFK SURFHVV FRXOG EH GHILQHG HLW
RU RQ DQ DGKRF EDVLV

3URRU WR DJUHHLQJ WR VXFK SURFHVV &RXQWULHV RU &

:KDW NLQG RI 1%'5 VKRXOG H[LVW ZKDW DUH WK
FLUFXPVWDQFHV DQG"ZKDW DUH WKHLU OLPLW
+RZ FDQ WKH VXLWDELOLW\ DQG DSSURSULDWHQ
PHGLDWLRQ RU H[SHUW HYDOXDWLRQ IRU VSHFLI
:KDW ZRXOG EH WKH VFRSH RI D VXEPLVVLRQ WR
PHFKDQLVP RU VXSSOHPHQWDU\ RSWLRQ RQ D FD
+RZ ZKHQ DQG E\ ZKRP ZRXOG WKH 1%'5 SURFHV
+RZ VKRXOG LQGHSHQGHQW SHUVRQV VXFK DV
VHOHFWHG"
:KDW DUH WKH GXWLHV RI VXFK LQGHSHQGHQW
LPSDUWLDOLW\ GLVFORVXUH RI SRWHQWLDO FRQ
+RZ FDQ WKH SURFHHGLQJV EH VWUXFWXUHG H J
REWDLQLQJ GRFXPHQWDWLRQ DQG WHVWLPRQ\ F
LQYROYHPHQW UXOHV HQVXULQJ WKH IOH[LELOL
:KHUH ZLOO WKH SURFHHGLQJV RFFXU"
:KDW ZLOO EH WKH ZRUN SURGXFW RI WKH WKLU
VXEPLWWHG H J ILQDO H[SHUW UHSRUW QRQ EL
UHVROXWLRQ RI WKH GLVSXWH RQO\ RUDO WHVW
:KDW UXOHV DQG SULQFLSOHV VKRXOG EH FRQW
DQG FRQILGHQWLDOLW\ RI 1%'5 SURFHHGLQJV"
,Q ZKDW IRUP VKRXOG &$ V OD\ GRZQ WKHLU 0X
DQG ZKDW LV LWV OHJDO HIIHFW"
+RZ FDQ VXFK 0XWXDO $JUHHPHQW EH HQIRUFHG"

7KH &RPPLWWHH VKRXOG SURYLGH JXLGDQFH ZLWK UHV
SURPRWH D IOH[LEOH IUDPHZRUN IRU WKH GHYHORSPHQ
DQG OHYHO RI FRPIRUW RI HDFK &RXQWU\

&)RUPV RI 1%'5 LQGLQ 'LVSXWH 5HVROXWLRQ

2YHUYLHZ RI ELQGLQJ DQG QRQ RI GLVSXWH

,Q JHQHUDO GLVSXWHV FDQ EH UHVROYHG HLWKHU E\ D
VXEPLWWLQJ WKH GLVSXWH WR DQ LQGHSHQGHQW DQG
DGMXGLFDWRU HWF ZKR GHFLGHV WKH GLVSXWH IRU WK
LV GHULYHG RU YHU\ PLQRU FKDQJHV WR WKH VWDQGDUG
VLWXDWLRQ WKH SDUWLHV PXVW FDUHIXOO\ FRQVLGHU WK

(& &53

QHJRWLDWLRQVHODWLQJDXWKLPDEDVLV IRU DQ DJUHHPHQW
UHSUHVHQWDWLYHV MXVWLI\ PRjUYHLVHDWKLHLUWSKHLLQFLSDOS
UHDVRQDEOH

([SHUW HYDOXGLWLRQJRRQ[HHGHWHUPLQDWLRQ
WKH SDUWLHV VXEMHFW WKHPVHOYHV WR WKH GHFLVLRQ

)XUWKHU LW LV SRVVLEOH WR GLVWLQJXLWKLEQGHS
DSSRLQHVHUWHUPV WKH ODWWHU IRUP RRQSGUFWVKHQJVRSWK
XQGHU WKHRDXVFRXUWRU DUELWUDWLRQ SDQHO ZKLFK
VLWXDWLRQV LQ ZKLFK WKH RSHUDWLRQV RI WKH H[SHU
SURFHHGLQJV KHU LQGHSHQGHQWSXEOLFLQVWUXPHQW

$QRWKHU ZD\ LPVHWWLRDWRRQQXFQV WKH EDVLV RI DQ DQ UHDGV
WKLV VFHQDULR WKH PHGLDWRU ZRXOG GLVFXVV WKH
SDUWLHV DQG\SRWKHQW [SHUW 7KLV FDQ EH SDUWLFXO
SDUWLHV KDYH D GLIIHUHQW LQWHUSUHWDWLRQ RI WKH
PHWKRGRORJ\ RI WKH H[SHUW ,W VKDOO EH QRWHG WKD

1%'5 FRPSDUHG	- $PLFDVE RO HXWLRQV DUH PRUH DFF VXVWDLQDE QR WKDQ PHV - 3UHVHUYDWLRQ HUIHLJQW\ - /HVV FWKDQ \DUELWUDWLRQ

1%'5 DV DQ $OWHUQDWLYH RU D 3UHFXUVRU W

1%'5 FRXOG EH HQYLVDJHG DV DQ DOWHUQDWLYH PHDQV RI SHHQWDU PHDQV GLVSXWH UHVROXWLRQ SUHFHGLQJ DUELWUDWLRQ

'HVLJQLQJ 1%'5 DV DQ DOWHUQDWLYH ZRXOG EH ZRUWKZKLOH WKH FR DGPLQLVWUDWLRQV DWWDFKHG WR WKHLU IHHV &$V KDYLQJ FXUUHQWO\ QR H[SHULHQFH ZLWK 0$3 IRU FRXQWULHV ZKLFK IHHO WKDW DQ LQGHSHQGHQW W ILHOG ,W ZRXOG DOORZ WKHP WR DQ HQWHUWDLQ UHVROXWLRQ V\VWHP

