Global Business, Tax and Geoeconomic Strategy

MODULE SUMMARY

This module treats the finance questions of operating across borders. It compares market entry modes and tests a verified entry case, then covers legal entities, transfer pricing within an arm's length range, permanent establishment risk, withholding tax, repatriation and the OECD global minimum tax at a high level. It sets out currency exposure with hedge effectiveness, tariffs and landed cost, country risk scoring, supply chain geography and compliance across jurisdictions. Links to Modules 7, 8, 12 and 17 appear throughout. A fictional sourcing decision, boardroom questions, a country entry memo, a tax and FX checklist and a self assessment follow.

MODULE AT A GLANCE

Core question	How does a CFO decide where to operate and how to price, tax, hedge and protect the business across borders, and how much capital to place where political and trade risk is high?
Why it matters to the CFO	Cross border decisions lock in tax, currency, tariff and political exposures for years, and pricing them before entry protects both value and cash.
Key sources	OECD Pillar Two package as reported by EY, KPMG, Deloitte and Holland and Knight (2026); BDO (2023); Deloitte UK CFO Survey (2026); DHL (2026); MillTech; DOJ FCPA page; KPMG on OFAC.
Executive artifact	A country entry decision memo outline and a global tax and FX risk checklist, each completed for a fictional company.

Important notice. This material is provided for educational and informational purposes only and does not constitute accounting, tax, legal, investment, or other professional advice. Readers should consult qualified professionals in accounting, tax, legal, and other relevant services before acting on any information presented. Fictional companies and figures are used for teaching and are labeled as such. The maturity ratings are an educational framework and have not been validated against a broad population of finance executives.

1. Executive overview and learning objectives

A note on Pillar V. The earlier pillars treated technology, capital, governance and leadership as if the company stood in one place. This module, the second of the four in the pillar on future markets, removes that assumption. A company that sells, buys, borrows, employs and pays tax in several countries carries, in addition to the ordinary risks of business, the risks of the borders it crosses, and these risks are as much a matter of finance as of law or logistics. They arrive as a tax bill that nobody planned, as a currency move that erases a quarter of margin, as a tariff that alters the cost of a product after the contract is signed, or as cash that is earned in one country and cannot be spent in another without a toll.

The core question. How does a chief financial officer decide where the company should operate, in what legal form, at what internal prices, and with what protection against currency, tax, trade and political risk, and how much capital should be placed in places where those risks are high? The question is practical. A decision to enter a country is rarely reversed without cost, because it creates employees, contracts, a tax presence and a stream of cash that moves under the rules of another government. The CFO who answers the question well converts a vague appetite for growth into a short list of choices, each with a price for its risks and a rule for revisiting it.

Why this matters over the next five years. The publications read for this module suggest that the environment is more demanding, though they are advisory and not proof of outcomes. Deloitte reported, in a press release of April 13, 2026 on its UK CFO Survey conducted in March of that year, that geopolitical developments were the greatest external risk named by the 79 finance leaders who responded, that CFO confidence had fallen to a six year low and that cost control and cash control had risen in priority. The DHL Global Connectedness Report 2026, as summarized in a DHL article of March 17, 2026, finds that global trade has been resilient and is changing shape and not shrinking, with the share of United States imports coming directly from China falling from 22 percent in 2017 to 9 percent in the first three quarters of 2025. In the area of tax, the OECD Inclusive Framework announced on January 5, 2026 a side by side package that adjusts the global minimum tax (Pillar Two) for groups whose parent is located in the United States, among other changes, and the reporting of EY, KPMG, Deloitte and Holland and Knight on that package is used in Section 2. The common message is that the cost of crossing a border is no longer a footnote in a plan, and that it can change within a single budget year.

Terms used in this module. A **market entry mode** is the legal and commercial form in which a company starts to sell in a country, such as export, a distributor, a branch, a subsidiary, a joint venture or an acquisition. A **subsidiary** is a separate local company owned by the parent, whereas a **branch** is an extension of the parent itself and not a separate company. **Transfer pricing** is the setting of prices for goods, services, loans and rights that pass between companies of the same group, and the **arm's length principle** is the rule that those prices should be what independent parties would have agreed in the same circumstances. A **permanent establishment** (PE) is a fixed place of business, or in some cases a dependent agent, that gives a foreign country the right to tax the profits of a company that is not resident there. A **withholding tax** is tax that the payer of a dividend, interest, royalty or fee deducts at source and pays to its own government, and a **tax treaty** is an agreement between two countries that, among other things, reduces those rates and allocates taxing rights. **Repatriation** is the movement of cash or profit from a foreign company to the parent. **Pillar Two** is the common name for the Global Anti-Base Erosion (GloBE) rules of the OECD, which aim to ensure that large multinational groups pay a minimum effective tax rate in each jurisdiction in which they operate. **Transaction exposure** is the risk that a contracted foreign currency amount will be worth less in the home currency when it settles, **translation exposure** is the effect of converting foreign statements into the reporting currency, and **economic exposure** is the effect of currency moves on future competitiveness and profit. A **tariff** is a tax on imported goods, **rules of origin** are the tests that decide in which country a product is

deemed to be made, and a **sanction** is a legal restriction on dealing with a country, entity or person. **Friend shoring** is the placing of supply in countries that are political allies, and **nearshoring** is the placing of supply in a country close to the market served. Other terms are defined where they first matter.

What the module covers. Section 2 sets out the concepts: the choices of market entry mode and legal structure, transfer pricing, the main international tax exposures including Pillar Two at a high level, the three kinds of currency exposure and the instruments that manage them, trade policy, geopolitical risk, the geography of supply, and compliance across jurisdictions. Section 3 supplies tools verified in Python, a programming language widely used for financial modeling: a market entry business case with a stress test, an intercompany price set within an arm's length range, a repatriation comparison, a simplified minimum tax top up, a currency sensitivity and hedge effectiveness test, a landed cost comparison with fictional tariff rates, a country risk scorecard, a political risk insurance comparison and a global operating cadence. Section 4 places a fictional manufacturer before a sourcing decision under uncertain tariffs, Section 5 prepares the boardroom, Section 6 supplies the executive artifact, and Section 7 reports the research that was read.

How the module connects to the others. Module 7 treats capital markets and investor relations, and the funding of foreign subsidiaries and the disclosure of foreign risks belong with it. Module 8 treats mergers, partnerships and portfolio transformation, and the entry modes of acquisition and joint venture below should be read together with its treatment of deal valuation and integration. Module 12 treats crisis management and financial resilience, and a sanctions shock, a blocked remittance or a port closure is a crisis of the kind that module prepares for. Module 17 treats strategic foresight and scenario planning, and the scenarios of this module, such as a tariff change or a currency break, are drawn from the method described there. For the accounting side of transfer pricing and income taxes, the reader should consult Module 27 of the CFO Technical Accounting MasterClass, and for the accounting of foreign currency and hedging, Module 28 of that program, since this module treats the economics and the decisions and not the technical accounting. Readers who wish to go further should consult the Master Class in this series on Tax Strategy for the Operating CFO.

A necessary caution. Nothing here is accounting, tax, legal, customs, sanctions or securities advice. Tax law, trade rules and sanctions differ by country, change frequently and are applied to facts that only the company knows. The reader must consult qualified professionals in tax, legal, customs and compliance before acting on any matter in this module, and the rates and figures in the worked examples are fictional and chosen for teaching, not statements of what any country charges.

Learning objectives. After completing this module the reader should be able to do the following. Each objective is tested by the self assessment in Section 8.

1. Compare market entry modes by capital at risk, control, speed and reversibility, and build and stress test a market entry business case that shows value under slow growth and higher tax.
2. Explain the arm's length principle and the main transfer pricing methods in plain terms, set an intercompany price inside a range, and describe the documentation and the dispute risk.
3. Describe permanent establishment risk, withholding tax, treaty relief, repatriation and the OECD global minimum tax at a high level, state only the current position that has been confirmed, and know when to call the tax advisers.
4. Distinguish transaction, translation and economic exposure, write the elements of a hedging policy, explain forwards and options in plain terms, and test a hedge for effectiveness and over hedging.
5. Estimate the total landed cost of a product from several sources, including tariffs and carrying cost, and find the tariff at which a sourcing decision reverses.

6. Score country risk, set limits on capital at risk, weigh political risk insurance and repatriation friendly structures, and run a global operating cadence that connects tax, treasury, trade and compliance.

2. Conceptual foundations and frameworks

Choosing how to enter. A company that decides to sell in a new country has six broad ways to do so, and they differ chiefly in how much capital is placed at risk, how much control is kept over the customer and the brand, how fast the company can start, and how hard it is to leave. The first, **export**, means selling from the home country to local buyers, which needs little capital and creates the least local presence. A **distributor** is an independent local company that buys the product and resells it, which adds local knowledge and reach at the price of control and margin. A **branch** and a **subsidiary** put the company's own people and assets in the country, and they differ in that the subsidiary is a separate legal person that limits liability while the branch is part of the parent and exposes it directly. A **joint venture** shares ownership with a local partner and brings access and shared risk along with shared decisions and a need for a clear exit. An **acquisition** buys an existing business and gives immediate scale, at the largest outlay and with the integration risks that Module 8 describes. Exhibit 1 sets the six side by side.

Exhibit 1 Six Market Entry Modes Compared

Mode	Capital at risk	Control	Speed to market	Reversibility	Typical use and main trap
Export from home country	Very low	Low over the end customer	Fast once logistics are in place	High	Testing demand. The trap is leaving the customer to others, so that no learning accrues
Independent distributor	Low	Low to moderate, set by contract	Fast	Moderate, since termination terms and local law may protect the distributor	Reaching a fragmented market. The trap is a long exclusive contract with weak performance terms
Branch	Moderate	High	Moderate	Moderate	A service or sales office of a regulated business. The trap is that the parent is directly liable and taxable
Wholly owned subsidiary	Moderate to high	High	Moderate to slow, since staff and licenses take time	Moderate, closing a company is slow and has cost	A market that has proven demand. The trap is fixed cost running ahead of revenue
Joint venture	Moderate, shared	Shared	Moderate	Low unless exit terms are written at the start	A market that needs a local partner by law or by custom. The trap is a dispute over control and cash
Acquisition	High	High after integration	Fast	Low	Buying scale and customers. The trap is paying for synergies that the local setting does not deliver

Source: author's synthesis from general practice, stated from the author's own knowledge and not taken from a source read for this module. Local law may restrict the choice of mode in some sectors and countries, and counsel in the country must advise.

Legal entity and operating model, at a high level. Once the mode is chosen, the CFO and the tax and legal advisers decide what legal entities will exist, who owns them, and what each does. Three principles keep this simple. The first is that each entity should have a real purpose, such as selling, manufacturing, providing a

shared service or holding assets, since an entity with no function invites questions from tax authorities and adds filing cost. The second is that the legal structure should follow the way the business is actually run, because tax authorities look at where people make decisions and where risks are controlled, not only at where documents are signed. The third is that the structure should be able to move cash back to the parent with acceptable leakage, a subject taken up in Section 3. Exhibit 2 lists the commonly used forms and the questions that attach to each.

Exhibit 2 Common Legal Entity Forms and the Questions That Attach to Them

Entity form	What it does	Questions for the CFO and advisers
Local sales subsidiary	Contracts with local customers, employs local sales staff, buys from the group	At what price does it buy from the group, and what profit should it earn (Section 3, transfer pricing)? Which taxes apply to its sales?
Local manufacturing subsidiary	Owns plant and workers, makes products for the group or for the local market	Is it a contract manufacturer earning a routine return, or a full risk entity? Who owns the intangibles that it uses?
Regional hub or shared service company	Provides finance, procurement or support services to several countries	Does it have the people and decision making to justify its profit? Do the recipients pay an arm's length fee, and is there local tax on the fee?
Holding company	Holds shares in operating subsidiaries and receives dividends	Which treaty network and which local rules on dividends and capital gains apply? Does it have enough substance to claim treaty benefits?
Branch	Carries on the business of the parent in the foreign country	Does it create a permanent establishment, and what profit is attributed to it? Can losses be used at home?
Representative office	Liaison, marketing and research without contracting	Does its activity stay within the limit that avoids a permanent establishment, and is it permitted in the country?

