

ATLAS
BY BNP PARIBAS

CASH MANAGEMENT
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BNP PARIBAS

The bank
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With a population of close to 70 million and a forecasted GDP of $3,839bn in 2025, the UK economy has been seen to be lagging in the last quarter of 2024, but still, the IMF modestly raised its forecast for British growth for 2025 by 0.1 to 1.6%, thanks to rising household incomes, Bank of England rate cuts, and greater public investment outweighing headwinds created by higher taxes.

Business investment is predicted to accelerate in 2025, with rising business confidence and spending, alongside improved economic conditions, setting the stage for a return to growth.

The UK's period of economic stagnation drew to a close by the end of 2024. Falling inflation and interest rates, alongside tax cuts, should help unlock growth in consumer spending, house prices and real incomes should have provided stepping stones to a brighter 2025. The bank rate cuts are expected to create a more positive environment for business investment and reduce existing business debt costs.

Structural challenges include high government debt, elevated borrowing costs, low productivity growth, demographic ageing, and weak external resilience given recurring current account deficits. Growth has been modest: IMF projects ??1.2?% growth in 2025, inching up to 1.4?% in 2026 as confidence recovers and monetary easing proceeds moderately.

Summary

BNP Paribas presence

BNP Paribas has been present in the UK for more than 140 years, and employs approximately 7,000 people, with business centres in London and Manchester. Customers are supported through their corporate business centre in London. The bank provides domestic banking services to support its UK corporate clients as well as foreign multinational clients of the BNP Paribas group. In Corporate and Investment Banking, BNP Paribas ranks as a leader across capital markets, advisory and financing businesses.

Currency

Currency

- Pound sterling (GBP).

Exchange rates

	2016	2017	2018	2019	2020
Exchange rate: GBP per USD	0.741	0.777	0.750	0.783	0.78

Source: IMF, International Financial Statistics, July 2021.

Central Bank

- The United Kingdom's (UK) central bank is the Bank of England (www.bankofengland.co.uk).

Bank accounts

Resident / non-resident status

- A company is generally considered resident in the UK if its place of effective management is located in the UK.

Bank Supervision

- The Financial Conduct Authority (FCA – www.fca.org.uk) is responsible for policing the City of London and the financial sector.
- The Prudential Regulation Authority (PRA), part of the Bank of England, is responsible for the supervision of the banking sector. (PRA – www.bankofengland.co.uk/pra/Pages/default.aspx).
- All other responsibilities, which were previously the responsibility of the now obsolete Financial Services Authority, have been assumed by the Bank of England's Financial Policy Committee.
- UK Government Investments (UKFI – www.ukgi.co.uk) is responsible for managing the UK government's shareholdings in banks which have received government funding.

Bank accounts for resident entities

	Within UNITED KINGDOM	Outside UNITED KINGDOM
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 UNITED KINGDOM	Outside UNITED KINGDOM
Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	• Permitted without restriction, fully convertible.

Lifting fees

- Lifting fees are not applied on payments between resident and non-resident accounts.

Factoring

Legal framework

?The law is based upon precedent which is why factoring contracts are long, taking into account the need to clarify conditions following previous legal cases.
?The agreement is a Sales & Purchase agreement meaning that the ownership of receivables is trans- ferred by the client to the factor by way of legal Assignment.
?Assignment can be silent and does not need to be disclosed to be valid under English law.

?STANDARD INVOICE FINANCING (DISCOUNTING) AND ASSET-BASED LENDING FACILITIES

Such facilities are usually fully secured against the borrower's assets, including registered security filed with the UK company registry.

In addition to a standard Invoice Finance Agreement, lenders have the ability to register an All-Assets Debenture against a company's assets. A Debenture contains a 'Fixed' and 'Floating' charge.

A 'Fixed' charge can be issued over assets such as Receivables, Property and Plant and Machinery – generally assets that are 'fixed' and do not materially change during their life. The borrower cannot sell or materially alter these assets without the consent of the lender.

A 'Floating' charge can be issued over all other assets and whilst the lender has a security interest over these assets, the borrower can continue to trade them. This applies to assets such as inventory.

The ability to register such security interests permits lenders in the UK market to deploy 'Asset-Based Lending' solutions, which can include Receivables, Inventory, Property and Plant & Machinery.