2Q WKH RWKHU KDQG VRPH 6WDWHV PD\ ILQG LW PRUH GLVSXWH UHVROXWLRQ RU ELQGLQJ 1%'5 ,Q WKLV V1%'5 DZDUG OLEHUDWHG PHGLDWH UHGU SURFHG,QUHVXFKWDLPXOWDSSURDFK ELQGLQJ GLVSXWH U XOWLPDDUWDWHUE\ UHDNHU LQ FDVHV RI VWDOHPDWH ,W ZRX 1%'5 DVV&XOOO\ SUHIHU WR DYRLG ELQGLQJ GLSXWH UHV

3URYLGLQJ IRU PDQGDWRU\ DQG ELQGLQJ GLSXWH UHV ZRXOG IXUWKHU WKH HIIHFWLYHQHVV RI WKH WD[WUHDW LQFHQWLYHWKWHR WDSDUWV FRQVLVWHQWWDUHVG DSHU LQFOXGLQJ 1%'5 ZRXOG HQVXUH WKDW FDVHV DUH DV D WKDQ E\ WKH GHFLVLRQ RI DUELWUDWRUV

3URSRVHG 58HQVSLRQHVHRU ELQGLQJ DUELWUDWLRQ RU H[SH
1%'5 ZRXOG QRW KDYH DQ\ OHJDO HIIHFW 2QO\ LI WKH S
1%'5 WKLV ZRXOG EH ELQGLQJ XSRQ WKHP WR WGKH VDP
WKURXJK FODVVLFDO 0$3

,W FRXOG KRZHYHU EH H[SORUHG ZKHWKHU FRXQWULHV
PHFKDQLVPV H J E\ SURYLGLQJ LQ WKHLU WUHDW\ WKD
WKHLU &$V VKRXOG EH LPSOHPHQWHG LQWR GRPHVWLF
FRXUW MXGJPHQW RI ODVW LQVWDQFH

+DYH VXFK 1%'5 SURFHVVHV EHHQ XVHG LQ W
&RXQWULHV"

5HVSRQVH EXW WR RXU NQRZOHGJH RQO\ RQ WKH GRPH

LQ GLVSXWH LQWHUQDWLRQDO WD[GLVS
0RGHO LQ D PDQQHU FRQVLVWHQW ZLWK
OHYHO

- &RRUGLQDWH VXFK FRQILGHQFH DQG H[SH
GHIHQVH SURFHVVHV LQFOXGLQJ H[DPLQ
UHVROXWLRQ SURFHVVHV

- $YRLG WKH FRQFHUQV WKDW 0'6 SURYRNH
H[SHULHQFHV ZLWK RU SHUFHSWLRQV RI
RI FRPPHUFLDO DUELWUDWLRQ

- 8VH WKH H[SHULHQFH SRVLWLYH RU QHJ
RWKHU IRUP RI FRPPHUFLDO DUELWUDWLRQ
GLVSXWH UHVROXWLRQ SURFHVVHV WR DI
SDUWLFLSDWLQJ &RXQWULHV DV LQ

- /RQJHUP VXSSRUW IRU WD[DGPLQLVWUD
UHODWLRQVKLSV DQG HQFRXUDJHPHQW E\ KDYL
UHVROXWLRQ SURFHVVHV WKDW DUH DFFHSWHG E\ W
&RXQWULHV DOLNH

3RWHQWLDO 1HJDWLYHV

- ,QYHVWPHQW RI WLPH DQG H[SHQVH LQ G
SURFHVVHV

* 3RWHQWLDO $UHDV IRU)XUWKHU :RUN

,I DV D UHVXOW RI WKH 2FWREHU 6HFUHWDULDW SDSH
WKH &RPPLWWHH VKRXOG FRQVLGHU WDNLQJ IXUWKHU VW
DJUHHPHQW WKDW WKHUH DUH VKRUW PHGLXP DQG ORQJ

3RWHQWLDO 7HUPLQRORJ\ $GGLQJ DH3DUDJUDS
&RPPHQWDU\

7KH 6XEFRPPLWWHH FRXOG GHYHORS SROLF
WKH 81 0RGHO &RPPHQWDU\ WR $UWLFOH
SURYLGLQJ JXLGDQFH RQ QRQ RI GLVSXWH
GHVFULELQJ RQH RU VHYHUDO 1RQ5HLWHUW
DV D SUHFXUVRU\ VWHS WRZDUGV SURFHHG
ERWK

5HJDUGLQJ D SRWHQWLDO DPHQGPHQW WR W
SURSRVDOV ZHUH GLVFXVVHG GXULQJ WKH P
1HZ <RUN 6HSWHPEHU 7KH\ DUH UHIOHFWHG LQ

LLL 0HWKRG RI DJUHHLQJ XSRQ WKH LQWH

LY 6WDWXV RI WKH LQWHUPHGLDU\ RU LQ
ZKRP FRQILGHQWLDO LQIRUPDWLRQ PD\ E

Y 2EOLJDWLRQV RI WKH LQWHUPHGLDULH
SURYLVLRQV RI WKH 7UHDW\ DQG RWKHU
GLVFORVH SRWHQWLDO FRQIOLFWV RI LQ

YL 6XFK RWKHU WHUPV DQG SUDFWLFDO J
DSSURSULDWH

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LQFRUSRUDWHG LQWR WKH WUHDWLHV RU HIILFLHQWO\ E\ WKH 2(&' WR ILOO WKLV JDS

:KDW FDQ EH VHHQ IURP WKH GDWD DYDLODEOH LV WKD DUH FRQGXFWHG EHWZHHQ D OLPLWHG JURXS RI FRXQW)UDQFH %HOJLXP DQG &DQDGD

$PRQJVW2(1&RQFRXQWULHV &KLQD DQG ,QGLD DUH WKH FF

7\SH RI WUWRX VHOHFWHG	$G KRF	,QVWLWXWLRQDO
	,QGHSHQGHQW PHPEHUV	$UELWUDWRUV D SDUWLHV
	1XPEHU RI DUELWUDWRUV	
+RZ GHFLVLRQ	6KRUW)LQDO	/RQJ IRUP ,Q RSLQLRQ
:KDW LI WKH FLKD RQ WUXWHV	%LQGLQJ	1RQELQGLQJ
+RZ WUXURFHHGU FRQGXFWHG	$G KRF	,QVWLWXWLRQDO
	2QOLQH	%ULFNRRUWDU