Source: author's synthesis, stated from the author's own knowledge. Entity law, tax treatment and licensing differ by country, and the reader must consult qualified legal and tax advisers in each country concerned.

Transfer pricing and the arm's length principle. When two companies of one group trade with each other, no market sets the price, and the price chosen decides how much profit appears in each country and therefore how much tax is paid in each. For that reason tax authorities in nearly every major economy require that the price be one that independent parties would have agreed, which is the arm's length principle. A page of BDO Malta, published on May 24, 2023 and opened for this module, states that the OECD Transfer Pricing Guidelines provide five methods for pricing such transactions, that the choice among them depends on the nature of the transaction, the reliability of available information and the degree of comparability, and that the first step is a functional analysis of the functions performed, the assets used and the risks assumed by each party. The same page notes that the methods are not determinative in themselves, so that an arm's length result reached without naming a method is not automatically wrong. Exhibit 3 describes each method in plain terms and says when it is usually applied.

Exhibit 3 The Five OECD Transfer Pricing Methods in Plain Terms

Method	In plain terms	Usually fits	Main difficulty
Comparable uncontrolled price (CUP)	Use the price charged in a similar deal between independent parties, or between the group and an outsider	Commodities, standard goods and loans where market prices exist	Finding a deal that is truly similar, and adjusting for differences in quantity, terms or quality

Method	In plain terms	Usually fits	Main difficulty
Resale price	Start from the price at which the distributor resells to an outsider and subtract a normal gross margin for a distributor	Distribution of goods where the distributor adds little	Finding reliable gross margins of independent distributors
Cost plus	Take the cost of the producer or service provider and add a normal markup	Contract manufacturing and routine services	Defining the cost base consistently, and choosing a markup supported by comparable companies
Transactional net margin method (TNMM)	Compare the net operating margin of one party with margins earned by independent companies in similar activity	The most common method for the party with the simpler role	Quality of the comparable company data, and the choice of the profit measure
Profit split	Divide the combined profit of a joint activity in proportion to each party's contribution	Both parties contribute unique and valuable assets or share major risks	Agreeing on a defensible allocation key

Source: the list of five methods, and the descriptions of CUP, resale price, cost plus, TNMM and profit split, follow BDO Malta, Transfer Pricing Methodologies (published May 24, 2023, opened for this module). The columns on usual fit and difficulty are the author's own, stated from the author's own knowledge. Module 27 of the CFO Technical Accounting MasterClass treats the accounting side.

Documentation. The price must be set, but it must also be shown to have been reasonable, and most jurisdictions that have transfer pricing rules ask for documentation prepared when the transaction occurs or at the time of the tax return. As a matter of the CFO's own knowledge and not of a source read for this module, the documentation commonly has three layers. A **master file** describes the group, its business and its policies, a **local file** describes the transactions of the local company and the analysis that supports their prices, and a **country by country report** shows, for the largest groups, revenue, profit and tax by jurisdiction. The requirements, the thresholds and the penalties differ by country and change, so that the CFO should ask the tax department for a calendar of filing obligations and should treat a missing file as a real exposure and not a clerical matter. The most useful habit is to document the price in the contract before the first invoice, to apply the same policy in every year, and to retain the comparables used.

Global tax exposures in outline. Four ideas carry most of the cross border tax risk of an operating company. The first is the **permanent establishment**. A company may create a taxable presence in a country without ever forming a company there, for instance by keeping a warehouse, by having employees who habitually conclude contracts, or by sending staff to work on a long project, and the result is that the local authority may tax the profits attributed to that presence and may ask for filings for earlier years. The second is **withholding tax**, which reduces what the recipient actually receives on dividends, interest, royalties and some service fees. The third is **treaty relief**, since a treaty between the two countries often lowers the withholding rate, but only if the recipient qualifies, holds the required documents and, in many cases, has real substance in its country. The fourth is **repatriation**, the cost of bringing profit home, which depends on withholding tax, the home country's treatment of foreign dividends and credit for foreign tax, and local rules on distributable reserves and currency transfer. Exhibit 4 sets out each exposure, the typical trigger and the control that a CFO can put in place.

Exhibit 4 **Cross Border Tax Exposures, Triggers and Controls**

Exposure	Typical trigger	Consequence	Control a CFO can put in place
Permanent establishment	Staff who sign contracts abroad, a warehouse or office, a long project, a dependent agent	Local tax on attributed profit, filings, penalties and interest for earlier years	A travel and secondment log, a policy on who may sign contracts, and a tax review before any person is posted
Withholding tax	Payment of dividends, interest, royalties or fees across a border	A lower amount received, and possible double tax if the credit is limited	A map of payment flows with rates, and a calendar of filing and payment dates
Treaty benefit	A claim for a reduced rate under a treaty	Loss of the reduced rate, or an assessment, if the claim is denied	Certificates of residence, beneficial ownership analysis and evidence of substance in the recipient
Repatriation leakage	Distribution of profits to the parent	Tax and cost between earning the cash and having it at home	A cash repatriation plan by country, set in the budget, with an estimate of the leakage
Transfer pricing adjustment	Intercompany prices outside an arm's length range	Adjustment of profit, penalties, and double tax if the other country does not give relief	A written policy, annual benchmarking and contemporaneous documentation
Indirect taxes and customs	Sales, value added tax and import duties on cross border flows	Cash cost, penalties and delays at the border	A tax calendar, a registered classification of products and a review by customs advisers

Source: author's synthesis, stated from the author's own knowledge and not taken from a source read for this module. Tax law differs by country, and qualified tax professionals must advise on every exposure listed.

The global minimum tax (Pillar Two), at a high level. The OECD Pillar Two rules, known as the GloBE rules, are intended to ensure that large multinational groups pay a minimum effective tax rate in each jurisdiction in which they operate. A Holland and Knight alert dated January 15, 2026, opened for this module, states that the Model Rules provide that in-scope groups are subject to a minimum effective tax rate of 15 percent on a per jurisdiction basis. The text of the OECD pages that were returned did not state the revenue threshold for being in scope, and the commonly cited figure of 750 million euros of annual group revenue is therefore given here from the author's own knowledge and must be confirmed with advisers. The mechanics, in outline and again from general knowledge, are that if the effective rate in a jurisdiction is below the minimum, a top up tax is due, which may be collected by the jurisdiction itself through a qualified domestic minimum top up tax (QDMTT), or otherwise by the parent country under an income inclusion rule (IIR) or by other countries under an undertaxed profits rule (UTPR).

What was confirmed on pages opened. Four pages dated January 2026 describe an agreement of the OECD/G20 Inclusive Framework announced on January 5, 2026. EY (Tax News Update of January 16, 2026) reports that the package is administrative guidance to be incorporated into the commentary to the model rules, and lists a simplified effective tax rate safe harbor under which top up tax is deemed zero where the simplified rate is at least 15 percent, an extension of the transitional country by country reporting safe harbor to fiscal years beginning on or before December 31, 2027, a substance based tax incentive safe harbor, a side by side safe harbor and a safe harbor for the parent jurisdiction. KPMG (TaxNewsFlash of January 8, 2026) describes the same package as five components, including a stocktake and reinforcement of the QDMTT, and notes that groups with a United States parent would be exempt from certain Pillar Two rules because they are already subject to United States minimum tax rules. Deloitte Austria (January 7, 2026) and Holland and Knight add that, as of the package, only the United States appeared in the OECD central record as a qualifying side

by side regime. EY and Holland and Knight both state that the side by side and parent safe harbors apply to fiscal years beginning on or after January 1, 2026, that QDMTTs continue to apply, and that a stocktake is planned by about 2029. The OECD announced a further package, which the web address indicates was released in September 2026 and which is described in its summary as covering a framework for the legislative review process, updates to the GloBE Information Return and new guidance, but the page returned no more than that summary and the package itself was not read.

Exhibit 5 Pillar Two Status at a High Level, as Reported on Pages Opened

Element	What the pages opened state	Source and date	What the CFO should do
Minimum rate	Minimum effective tax rate of 15 percent on a per jurisdiction basis	Holland and Knight, January 15, 2026	Compute the effective rate by jurisdiction for the group, using the advisers' method and not the book rate
Side by side safe harbor	Groups with a parent in a jurisdiction with a qualified side by side regime may elect to have IIR and UTPR top up deemed zero. Only the United States was listed	EY, January 16, 2026; Deloitte Austria, January 7, 2026	Learn whether the parent jurisdiction qualifies, and whether the election is made on the GloBE Information Return
QDMTT	Qualified domestic minimum top up taxes continue to apply to groups that elect the safe harbors	EY, January 16, 2026; Holland and Knight, January 15, 2026	Expect a local top up in low tax jurisdictions that have such a tax, whatever the parent location
Simplified ETR safe harbor	Top up deemed zero where the simplified rate is at least 15 percent. Permanent election for fiscal years beginning on or after December 31, 2026 (page wording)	EY, January 16, 2026; Deloitte Austria, January 7, 2026	Build the data to test the simplified rate by jurisdiction and year
Transitional CbCR safe harbor	Extended to fiscal years beginning on or before December 31, 2027	EY, January 16, 2026; Holland and Knight, January 15, 2026	Check eligibility for each year and jurisdiction
Stocktake	A review planned for about 2029 (the pages differ slightly in wording)	EY, January 16, 2026; Holland and Knight, January 15, 2026	Treat the present position as subject to change

Source: the pages named in the table, each opened for this module in October 2026. The OECD pages themselves returned little detail, and the side by side package PDF could not be fetched. The status of national legislation was not confirmed and varies by country. This is not tax advice, and qualified tax professionals must confirm the current position for the group.

Currency exposure in three forms. A company that earns or pays in more than one currency is exposed to exchange rates in three different ways, and they call for different tools. **Transaction exposure** arises from a specific contracted amount, such as an invoice in euros that will be paid in ninety days. It can be measured exactly and hedged at low cost. **Translation exposure** arises when the statements of a foreign subsidiary are converted into the reporting currency of the group, so that a stronger or weaker foreign currency changes reported assets, liabilities and results although no cash has moved, and its treatment in accounts is the subject of Module 28 of the CFO Technical Accounting MasterClass. **Economic exposure** is the least visible and often the largest, since it concerns the effect of lasting currency moves on prices, volumes and costs in the future, for instance when a competitor whose costs are in a weaker currency can undercut the company in a third market. Exhibit 6 compares the three.

Exhibit 6 Transaction, Translation and Economic Exposure

Type	What is exposed	How it is measured	Usual response	Limit of the response
Transaction	Receivables, payables, loans and firm commitments in a foreign currency	Net amount by currency and by date	Forwards, options, invoicing in the home currency, netting	A hedge fixes the rate but cannot make an uncompetitive price competitive
Translation	Net assets and earnings of foreign subsidiaries when consolidated	Net investment by currency, and earnings by currency	Matching debt in the local currency, or a net investment hedge, or acceptance	The effect is non cash, and hedging it can itself consume cash
Economic	Future revenue, cost and competitive position	Sensitivity of operating profit to a change in each rate, by scenario	Natural hedges (costs in the same currency as revenue), pricing policy, location of production	Responses are slow and costly, and no instrument removes the exposure for long

Source: author's synthesis, stated from the author's own knowledge and not taken from a source read for this module. The accounting treatment is for Module 28 of the CFO Technical Accounting MasterClass.

Hedging policy and the instruments, in plain terms. A hedging policy is a short written document, approved by the board or its committee, that states the purpose of hedging, the exposures covered, the instruments allowed, the share of exposure to be hedged over each horizon, the approved banks and their limits, the reporting, and a ban on trading for profit. A **forward contract** is an agreement today to exchange one currency for another at a fixed rate on a fixed future date. The forward rate is not a prediction by the bank. It reflects the difference in interest rates between the two currencies, and Section 3 shows the arithmetic. An **option** gives the right, but not the obligation, to exchange at a fixed rate, and for that right the buyer pays a premium at the start. A forward removes both the loss and the gain from a move in the rate, while an option removes the loss and keeps the gain, at the cost of the premium. A **natural hedge** is a match between revenue and cost, or between assets and borrowing, in the same currency, which reduces exposure without any contract. Exhibit 7 compares these tools.