?NON-RECOURSE RECEIVABLE PURCHASE FACILITIES (OFF-BALANCE SHEET STRUCTURES)

Such facilities are usually secured only by a contract between the lender and the receivable 'seller(s)'.

In certain circumstances, a Performance Guarantee may be requested to support a structure.

Such contracts are issued in line with the principles of derecognition under IFRS 9 and local GAAP.

Typical UK market characteristics to achieve dereconigition:

-Risks and Rewards of receivable is transferred to the Bank.
-100% purchase price. The seller remains liable for receivable performance risks such as dilutions and disputes.
-Up-front interest and administration fees only deducted from the purchase price – no arrears charging.
-Limited recourse (performance issues only).
-Credit insurance required to mitigate debtor default risk. Can be via BNPP 'house' policies or client's credit insurance subject to approval.
-Confidential or disclosed permissible.
-Normally issued on an 'Offer and Acceptance', uncommitted basis. Committed facilities are possible, although subject to higher costs.
-Trust account or commingling structures (subject to TGA allocation) are both possible.
-Generally targeted at well-rated clients.

?ADDITIONAL SECURITY

Deed of Waiver and Priority / Intercreditor Agreement

A document established between all secured lenders to agree priority over the assets they are financing and secured against. May be required where multiple secured parties exist in a transaction.

Guarantees

Two main types of guarantee are available: i) a finan- cial shortfall guarantee and ii) a performance guarantee. In standard Asset-Based Lending or receivable financing contracts, if a guarantee is available or required it would be on a financial guarantee basis. For off balance sheet financing, a performance guarantee is accepted and permitted under IFRS 9.

?PUBLIC DEBTORS
Can be financed in most circumstances, but assessed on a case by case basis.

Product specifics

?DISCLOSED / UNDISCLOSED
Both available although most transactions are undisclosed. We may require exports to be disclosed if they represent a large % of the transaction.

?RECOURSE / NON-RECOURSE
Both programmes are available.

?STRUCTURED PRODUCTS
Alongside receivable financing we are able to offer.

financing against inventory, plant and machinery and commercial property. Facilities must always be receivables led, and other asset financing cannot exceed 50% of the total financing amount.

A debenture will also be required if we are asked to lend against non-receivable assets.

?EXPORT / IMPORT
Available.

?CONCENTRATION REQUIREMENTS
Standard concentration level is 15-20%, higher is possible depending on the structure of the transaction.

?MAX. PREPAYMENT %
Usually 85%-90%. Receivable Purchase facilities can be up to 100%.

?CREDIT COVER %
100%.

?USUAL FUNDING PERIOD
120 days after invoice date for recourse transactions only.

?OFF-BALANCE SHEET SOLUTIONS
Ability to create structures that meet the requirements of independent auditors, to be classified as “Off-balance Sheet”.

?INVOICE TRANSFER
Yes, automated transfer.

?ON-LINE APPLICATIONS
On-line applications: Yes, Client Manager.

?DELAYED DUNNING
Delayed dunning (< 60 days from due date) is available but not commonplace in the UK market.

?DATA FACTORING
Yes

?CURRENCIES OF FINANCE
GBP, EUR, USD. All major currencies with prior approval.

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	✓

Market overview

In 2020, cash transactions accounted for 17% of all payments. Electronic credit transfers are the most common payment method used by companies for supplier and payroll payments while direct debits are used to collect regular payments, from both other businesses and consumers. Fifty-nine percent of payments by consumers were made by card in 2020 (56% in 2019), with debit cards are the most popular payment method. Contactless payments accounted for 41% of all credit card and 60% of debit card transactions in the UK in December 2020, and a quarter of all UK payments in 2020. Eight-eight percent of debit cards have contactless functionality.

Electronic banking services are available from all banks. There is no national electronic banking system in the UK, so companies use banks' proprietary services. Transaction and balance reporting, automated end-of-day sweeping, and some transaction initiation services are available on a domestic and cross-border basis.

Online and mobile banking has been widely adopted by both consumers and businesses in the UK. Figures suggest that over 70% of UK residents used online banking in 2020. The high number of challenger banks (42 as of December 2020) is driving the adoption of digital banking services.

