



ATLAS

BY BNP PARIBAS

CASH MANAGEMENT

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BNP PARIBAS

The bank
for a changing
world

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The Federal Republic of Germany is the leading economy in the Eurozone both in population terms (83 million inhabitants, a quarter of the Eurozone's 341 million total) and its share of Eurozone GDP (more than one third). GDP per head is 20% above the Eurozone average, making it one of the most prosperous Eurozone countries.

Germany is the world's fourth largest economic power after the US, Japan and China, and the third largest exporter after China and the US. The manufacturing sector plays a vital role in the economy. It accounts for almost 20% of employment and contributes almost a quarter of total value added. However, industry's central role makes Germany's economy more cyclical than some of its neighbours.

The Federal Republic comprises sixteen states (Bundesländer). Each state has its own state constitution, and is largely autonomous concerning its internal organisation. The most prosperous states are Bayern and Baden Württemberg in the southern part of the country. GDP per capita in these states are about 15% higher than the German average. The dynamism of the area is largely due to its sector specialisation. Manufacturing production makes up around 30% of production, and is concentrated in hi-tech industries. Eastern regions have done reasonably well in the past couple of years. This was partly a catch up effect. Nevertheless, GDP per head in the Eastern Länder, excluding Berlin, was still about 25% lower than in the country as a whole. The Western and Northern Länder have seen the most sluggish growth over the past few years. The region is home for Germany's heavy industry. Activity is mainly driven by robust domestic demand, while external demand has contributed little to economic growth.

The Covid-19 crisis has severely affected the country although less than the surrounding countries. Because of rigorous testing, the country was able to keep the rate of infections, hospitalisations and death relatively low. Nevertheless, the economy shrank by around 4.6% in 2020. In 2021, the economy is expected to rebound by around 3%.

The German general election was narrowly won by the SPD (social-democrats) headed by finance minister Olaf Scholz. According to the preliminary results, the party obtained 25.7% of the vote. Mr Scholz is seeking to form a coalition government with the Greens and the liberal FDP. This process is expected to take several months. During this time, the current grand coalition between CDU/CSU (Christian democrats) and SPD headed by Angela Merkel will remain in place.

Summary

BNP Paribas presence

BNP Paribas has been active in Germany since 1947 and is one of the most significant foreign banks operating in the country with more than 5,000 employees. The bank supports its customers in Germany through 8 business centres (Berlin, Cologne, Frankfurt, Hamburg, Hanover, Munich, Nuremberg, Stuttgart) and offers a comprehensive portfolio of cash management and trade finance services. These include innovative solutions such as virtual IBAN. BNP Paribas is a member of the Deposit Protection

Fund of the Association of German Banks.

Currency

Currency

- Germany uses the euro (EUR).

Exchange rates

	2015	2016	2017	2018	2019	2020
Exchange rate: EUR per USD	0.9017	0.9040	0.8873	0.847	0.89	0.88

Source: IMF, International Financial Statistics, July 2021.

Central Bank

- The German central bank is the Bundesbank (www.bundesbank.de).
- The Bundesbank is a member of the European System of Central Banks (ESCB) and operates certain activities, such as issuing currency, under the authority of the European Central Bank (ECB – www.ecb.europa.eu).

Bank Supervision

- In November 2014, the ECB, via the Single Supervisory Mechanism (SSM), assumed responsibility for supervising the financial stability of banks operating within the euro zone. However, while the ECB has final supervisory authority over all banks operating within the euro zone, it will only directly supervise those banks classified as 'significant' under the terms of the SSM (115 significant banking groups have been recognized to date). 'Less significant' banks will continue to be supervised by the national supervisory authority, BAFin (Bundesanstalt für Finanzdienstleistungsaufsicht – www.bafin.de), which reports to the Federal Ministry of Finance

Bank accounts

Resident / non-resident status

- A company is generally considered resident in Germany if its place of effective management is located in Germany, or it is legally registered there.

Bank accounts for resident entities

	Within GERMANY	Outside GERMANY
Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.

Bank accounts for non-resident entities

	Within GERMANY	Outside GERMANY
Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	Not applicable

Lifting fees

- 'Per mille' fees are applied on payments between resident and non-resident accounts.
- Multinational companies are often able to negotiate a fee structure.