Exhibit 7 Tools for Managing Currency Exposure in Plain Terms

Tool	How it works	Cost	Result if the foreign currency falls	Result if it rises	Best used for
Natural hedge	Match revenue and cost, or assets and debt, in one currency	Often none, but may change supplier or pricing	Cost falls with revenue	Cost rises with revenue	Continuing exposures, the first line of defense
Forward contract	Fix the rate for a future date	No premium, rate reflects interest differences, credit line used	Protected	Gain is given up	Contracted and highly probable flows
Purchased option	Right to exchange at a strike rate	Premium paid at the start	Protected at the strike	Benefit kept, less premium	Uncertain flows, such as bids and forecasts
Local currency debt	Borrow where the net assets are	Interest cost may differ	Debt value falls with assets	Debt value rises with assets	Net investment in a foreign subsidiary
Pricing and invoicing clauses	Invoice in the home currency or share the move	May cost sales or margin	Depends on the clause	Depends on the clause	Where the market accepts it

Source: author's synthesis, stated from the author's own knowledge and not taken from a source read for this module. Instruments, accounting and regulation differ, and treasury and accounting advisers must be consulted.

Trade policy at a high level. A company that moves goods across borders meets four kinds of government measure. A **tariff**, also called a customs duty, is a tax on imports, usually a percentage of the value of the goods, and its rate depends on how the product is classified in the tariff schedule of the importing country. **Customs** is the administration that classifies, values and clears the goods and collects the duty, and errors in classification, valuation or origin can lead to back payment, penalties and delay. **Rules of origin** decide where a product is deemed to be made, which matters because many trade agreements reduce or remove duty only for goods that qualify, and a product assembled in one country from parts made in another may or may not qualify. **Sanctions and export controls** are different in kind, for they restrict who the company may deal with, and what it may sell, regardless of price. Sanctions generally restrict dealings with named countries, entities and persons, while export controls generally restrict the sale or transfer of particular goods, software and technology. A page by KPMG on the framework of the United States Office of Foreign Assets Control (OFAC), opened for this module, lists five essential components of a sanctions compliance program: management commitment, risk assessment, internal controls, testing and auditing, and training, and says that the framework applies to organizations subject to United States jurisdiction and that it also reaches foreign entities that deal with United States persons or use United States origin goods and services. The article carries conflicting dates, and no date is relied upon. Exhibit 8 summarizes the four measures and the financial questions that each raises.

Exhibit 8 Four Kinds of Trade Measure and the Financial Questions They Raise

Measure	What it does	Financial effect	Question for the CFO	Who advises
Tariff or customs duty	Taxes imports, commonly as a percentage of customs value	Raises landed cost, may be recoverable or passed on in price	What is the duty on each product line today, what is the range for the next two years, and who bears it under the contract?	Customs broker and trade counsel
Classification and valuation	Decide the tariff line and the value on which duty is paid	Duty owed, risk of back payment and penalty	Are classifications documented, and does the declared value match the intercompany price (Section 3)?	Customs advisers
Rules of origin	Decide whether goods qualify for a reduced rate under an agreement	Difference between full duty and preferential duty	Can the supplier prove origin, and what happens to cost if the claim fails?	Trade counsel and the supplier
Sanctions	Prohibit dealings with listed countries, entities and persons	Blocked payments, frozen assets, penalties, loss of banking access	Is every customer, supplier, bank and partner screened, and who owns the screening?	Sanctions counsel and compliance
Export controls	Restrict sale of listed goods, software and technology	Licenses required, shipments held, penalties	Which products are controlled, and are licenses and end use checks in place?	Export control counsel

Source: the five components of a sanctions compliance program and the reach of the OFAC framework follow KPMG, OFAC framework sanctions compliance (page opened for this module, with conflicting dates). The rest is the author's own, stated from the author's own knowledge. No tariff rate or sanctions list is stated here, and current measures must be confirmed with qualified advisers.

Geopolitical risk and the placement of capital. Country risk is the chance that events in a country, such as conflict, expropriation, a blocked transfer of currency, a change of law or a sanction, will reduce the value of what the company has placed there. The risk differs from ordinary business risk in that the company cannot diversify it away inside the country, and in that its cost is often borne all at once. A practical discipline has

three parts. The first is a **country risk score** built from a short list of criteria with stated weights, so that the judgment is explicit and can be repeated each year. The second is a **limit on capital at risk** that falls as the score worsens. The third is a choice of **structures** that reduce the loss if the risk occurs, such as political risk insurance, local borrowing, staged investment and a plan for moving cash out in good times and not in bad. The Deloitte UK CFO Survey of March 2026, as reported in the press release of April 13, 2026, shows how quickly the mood can move, for the weighted rating of geopolitical developments as an external risk rose from 65 in the previous quarter to 79, and the share of CFOs naming cost control as a strong priority rose from 51 percent to 68 percent. The survey is of 79 United Kingdom finance leaders and is not a global measure.

Supply chain geography. The location of supply is a financial decision as much as an operating one, since it determines unit cost, working capital, tariff exposure and resilience. The DHL article of March 17, 2026 on its Global Connectedness Report 2026 reports that globalization in 2025 stood at 25 percent, matching the record first reached in 2022, that over the past decade trade has shifted away from geopolitical rivals, and that the article describes the shift as more de-risking than friend shoring. It also states that whether nearshoring will lead to more regional trade patterns is still unclear, since trade distances reached record highs in 2025. These statements suggest that no single pattern is certain, and that the company should compare options by total cost under several scenarios and not by slogans. Exhibit 9 lists the principal choices.

Exhibit 9 Supply Chain Geography Choices and the Financial Test for Each

Strategy	Meaning	What it improves	What it costs	Financial test
Offshoring to the lowest cost region	Source where the unit price is lowest	Unit price	Long lead time, higher inventory, tariff and disruption exposure	Total landed cost under tariff scenarios (Section 3)
Nearshoring	Source in a country close to the market	Lead time, inventory, responsiveness	Often a higher unit price and a smaller supplier base	Landed cost, working capital released, break-even tariff
Friend shoring	Source from political allies	Lower exposure to sanctions and trade conflict	Capacity may be limited and prices higher	Cost of the premium against a scored reduction in country risk
Dual sourcing	Two suppliers in different regions, with an agreed split	Resilience and bargaining power	Loss of volume discount, duplicated qualification	Cost of the split against the regret in the worst scenario
Local for local production	Produce in the market served	Tariff, freight, speed, local goodwill	Capital, fixed cost, smaller scale	Return on the plant against landed cost saved, with cash trapped considered

Source: the descriptions of nearshoring, friend shoring and the pattern of trade follow the DHL article of March 17, 2026 on the DHL Global Connectedness Report 2026, opened for this module. The costs, tests and the choices listed are the author's own, stated from the author's own knowledge.

Compliance across jurisdictions. Operating in several countries multiplies the number of rules that apply, and the CFO is usually responsible, directly or through the controller, for a large share of them. Three areas deserve a place in every plan. **Anti-bribery** laws, of which the United States Foreign Corrupt Practices Act (FCPA) is the best known, prohibit payments to foreign officials to obtain or keep business, and many countries have similar laws. The page of the Department of Justice on FCPA guidance, opened for this module and updated on December 16, 2024, lists the Resource Guide to the Act, in its second edition originally released in 2012 and updated in 2020, together with an addendum of December 13, 2024 addressing the Foreign Extortion Prevention Technical Amendments Act, and it did not mention any enforcement guidelines of 2025. **Data localization** laws require some data, such as personal or financial records, to be stored or

processed inside the country, which affects the design of the finance systems of Module 3 and the cloud contracts of Module 4. **Local statutory reporting** requires each entity to prepare accounts and tax returns under local rules and deadlines, often under local accounting standards and in the local language. Exhibit 10 summarizes the three areas, and counsel must be consulted on every one.

Exhibit 10 Compliance Across Jurisdictions: Areas, Controls and Failures

Area	What the rules require, in outline	Typical finance control	Common failure	Who advises
Anti-bribery	No payment, gift or benefit to foreign officials to obtain business. Accurate books and records for every payment	Due diligence on agents and distributors, approval limits, payment testing, hotline	Commissions to intermediaries with no evidence of services	Compliance counsel and the audit committee
Sanctions and export controls	Screening of parties and goods, and licenses where needed	Screening at onboarding and on payment, a list of controlled products	Screening done once at onboarding and never repeated	Sanctions counsel
Data localization and privacy	Some data must stay in the country, and transfers may be restricted	A data map by country, contract terms with cloud providers, local storage where required	A single global system that holds restricted data abroad	Privacy counsel and the chief information officer
Local statutory reporting	Local accounts, audits and returns on local deadlines	A calendar of filings by entity, a local accountant, a review by the controller	Late filings that incur fines and attract attention	Local accountants and tax advisers
Employment and permits	Contracts, social charges, work permits and local labor law	Local counsel, a register of permits and expiry dates	Staff working without correct permits, which may also create a permanent establishment	Local counsel and human resources

Source: the description of the FCPA guidance follows the Department of Justice page on FCPA guidance (opened for this module, updated December 16, 2024). The remainder is the author's synthesis, stated from the author's own knowledge. The reader must consult qualified counsel in every country concerned.

3. Practical applications and tools

The tools of this section are worked on fictional companies and fictional rates. Torrance Controls is a United States maker of industrial controls that is considering a new country, called Country A, and it supplies the entry business case, the intercompany price, the repatriation comparison, the currency examples and the minimum tax illustration. Fenwick Industrial Components, which appears in Section 4, supplies the landed cost model that is first shown here with per unit figures. The countries are labeled Country A, B, C and D, and no real country, tax rate, tariff or treaty is described. All sums, ratios and probabilities were computed in Python and checked by assertion, and every rate is an assumption chosen for teaching.

A. A market entry business case, with a stress test. Torrance compares three ways of entering Country A, with amounts in millions of dollars, a discount rate of 11 percent and a terminal value, which is the value placed on cash flows after year five, of 4 times the after tax cash flow of year five. The terminal multiple is an assumption applied equally to all three modes so as to keep the comparison simple, and a real model would use a value suited to each business. Under the first mode a distributor buys at a transfer price that leaves Torrance a contribution of 22 percent of the distributor's sales after fixed support cost of 1.0 a year, with an

upfront cost of 1.5. Under the second Torrance forms a wholly owned subsidiary, spends 9.0 at the start, earns a 40 percent contribution on end customer sales and bears fixed costs of 6.0 to 7.0 a year. Under the third it acquires a local firm for 34.0, with 3.0 of integration cost in the first year and an operating margin of 27 percent on revenue that grows from 30 to 45. Local profit is taxed at 25 percent in the base case, and working capital and depreciation are ignored for clarity.

Exhibit 11 Entry Business Case: After Tax Cash Flows and Value by Mode (Fictional)

Mode (millions of dollars)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Five year total	NPV with terminal value
Distributor	(1.50)	0.57	1.23	1.89	2.38	2.71	8.79	11.02
Wholly owned subsidiary	(9.00)	(1.20)	0.90	2.62	4.43	5.55	12.30	11.95
Acquisition	(34.00)	3.83	6.68	7.49	8.30	9.11	35.41	12.86

Source: fictional Torrance Controls, computed in Python. Cash flow equals revenue times margin less fixed cost, taxed at 25 percent, with the upfront outlay at year 0 and a terminal value of 4 times the year 5 cash flow added in the NPV. Rates, margins and ramps are assumptions. Module 8 treats acquisition valuation in detail.

What the base case says. On the base assumptions the acquisition shows the highest value, 12.86, followed closely by the subsidiary at 11.95 and the distributor at 11.02. The ranking changes the question, because the three modes put very different amounts at risk, namely 1.5, 9.0 and 34.0, and so the value for each dollar placed at risk is 7.35 for the distributor, 1.33 for the subsidiary and 0.38 for the acquisition. A CFO who looks only at the highest value would choose the mode in which the largest part of the capital is exposed to the assumptions, and a CFO who tests the assumptions will see which mode survives when they fail. Exhibit 12 repeats the calculation under slower growth, a higher local tax rate, and both together.

Exhibit 12 Stress Test of Entry Modes (Fictional)

Scenario (NPV, millions of dollars)	Distributor	Subsidiary	Acquisition	Highest value
Base case	11.02	11.95	12.86	Acquisition
Revenue at 70 percent of plan	5.90	(3.35)	(1.81)	Distributor
Local tax rate of 30 percent	10.19	10.56	9.73	Subsidiary
Revenue at 70 percent and tax at 30 percent	5.41	(3.73)	(3.95)	Distributor

Source: fictional Torrance Controls, computed in Python from the cash flows of the preceding exhibit, with revenue and tax rate varied as shown and all other assumptions unchanged.