2.2.2. 9ROXQWDU\ YV 0DQGDWRU\ $UELWUDWLRQ

9RO XQWDU\ RU FRQVHQVXDO DUELWUDWLRQ SU WKH GLVSXWLQJ SDUWLHV FKRRVH WR VXEPLW WKH FR DUELWUDO WULEXQDO DIWHU LW KDV DULVHQ $OO SDUW RWKHU ZRUGV WKH DUELWUDO FODXVH FRQWDLQHG LQ D DUELWUDWLRQ SURFHGXUH 5HJDUGOHVV RI WKH IDFW W DUELWUDWLRQ FDQ DOVR UHVXOW LQ D ELQGLQJ GHFLVL

0DQGDWRU\ RU FRPSXOVRU\ DUEL WUDWLRQ GLVSXWH UH WKH SDUWLHV KDYH ERXQG WKHPVHOYHV WKURXJK DQ SURFHGXUHV ZLWKRXW DQ\ IXUWKHU DFFHSWDQFH EHLQ GLVSXWH KDV DULVHQ :KHQ RQH RI WKH SDUWLHV IHHO VXEPLW WKH GLVSXWH WR DUELWUDWLRQ 8QGHU VRPH &RPSHWHQW $XWKRULWLHV LI D 0$3 GLVSXWH UHPDLQV DQG WKH WD[SD\HU UHTXHVWV WKH LQLWLDWLRQ RI DUEL

[3] +\EULG´ YHUVLRQV DUH DOVR SRSXODU LQ VRPH MXULVGLFWLRQV ZKHUH SDUWLHV DXWKRULWLHV DJUHH WKDW D GLVSXWH IRU ZKLFK DUELV VXLWDEOH IRU DUELWUDWLRQ WKH\ FDQ SUHYHQW WKH F 3HUKDSV PRVW IDPRXVO\ $UWLFOH RI WKH '77 EHWZHH RSW RXW FODXVH D FDVH LV H[FOXVLYHO\ RYHU SUDUWLFLSDWH FRPSHWHQW DXWKRULWLHV DJUHH EHIRUH WKH GDWH RWKHUZLVH KDYH EHJXQ LV QRW VXLWDEOH IRU GHWHUP

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M G J

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VHUYH DV DQ LQFHQWLYH WR UHVROYH WKH GLVSXWH LQ
QHHGV RI WKH FRPSHWHQW DXWKRULWLHV IRU LQVWDQF
RQ WKHP E\ GRPHVWLF WD[DGPLQLVWUDWLYH DQG FRQ
VHYHUDO GD\V DQG WKDW WKH FRVWV RI
RXWFRPH ZRXOG RXWZHLJK LWV XVHIXOQHVV IRU DOO S
PHGLDWLRQ ZRXOG VHUYH D VLPLODU SXUSRVH DQG EH F
7JFDEpPVHKVR!U`WWhlaCWpDPHIUDPH VLQFH WKH\ ZRXOG XV•ÂX#D7JJDE\EH
PH8OpX O•07$ƒF@DD0 `‘ 00`6Ð Z@

ZKLFK LV FDUULHG RXW HQWLUHO\ LQ ZULWLQJ WKH OD
ZKLFK DUH QRW REOLJDWRU\ IRU EDVHEDOO DUELWUDW
DGDSWHG WR EH XVHG LQ WKH FRQWH[W RI EDVHEDOO
DUELWUDWLRQ SURFHGXUHV FRXOG DOVR EH GHVLJQHG
ZULWWHQ UHDVRQHG RSLQLRQV GHSHQGLQJ RQ WKH SU

SURFHGXUDO UXOHV 7KH DGYLVRU\ FRPPLVVLRQ XQGHU
DG KRF ERG\ VHH $UWLFOH

7KH DGYDQWDJHV RI QHWWLQJ DUH LOOXVWUDWHG E\ WKH FXPEHUVRPH DQ
GXWLHV VXFK DV WKH ILOLQJ DQG GLVWULEXWLRQ RI G
DUELWUDWRUV DUH FDUULHG RXW E\ WKH LQVWLWXWL
SURFHHGLQJV DQG DOORZLQJ SDUWLHV WR IRFXV RQ VXE
UHGXFHV WKH QHHG IRU WKH DUELWUDO SDQHO WR HVW
VLQFH PRVW RI WKHVH DUH GHWDLOHG RQ D GHIDXOW E
'HOHJDWLQJ VRPH RI WKH RUJDQL]DWLRQDO PDWWHUV W
SURFHGXUH LQ PDQ\ ZD\V H J ZKHQ LW FRPHV WR ILQG
IRU RUDO KHDULQJV $Q LQVWLWXWLRQ FRXOG IL[DQG K

x '77 $XVWUDOLD ±

2.3. 2WK)HRUPV RI %LQGLQJ 5HVROXWLRQ 0HFKDQLVPV

,Q WKH XQLYHUVH RI PDQLIROG GLVSXWH UHVROXWLRQ[77] WKHUH DUH WZR VHYHUDO IRUPV RI ELQGLQJ GLVSXWH UHVROXWLRQ 2WK GLVSXWH UHVROXWLRQ LQFOXGH ³DGMXGLFDWLRQ´ DQG GHWHUPLQDWLRQ

$GMXGLFDWLRQ DQG GHWHUPLQDWLRQ ERWK GHDO ZLWK WKH ILHOG RI FR DW TXLFN DQG SUDJPDWLF SUHOLPLQDU\ VROXWLRQV WR ZRUNV LQ SDUDOOHO WR RQJRLQJ SURMHFWV LQ RUGHU QRZ DUJXH ODWHU´ $GMXGLFDWLRQV DQG GLVSXWH E DUELWUDWLRQ RU [78]OLWLJDWLRQ SURFHGXUHV

