

Case Study

MOMENTIVE PERFORMANCE MATERIALS, INC.

How The Company Brought Its Outsourced Transfer Pricing Process In-House

OVERVIEW

Momentive Performance Materials had always outsourced its transfer pricing work. After its departure from General Electric in 2006, it created the tax function in 2007. In 2010, the move away from outsourcing began for three key reasons: limited understanding of business operations from third-party consultants; concern that the generic outsourced reports would not provide the necessary documentation required under tax audit; and the high cost of outsourcing. It was then the company turned to Thomson Reuters and ONESOURCE Transfer Pricing to bring the work in-house.

Momentive Performance Materials now uses ONESOURCE Transfer Pricing for all its transfer pricing needs, including running “what-if” scenarios to better equip the team when audit issues arise. The company has benefited from cost savings, enhanced internal control of their transfer pricing situation, improved quality for both the pre-audit defense management and reporting, as well as better process automation through technology.

“When looking to bring our transfer pricing process in-house, we felt there was a commitment on behalf of Thomson Reuters to continue to grow, update, and develop the transfer pricing product. That is why we chose ONESOURCE Transfer Pricing.”

JOHN M. PALLADINO
Director of International Taxation

MOMENTIVE PERFORMANCE MATERIALS’ COLLABORATIVE APPROACH

Momentive Performance Materials took a collaborative approach when deciding to bring its transfer pricing documentation in-house. The company proactively worked with its auditing firm to ensure the comparable companies used to benchmark their intercompany transactions were acceptable and wouldn’t raise issues during the year-end audit. The strategy was to talk with its auditing firm early, discuss different philosophies around their comparable searches and get sign-off. Momentive Performance Materials delivered its comparables from the Documenter version of ONESOURCE Transfer Pricing and received approval from the auditors that their transfer pricing policy was reasonable.



SPOTLIGHT ON MOMENTIVE PERFORMANCE MATERIALS

Momentive Performance Materials, Inc. is a global leader in silicones and advanced materials specialty chemicals. The company continues a 70-year heritage of being first to market with performance applications for major industries that support and improve everyday life, delivering science-based solutions by linking custom technology platforms to opportunities for customers. Momentive Performance Materials, Inc. was created in 2006 after General Electric sold its Advanced Materials unit to Apollo Management, forming the new company. It now operates production plants strategically located around the world.

SPOTLIGHT ON MOMENTIVE PERFORMANCE MATERIALS’ TRANSFER PRICING SITUATION

Momentive Performance Materials has tangible, intangible, and service transactions in 32 countries. Over 50 transfer pricing documentation reports are created with the software annually.

MOMENTIVE PERFORMANCE MATERIALS’ TAX DEPARTMENT

- Six individuals in the U.S. tax department with additional regional managers in Europe and Asia
- Two individuals in the U.S. tax department responsible for transfer pricing globally
- Responsible for transfer pricing planning and documentation, including policy creation and controversy management for all 32 countries
- Managed by the international finance group

SPOTLIGHT ON JOHN M. PALLADINO

- Joined Momentive Performance Materials in early 2010 and is the Director of International Taxation
- Responsible for global international tax, which includes transfer pricing
- Manages the documentation for all U.S. and non-U.S. transfer pricing studies



OUTSOURCING CHALLENGES

- Lack of in-depth understanding of the business, operations, and processes from a third party
- Concern that generic reports would not provide the necessary documentation required under audit
- High costs

BENEFITS OF ONESOURCE TRANSFER PRICING

- Intuitive, easy-to-use software that has allowed them to bring their transfer pricing work in-house
- Enhanced control of the transfer pricing process
- Improved quality of transfer pricing work
- Cost savings

"We save approximately \$1 million biennially by using ONESOURCE Transfer Pricing."

WORKING WITH TRANSFER PRICING PROFESSIONALS

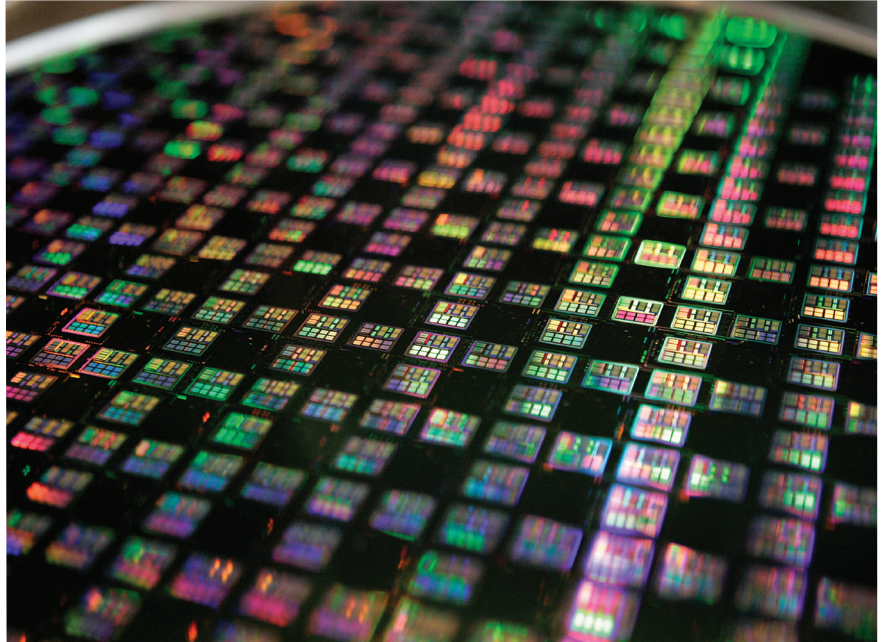
In taking the software in-house, Momeni Performance Materials found comfort in knowing that they would have the support of the Thomson Reuters professional services group. This was another major factor in their decision to choose ONESOURCE Transfer Pricing.

"We can pick up the phone, call our client services manager, and ask for assistance if we do not feel comfortable within the software. That's what sets your team apart, the unmatched level of support."

JOHN M. PALLADINO
Director of International Taxation

INTERESTED IN FINDING OUT HOW ONESOURCE CAN HELP YOU?

Contact us at 800.865.5257, or visit
www.onesource.thomsonreuters.com/transfer-pricing



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GOALS

- Streamline additional functionality and processes in the tax function with technology
- Create more in-depth transfer pricing reports that will stand up under audit for both the requirements of documentation as well as economics of the transfer pricing used
- Conduct "what-if" scenarios in the software in the context of audit controversy to better educate the team should an audit controversy arise

