



Transfer pricing in International Bank sector and its influence on economic of Cyprus

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I. ABSTRACT

Purpose – The thesis aims to investigate the preconditions of transfer pricing, its methodology, application and use in relation to international banking groups (IBGs), relating to transfer pricing manipulation and discuss on pricing strategies IBGs at various aspects of transfer pricing in Cyprus.

Design/methodology/approach – The thesis conducts literature reviews regarding a concerning the motives of transfer pricing application in banking, bank integration into the process, and then conducts expert interviews to select and summarize the methods of transfer pricing decision-making.

Findings – The thesis finds that decentralization and redistribution of profit centers by international regions with the greatest interest in funding, it becomes more and more in the spotlight in the field of transfer pricing strategy of IBG's presence in Cyprus, and their real concerns are winning maximum economic profits, enhancing the competitiveness of the enterprise, and effectively repatriating profits to parent companies in order to facilitate greater economic profits.

Research limitations/implications – It is found from the model that most of the transfer pricing methods are based on strategies of differentiation's attraction and placement margin, which circumvent the possible risks of low quotes. A possible reason is that current business operational patterns that have been limited to the market share of branches adopt the quantity-based pricing strategy of "narrow volume margin and large profit". However, the transfer pricing in IBGs branches has great influence on the financial structures of the banks. The banks, as a result, must understand and reinforce the working of pricing transfer in the business development of branches and representatives.

Originality/value – The thesis collects questionnaires and investigation results from experts and scholars and uses a survey of experts to build a complete model of strategic pricing decisions that may be taken under actual IBG different methods in order to provide a link to IBG in making transfer pricing strategy and its use in branches and representative offices.

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