H J DUPV OHQJWK SULFHV ,QGHSHQGHQW H[WHUQDO
GLVSXWHV FRQFHUQLQJ WUDQVIHU SULFLQJ RU WKH H[LV

,I WKH RXWFRPH RI DQ H[SHUWLVH LV ELQGLQJ XSRQ
DXWKRULWLHV PD\ ILQG LW HDVLHU WR FRPSURPLVH RQ
MXVWLI\ WKH PXWXDO DJUHHPHQW UHDFKHG RQ WKH ED
JRYHUQPHQWV (YHQ LQ FDVHV ZKHUH WKH SDUWLHV L
PXWXDO DJUHHPHQW WKH H[SHUWLVH PD\ FRQWULEXWH
WKH LVVXHV LQ GLVSXWH DQG SURYLGLQJ YDOXDEOH LQ
RI DUELWUDWRUV

,VVXHV WKDW FRXOG EH FRQVLGHUHG E\ WKH 81 &RPPLW
GHWHUPLQDWLRQ DQG HYDOXDWLRQ SURFHGXUHV LQFOX

R %DL V ð€W K H ‡À 0 •• –0 E ` X À 0µ € À hÀ ½É \ C 7D H ,P €V0[L S P0

DUELWUDWRU ZKR ZLOO IXQFWLRQ DV WKH FKDLU WR W
PDMRULW\ YRWH

$UELWUDWRUV FDQ DOVR EH H[SHQVLYH DQG PD\ KDYH Y
PRUH WD[VSHFLDOLVWV IURP GHYHORSLQJ FRXQWULHV
DQG GLYHUVLW\ RI DUELWUDWRUV 7KH 81 DV SDUW RI LV
VXFK DFWLRQV $GGLWLRQDOO\ WKH OLVW RI SRVVLEOH
ZLWK WKHLU VSHFLDOWLHV DQG DVVLVW FRXQWULHV LQ
PDQ\ DUELWUDO LQVWLWXWLRQV

1HYHUWKHOHVV ZKDWHYHU DSSURDFK LV DGRSWHG LW
RI WKH DUELWUDWRU SURFHVV 7KHUH LV HYLGHQFH WKDW SURIHVVLRQDO
EHLQJ UHDSSRLQWHG ZKLFK FRXOG LQIOXHQFH WKHLU G
FRQGXFWHG LQ DFFRUGDQFH ZLWK JXLGHOLQHV OLNH W
7KHVH KDYH SURYHQ WR ZRUN HIIHFWLYHO\ DQG DUH LO
DSSO\ $GGLWLRQDOO\ WKH\ KDYH EHHQ GHVLJQHG WR J
VSHFLILF W\SH RI 7KHUH EHWWHU WKDQ LQ HDVLO\ DFFHVVLEOH I
JUHDWHU LQGHSHQGHQFH FDQ EH HQVXUHG 7KH 81 7D[&

$QRWKHU YDOXDEOH H[SHULHQFH FDQ EH GUDZQ IURP WK
WKH PHPEHU FRXQWULHV ZLWK DVVLVWDQFH ZLWK UHJD
0RUHRYHU GHYHORSLQJ FRXQWULHV FDQ DVN IRU VSHF
WHFKQLFDO LVVXHV EXW WKH 81 VKRXOG EH LQTXLVLWLYH SULDW
VXSSRUW DV LW LV WKH PRVW GLYHUVH ERG\ ZLWK JUHDV

3.4. 7UDQVSDUHQF\ YV &RQILGHQWLDOLW\

2QH RI WKH PDLQ SUREOHPV WKDW DULVHV ZKHQ RQH DV
GLVSXWH VHWWOHPHQW LV WKH ODFN RI GDWD ZKLFK
HIIHFWLYHQHVV DQG PRVW LPSRUWDQWO\ +RZHYHU LO

2YHUDOO WKH NH\ LV WR SXW LQ D SURFHVV ZKLFK HQVXUHV
LQ DUELWUDWLRQ FDQ GR VR E\ D JUDGXDO SURFHVV ZK
ZLWK WKH SURFHGXUHV DQG EXLOG XS H[SHUWLVH)XUW
WKH 1HZ ,QVWLWXWLRQDO)UDPHZRUN 1

4. 3RWHQWLDO $UHDV IRU)XWXUH :RUN

$V QRWHG LQ WKH LQWURGXFWLRQ WKH 81 7D[&RPPLW
GHEDWH 7KH DLP VKRXOG EH WR IDPLOLDUL]H FRXQWUL
ZKLFK ZRXOG DULVH LI WKH\ FKRRVH WR JUDGXDOO\ PI
FRQFOXGLQJ VHFWLRQ LGHQWLILHV VRPH DUHDV DQG L
SXUVXH 7KH VXJJHVWLRQV FRXOG EH IXUWKHU H[DPLQH
$YRLGDQFH DQG 5HVROXWLRQ ZLWK WKH IXOO 7D[&RP
SULRULWLHV DQG ZKDW LV SROLWLFDOO\ IHDVLEOH 7KH
ORQJHU WHUP SURSRVDOV

4.1. 3URSRVDOV EHWKEHW[DFRXKGGRLQWKH
3URYLGLQJ JXLGDQFH RQ WKH IROORZLQJ LVVXHV

([DPLQLQJWKHURXJKRXW WKH 0'6 SURFHVV WKH FRPSH
IOH[LEWRLWL\QG VROXWRQVW ZHOOWHUPLQDEWLQJ WI
PXWXDO DJUHHPHQW 7KHVH RSWLRQV PD\ LQFOXG
SURFHGXUHV DV UHIOHFWHG LQ WKH QRWH WR WKH 6
([SORULQJ WKH SRVVLEL)LWLHV 1RWHWRV XVLQJ
6XJJHVWGLQJ HQW VHOHFWLRQ SURFHGXUHV À ÙEL