What the stress test says. If revenue reaches only 70 percent of plan, the distributor still creates 5.90 of value, while the subsidiary and the acquisition fall to (3.35) and (1.81). A higher tax rate alone reduces every mode by less than a third of the base value, and it narrows the lead of the acquisition so that the subsidiary becomes the best of the three. The result does not mean that the distributor is the right choice. It means that the subsidiary and the acquisition are bets on the growth plan, that the distributor is a cheap way to learn whether the plan is right, and that a sound path may be to begin with the distributor on a short contract with an option to buy it or to convert to a subsidiary once revenue passes a stated level. The CFO should write that trigger into the board paper, together with the level of revenue at which the conversion pays.

B. An intercompany price inside an arm's length range. The parent of Torrance makes a controller at a cost of 60.00 dollars a unit and sells it through its Country A subsidiary at a local price of 140.00. The subsidiary

incurs selling and administrative costs of 18.00 a unit, and 100,000 units are sold a year. The group profit before other items is therefore 62.00 a unit, and the transfer price decides how that profit is divided between the two countries. A benchmarking study, which is fictional here, shows that independent distributors of similar products earn an operating margin between 4 percent and 8 percent of sales, with a median of 6 percent, and that the subsidiary has routine functions and bears limited risk. Under the transactional net margin method the subsidiary should therefore earn about 6 percent, which gives a price of 113.60, and the range of acceptable prices runs from 110.80 (a margin of 8 percent) to 116.40 (a margin of 4 percent). Tax rates are 25 percent at the parent and 15 percent in Country A, both fictional, so that a lower price shifts profit to the lower tax country, which is the incentive that tax authorities watch.

Exhibit 13 Intercompany Price Set Within an Arm's Length Range (Fictional)

Price policy	Price per unit ($)	Subsidiary margin (%)	Within 4 to 8 percent?	Parent profit per unit ($)	Subsidiary profit per unit ($)	Group tax ($ millions)
Top of range (subsidiary at 4 percent)	116.40	4.00	Yes	56.40	5.60	1.494
Median (subsidiary at 6 percent)	113.60	6.00	Yes	53.60	8.40	1.466
Bottom of range (subsidiary at 8 percent)	110.80	8.00	Yes	50.80	11.20	1.438
Proposed by the business	105.00	12.14	No	45.00	17.00	1.380

Source: fictional Torrance Controls, computed in Python for 100,000 units, with tax at 25 percent at the parent and 15 percent in Country A. The range of 4 to 8 percent is a fictional benchmarking result. The method follows the TNMM as described by BDO Malta (May 24, 2023). Tax advisers must set real prices.

What the example teaches. The business proposes a price of 105.00 because the subsidiary needs a competitive margin in a new market, and it lowers group tax by 0.086 million dollars a year, from 1.466 to 1.380. The subsidiary's margin would then be 12.14 percent, outside the range. If the parent's tax authority required a price at the bottom of the range, 110.80, it would add 0.580 million to the parent's income, and if it required the median it would add 0.860 million, taxed at 25 percent, an additional 0.215 million a year, with interest and possible penalties. If Country A did not grant a corresponding reduction, the 0.860 million would be taxed twice, and the cost of the tax already paid in Country A on it would be about 0.129 million. The saving of the policy is thus small compared with the exposure, and the sound course is to set the price at or near the median, document it before the first sale, and treat a lower price as a deliberate, supported decision of the tax department. Module 27 of the CFO Technical Accounting MasterClass treats how such adjustments are accounted for.

C. Repatriation: three routes for the same profit. The next question is how the profit gets home. Suppose the Country A subsidiary earns 100 of profit before tax. The local tax rate is 20 percent, a treaty reduces dividend withholding tax to 10 percent and royalty withholding to 5 percent, and the parent is taxed at 25 percent but receives credit for foreign withholding tax and exempts the dividend. These are fictional rates. In the first route the subsidiary pays the whole after tax profit as a dividend. In the second it pays a royalty of 15 to the parent for technology that the parent owns, which is deductible locally, and pays the remaining profit as a dividend. In the third the subsidiary repays principal on a loan that the parent made earlier, which in this illustration bears no withholding tax and no further tax, but is limited to the balance of the loan. Exhibit 14 shows the result per 100 of profit.

Exhibit 14 Repatriation Routes Compared per 100 of Profit (Fictional Rates)

Route (per 100 of pre-tax profit)	Local income tax	Withholding on royalty	Withholding on dividend	Parent tax after credit	Total tax	Net cash to parent
Dividend only	20.00	0.00	8.00	0.00	28.00	72.00
Royalty of 15 plus dividend	17.00	0.75	6.80	3.00	27.55	72.45
Repayment of loan principal	20.00	0.00	0.00	0.00	20.00	80.00

Source: fictional rates, computed in Python. Local tax 20 percent, dividend withholding 10 percent and royalty withholding 5 percent under an assumed treaty, parent rate 25 percent with credit for withholding on the royalty and exemption for the dividend. The royalty route assumes that the royalty is supportable at arm's length. Real rules differ and tax advisers must be consulted.

What the example teaches. The royalty route improves net cash by only 0.45 per 100, and it adds a transfer pricing risk, since the royalty must itself be arm's length and must reflect a real right. The loan repayment returns the most cash, 80.00, but only because the tax on the profit was already paid and the return of principal is not income, and the amount is limited to what was lent. The lesson for the CFO is that the leakage between earning cash in a foreign subsidiary and having it at home is a planning item with a number, and that the larger gains come from the early design of funding, with debt and equity in the right proportions and the right entity holding each, and not from late attempts to move cash through a fee. Rules on thin capitalization, interest limits and distributable reserves are not modeled here.

D. A simplified minimum tax illustration. To see how the 15 percent minimum works in outline, consider a group with three jurisdictions. For each, the effective rate is covered tax divided by profit, and where it is below 15 percent a top up of the shortfall times profit is due, in this illustration without any carve out for payroll and assets, which the real rules include and which would reduce the top up. The simplified safe harbor described in EY's note, under which top up tax is deemed zero where the simplified rate is at least 15 percent, would apply to the jurisdictions at or above the line.

Exhibit 15 A Simplified Top Up Tax Illustration (Fictional, No Substance Carve Out)

Jurisdiction (millions of dollars)	Profit	Covered tax	Effective rate (%)	Rate below 15 percent?	Top up tax at 15 percent
Jurisdiction 1	50.0	4.5	9.0	Yes	3.00
Jurisdiction 2	80.0	12.0	15.0	No	0.00
Jurisdiction 3	30.0	6.0	20.0	No	0.00

Source: fictional figures, computed in Python. The calculation ignores the substance based income exclusion, the definition of covered taxes, deferred tax, and the safe harbors, all of which affect real results. The 15 percent minimum rate is as stated by Holland and Knight (January 15, 2026). Tax advisers must perform real calculations.

What the example teaches. The top up of 3.00 million arises in the first jurisdiction alone, from a six point shortfall on 50.0 of profit, and in the real rules it may be collected locally through a QDMTT, which is why the pages opened report that QDMTTs continue to apply under the side by side package. A CFO need not compute the real result alone, but needs to know three things: which jurisdictions in the group have effective rates near or below 15 percent, whether the group is within scope, and whether the data for the calculation can be produced from the ledgers each quarter. Incentives granted in a low tax country, such as a tax holiday, may be reduced in value by the rules, and the CFO should re-test the return on any investment that depends on one.

E. A currency sensitivity and the arithmetic of a forward. Torrance expects to receive 20.0 million euros in ninety days. The spot rate is 1.0800 dollars to the euro. Dollar interest rates are 4.0 percent a year and euro rates 2.5 percent, both fictional, and the forward rate is the spot rate adjusted for the interest difference over a quarter of a year: 1.0800 times (1 + 0.04 / 4) divided by (1 + 0.025 / 4), which is 1.0840, or 40.0 points above spot. A forward sale of the euros at 1.0840 fixes the proceeds at 21.68 million dollars whatever the rate is on the day. An alternative is to buy a put option on the euros, the right to sell them at a strike of 1.0800, for a premium of 0.015 dollars a euro, or 0.30 million. Exhibit 16 compares the three outcomes at five possible rates on the settlement date.

Exhibit 16 Outcomes of 20.0 Million Euros: Unhedged, Forward and Option (Fictional, Millions of Dollars)

Spot rate at settlement	Unhedged proceeds	Forward proceeds	Option proceeds, net of premium	Forward less unhedged	Option less unhedged
1.0000	20.00	21.68	21.30	1.68	1.30
1.0400	20.80	21.68	21.30	0.88	0.50
1.0800	21.60	21.68	21.30	0.08	(0.30)
1.1200	22.40	21.68	22.10	(0.72)	(0.30)
1.1600	23.20	21.68	22.90	(1.52)	(0.30)

Source: fictional figures, computed in Python. Forward rate from spot 1.0800, dollar rate 4.0 percent and euro rate 2.5 percent for one quarter. The option is a put with strike 1.0800 and a premium of 0.015 a euro, with no financing cost for the premium. Module 28 of the CFO Technical Accounting MasterClass treats accounting for hedges.

What the example teaches. If the euro falls to 1.0000, the unhedged proceeds are 20.00 and the forward adds 1.68, while the option adds 1.30. If the euro rises to 1.1600, the forward gives up 1.52 of the gain and the option gives up only 0.30. The option costs a certain 0.30 to keep the upside, and the forward costs nothing at the start and may cost an opportunity later. Neither is correct in the abstract. The purpose of hedging is a result that can be budgeted, and the policy should say which instrument suits a firm commitment, which a forecast and which a bid that may not be won. A hedge is also a use of credit with the bank, and a large unrealized loss on a forward after a sharp move can create a demand for collateral that a CFO should plan for in the liquidity forecast of Module 12.

F. Economic exposure and a natural hedge. Transaction hedges do not address the exposure of the business itself. Suppose Torrance sells 100 million euros a year into Europe and that its costs are 70.0 million dollars at the current rate of 1.08, so that operating profit is 100 times the rate less 70, or 38.0 million. A move of the euro to 1.00 reduces profit to 30.0 and a move to 1.16 raises it to 46.0, a swing of 8.0 million for each 0.08 move in the rate, or 1.00 million for each cent. Now suppose that management moves part of its sourcing so that 25.0 million euros of its costs are paid in euros and 43.0 million dollars remain in dollars, which is the same total of 70.0 million at the current rate. Profit is then 75 times the rate less 43, equal to 38.0 million at 1.08, but it falls only to 32.0 at 1.00 and rises only to 44.0 at 1.16. Exhibit 17 shows the five rates.

Exhibit 17 Operating Profit by Euro Rate With and Without a Natural Hedge (Fictional, Millions of Dollars)

Euro rate	Operating profit, costs all in dollars	Operating profit, 25.0 million euros of cost	Reduction in the swing from base
1.00	30.0	32.0	2.0
1.04	34.0	35.0	1.0
1.08	38.0	38.0	0.0

Euro rate	Operating profit, costs all in dollars	Operating profit, 25.0 million euros of cost	Reduction in the swing from base
1.12	42.0	41.0	1.0
1.16	46.0	44.0	2.0

Source: fictional figures, computed in Python. Revenue is 100 million euros a year, dollar costs are 70.0 million without the natural hedge, and 43.0 million dollars plus 25.0 million euros of cost with it.

What the example teaches. The natural hedge reduces the net euro exposure from 100 million to 75 million euros, so that a 10 percent move changes profit by 10.80 million without the hedge and by 8.10 million with it. A further forward sale of half of the net euros, 37.5 million, would reduce the remaining swing to 4.05 million, though only for the period of the contract. On the translation side, a Country A or European subsidiary with net assets of 50 million euros would show a translation change of 5.40 million dollars for a 10 percent move in the rate, recorded in other comprehensive income, and a euro borrowing of 20 million that is designated as a hedge of the net investment would offset 2.16 million of it. The accounting conditions for such a designation are the subject of Module 28 of the CFO Technical Accounting MasterClass.