Factoring

Legal framework

- Cross-guarantees are not possible due to extended “retention of title”.
- Ban of assignment regulated by German law (not as strong as e.g. in Switzerland).
- Three party agreement as an instrument to deal with legal matters.
- Purchasing associations (“Zentralregulierer”) are specific for the German market. Due to legal framework a three party agreement could be necessary.
- Banking license is necessary for credit/bank business and inventory financing – BNP Paribas Factor only provides factoring solutions.

Product specifics

• DISCLOSED / UNDISCLOSED

Both are offered. In general both programmes require a minimum turnover of € 100M.

• RECOURSE / NON-RECOURSE

Main product is non-recourse factoring. Recourse factoring is possible, but only for companies with strong ratings.

• STRUCTURED PRODUCTS

Receivables purchase programme (net peak clearing method) for large and corporate clients with a good rating, due-date factoring, reverse factoring.

• EXPORT / IMPORT

Export factoring is managed directly to all EU countries and some OECD countries. Import Factoring is offered for Germany, Austria and the German-speaking area of Switzerland. Financing of domestic and export transactions up to € 10M and a term of up to five years per transaction is also possible (FIT-Solution).

• CONCENTRATION REQUIREMENTS

General concentration limits are 15% for undisclosed and 20% for disclosed factoring. Specific concentration limits on top debtors are individually to be agreed up to 100% depending also on rating.

- **MAX. PREPAYMENT %**

Funding of receivables in general up to 90-95% within the debtor credit limits. In regards to IFRS requirement and without dilution 100% is possible to the total gross claim.

- **CREDIT COVER %**

100% protection against bad debts. Existing credit insurance policies (preferably 90% coverage) can be included into the contract (co-insurance). BNP Paribas Factor then provides the remaining part in order to come to the 100% coverage.

- **OFF-BALANCE SHEET SOLUTIONS**

In general, off-balance sheet solution is standard. Based on IFRS requirements, negotiations with clients and auditors are necessary.

- **INVOICE TRANSFER**

Interfaces are automated via d-Basics.

- **ON-LINE APPLICATIONS**

Standard in all inhouse factoring solutions.

- **DELAYED DUNNING**

If applied, maximum terms 60 days after due date (90 days for selected clients).

- **DATA FACTORING**

Data factoring is standard in all inhouse factoring solutions.

- **CURRENCIES OF FINANCE**

In general: EUR, GBP, CHF, USD. (other currencies are also possible)

BNP Paribas Cash Management Capabilities

Collections

Cash collections	✓
Cheque collections	✓
Direct debit collections	✓
Domestic incoming transfers	✓
Virtual IBAN	✓
Virtual accounts	✓
International incoming transfers	✓
Card acquiring	✓

Payments

Cash withdrawals	✓
Cheque payments	✓
Direct debit payments	✓
Domestic outgoing transfers	✓
Commercial cards	●
Virtual cards	✓
International outgoing transfers	✓
SWIFT gpi	✓
Real-time international payments through BNP Paribas' network	●
Card issuing	✓

Channels

Local e-Banking	✓
Global e-Banking - Connexis	✓
SWIFT/ host to host	✓

Payments & collections

Market overview

Electronic credit transfers are the predominant instrument used by companies to make supplier, payroll and tax payments. Direct debit use is high in Germany; the number of direct debits per capita is 250% more than the EU average. Card use is increasing in Germany, albeit from a low base. According to a central bank report, 30% of all recorded payments at the point of sale in 2020 were made using a card. Cash payments accounted for 60%.

E-wallet transactions are available, but adoption figures are low. The dominant electronic wallet scheme, GeldKarte, is often incorporated into debit cards, but other mobile payment schemes including Google Pay and Apple Pay are available. PayPal is the most widely used digital wallet.

Electronic banking services are available from most banks. Domestic companies primarily use MultiCash or MultiWeb, both of which support EBICS. Multinational companies also use the SWIFT for Corporates messaging standards. Transaction and balance reporting, automated end-of-day sweeping, and some transaction initiation services are available on a domestic and cross-border basis.