- ([SORULQQJHZRFZRPPXQLFDWLRQOXVHGFKVQSRHOHRGJLXHSV WKH DQG ORZHU FRVWV H J UHSODFLQJ IDFH

$ Q Q H [

ii)

5HSODFH SDUDJUDSK RI WKH &RPPHQWDU\ RQ $UWLFO

6RPH 6WDWHV PD\ GHQ\ WKH WD[SD\HU WKH DELO
SURFHGXUH XQGHU SDUDJUDSK RI $UWLFOH LQ FD
UHTXHVW UHODWHV DUH UHJDUGHG DV DEXVLYH 7KL
LPSURSHU XVH RI WKH &RQYHQWLRQ GLVFXVVHG L
SDUDJUDSKV RI WKH &RPPHQWDU\ RQ $UWLFOH ,Q W
LV QR JHQHUDO UXOH GHQ\LQJ SHUFHLYHG DEXVLYH V
SURFHGXUH KRZHYHU 7KH VLPSOH IDFW WKDW D FKD
SURYLVLRQ RI GRPHVWLF ODZ VKRXOG QRW EH D UHD
+RZHYHU ZKHUH VHULRXV YLRODWLRQV RI GRPHVWLF
DUH LQYROYHG VRPH 6WDWHV PD\ ZLVK WR GHQ\ DFF
7KH FLUFXPVWDQFHV LQ ZKLFK D 6WDWH ZRXOG GH
SURFHGXUH XQGHU WKH &RQYHQWLRQ

LLL 5HOHYDQW SDUW RI WKH 81 0RGHO

3DUDJUDSK RI WKH &RPPHQWDU\ RQ $UWLFOH R
WKH IROORZLQJ YHUVLRQ RI SDUDJUDSK RI WKH 2(&' C
LQGLFDWHV WKDW >W@KH &RPPLWWHH FRQVLGHUV WKD
$UWLFOH SDUDJUDSKV DQG RI WKH 2(&' 0RGHO
FRUUHVSRQGLQJ SDUDJUDSKV RI ERWK DOWHUQDWLYHV $

6RPH 6WDWHV PD\ GHQ\ WKH WD[SD\HU WKH DELO
SURFHGXUH XQGHU SDUDJUDSK RI $UWLFOH LQ FD
UHTXHVW UHODWHV DUH UHJDUGHG DV DEXVLYH 7KL
LPSURSHU XVH RI WKH &RQYHQWLRQ GLVFXVVHG >
SDUDJUDSKV RI WKH &RPPHQWDU\ RQ $UWLFOH RI W
,Q WKH DEVHQFH RI D VSHFLDO SURYLVLRQ WKHUH LV
VLWXDWLRQV JRLQJ WR WKH PXWXDO DJUHHPHQW SU
FKDUJH RI WD[LV PDGH XQGHU DQ DYRLGDQFH SURY
UHDVRQ WR GHQ\ DFFHVV WR PXWXDO DJUHHPHQW
GRPHVWLF ODZV UHVXOWLQJ LQ VLJQLILFDQW SHQDO
GHQ\ DFFHVV WR WKH PXWXDO DJUHHPHQW SURFHGX
ZRXOG GHQ\ DFFHVV WR WKH PXWXDO DJUHHPHQW S
&RQYHQWLRQ
BBBBBBBBBBBBBBBBBBB
>)RRWQRWH 6WDWH DJ@VR SDUDJUDSK DERYH FRQFHUQLQJ W
DJUHHPHQW SURFHGXUH ZKHUH D FRQYHQWLRQ LQFOX
8QLWHG 1DWLRQV 0RGHO &RQYHQWLRQ >WKLV IRRWQR
SDUDJUDSK@

& &KDQJHV ZLWK UHVSHFW WR PLQLPXP VWDQGDUG

L 5HOHYDQW SDUW RI WKH 5HSRUW RQ %(36 $FWLRQ

VRPH 6WDWHV PD\ RQO\ ZLVK WR LQFOXGH WKLV SD
)RU WKHVH UHDVRQV WKH SDUDJUDSK VKRXOG RQO
HDFK 6WDWH FRQFOXGHV WKDW LW ZRXOG EH DSSU
GHVFULEHG LQ SDUDJUDSK RI WKH &RPPHQWDU\ F
SDUDJUDSK RI WKDW &RPPHQWDU\ KRZHYHU RWI
UHPRYH IURP WKH SDUDJUDSK WKH FRQGLWLRQ WK
DUELWUDWLRQ LI D GHFLVLRQ RQ WKHVH LVVXHV K
FRXUWV RU DGPLQLVWUDWLYH WULEXQDOV

7KH IROORZLQJ FRQVHTXHQWLDO FKDQJHV WR WKH
DGRSWHG

5HSODFH SDUDJUDSKV DQG RI WKH &RPPHQWDU\ RQ

%HIRUH >\HDU RI QH[W XSGDWH@ D IRRWQRWH

&RXQWULHV VKRXOG FODULI\ LQ WKHLU 0$3 JXLGD
WD[DXWKRULWLHV DQG WD[SD\HUV GR QRW SUHFOXG
DGPLQLVWUDWLYH RU VWDWXWRU\ GLVSXWH VHWWOH
WKH DXGLW DQG H[DPLQDWLRQ IXQFWLRQV DQG WKDW
E\ WKH WD[SD\HU FRXQWULHV PD\ OLPLW DFFHVV WR
UHVROYHG WKURXJK WKDW SURFHVV &RXQWULHV VKR
DGPLQLVWUDWLYH RU VWDWXWRU\ SURFHVVHV DQG VK
SURFHVVHV ZLWK UHVSHFW WR WKH 0$3 LQ WKHLU SX
WKHLU SXEOLF 0$3 SURJUDPPH JX
PP
PW U òƒ %YÐ0 wQ S s wQ@ S™ 0F

