

TRPS EVALUATION SCORE (TRPS SCORE)

FREQUENTLY ASKED QUESTIONS

The TRPS Evaluation Score (TRPS Score), part of the Thomson Reuters Pricing Service (TRPS), is a new measure of pricing transparency designed to help you defend the evaluated price and meet regulatory and disclosure reporting requirements with confidence.

Combined with the unrivalled access to pricing inputs and methodologies already offered by TRPS, the TRPS Score delivers the insight you need into fair value measurement, helping you address your regulatory and disclosure reporting needs.

UNDER THE LENS: THE TRPS EVALUATION SCORE

What is the TRPS Score?

The TRPS Score is a measurement of the level of incorporated market color in the TRPS evaluated price. It is calculated daily for all government and corporate bonds evaluated by TRPS.

Based on a scale of 1 to 10, the TRPS Score reflects all information associated with each instrument's evaluation, ranging from the availability of market data to the individual attributes of each issue.

A top score of 10 represents that robust market data is available to evaluate the security.

How is the TRPS Score calculated?

The TRPS Score incorporates the following four components:

- Amount and Quality of Transaction Data
- Amount and Quality of Broker/Dealer Quotes
- Individual Instrument Attributes
- Internal TRPS Data

Please see the appendix for more detail.

What asset classes does it cover?

All global government and corporate bonds, including sovereign debt, agency notes, global high yield, global investment grade bonds, emerging markets and U.S. treasuries.

How should I use the TRPS Score?

The TRPS Score is most useful for identifying securities that may need additional due diligence due to limited availability of pricing data.

How much does it cost?

The TRPS Score is available to customers subscribed to TRPS government and corporate bond evaluations.

How can I access the TRPS Score?

The TRPS Score is accessible via DataScope Select, our strategic data delivery platform.

Can the TRPS Score assist in leveling assets per FASB ASC 820 and IASB IFRS 13?

The TRPS Score is typically one of several factors to consider in determining asset levels. The extent to which you incorporate it into your leveling procedures is at the discretion of your firm and auditor.

ABOUT THOMSON REUTERS PRICING SERVICE

The Thomson Reuters Pricing Service (TRPS) is an independent, global evaluated pricing source covering over 2.6 million fixed income securities, derivatives and bank loans. Coverage spans all major financial markets and prices are available at multiple times daily. TRPS evaluations provide detailed transparency and market insight to support asset managers, custodian banks, mutual fund administrators, and risk managers.

THE TRPS EVALUATIONS SCORE (TRPS SCORE)

What it is:

- ✓ A measure of the level of incorporated market color that is used to produce the TRPS evaluated price
- ✓ An insight into fair value measurement

What it is not:

- ✗ A liquidity indicator. While it is possible that instruments with higher TRPS Scores have more market makers supplying prices, the TRPS Score should not be taken as a measure of liquidity.

Appendix – TRPS Evaluation Score Methodology

The TRPS Score is calculated daily based on a scale of 1 to 10 for all global government and corporate bonds evaluated by TRPS. The TRPS Score considers all information associated with each instrument's evaluation ranging from availability of market data to the individual attributes of each issue. It incorporates the following four components:

- Amount and Quality of Transaction Data
- Amount and Quality of Broker/Dealer Quotes
- Individual Instrument Attributes
- Internal TRPS Data

A score of 1 to 10 is derived for each component based upon several key factors

Transaction Data

Transaction data is an objective indication of fair value and liquidity. The transaction score is determined by the availability and quality of transaction data through the observation of the following data points:

- **Trade Activity:** This is the actual number of trades observed each day. Trades observed later in the day are given higher weightings.
- **Trade Price Size:** The score distinguishes block trades from smaller lots. Block trades are considered a more accurate measurement of fair value.
- **Trades on Comparable Issues:** The score looks at the availability of trade data on similar securities. Similar securities include mostly instruments of the same issuer but can include issues within the same industry and credit quality.

Dealer Quotes

Dealer quotes are a valuable observable input into the evaluation process. TRPS evaluators examine all observable quotes on actual and comparable securities:

- **Quantity of Broker Quotes:** The score counts the number of quotes observed for each security. Stale quotes and outliers are not incorporated.
- **Dispersion of Broker Quotes:** The score incorporates the average deviation of observed broker quotes. Tighter dispersion results in a higher dealer quote score.
- **Bid/Ask Spreads of Broker Quotes:** The score examines the average difference between the bid and ask of all observed broker quotes. Tighter bid/ask spreads result in higher scores.

TRPS Evaluation Score Examples:

Issue Name	Coupon	Maturity	Currency	Attribute Score	Internal Score	Base Score	Trade Score	Quote Score	Final Score
US Treasury	1.625%	2/15/2026	USD	9	10	9.2	0	10	10
FNMA	2.625%	9/6/2024	USD	9	3	7.8	10	9	10
Canadian Pacific Railway	4.500%	1/15/2022	CAD	7	9	7.4	0	2.5	8
General Motors	3.150%	1/15/2019	USD	8	10	8.4	10	10	10
Republic of Kenya	12.500%	2/8/2021	KES	8	10	8.4	0	7	9
Torchmark	7.875%	5/15/2023	USD	7	0	5.6	1	0	6
K Wah International Finance	4.380%	7/5/2021	HKD	5	3	4.6	0	1.5	5
DBS Bank	7.500%	3/27/2017	AUD	6	0	4.8	0	8.5	8
Aragon	6.022%	12/20/2016	EUR	8	0	6.4	0	2.5	7
Central Nippon Expressway	0.677%	2/28/2019	JPY	7.5	3	6.6	0	2.5	8

To learn more about the TRPS Evaluation Score, visit financial.tr.com or contact your local sales representative.

Attribute Score

The Attribute Score examines other market and reference data associated with the issue. It includes but not limited to core terms and conditions, prospectus data, and the availability of other data that evaluators use to examine an instrument.

- **Bond Type:** Distinguishes between sovereign, agency, corporate, convertible, and structured notes.
- **Issue Status:** The current trading status of the instrument including When Issued, Issued, Defaulted, and To Be Called
- **Credit Quality:** The issuer's credit risk is incorporated into the score.
- **Amount Outstanding:** This is the current outstanding face amount of issue.
- **Time to Maturity/Average Life:** This is the expected principal payback dates.
- **Original Offering Document:** The availability of the original document prepared for investors that contain all details of an individual security.

Internal TRPS Data Score

This component is determined from historical TRPS proprietary data obtained from the Thomson Reuters time series database. The score is derived by analyzing the frequency of evaluator updates associated with each instrument. A score of 10 occurs when the evaluator pricing update is equal to the current date.

Scoring Methodology

The final TRPS Score is derived from the individual components an illustrated below:

1. Since attribute data is available for every instrument, the Attribute Score is created first and becomes the starting point for each score.
2. The Attribute Score is adjusted based upon the internal TRPS data score.

Adjusted Attribute Score
= 80% Attribute Score + 20% Internal TRPS Score

3. The Transaction Score and the Dealer Quote Score are added to the Adjusted Attribute Score. The Adjusted Attribute Score can only increase when trade data and dealer quotes are available for the issuer and/or issuer.

TRPS Score = Min (Adjusted Attribute Score + ((10 – Adjusted Attribute Score) X Trade Score) + ((10 – Adjusted Attribute Score) X Quote Score), 10)