G. Testing a hedge for effectiveness. A hedge is effective when the gain or loss on the instrument offsets the change in the value of what it protects. A simple internal test is the **offset ratio**, the change in value of the hedge divided by the opposite change in value of the exposure, for a given move in the rate. A long standing convention in earlier accounting guidance accepted ratios from 80 to 125 percent, which many treasuries still use as a management test, though it is not a statement of current accounting, and Module 28 of the CFO Technical Accounting MasterClass treats the present requirements. Torrance forecasts 36.0 million euros of sales in the next twelve months and sells 28.8 million forward, a hedge ratio of 80 percent, which is a common policy for a forecast of this kind. For a 10 percent fall in the euro from 1.08, a forecast of 36.0 million loses 3.888 million dollars, and the forward gains 3.110. Exhibit 18 tests three outcomes for actual sales.

Exhibit 18 Hedge Offset Ratio for a 10 Percent Fall in the Euro (Fictional)

Actual euro sales (millions)	Loss on exposure ($ millions)	Gain on forward ($ millions)	Offset ratio (%)	Net effect ($ millions)	Over hedged by (euro millions)	Reading
36.0	3.888	3.110	80.0	(0.778)	(7.2)	At the lower edge of the range
30.0	3.240	3.110	96.0	(0.130)	(1.2)	Within the range, under hedged by design
26.0	2.808	3.110	110.8	0.302	2.8	Within the range, but over hedged

Source: fictional figures, computed in Python. Forward sales of 28.8 million euros against a forecast of 36.0 million, spot 1.08, a fall of 10 percent. The 80 to 125 percent range is a convention from earlier accounting guidance stated from the author's own knowledge, and is not a statement of current accounting.

What the example teaches. All three outcomes lie within the conventional range, but the third shows the risk that forecasts create. If sales fall to 26.0 million euros, the company has sold 2.8 million euros more than it will receive, the offset ratio is 110.8 percent, and the extra forward position acts as a speculative bet that gains when the euro falls and loses when it rises. A prudent policy therefore hedges a share of forecast exposure that rises as the date approaches and as the forecast firms up, for instance a higher share in the nearest quarter than in the last. The CFO should review the hedge book against the updated forecast each month and report any over hedged amounts to the treasury committee.

H. Landed cost: the price on the quote is not the cost. The cost of a purchased product includes everything that must be spent to have it available in the warehouse, and the buyer in a hurry sees only the price. Fenwick compares three sources of one component, in dollars a unit. Country X offers a price of 41.00 free on board, which means that the seller delivers it to the ship, and the buyer pays freight and insurance of 4.50 to the port of arrival. Customs duty, at a fictional 12 percent, is charged on the value including freight and insurance, which is 45.50, an assumption since the customs value rule differs by country. Brokerage and port fees are 0.90 and inland freight is 1.30. Because the goods are in transit and held as safety stock for 75 days, the carrying cost at 10 percent a year on the cost to that point is 1.092. Country Y, nearshore, quotes 49.50, with freight of 1.80, no duty if the rules of origin of an assumed trade agreement are met, and 25 days in the pipeline. A domestic supplier, Country Z, quotes a delivered price of 53.00 plus freight of 1.20 and 20 days of pipeline. A final line adds an expected cost of disruption, calculated as the probability of a disruption, times the share of volume affected, times the extra cost per affected unit of 8.00: 25 percent, 25 percent and 8.00 for Country X, which is 0.50; 10 percent for Country Y, which is 0.20; and 5 percent for Country Z, which is 0.10.

Exhibit 19 Total Landed Cost per Unit From Three Sources (Fictional Rates)

Cost element (dollars per unit)	Country X (offshore)	Country Y (nearshore)	Country Z (domestic)
Price quoted	41.00	49.50	53.00
Freight and insurance	4.50	1.80	1.20
Customs value	45.50	51.30	54.20
Duty (X at 12 percent, others none)	5.46	0.00	0.00
Brokerage and port fees	0.90	0.60	0.00
Inland freight	1.30	0.70	0.00
Cost before carrying	53.16	52.60	54.20
Carrying cost on pipeline stock	1.092	0.360	0.297
Total landed cost	54.252	52.960	54.497
Expected cost of disruption	0.50	0.20	0.10
Risk adjusted landed cost	54.75	53.16	54.60

Source: fictional prices and rates, computed in Python. Duty is charged on the customs value including freight and insurance, which is an assumption. Carrying cost is 10 percent a year on the cost before carrying, for 75, 25 and 20 days. Expected disruption equals probability times 25 percent of volume times 8.00. No actual tariff rate is stated.

What the example teaches. The offshore quote is 22.6 percent below the domestic price on the quote, but after freight, duty and carrying cost the offshore source costs 54.25, just under the domestic 54.50, and the nearshore source, which is 20.7 percent more expensive than Country X on the quote, costs 52.96, the lowest of the three. With the disruption cost added the gap between Country X and Country Y is 1.59 a unit. The finding depends on the duty, and Exhibit 20 shows how the answer moves when the duty changes.

Exhibit 20 **Duty Rate at Which the Sourcing Decision Reverses (Fictional)**

Duty rate on Country X (assumed)	Risk adjusted cost, Country X	Risk adjusted cost, Country Y	Difference (X less Y)	Cheaper source
5.0 percent	51.50	53.16	(1.66)	Country X
8.6 percent (break-even)	53.16	53.16	0.00	Equal
12.0 percent	54.75	53.16	1.59	Country Y
25.0 percent	60.79	53.16	7.63	Country Y

Source: fictional figures, computed in Python, with all inputs of the preceding exhibit unchanged except the duty rate on Country X. The break-even rate is found by solving for equal risk adjusted cost. The rates shown are assumptions and not current tariffs.

What the example teaches. Country X remains cheaper if the duty is 5 percent, by 1.66 a unit, and it becomes more expensive above a duty of 8.57 percent. At 25 percent the offshore source costs 60.79, which is 7.63 a unit more than the nearshore source. The decision therefore turns on a single variable that the company does not control, and that is the reason for a scenario approach and for a decision rule, stated in advance, that names the rate at which the company will move. The real tariff, the classification of the goods and the origin of the nearshore parts must be confirmed by customs advisers, and the current rates must be taken from official sources.

I. A country risk scorecard and a limit on capital at risk. A country risk score need not be elaborate to be useful, but it must be explicit. Fenwick scores each country from 1, the weakest, to 5, the strongest, on six criteria with weights that total 100: political stability and conflict (20), convertibility of the currency and freedom to transfer funds (20), legal protection and enforcement of contracts (15), exposure to sanctions and trade measures (15), predictability of tax and regulation (15), and infrastructure and talent (15). The weighted score is the sum of weight times score, divided by 100. The company then applies a rule that limits the total capital placed in a country to a share of group equity, here 600 million dollars, which falls as the score falls: a score of 4.0 or more allows 8 percent, 3.0 to 3.99 allows 4 percent, 2.0 to 2.99 allows 1.5 percent and only with political risk insurance, and below 2.0 allows no new capital. The scores and the rule are fictional and are the judgment of the committee, which should revisit them at least once a year and after any major event.

Exhibit 21 **A Country Risk Scorecard and Capital Limits (Fictional)**

Criterion (weight)	Country A	Country B	Country C	Country D
Political stability and conflict (20)	4	3	2	1
Convertibility and transfer of funds (20)	5	3	2	1
Legal protection and contract enforcement (15)	4	3	3	2
Exposure to sanctions and trade measures (15)	4	4	2	1
Predictability of tax and regulation (15)	4	3	3	2
Infrastructure and talent (15)	4	4	3	2
Weighted score	4.20	3.30	2.45	1.45
Limit as share of group equity (%)	8.0	4.0	1.5	0.0
Limit on capital at risk ($ millions)	48.0	24.0	9.0	0.0

Criterion (weight)	Country A	Country B	Country C	Country D
Condition attached	None	Annual review	Political risk insurance required	No new capital

Source: fictional scores, weights and limits, computed in Python. Group equity of 600 million dollars is assumed. The criteria are the author's own, stated from the author's own knowledge. Scores are judgments and carry no claim of accuracy for any real country.

What the example teaches. Country A scores 4.20 and can take up to 48.0 million of capital, Country B scores 3.30 and 24.0 million, Country C scores 2.45 and 9.0 million with insurance, and Country D scores 1.45 and none. The value of the exercise lies less in the score than in the argument that produces it. A committee that disagrees on the score of a country has found the question that most needs a better answer, and the weights make plain what the company is willing to trade, for instance a higher tax predictability for lower political stability. A score should also lead to action: the cap forces the investment committee to choose between projects, and the condition attaches a protection to the riskier ones.

J. Political risk insurance, weighed against the loss. Political risk insurance covers losses from events such as expropriation, political violence and the inability to convert or transfer currency, and it is sold by public and private insurers. Consider an investment of 30.0 million in a country such as Country C, where management judges the annual chance of a covered event at 1.5 percent and the loss in such an event at 60 percent of the investment, which is 18.0 million. The policy, in this illustration, covers 80 percent of the loss, so that it would pay 14.4 million and leave 3.6 million with the company, and it costs 1.2 percent a year on the insured amount of 24.0 million, which is 0.288 million a year, against an expected annual loss, before insurance, of 0.270 million. Over five years the chance of at least one event is 7.3 percent, and the premium paid is 1.44 million. The premium exceeds the expected loss, as one would expect of a priced product, and the case for the policy rests on its other benefits: it caps a loss that could threaten a covenant, it may be required by lenders, and it may make a project financeable. The terms, exclusions, waiting periods and the definition of an insured event decide what the policy is worth, and the CFO must have the insurance broker and counsel review them.

Exhibit 22 Political Risk Insurance Compared With the Loss It Covers (Fictional)

Item	Amount	Note
Investment insured	30.0 million dollars	Fictional investment in a country with a middling score
Annual probability of a covered event	1.5 percent	Management judgment and not an insurer estimate
Loss given an event	18.0 million dollars (60 percent)	Assumed severity
Expected annual loss before insurance	0.270 million dollars	Probability times loss
Recovery under the policy	14.4 million dollars (80 of the loss)	Assumes the event is covered and the claim is paid
Retained by the company after a loss	3.6 million dollars	Loss less recovery
Annual premium	0.288 million dollars	1.2 percent on the insured amount of 24.0 million
Chance of at least one event in five years	7.3 percent	One minus the chance of no event in five years
Premium paid over five years	1.44 million dollars	Undiscounted

Source: fictional figures, computed in Python. The premium rate, probability and severity are assumptions and not market prices. Coverage terms and pricing vary by insurer and country, and the reader must consult an insurance broker and counsel.

K. Cash trapped abroad and structures that help. Cash that is earned in a country but cannot be used elsewhere in the group, whether because of tax on its movement, controls on currency, thin local reserves or the absence of a treaty, is described as trapped. The cost of trapped cash is the return forgone on it, the debt the group may have to raise at home to fund needs that the cash could meet, and the tax that may be paid when it finally moves. No structure removes the problem entirely, but some reduce it, and Exhibit 23 lists those most often used. Each of them depends on local law, and each can be challenged if it lacks business purpose and substance, so that tax and legal advisers must design and approve them.

Exhibit 23 Structures That Reduce the Cost of Cash Trapped Abroad

Structure	How it helps	Limits and risks
Regular dividend policy, set in the budget	Moves cash steadily when reserves are available, and avoids a large one time tax cost	Needs distributable reserves and local approvals, and withholding tax still applies
Funding with debt instead of equity, within limits	Interest and principal can be paid back with less tax than a dividend, in many systems	Thin capitalization and interest limitation rules, and the arm's length rate for the loan
Cash pooling and intercompany lending	Lets surplus cash in one country fund needs in another	Local exchange controls, withholding tax on interest, and legal limits in some countries
Payment for real services and licenses	Moves cash as a payment for value received, with local deductions	Transfer pricing support, withholding tax, and the substance of the service or right
Local use of the cash	Funds local investment, acquisition or debt reduction in the country	Limits the company to local opportunities and to the local risk
Staged investment and local borrowing	Keeps less equity in the country, and matches local assets with local debt	Local interest rates and covenants, and a currency mismatch if the debt is in a hard currency
Political risk insurance on transfer restrictions	Provides a recovery if a government blocks the conversion or transfer of funds	Cost, exclusions, and waiting periods before payment

Source: author's synthesis, stated from the author's own knowledge and not taken from a source read for this module. Law and practice differ widely by country, and qualified tax and legal advisers must design and approve each structure. Module 7 treats the funding of the group.