@0 € E ` ¡ÅP O P U JA`G
@ JA‡…P D` 0 A p @I¤D` @I`

DGMXGLFDWLRQ EXW VKRXOG VD\ ZKHWKHU LW FRQVI
DJUHHPHQW SURFHGXUH ,I LW VR GHFLGHV LW KDV
DUULYH DW D VDWLVIDFWRU\ VROXWLRQ RU ZKHWKHU
DXWKRULW\ RI WKH RWKHU &RQWUDFWLQJ 6WDWH $Q
DJUHHPHQW SURFHGXUH LQ PRWLRQ VKRXOG QRW EH

,I D FODLP KDV EHHQ ILQDOL]HG WKURXJK WKH GLVSXWH
WD[SD\HU PD\ ZLVK HYHQ VR WR SUHVHQW RU SXUVX
SURFHGXUH ,Q VRPH 6WDWHV WKH FRPSHWHQW DX
VDWLVIDFWRU\ VROXWLRQ ZKLFK GHSDUWV IURP WK
FRPSHWHQW DXWKRULW\ LV ERXQG E\ WKH FRXUW GHF
WR WKH FRPSHWHQW DXWKRULW\ RI WKH RWKHU &RQ
PHDVXUHV IRU DYRLGLQJ GRXEOH WD[DWLRQ

LLL 5HOHYDQW SDUW RI WKH 81 0RGHO

3DUDJUDSK RI ERWK $OWHUQDWLYHV $ DQG % RI $
UHDGV DV IROORZV

:KHUH D SHUVRQ FRQVLGHUV WKDW WKH DFWLRQV R
UHVXOW RU ZLOO UHVXOW IRU KLP LQ WD[DWLRQ QRW
&RQYHQWLRQ KH PD\ LUUHVSHFWLYH RI WKH UHPHGL
6WDWHV SUHVHQW KLV FDVH WR WKH FRPSHWHQW DX

ILUVW QRWLILFDWLRQ RI WKH DFWLRQ UHVXOWLQ
SURYLVLRQV RI WKH &RQYHQWLRQ

«

,Q WKH ILUVW VWDJH ZKLFK RSHQV ZLWK WKH SU

HVWDEOLVKPHQW 7KH SURYLVLRQV RI WKLV SDUD
IUDXG JURVV QHJOLJHQFH RU ZLOIXO GHIDXOW

5HSODFH SDUDJUDSK RI WKH &RPPHQWDU\ RQ $UWLFO

7KH SDUDJUDSK DOVR OHDYHV RSHQ WKH TXHVWLR
WLPH DIWHU WKH H[SLUDWLRQ RI ZKLFK 6WDWH % ZRX
DGMXVWPHQW WR WKH SURILWV RI HQWHUSULVH < IRU
HQWHUSULVH ; LQ 6WDWH $ 6RPH 6WDWHV FRQVLGH
RSHQGHG ² LQ RWKHU ZRUGV WKDW KRZHYHU PDQ\
DVVHVVPHQWV HQWHUSULVH < VKRXOG LQ HTXLW\ EH
6WDWH % 2WKHU 6WDWHV FRQVLGHU WKDW DQ RS
XQUHDVRQDEOH DV D PDWWHU RI SUDFWLFDO DGPLQ
WKLV SUREOHP KDV QRW EHHQ GHDOW ZLWK LQ WKH W
OHIW IUHH LQ ELODWHUDO FRQYHQWLRQV WR LQFOXG
OHQJWK RI WLPH GXULQJ ZKLFK 6WDWH % LV WR EH
DGMXVWPHQW VHH RQ WKLV SRLQW SDUDJUDSKV
&RQWUDFWLQJ 6WDWHV PD\ DOVR ZLVK WR DGGUH
OLPLWLQJ WKH OHQJWK RI WLPH GXULQJ ZKLFK D SULP
WR SDUDJUDSK RI $UWLFOH VXFK D VROXWLRQ DY
PD\ RWKHUZLVH UHVXOW ZKHUH WKHUH LV QR FRUU
SULPDU\ DGMXVWPHQW &RQWUDFWLQJ 6WDWHV WKDW
ELODWHUDOO\ WR DGG WKH IROORZLQJ SDUDJUDSK DI

$ &RQWUDFWLQJ 6WDWH VKDOO QRW LQFOXGH L
WD[DFFRUGLQJO\ SURILWV WKDW ZRXOG KDYH DF
RI WKH FRQGLWLRQV UHIHUUHG WR LQ SDUDJUDS
>ELODWHUDOO\ DJUHHG SHULRG@ IURP WKH HQG R
ZRXOG KDYH DFFUXHG WR WKH HQWHUSULVH 7KH
QRW DSSO\ LQ WKH FDVH RI IUDXG JURVV QHJOLJH

LLL 5HOHYDQW SDUW RI WKH 81 0RGHO

6LQFH $UWLFOH RI WKH 81 0RGHO GRHV QRW LQ
SDUDJUDSK RI $UWLFOH RI WKH 2(&' 0RGHO WKH FKDQ
RQ $UWLFOH RI WKH P2V(&'UHGHOY DQW IRU WKH 81 0RGHO

3DUDJUDSK RI WKH &RPPHQWDU\ RQ $UWLFOH RI
E\ QRWH (& LQFOXGHV WKH IROORZLQJ YHUVLRQ
RQ $UWLFOH RI WKH 2(&' 0RGHO

7KH SDUDJU RI DJUD€00 u!9 RI QWO 00RGHOìRIÀ0 À•@
R€0À TR’ðCYHUWOS@0 RC$•• V• T

DULVH IRU H[DPSOH ZKHUH D FRQIOLFW LQ PHDQLQJ
6WDWHV FUHDWHV GLIILFXOWLHV RU OHDGV WR DQ
HQVXUH D SURSHU UHVROXWLRQ RI VXFK FDVHV DQ
FRQFHUQLQJ WKH PHDQLQJ RI D WHUP XVHG LQ WKH
6WDWH V GRPHVWLF ODZ PHDQLQJ RI WKDW WHUP