Payment Systems

TARGET2 - BBK	Type	<ul style="list-style-type: none"> • Real-time gross settlement. • German component of the pan-European TARGET2 system.
	Participants	<ul style="list-style-type: none"> • 683 direct and 120 indirect.
	Transaction types processed	<ul style="list-style-type: none"> • High-value and urgent EUR-denominated domestic and cross-border credit transfers.
	Operating hours	<ul style="list-style-type: none"> • 07:00 -18:00 CET, Monday to Friday.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payments are cleared and settled in real time. • Interbank payment cut-off time = 18:00 CET.
	System holidays	<ul style="list-style-type: none"> • TARGET2 is closed at weekends and on 1 January, Good Friday, Easter Monday, 1 May, and 25 and 26 December.
EMZ	Type	<ul style="list-style-type: none"> • Gross settlement.
	Participants	<ul style="list-style-type: none"> • 182 participants.

	Transaction types processed	<ul style="list-style-type: none"> • EUR-denominated domestic cross-border payments. • SEPA payments (credit transfers and direct debits). • Cheques, which must be truncated into electronic items before processing. Cheques with a value greater than EUR 6,000 are processed via the image-based collection (ISE) procedure. Cheques with a value below EUR 6,000 are processed via the paperless cheque collection (BSE) procedure.
	Operating hours	<ul style="list-style-type: none"> • 24 hours a day.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • SEPA direct debits and SEPA credit transfers. Cut-off times = 10:00 CET and 15:00 CET respectively, for same-day settlement. • Truncated cheques. Cut-off times = 10:00 for same-day settlement and 20:00 CET for next-day settlement.
	System holidays	<ul style="list-style-type: none"> • The EMZ is closed on all German bank holidays. Individual state-holidays also effect the EMZ's operations. • Germany's bank holidays are: • 2nd half 2021: 3 October, 24–26, 31 December. • 2022: 1 January, 15, 18 April, 1, 26 May, 6, 16 June, 3 October, 24–26, 31 December.

Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments.
- SEPA credit transfers can be settled via the EMZ, STEP2 (accessed via the EMZ), or bilaterally via correspondent banking networks.
- Approximately 1,426 banks in Germany participate in the SEPA credit transfer scheme.
- High-value and urgent domestic and cross-border (within the euro zone) credit transfers can be settled in real time via TARGET2-BBK.
- High-value and urgent cross-border credit transfers can also be settled with end-of-day value via the Euro Banking Association's EURO1 system. Fourteen banks in Germany participate directly in EURO1.
- High-value cross-border credit transfers in domestic and other currencies can be processed via SWIFT, correspondent banking and bank branch networks.
- The Bundesbank processes cross-border payments in EUR or foreign currencies via its Customer Access Mechanism (CAM). CAM is divided into three subsystems: CAM-Individual, CAM-SEPA and CAM-IMPAY (for international mass payments). CAM is affiliated to over 100 countries outside Germany.
- The European Payment Council's SCT Inst scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) enables the transfer of funds (the maximum threshold value is EUR

100,000) to another account in less than ten seconds.

- EBA Clearing and Italy's SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standards for instant payments. As of June 2021, there were 1,252 SCT Inst participants.
- EBA Clearing has launched a pan-European request to pay (R2P) infrastructure solution with the support of 27 payment service providers from 11 countries. The new 24/7 service is compatible with the SCT and SCT Inst schemes and allows payees to take the initiative to request a specific payment from the payer.
- TIPS is a pan-European service for the settlement of instant payments in central bank money. The service enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. TIPS is aligned with SCT Insts. It is primarily focused on EUR payments but is technically capable of settling payments denominated in other currencies.

Direct debits

- Direct debits are used for regular payments, such as utility bills.
- SEPA direct debits can be settled on a same-day or next-day basis via the EMZ or STEP2.
- There are 1,414 Core SDD participants and 1,359 B2B SDD participants.

Cheques

- The cheque is not a common cashless payment instrument in Germany. It is primarily used by large companies.
- Cheques are primarily used by large companies.
- Cheques with a value greater than EUR 6,000 are processed through the ISE.
- Cheques with a value of EUR 6,000 or below are processed via the BSE.
- Low-value cheques can also be processed via the German savings banks and cooperative banks' proprietary systems.

Card payments

- Card payments are increasingly popular, especially for retail transactions.
- There were 115.6 million debit cards and 37.3 million credit cards in circulation at the end of 2019.
- Maestro and Visa-branded debit cards are the most widely issued.
- Visa and MasterCard-branded credit cards are the most widely issued.
- American Express and Diners Club credit cards are also available.