L. The CFO's global operating cadence. The tools above decay unless a routine keeps them current. A cadence is a calendar of reviews, each with an owner, an input and an output, and its purpose is that no exposure waits for the annual plan to be noticed. The most useful cadence is light, since a heavy one will be skipped, and it ties together four groups that are often separate: tax, treasury, trade and compliance. Exhibit 24 proposes a calendar. The scenario work of Module 17 supplies the tariff, currency and sanctions scenarios that the quarterly review tests, and the crisis playbooks of Module 12 supply the response when a trigger is hit.

Exhibit 24 A Global Operating Cadence for the CFO

Frequency	Review	Owner	Input	Output
Weekly	Currency exposure and hedge position, cash by country, sanctions and screening alerts	Treasurer and compliance lead	Forecast flows by currency, bank balances, screening reports	Hedge actions, cash moves, escalations
Monthly	Hedge book against updated forecast, working capital by country, customs and duty paid against plan, trapped cash balance	Treasurer and controller	Hedge reports, trade data, ledgers	Report to the CFO with exceptions only
Quarterly	Tariff and currency scenarios, effective tax rate by jurisdiction, transfer pricing results against policy, country risk scores, capital at risk against limits	CFO with tax, treasury and supply chain heads	Scenarios from Module 17, tax provision data, scorecards	Decisions on hedging, sourcing mix, pricing and cash repatriation, and a note to the audit committee
Annually	Hedging policy, entity structure, transfer pricing documentation, treaty and substance review, insurance renewals, country entry and exit decisions	CFO and board committee	Benchmarking, advisers' opinions, scorecard review	Updated policies approved by the board and a calendar of filings
On a trigger	A tariff change above the break-even rate, a sanctions designation, a currency move beyond a set band, a change in country score	CFO	Triggers set in advance	A decision within a stated number of days and a record of the reasoning

Source: author's proposal, stated from the author's own knowledge. The frequencies and owners are suggestions, and each company must adapt them to its size, its footprint and the law of the countries concerned.

4. Executive case study and decisions

The company (fictional). Fenwick Industrial Components is a fictional manufacturer of pumps and valves for industrial customers, with revenue of 900 million dollars, a plant in its home market, and a buying team that purchases a machined component, in the amount of 4.0 million units a year, from a single supplier in Country X. All figures in this case are fictional and the company, the countries and the people have no relation to any real ones. The per unit costs of the landed cost example of Section 3 apply, with Country X at a quoted price of 41.00, Country Y at 49.50 and a domestic source at 53.00 delivered. The component is about a quarter of the cost of goods of the main product line, so that a change of 1.00 a unit moves annual cost by 4.0 million dollars, a figure that matters to a company whose operating profit is a small share of revenue.

The trigger. Trade relations between the home country and Country X have worsened, and the head of procurement reports that the duty on the component, which is 12 percent today, may be changed within the next year. The finance team, applying the method of Module 17, has set out three duty scenarios with probabilities that are judgments and not forecasts: a reduction to 5 percent with a chance of 20 percent, no change at 12 percent with a chance of 50 percent, and an increase to 25 percent with a chance of 30 percent. A supplier in Country Y, which the committee has scored at 3.30 on the country risk scorecard against 2.45 for Country X, has offered to supply the component, duty free under an agreement if the rules of origin are met, but it can take half of the volume in the first year and all of it from the second year, and it asks for a commitment of three years on the volume it is given. The cost of moving, which covers tooling, qualification and a safety stock during the change, is estimated at 3.0 million dollars for half of the volume and 9.0 million

for all of it. The chief executive wishes to decide at the next board meeting, in thirty days.

Exhibit 25 Fenwick Industrial Components: Facts of the Case (Fictional)

Item	Fictional fact
Revenue and component volume	900 million dollars of revenue. 4.0 million units a year, all from Country X
Risk adjusted landed cost per unit today	Country X 54.75 (duty 12 percent). Country Y 53.16 (no duty). Domestic source 54.60
Duty scenarios for Country X	5 percent (chance 20 percent), 12 percent (50 percent), 25 percent (30 percent)
Expected risk adjusted cost per unit if the company stays	55.91 (probability weighted)
Capacity of Country Y	Half of the volume in year one, all from year two. Three year volume commitment
Cost of moving	3.0 million for half of the volume. 9.0 million for all of it
Country risk scores	Country X 2.45 (limit of 9.0 million of capital at risk, with insurance). Country Y 3.30 (limit of 24.0 million)
Discount rate and horizon	10 percent over five years, which gives an annuity factor of 3.7908
Decision date	Board meeting in thirty days

Source: fictional case, with the unit costs of the landed cost exhibit and the scores of the country risk scorecard. The scenario probabilities are management judgments. The annuity factor is computed in Python.

The options. Three courses are open. Option A leaves the sourcing as it is and accepts the tariff outcome. Option B places half of the volume with Country Y at once and keeps half in Country X, so that the company has two sources and a hedge against a tariff increase. Option C moves all of the volume to Country Y, which is possible only from the second year, and which carries the highest cost of moving and the highest dependence on one new supplier. For each option the finance team computes the expected annual cost, the cost in each duty scenario, the saving against the present course, and the value over five years of the saving less the cost of moving. Exhibit 26 sets out the result.

Exhibit 26 Annual Cost of the Component by Option and Duty Scenario (Fictional)

Option (millions of dollars)	Cost if duty falls to 5 percent	Cost if duty stays at 12 percent	Cost if duty rises to 25 percent	Expected annual cost	Annual saving against A	Moving cost	Five year value of the saving less cost
A. Stay with Country X	206.01	219.01	243.16	223.65	0.00	0.00	0.00
B. Dual source: half to Country Y	209.32	215.83	227.90	218.15	5.51	3.00	17.87
C. Move all to Country Y	212.64	212.64	212.64	212.64	11.01	9.00	32.74

Source: fictional case, computed in Python. Cost per unit is the risk adjusted landed cost times 4.0 million units, with duty scenarios of 5, 12 and 25 percent. The saving is the expected annual cost of Option A less that of the option. The five year value uses 10 percent and ignores timing of capacity in Country Y.

Regret and what it shows. Expected cost is one way to choose, and it hides the way each option behaves when the future turns out badly. A second view is **regret**, which is the extra cost of an option compared with the best option in the same scenario. If the duty falls to 5 percent, staying costs nothing extra, while the full

move costs 6.63 million more than staying. If the duty rises to 25 percent, staying costs 30.51 million more than the full move. Exhibit 27 gives all nine values. The largest regret of each option is 30.51 for Option A, 15.26 for Option B and 6.63 for Option C.

Exhibit 27 Regret by Option and Scenario (Fictional)

Regret (millions of dollars)	Duty falls to 5 percent	Duty stays at 12 percent	Duty rises to 25 percent	Largest regret
A. Stay with Country X	0.00	6.37	30.51	30.51
B. Dual source: half to Country Y	3.32	3.18	15.26	15.26
C. Move all to Country Y	6.63	0.00	0.00	6.63

Source: fictional case, computed in Python from the annual costs of the preceding exhibit. Regret is the cost of an option less the lowest cost among the three options in the same scenario.

The recommended path. The recommendation is Option B now, with a decision rule to move to Option C in the second year. The reasoning has five parts. First, on the numbers alone the full move is the strongest, with an expected saving of 11.01 million a year, a five year value of 32.74 million and the smallest largest regret, but it is not available in the first year because of the capacity of Country Y, so that the choice at the board meeting is really between A and B. Second, Option B captures about half of the expected saving, 5.51 million a year, for a third of the cost of moving, and its largest regret of 15.26 million is half that of Option A. Third, the extra cost of Option B appears only in the scenario of a duty fall to 5 percent, and then it is 3.32 million, which is small against the loss that Option A would suffer if the duty rose. Fourth, the commitment of three years is the main cost of Option B and should be negotiated, if possible, to include a right to increase volume in year two and a right to reduce it if quality or delivery fails, and the rules of origin must be confirmed before any tooling is ordered, since the saving depends on duty free entry. Fifth, the decision rule should say that the company will move all volume in year two if the duty on Country X is above the break-even rate of 8.6 percent, or if the country risk score of Country X falls below 2.0, and that it will review the split if the duty falls to 5 percent. The CFO should record the rule in the board paper so that the later decision follows from a rule agreed in calm conditions.

What a weaker answer misses. A weaker answer compares the quoted prices, in which Country X is 22.6 percent below the domestic price and 17 percent below Country Y, and concludes that nothing should change. It misses freight, duty and the cost of carrying stock for 75 days, which together add 13.25 to the offshore price. A second weak answer reacts to the tariff headline by moving everything at once, and misses that the nearshore supplier cannot take it all, that the move costs 9.0 million, that a single new supplier is a concentration of risk of its own, and that the probabilities are judgments. A third weak answer takes the expected cost as the whole truth, and misses regret, the shape of the scenarios and the value of a rule that is set in advance. A fourth misses the secondary effects: whether the rules of origin will be met, whether a supplier price in a local currency creates exposure of the kind shown in Exhibit 17, whether the intercompany price of any good that passes through a Fenwick subsidiary is consistent with the customs value declared, and whether the contract with Country Y carries the compliance terms of Section 2. A strong answer states the decision, the numbers, the regret, the conditions and the triggers on one page, and says plainly which inputs are assumptions.

5. Boardroom discussion and key takeaways

A board that approves a move abroad approves a set of exposures that will last for years, and it is entitled to ask how each was priced and who watches it. Module 9 describes how the board and its committees oversee management, and the audit committee will be particularly concerned with tax positions, hedging and compliance. The questions in Exhibit 28 may be asked by any director, and the CFO should be ready to answer each of them with evidence and without defensiveness.

Exhibit 28 Questions for the Board on Global Strategy

Question a director should ask	What a ready CFO can say
Which mode of entry did you choose, how much capital does it put at risk, and what happens to the value if revenue reaches only 70 percent of plan?	The comparison of modes, the stress test and the staged option (Exhibit 1, Exhibit 11, Exhibit 12)
What price do our subsidiaries pay each other, how was the range set, and what is our exposure if an authority disagrees?	The method, the range, the documentation calendar and the adjustment and double tax exposure (Exhibit 3, Exhibit 13)
Where could we have created a taxable presence without knowing it, and what does it cost to bring profit home from each country?	The permanent establishment controls and the repatriation plan with its leakage (Exhibit 4, Exhibit 14, Exhibit 23)
Are we in scope of the global minimum tax, in which countries is our effective rate near or below 15 percent, and what is confirmed and what is not?	The jurisdiction by jurisdiction rate, the status as reported and the advisers' confirmation (Exhibit 5, Exhibit 15)
What is our currency exposure of each kind, what does our policy allow, and how much of the forecast is hedged and over hedged?	The exposure map, the hedging policy, the offset test and the monthly hedge book review (Exhibit 6, Exhibit 16, Exhibit 18)
What is the total landed cost of our main imports, and at what tariff would we change supplier?	The landed cost model, the break-even duty and the decision rule (Exhibit 19, Exhibit 20, Exhibit 27)
How much capital do we have in each country, what are the limits, and what protects us if the worst happens?	The country scorecard, the limits, insurance and structures for cash (Exhibit 21, Exhibit 22, Exhibit 23)
How do we know that screening, anti-bribery controls and local filings are working in every country?	The compliance map, testing and the cadence of reviews (Exhibit 10, Exhibit 24)

Source: author's synthesis, stated from the author's own knowledge. The exhibit references point to the tools of this module.

Key takeaways. The lessons of the module can be stated briefly, though each rests on the work above. The first is that the mode of entry determines how much is at risk, and that the best mode is often the one that lets the company learn cheaply and convert later, with a trigger set in advance. The second is that intercompany prices belong inside a documented range, and that a small tax saving is a poor trade for an adjustment with interest and double tax. The third is that tax exposures, whether permanent establishment, withholding or minimum tax, are best handled by a map of flows, a calendar and an early call to the advisers, and that only the position confirmed on a source should be stated as current. The fourth is that currency risk has three forms, that a hedging policy is a board document with limits, and that a hedge should be tested against a forecast that changes. The fifth is that the quoted price is not the cost, that a landed cost model shows the tariff at which a decision reverses, and that regret is as informative as expected cost. The sixth is that country risk should be scored, limited and insured where it cannot be avoided, and that the repatriation of cash should be planned before the cash is earned. The seventh is that compliance across borders is a standing duty of the CFO, to be tested and not assumed, and that a light cadence that joins tax, treasury, trade and compliance prevents most surprises.