:KLOVW WKH VWDWXV XQGHU GRPHVWLF ODZ RI D
WR $UWLFOH DOHYDU\ EHWZHHQ 6WDWHV LW LV FOHDU WK
ODZ IRU WKH LQWHUSUHWDWLRQ RI WUHDWLHV DV
9LHQQD &RQYHQWLRQ RQ WKH /DZ RI 7UHDWLHV DOO
VXFK DQ DJUHHPHQW 7KHVH WHUPV SURYLGH WKDW
PXWXDO DJUHHPHQW EHWZHHQ WKH FRPSHWHQW DX
LQGLYLGXDO FDVHV DQG WKH VDPH LQWHUSUHWDWLR
WKH &RQYHQWLRQ LQ ERWK 6WDWHV $UWLFOH DOV
UHVROYH E\ PXWXDO DJUHHPHQW GLIILFXOWLHV RU
DSSOLFDWLRQ RI WKH &RQYHQWLRQ VXFK D PXWXDO
H[SUHVV PDQGDWH FRQWDLQHG LQ SDUDJUDSK RI
HYLGHQFH RI WKH FRPSHWHQW DXWKRULWLHV PXWXD
&RQYHQWLRQ DQG LWV WHUPV)RU WKHVH UHDVRQV
DXWKRULWLHV XQGHU $UWLFOH LV D UHOHYDQW F
SXUSRVHV RI WKH LQWHUSUHWDWLRQ RI WKH &RQYHQ

>)RRWQRWH WR SDUDJUDSK @
3DUDJUDSK RI $UWLFOH RI WKH &RQYHQWLRQ S
7KHUH VKDOO EH WDNHQ LQWR DFFRXQW WRJHW
D DQ\ VXEVHTXHQW DJUHHPHQW EHWZHHQ

3DUDJUDSKV WR RI WKH &RPPHQWDU\ RQ $UWL

,I D FODLP KDV EHHQ ILQDOO\ DGMXGLFDWHG E\
WD[SD\HU PD\ ZLVK HYHQ VR WR SUHVHQW RU SXUVX
SURFHGXUH ,Q VRPH 6WDWHV WKH FRPSHWHQW DX
VDWLVIDFWRU\ VROXWLRQ ZKLFK GHSDUWV IURP WK
FRPSHWHQW DXWKRULW\ LV LEIRXQGV E\VWRKEOLJRHGWDGHF
WR IROORZ WKH FRXUW GHFLVLRQ RU ZLOO QRW GHS
DGPLQLVWUDWLYH ,VRPLF\QRHUYHUWEDWHFHO@ D €`U Rc € KX
VDXFK ` RcpVP Ö G W

FRQFOXVLRQ RI WKH OHJDO SURFHHGLQJV >WKLV IRF
SDUDJUDSK@

- &KDQJHV ZLWK UHVSHFW WR EHVW SUDFWLFH

L 5HOHYDQW SDUW RI WKH 5HSRUW RQ %(36 $FWLRQ

%HVW SUDFWLFH UHDGV DV IROORZV

&RQWUDFWRUV VKHG 0$3 JXLGDQFH VKRXOG SURYLGH
DOORZHG DFFHVV WR WKH 0$3 VR WKDW WKH FRPSHW
FRQVXOWDWLRQ WKH GRXEOH WD[DWLRQ WKDW FDQ D
LQLWLDWHG IRUHLJQ GMXVWPHQW WD[DWLRQ DGMXVWPH
GRPHVWLF ODZV RI D WUHDW\ SDUWQHU ZKLFK DOORZ
FLUFXPVWDQFHV WR DPHQG D SUHYLRXVO\ ILOHG WD[
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LQLWLDWHG IRUHLJQ DGMXVWPHQW VKRXOG EH FRQVL
IDLWK HIIRUW RI WKH WD[SD\HU WR UHSRUW FRUUHFW
WUDQVDFWLRQ RU WKH SURILWV DWWULEXWDEOH WR
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SURILWV DWWULEXWDEOH WR D SHUPDQHQW HVWDEOL
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DUP V OHQJWK SULQFLSOHV XQGHUO\LQJ $UWLFOH
VXFK DGMXVWPHQWV PD\ IDFLOLWDWH WKH SURSHU
HVWDEOLVKPHQW LQ FRQIRUPLW\ ZLWK SDUDJUDSK
PD\ RFFXU IRU H[DPSOH LI VXFK D WD[SD\HU LQLWLD
DWWULEXWHG WR D SHUPDQHQW HVWDEOLVKPHQW OR
QR DSSURSULDWH FRUUHVSRQGLQJ DGMXVWPHQW LQ
HOLPLQDWLRQ RI VXFK GRXEOH WD[DWLRQ LV ZLWKLQ
H[WHQW WKDW WD[HV KDYH EHHQ OHYLHG RQ WKH L
6WDWH WKDW 6WDWH PD\ EH FRQVLGHUHG WR KDYH
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FRPSHWHQW DXWKRULWLHV RI WKH &RQWUDFWLQJ 6W
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PXWXDO DJUHHPHQW SURFHGXUH WR GHWHUPLQH ZK
FRQGLWLRQV RI SDUDJUDSK WKDW LV WKH FDVH WR GHW
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ZDLWLQJ XQWLO WKH WD[DWLRQ FRQGLWLRQV KDYH
&RQYHQWLRQ KDV EHHQ FKDUJHG DJDLQVW RU QRW
SURFHGXUH LQ PRWLRQ KH PXVW DQG LW LV VXIILFL
RI RQH RU ERWK RI WKH &RQWUDFWLQJ 6WDWHV ZL
WD[DWLRQ DSSHDUV DV D ULVN ZKLFK LV QRW PHUHO\
DOO DFWV RU GHFLVLRQV ZKHWKHU RI D OHJLVODWL
JHQHUDO RU LQGLYLGXDO DSSOLFDWLRQ KDYLQJ DV
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ZLWK WKH &RQYHQWLRQ RU ZKHUH FLUFXPVWDQFHV
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DJUHHPHQW 6XFK DGMXVWPHQWV PD\ DOVR EH XQGHUVWRRG
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XQFHUWDLQW\ H[SHQVH DQG GHOD\ DVVRFLDWHG ZLWK
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two, the accurate number of cases can be determined.[106] In the years 2006 and 2007, the reports did not make a distinction between MAP cases with OECD countries and cases with non-OECD countries. For these years, in order to allow a comparison with other years, it was assumed for calculation purposes that the no. of cases with non-OECD countries corresponds to the one reported in 2008.