- Debit card payments are processed via the EMZ.
- Credit card payments are processed by the card issuing company.
- Contactless card technology is available in Germany.
- All cards issued are SEPA-compliant with EMV chips.

ATM/POS

- There were 95,289 ATMs in Germany at the end of 2019.
- There were 1.34 million POS terminals in Germany at the end of 2019.
- All ATMs and POS terminals are EMV-compliant.

Electronic wallet

- The dominant electronic wallet scheme, *GeldKarte*, is often incorporated into debit cards.
- There were 74.4 million cards with a GeldKarte function in circulation at the end of 2019.
- Mobile payment schemes are available. The German public savings bank system, Sparkassen, has its own mobile payment scheme.
- E-money payments are settled via the EMZ.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are permitted for residents and non-residents.

Demand deposits

- Demand deposits are available for residents and non-residents.

Time deposits

- Time deposits are available in or major foreign currencies for terms ranging from one night to more than one year.

Certificates of deposit

- Domestic banks issue certificates of deposit (CDs) for terms ranging from one to six months. Longer maturities are possible for investments greater than EUR 1 million.
- CDs can be issued paying fixed or variable interest.

Treasury (government) bills

- The German government issues two types of Treasury bills (T-bills):
 - T-bills issued at a discount, from six months to two years, which do not pay interest; and
 - T-bills issued at a fixed rate, with tenors from three months to more than two years.
- *Bubills* are issued by the German Finance Agency. These are zero-coupon T-bills and are issued with maturities of six months.
- *Bunbesschatzanheisungen* are issued by the Bundesbank with maturities of two years.

Commercial paper

- Domestic [commercial paper](#) is issued by large companies and banks with terms ranging from one week to two years.
- Euro [commercial paper](#) (ECP) is issued by larger companies with a published credit rating. ECP can be issued in a range of currencies.

Promissory notes

- German companies issue promissory notes (*Schuldscheindarlehen*) with maturities of two to ten years.

Money market funds

- Domestic money market funds are increasingly popular short-term investment instruments.

Repurchase agreements

- Repurchase agreements with maturities ranging from overnight to one week are commonly available in Germany. Longer terms are sometimes available.

Banker's acceptances

- Banker's acceptances are used and have maturities of between one and three months.

BNP Paribas Trade Finance Capabilities

Trade payments

Documentary credits	✓
Documentary collections	✓

Guarantees

Bank guarantees	✓
Standby letters of credit	✓

Supply chain management

Receivables	✓
Payables	✓
Inventory	✓

Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	✓
Connexis Connect	✓
Connexis Guarantee	●
SWIFTnet Supply Chain	●

- BNP Paribas' Global Trade Solutions (GTS) team in Germany has senior trade managers in each of its 9 business centres, providing local support to corporations across Germany. In addition, centralised GTS operations are located in Frankfurt with 15 senior officers. Together, this team provides a comprehensive, integrated trade finance offering to corporations headquartered in, and operating in Germany.

International trade

General trade rules

- As a member of the EU, Germany follows the EU customs code and applies all associated regulations and commercial policies.
- Trade with other countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.

Trade agreements

- The EU has trade agreements in place with over 30 countries.
- The EU is currently in free trade negotiations with a number of countries, including the Association of Southeast Asian Nations (ASEAN), Australia, Indonesia, Mercosur (the Southern Common Market), Uruguay and the USA.
- The EU-UK Trade and Cooperation Agreement came into force on 1 May 2021.

Imports / exports

Imports	Cars and vehicle parts	Crude oil	Packaged medicines	Refined oil	Medical cultures/vaccines			
Primary Import sources	Netherlands (9%)	China (8%)	France (7%)	Belgium (6%)	Poland (6%)	Italy (6%)	Czech Republic (5%)	USA (6%)
Exports	Motor vehicles	Vehicle parts	Industrial machinery	Aircraft	Pharmaceuticals			
Export markets	USA (9%)	France (8%)	China (7%)	Netherlands (6%)	UK (6%)	Italy (5%)	Poland (5%)	Austria (5%)

Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD bn	1,304	1,420	1,528	1,461	1,361
	- services USD bn	292	320	354	352	311
Imports	- goods USD bn	1,024	1,134	1,261	1,218	1,144
	- services USD bn	315	347	374	375	309
Current account as % GDP		8.4	7.9	8.9	8.7	8.3

Source: IMF, International Financial Statistics, July 2021.



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