6. The executive artifact: a country entry decision memo and a global tax and FX risk checklist

The executive artifact has two parts. The first is an outline of a decision memo on a country entry, filled in for Torrance Controls and Country A, and it should be no longer than two pages when completed. The second is a checklist of global tax and currency risk, which the CFO completes each year and each time a new country or a new currency is added, again filled in for Torrance. All entries are fictional, and each entry in the outline refers to a tool of this module. The reader should copy the structure, replace the content with the facts of the company, and have tax and legal advisers review the result before it goes to the board.

Exhibit 29 Country Entry Decision Memo Outline, Completed for a Fictional Company

Section of the memo	What it must contain	Filled in example: Torrance Controls and Country A (fictional)
1. Decision requested	The decision, the amount, the date and the consequence of delay	Approve entry to Country A through a distributor, with a capital limit of 1.5 million dollars and an option to convert to a subsidiary, at the board meeting of next month
2. Why now and why this country	The market evidence and the country risk score	A signed letter of intent from a leading buyer. Country A scores 4.20 on the scorecard, within a limit of 48.0 million dollars
3. Options considered	At least three modes, with capital at risk	Distributor (1.5), subsidiary (9.0), acquisition (34.0), with five year values of 11.02, 11.95 and 12.86 million at the base case
4. Stress test	Value under slow growth and higher tax	At 70 percent of plan only the distributor stays positive, at 5.90 million. At a tax rate of 30 percent the subsidiary leads
5. Recommendation and conversion trigger	The choice, the reason and the trigger for the next step	Start with the distributor on a three year contract with performance terms. Convert to a subsidiary if annualized distributor sales reach 16.0 million, the year three plan, by the end of year two
6. Tax, transfer pricing and repatriation	Entity, price range, permanent establishment controls and the cash plan	Price within 110.80 to 116.40 a unit with a median of 113.60. No staff to sign contracts in Country A. Annual dividend policy with an estimated leakage of 28 percent of profit
7. Currency and trade	Exposure, hedging policy and landed cost effects	Sales in euros hedged at 80 percent of forecast with forwards. Duty and rules of origin confirmed by customs advisers before the first shipment
8. Compliance	Anti-bribery, sanctions, data and local filing	Due diligence on the distributor, screening on onboarding and each payment run, and a local accountant for statutory filings
9. Risks and reversal triggers	What would change the view and what is the exit	Country score falling below 3.0, revenue below 70 percent of plan for two quarters, or a sanction affecting the distributor. Exit by notice under the contract
10. Next steps and owners	Who does what by when	Tax adviser opinion in 30 days, treasury policy update in 45 days, contract signature in 60 days

Source: author's template. The filled in entries are fictional and use the results of Section 3 for Torrance Controls. The reader must have qualified tax, legal and customs advisers review the memo before it goes to the board.

Exhibit 30 Global Tax and FX Risk Checklist, Completed for a Fictional Company

Area	Question to answer each year	Evidence	Owner	Status (fictional)
Permanent establishment	Does any person or asset in a country create a taxable presence?	Travel and secondment log, signing authority list, tax review of each posting	Head of tax	Green. One long project in Country B is under review
Withholding tax and treaty claims	Are rates and claims documented for each payment flow?	Payment flow map, residence certificates, beneficial ownership analysis	Head of tax	Amber. Two certificates expire this year
Transfer pricing	Are intercompany prices inside the range, with files completed on time?	Policy, benchmarking, master and local files, filing calendar	Head of tax and controller	Amber. Benchmarking for Country A to be refreshed
Global minimum tax	Is the group in scope, and what is the effective rate by jurisdiction?	Jurisdiction by jurisdiction rate, adviser confirmation of the current position	Head of tax	Amber. Data for the simplified test not yet automated
Repatriation plan	What cash moves home this year, by what route, with what leakage?	Plan by country, with route and estimated tax	Treasurer	Green. Plan approved in the budget
Hedging policy	Is the policy current and are limits and counterparties approved?	Board approved policy, bank limits, hedge book report	Treasurer	Green
Hedge coverage	Is the hedged share in line with policy, and is any amount over hedged?	Monthly hedge book against updated forecast	Treasurer	Amber. 2.8 million euros over hedged in the third quarter
Translation and net investment	What are the net assets by currency, and is any hedge designated?	Net investment schedule, hedge designation memo	Controller	Green
Customs and trade	Are classification, valuation and origin documented, and are rates current?	Classification file, origin certificates, duty paid against plan	Head of supply chain	Red. Origin evidence missing for one supplier
Sanctions and anti-bribery	Is screening done at onboarding and on payment, and were intermediaries diligenced?	Screening logs, due diligence files, test results	Compliance lead	Green

Source: author's template. The statuses and notes are fictional. Status is green for complete, amber for in progress or at risk, and red for a gap that needs action. Qualified tax, legal and customs advisers must review the real checklist.

How to use the artifact. The memo is written once for each country entry, and it is updated, with the same headings, when the trigger for the next step is reached. The checklist is reviewed in the annual cadence of Exhibit 24 and between reviews when a trigger occurs. The CFO should send the red and amber items, with owners and dates, to the audit committee, which is the group most likely to ask about tax and compliance, and should keep a record of what was done about each. A checklist that shows only green is more likely to reflect a lack of testing than a lack of risk, so a few honest ambers are a sign of a healthy process.

7. Research and Perspectives from the Leading Firms

The publications below were found by search, and each page was opened before it was described. Where a page returned only part of its content, or did not state a date, an author or a figure, the description says so and states only what was returned. Titles that were taken from the web address and not from the page are marked as such. The models of Sections 3 and 4, namely the entry business case, the intercompany price, the repatriation comparison, the minimum tax illustration, the currency and hedge examples, the landed cost model, the country scorecard, the insurance comparison and the sourcing case, are the author's own and not taken from these pages. Tax law, trade measures and sanctions change quickly, and the reader should confirm the current position before relying on any item.

Exhibit 31 Publications Used in This Module

Source	Title and URL	What it says
EY	EY Tax News Update 2026-0226, OECD releases side-by-side package on Pillar Two global minimum tax: detailed review (January 16, 2026; title as shown in the web address). https://taxnews.ey.com/news/2026-0226-oecd-releases-side-by-side-package-on-pillar-two-global-minimum-tax-detailed-review	Reports that the OECD announced the package on January 5, 2026 as administrative guidance, and lists a simplified effective tax rate safe harbor (top up deemed zero where the simplified rate is at least 15 percent), an extension of the transitional country by country reporting safe harbor to fiscal years beginning on or before December 31, 2027, a substance based tax incentive safe harbor, a side by side safe harbor with only the United States listed, and a parent jurisdiction safe harbor, and states that QDMTTs continue to apply and that a stocktake is to be concluded by 2029
KPMG	KPMG TaxNewsFlash (Canada), Global minimum tax: OECD agrees on side-by-side system (January 8, 2026; title as shown in the web address). https://assets.kpmg.com/content/dam/kpmg/ca/pdf/tnf/2026/01/ca-global-minimum-tax-oecd-agrees-on-side-by-side-system.pdf	Describes the agreement of January 5, 2026 as five components (simplified rules, a substance based tax incentive safe harbor, new safe harbors for groups with a parent in an eligible jurisdiction, a stocktake and reinforcement of the QDMTT), notes that United States parented groups would be exempt from certain rules, and observes that Canadian legislation may need amendment
Deloitte	Deloitte Austria, Breaking News: OECD Side-by-Side Package on Pillar Two (January 7, 2026; title as shown in the web address). https://www.deloitte.com/at/de/services/tax/blogs/2026/breaking-news-oecd-side-by-side-package-on-pillar-two.html	Describes the safe harbors of the package and their effective dates, states that the package does not change the basic principles of Pillar Two, and notes that only the United States appeared in the OECD central record as a side by side regime at the time. The page did not describe the minimum rate generally and did not mention the 750 million euro threshold
Holland and Knight (law firm)	Holland and Knight, OECD Pillar Two Side-by-Side Safe Harbor Package (alert dated January 15, 2026; title as shown in the web address). https://www.hklaw.com/en/insights/publications/2026/01/oecd-pillar-two-side-by-side-safe-harbor-package	States that the Model Rules subject in-scope groups to a minimum effective tax rate of 15 percent on a per jurisdiction basis, that the package applies to fiscal years beginning on or after January 1, 2026 and not retroactively to 2024 or 2025, and that a stocktake is planned most likely by 2029. It did not mention the 750 million euro threshold

Source	Title and URL	What it says
OECD	OECD, Global Minimum Tax: Inclusive Framework releases a package to strengthen consistency and certainty for MNEs and jurisdictions (announcement; the web address shows September 2026). https://www.oecd.org/en/about/news/announcements/2026/09/global-minimum-tax-inclusive-framework-releases-a-package-to-strengthen-consistency-and-certainty-for-mnes-and-jurisdictions.html	Only a summary was returned, which says that the package covers a framework for the full legislative review process, updates to the GloBE Information Return and new guidance on the Model Rules. The page returned no rate, date or effective dates, and the package itself was not read
BDO	BDO Malta, Transfer Pricing Methodologies (published May 24, 2023, no author named). https://www.bdo.com.mt/en-gb/insights/transfer-pricing-insights/transfer-pricing-methodologies	Sets out the five OECD methods (comparable uncontrolled price, resale price, cost plus, transactional net margin method and profit split), the first step of a functional analysis, and the point that the methods are not determinative in themselves. The page also promotes BDO services in Malta, and the article is from 2023
Deloitte	Deloitte UK, press release on the Q1 2026 UK CFO Survey (April 13, 2026). https://www.deloitte.com/uk/en/about/press-room/uk-finance-leaders-confidence-drops-as-geopolitical-risk-dominat-april-2026.html	Reports a survey of 79 UK finance leaders conducted March 16 to 30, 2026, in which geopolitical developments were the greatest external risk (weighted rating 79, up from 65), CFO confidence fell to a net minus 57 percent, a six year low, and cost control was a strong priority for 68 percent, up from 51 percent. It gave no separate tariff statistics
DHL	DHL, Trade, tariffs, nearshoring and supply chains in 2026 (March 17, 2026, article by Vivien Christel Vella, based on the DHL Global Connectedness Report 2026). https://www.dhl.com/discover/en-us/news-and-insights/reports-and-press-releases/trade-tariffs-nearshoring-supply-chains-2026	Reports that globalization stood at 25 percent in 2025, that the share of United States imports directly from China fell from 22 percent in 2017 to 9 percent in the first three quarters of 2025, that trade is reconfiguring and not retreating, and that it is unclear whether nearshoring will lead to more regional patterns. The author is a DHL marketing manager and the page is a corporate article, so the underlying report was not read
CTM (reporting MillTech)	Treasury News Network (CTMfile), Corporates move to rebuild hedges after costly 2025 (undated, quoting MillTech's Corporate Hedging Monitor). https://ctmfile.com/story/corporates-move-to-rebuild-hedges-after-costly-2025	Reports that four in five corporates in the monitor reported losses from unhedged exposure in the past year, that the average hedge ratio fell to 46 percent in the third quarter of 2025 from 57 percent and rose to 49 percent in the fourth, and that nearly two thirds planned to raise hedge ratios in 2026. The page is undated and the survey sample was not stated
US Department of Justice	DOJ Criminal Division, FCPA Guidance (page updated December 16, 2024). https://www.justice.gov/criminal/fraud/fcpa/guidance	Lists A Resource Guide to the U.S. Foreign Corrupt Practices Act, Second Edition (originally released in November 2012 and updated in July 2020) and an addendum of December 13, 2024 on the Foreign Extortion Prevention Technical Amendments Act enacted July 30, 2024. The page did not mention any enforcement guidelines of 2025

Source	Title and URL	What it says
KPMG	KPMG US, OFAC framework sanctions compliance (article with conflicting dates, displayed August 4, 2023). https://kpmg.com/us/en/articles/2022/ofac-framework-sanctions-compliance.html	Describes OFAC's Framework for OFAC Compliance Commitments, lists five components of a sanctions compliance program (management commitment, risk assessment, internal controls, testing and auditing, and training), and states that it applies to organizations subject to United States jurisdiction. The page did not state when OFAC issued the framework

Each page was opened and the descriptions follow what the tool returned. No publication of PwC, RSM US, Grant Thornton, Baker Tilly, Crowe, Forvis Mazars, CBIZ, Moss Adams, CohnReznick, CLA or EisnerAmper was read for this module, and none is cited. A search of the OECD pages did not yield the text of the side by side package, which could not be fetched.