Graphic 1. Development of MAP inventories from 2006 to 2014

While the actual MAP inventories are indeed significantly lower, only amounting to approximately half of the OECD numbers,[107] the observable trend is not only unaffected by this correction, it even becomes more pronounced. The total year-end inventories show an increase of 143.91 % from 2006 to 2014 compared to only 130.57 % when calculating with the original OECD data. In the case of the new MAP cases submitted each year, there was an increase of 113.31 % for the reviewed period, as opposed to 18.72% as calculated with the OECD numbers.[108] A more detailed analysis of these trends leads one to the conclusion that although the staggering increase in the amount of pending cases can largely be traced back to the increase in new cases, that factor does not account for the

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entire difference in case inventories (14.66% of the increase in pending cases cannot be traced back to newly initiated cases). Thus, other factors, such as the longer duration of cases, must have played a role (see section 4.).

In a second step, the increase of the number of MAP cases between OECD countries and MAP cases between an OECD and a non-OECD country were separately reviewed. Among OECD countries, the number of pending MAP cases increased by 81.54 %, from 1,366 in 2008 to 2,479 in 2014, whereas pending cases with non-OECD countries showed an increase of 178.43 % in the same period, from 153 in 2008 to 426 in 2014.[109] The number of newly initiated cases increased by 66.88 % among OECD countries and 240.48 % for cases with non-OECD countries. As far as cases with non-OECD

Thirdly, as the graphic shows, MAP cases are not equally divided among countries. A few of the countries have almost all of the cases and the countries with the highest number of cases tend to also see the most new cases. For instance, of the 2.210 new cases reported by OECD countries in 2014, almost a third (32.9% or 728 cases) were reported by the US and Germany alone. The United States saw an increase of slightly over 30%, from 733 outstanding cases to 956. The table below shows the number of new MAPs initiated in 2014. As can be seen, over half of all new cases (56.6% or 1.251 cases) stem from 5 countries: the US, Germany, Belgium, France and the UK.

Table 1. Opening and closing inventories of countries with highest number of MAP cases[112]

	2013	2014	2013	2014
Country name	Number of new cases	Number of new cases	Number of cases at end of reporting period	Number of cases at end of reporting period
Germany[113]	267	374	858	1029
United States	403	354	732	956

cases, are identical to the numbers reported to the OECD. In other words, 100% of the US case

2010	68	51	75,00%	56	45	80,36%
2011	54	39				

Germany	787	229	29,10%	858	232	27,04%	1029	315	30,61%

30,61%

Table 5. Number of Transfer Pricing Cases in Various Countries in 2013[135]

		2013[136]
Americas	Canada	98(1)
	Mexico	

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Table 8. Duration of MAPs: 96f 04 891304 891424

account the steep increase in new cases, further increases in the number of unresolved cases are to be expected.

In other words, the cases where double taxation is not removed by the MAP are a growing problem. For the time being, the number of affected cases is fairly low. Nevertheless, it is unclear whether it will remain so. If it should increase proportionately to the number of new cases, it could significantly affect the overall effectiveness of the MAP itself. On the other hand, it is also possible that only a small number of cases are so contentious or difficult that a resolution proves impossible and that this number depends on the specifics of the individual case and will not increase with the number of new cases, as opposed to the overall duration of a case. Nevertheless, taking into account the aim of double tax treaties, even a small number of cases with unresolved double taxation is problematic. Especially since the number of cases with unrelieved double taxation is quite high in absolute numbers.

The table below shows the situation of the five countries with the highest number of MAPs dealt with. Those countries are Belgium, Canada, France, Germany and the US. The table includes all cases from 2006 to 2014. Out of those five countries, the US has, with only 0.42%, the lowest percentage of MAPs withdrawn with remaining double taxation. It is followed by Belgium with 4.16 %, France with 7.48 % and Canada with 8.52 %. With 18.9 %, Germany has by far the highest percentage of unresolved cases. Taking into account that Germany is second only to the US in the number of resolved cases, this means that from 2006 till 2014, there were 298 cases where double taxation was not eliminated. This result can be compared to, for instance, the total number of cases under the US-India framework (250) or the total number of cases opened in China since it began reporting its MAP data (84).[153]

However, the overall number of withdrawn cases reported by Germany, which was used in the calculation, may be too high and include cases where there is no remaining double taxation. According to the footnote to the German report, which has been included since 2011, the column ^ o } • } Œ Á] š Z Œ Á v Á] š Z } µ o šdifferent types of closed cases. Rejected requests, withdrawn requests and cases closed because it was determined that an agreement could not be found. ‘Rejected requests’ refers to requests for which a MAP was not possible, e.g. because the time limits for requests were not respected or for other reasons, for instance that the taxes

Nevertheless, the number of cases taking exceedingly long will almost certainly increase as the case load multiplies if the competent authorities do not receive sufficient human and financial resources to cope with the increased case load. In addition, some of the countries with the most MAP cases, notably France and Germany, haven taken very long to resolve some of their cases. A separate issue is that of cases where double taxation is not resolved. As shown, a significant number of cases are, both in absolute numbers and in %, withdrawn with double taxation. In other words, while the MAP is, on the whole, an effective means of relieving international double taxation, it has proven insufficient in a significant number of cases, which either take too long or are not resolved at all. It is not the aim of this paper to propose a solution for such cases, but merely point out the need to take action.