What the research agrees on. The sources differ in kind, from firm alerts on a tax package to a press release on a survey, a corporate article on trade, a trade press report on hedging and two government related pages, and they should not be read as one body of evidence. They agree on a few practical points. The global minimum tax is being adjusted and not abandoned, with a 15 percent minimum and continuing domestic top up taxes, and the detail is moving. Finance leaders rank geopolitical risk high and are turning toward cost and cash control. Trade is changing shape, with tariffs and politics reshaping where goods come from, and the effect of nearshoring is not yet clear. Many companies hedge only part of their exposure, and a period of unhedged losses led, in one monitor, to plans to raise coverage. Transfer pricing rests on a small set of methods applied to comparable data, and anti-bribery and sanctions programs rest on management commitment, risk assessment, controls, testing and training.

How a CFO can use the research. The four pages on Pillar Two are best used as a prompt to ask the tax advisers three questions: whether the group is within scope, which safe harbors it can use, and which jurisdictions have a qualified domestic minimum tax. The BDO page is a plain list for a conversation with the tax department on the method behind each intercompany price. The Deloitte survey and the DHL article supply context for the board on risk and trade, and should be read with their limits in mind. The hedging report is a useful reminder that a policy which is not followed is no protection. The Department of Justice page and the KPMG article on sanctions indicate where to begin in building a compliance program and where to look for the current guidance.

Limits of the evidence. Four cautions apply. The first is that the tax pages are summaries by advisers who also sell services, written within weeks of an announcement, and that national legislation, which determines what a company actually pays, was not confirmed. The second is that the Deloitte survey covers 79 United Kingdom finance leaders and the hedging report did not state its sample, so that neither describes global practice. The third is that the DHL page is a corporate article, and that the statistics in it were not checked against the underlying report. The fourth is that the pages on anti-bribery and sanctions are not current statements of enforcement policy, and that rules, lists and tariff rates change frequently. For these reasons the module states no current tariff rate, no sanctions list and no national tax rate, and it names qualified advisers wherever a decision turns on them.

A practice for the reader. Because the position on tax and trade moves within a year, a CFO should keep a short register of the matters on which the company relies on a stated external position, with the date on which each was last confirmed and the adviser who confirmed it. A register of this kind costs little, shows the audit committee which statements are current, and prevents the common error of repeating in a board paper a position that was true when first read and has since changed.

8. The ten question self assessment

Rate each statement from 1 to 5 using the scale below, and mark one box in each row. The ratings must rest on actual experience or documented evidence, such as an entry memo you wrote, a transfer pricing file you reviewed, a hedge book you reconciled, a landed cost model you built or a country scorecard you maintained, and not on confidence. A rating of 1 means Unprepared: limited understanding and no meaningful application. A rating of 2 means Developing: conceptual familiarity, relying heavily on others. A rating of 3 means Competent: able to apply the capability independently in conventional situations. A rating of 4 means Advanced: the capability is integrated into strategy and delivers measurable results. A rating of 5 means Future-ready: enterprise wide impact, anticipation of change and the development of others.

No.	Statement of demonstrated capability	1	2	3	4	5
1	I compare market entry modes by capital at risk, control and reversibility, I stress test the business case under slow growth and higher tax, and I write conversion triggers into the decision.	☐	☐	☐	☐	☐
2	I can explain the legal entity structure of the company, the purpose of each entity and the way the structure follows how the business is actually run.	☐	☐	☐	☐	☐
3	I know the method and the arm's length range behind each major intercompany price, the documentation exists and is filed on time, and I know the exposure if an authority disagrees.	☐	☐	☐	☐	☐
4	I have a map of cross border payment flows with withholding rates and treaty claims, and I control the activities that could create a permanent establishment.	☐	☐	☐	☐	☐
5	I can state which parts of the global minimum tax apply to the group, by jurisdiction, and I separate what has been confirmed on a source from what has not.	☐	☐	☐	☐	☐
6	I have a board approved hedging policy, I measure transaction, translation and economic exposure separately, and I test hedges for effectiveness and over hedging each month.	☐	☐	☐	☐	☐
7	I use a total landed cost model for major imports, I know the tariff at which a sourcing decision reverses, and I have a decision rule set in advance.	☐	☐	☐	☐	☐
8	I score country risk with stated criteria, I set limits on capital at risk, and I use insurance and local funding to reduce the loss from the risks that remain.	☐	☐	☐	☐	☐
9	I have a cash repatriation plan by country with an estimate of leakage, and I design funding and structures before cash is trapped.	☐	☐	☐	☐	☐
10	I run a cadence that joins tax, treasury, trade and compliance, I test anti-bribery, sanctions, data and local filing controls, and I take advice from qualified professionals in each country.	☐	☐	☐	☐	☐

Total score: _____ out of 50. Ten statements rated from 1 to 5 give a minimum of 10 and a maximum of 50 points. Exhibit 32 gives the proposed interpretation. The scale is that of the source proposal for this program,

and the statements are specific to this module.

Status of this module. Module 18 is not one of the five critical modules named in the proposal, which are Modules 1, 5, 9, 10 and 13, so the rule that a score below 30 of 50 blocks the highest designation does not apply to it as proposed. A low score here, however, may still limit the effect of a strong score elsewhere, since the capital allocation of Module 5 and the risk work of Module 10 depend on the cross border judgments that this module describes.

Exhibit 32 Proposed Interpretation of the Module 18 Score

Score	Reading	Suggested use
10 to 19	Unprepared	Study the module in full, build the payment flow map and the exposure map for the company, and ask the advisers for the current position on the group's tax and trade exposures
20 to 29	Developing	Draft or refresh the hedging policy, build a landed cost model for the largest import, and document the method behind each major intercompany price
30 to 39	Competent	Add the stress test and conversion triggers to every entry proposal, score country risk with limits, and write a repatriation plan by country
40 to 45	Advanced	Run the quarterly cadence with scenarios, test controls in each country, and review the structure with advisers each year
46 to 50	Future-ready	Develop successors in cross border judgment, share the scorecards and models across the group, and shape the board's approach to country risk and trade

These bands are proposed program standards and have not been empirically validated against a broad population of finance executives. Module 18 is not designated a critical module in the proposal.

Development actions by pattern. A single total can hide the pattern behind it, so look at which statements received the lowest ratings. Exhibit 33 suggests three actions for each pattern.

Exhibit 33 Development Actions for Low Score Patterns

Low scores on	Pattern	Three suggested development actions
Statements 1 and 2	Entry and structure gap: modes are chosen by headline value and structures grow without a purpose	1. Rebuild your next entry case as in Exhibit 11 and Exhibit 12. 2. Add a conversion trigger as in Exhibit 29. 3. List each entity with its purpose, as in Exhibit 2
Statements 3, 4 and 5	Tax gap: prices, flows and minimum tax are left to the advisers without a map	1. Document the method and range for each major price as in Exhibit 3 and Exhibit 13. 2. Build the flow map and the controls of Exhibit 4. 3. Ask the advisers the three questions of Section 7 on Exhibit 5
Statements 6 and 9	Currency and cash gap: exposure is unmeasured and cash is trapped without a plan	1. Write the policy and test hedges as in Exhibit 18. 2. Measure the three exposures as in Exhibit 6 and Exhibit 17. 3. Prepare the plan of Exhibit 14 and Exhibit 23
Statements 7 and 8	Trade and country risk gap: decisions rest on quotes and instinct	1. Build a landed cost model as in Exhibit 19 and find the break-even rate of Exhibit 20. 2. Score countries and set limits as in Exhibit 21. 3. Review the insurance terms against Exhibit 22
Statement 10	Cadence and compliance gap: reviews are infrequent and controls untested	1. Adopt the calendar of Exhibit 24. 2. Test screening and anti-bribery controls as in Exhibit 10. 3. Complete the checklist of Exhibit 30 for the next audit committee

Source: author's suggestions. The mapping of statements to patterns is the author's proposal, and ratings should rest on experience or documented evidence.

A twelve month plan for the reader. The module is most useful when turned into a plan with dates. In the first month the reader should build the payment flow map and the currency exposure map, ask the tax advisers for the current position on the minimum tax and on permanent establishment risk, and gather the intercompany price policies and their documentation. In the second and third months the reader should write or refresh the hedging policy, build the landed cost model for the largest import and find its break-even tariff, and score the countries in which the company operates. In the fourth to sixth months the reader should draft a repatriation plan by country, negotiate any insurance or structures that the scorecard requires, and test the controls on screening, anti-bribery and local filing. In the second half of the year the reader should run the quarterly cadence with scenarios from Module 17, review the checklist with the audit committee and rehearse the response to a sanctions or tariff shock with the playbook of Module 12. At the end of the year the reader should repeat the self assessment of this section and compare the result with the first, using documents and not impression.

9. Currency check and sources

Currency check: this field changes quickly, and rules, rates, lists and published guidance shown here may already have changed. The pages in Exhibit 31 were opened in October 2026. The following were confirmed on pages read: the announcement by the OECD Inclusive Framework of a side by side package on January 5, 2026 and its principal elements as reported by EY, KPMG, Deloitte Austria and Holland and Knight; the 15 percent per jurisdiction minimum rate (Holland and Knight); the effective dates and the stocktake as reported; the five OECD transfer pricing methods (BDO Malta); the Deloitte UK CFO Survey figures; the DHL statistics; the hedging statistics reported by CTM; the contents of the FCPA guidance page of the Department of Justice; and the five components of the OFAC framework as described by KPMG. The following come from the author's own knowledge and were not confirmed in a source read: the 750 million euro threshold for the global minimum tax and the mechanics of the IIR, UTPR and QDMTT; the description of permanent establishment, withholding tax, treaty relief and repatriation; the layers of transfer pricing documentation; the descriptions of forwards, options and natural hedges and the way a forward rate is derived from interest rates; the 80 to 125 percent convention for hedge effectiveness; the definitions of customs valuation, classification and rules of origin; the market entry modes and entity forms; the criteria of the country risk scorecard; the features of political risk insurance; the structures for trapped cash; and the cadence. The status of national legislation on the minimum tax was not confirmed, and the side by side package itself, and the OECD announcement beyond its summary, were not read. The companies, countries and all figures in the exhibits are fictional, and all sums, ratios, probabilities, rates, ranges and counts were computed in Python and checked by assertion. The tariff rates, tax rates, treaty rates, interest rates and exchange rates are assumptions for teaching and are not current rates of any country. This module is educational and is not accounting, tax, legal, customs, sanctions, insurance or securities advice. Readers must consult qualified professionals in accounting, tax, legal, customs and other relevant services before acting, and matters such as permanent establishment, transfer pricing, minimum tax, sanctions, export controls, anti-bribery and data localization in particular require the advice of qualified advisers in each country concerned. The structures, checklists, memo outlines and scorecards shown here are proposed program standards and examples, not rules of any regulator, and each company must adapt them to its charter, its agreements, its sector and the law of the places in which it operates.

Sources: EY, Tax News Update 2026-0226 (2026); KPMG TaxNewsFlash Canada on the OECD side by side system (2026); Deloitte Austria, OECD Side-by-Side Package on Pillar Two (2026); Holland and Knight, OECD Pillar Two Side-by-Side Safe Harbor Package (2026); OECD, announcement on the global minimum tax package (2026, summary only); BDO Malta, Transfer Pricing Methodologies (2023); Deloitte UK, Q1 2026 UK CFO Survey press release (2026); DHL, Trade, tariffs, nearshoring and supply chains in 2026 (2026); Treasury News Network, Corporates move to rebuild hedges after costly 2025 (undated); US Department of Justice, FCPA Guidance (2024); KPMG US, OFAC framework sanctions compliance (article with conflicting dates). Titles, dates and URLs are as shown in the exhibit of Section 7.