Payment Systems

CHAPS	Type	• Real-time gross settlement.
	Participants	• 35 direct.
	Transaction types processed	• High-value and urgent GBP-denominated electronic credit transfers. • Net obligations from the UK’s other payment systems.
	Operating hours	• 06:00–18:00 GMT/BST, Monday to Friday
	Clearing cycle details (e.g cut-off times)	• Payments cleared and settled in real time. • Customer payment cut-off time = 17:40 GMT/BST. • Interbank payment cut-off time = 18:00 GMT/BST.
	System holidays	All bank holidays to be found on: https://www.gov.uk/bank-holidays

BACS	Type	• Multilateral net system.
	Participants	• 27 direct.
	Transaction types processed	• Low-value, electronic GBP-denominated credit and debit payments (typically company payroll, government benefits and pensions).
	Operating hours	• 07:00– 22:30 GMT/BST, Monday to Friday.
	Clearing cycle details (e.g cut-off times)	• 3 Day Clearing Cycle. • Payments can be submitted to BACS until 22:30 GMT/BST (day 1 of the clearing cycle) via the secure online service BACSTEL-IP. • Settlement takes place at 09:30 GMT/BST on day 3 of the clearing cycle.
	System holidays	• BACS is closed at weekends and on all UK bank holidays. All bank holidays to be found on: https://www.gov.uk/bank-holidays
FPS	Type	• Multilateral net settlement system.
	Participants	• 35 direct.
	Transaction types processed	• Automated one-off, GBP-denominated payments initiated online or by telephone-banking, as well as standing orders. • There is a maximum limit of GBP 1,000,000 for all payments.
	Operating hours	• 24 hours a day, 7 days a week.
	Clearing cycle details (e.g. cut-off times)	• None. • Online or telephone-initiated retail transactions are settled in near real time via VocaLink Immediate Payments, while standing orders are settled on a same-day basis.
	System holidays	• FPS operates 24 hours a day, 7 days a week.
C&CCC	Type	• Multilateral net settlement.
	Participants	• 20 direct.

	Transaction types processed	• Paper-based GBP -denominated transactions (cheques and banker's drafts). • Transactions in England, Scotland and Wales are processed by the C&CCC. • Paper-based clearing in Northern Ireland is carried out by the Belfast Bankers' Clearing Company.
	Operating hours	• 24 hours a day, Monday to Friday.
	Clearing cycle details (cut-off times)	• GBP-denominated payments are processed in batches. Settlement takes place by 23:59 GMT/BST on day two of the clearing cycle. •
	System holidays	• The C&CCC is closed on all UK bank holidays. (Dates as above)
	Participants	• 5 clearing banks plus approximately 60 agency banks.
	Currency Clearings Committee (operated by C&CCC)	• USD-denominated cheques, mandated currency debts and banker's drafts.
	Clearing cycle details (cut-off times)	• Clearing takes place at five clearing banks in the City of London. • Payments submitted before 14:00 GMT/ BST are cleared on a same-day basis. • Payments submitted before 14:00 GMT/ BST ae cleared on a next-day basis.
	System holidays	• The C&CCC is closed at weekends and on all UK bank holidays. ◦ 2nd half 2021: 30 August, 27, 28 December. ◦ 2022: 1 January, 2, 5 April, 3, 31 May, 30 August, 27, 28 December.

Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments.
- High-value and urgent GBP-denominated domestic credit transfers are settled in real time via CHAPS. (The Bank of England has announced plans to develop a new generation of RTGS capable of supporting the future demands of a rapidly changing payments environment. The implementation is to be phased over a number of years and is expected to be completed by 2024, with the legacy

infrastructure closed down by early 2025.)

- High-value and urgent EUR-denominated domestic and cross-border transfers can be settled by the Dutch or Irish components of TARGET2, or by the Euro Banking Association's EURO1 system. Fourteen banks in the UK participate directly in EURO1.
- Electronic credit transfers in other currencies can also be processed via bilateral correspondent banking.
- Low-value and non-urgent GBP-denominated transfers can be settled through BACS (three-day settlement) or the FPS (near real-time settlement).
- SEPA credit transfers can be settled via STEP2 or via correspondent banking networks. There are 103 SCT participants in the UK.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.
- 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. There are 22 participants.
- 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.
- The most common type of direct debit in the UK is the pre-authorised direct debit.
- SEPA direct debits (SDDs) are available in the UK and can be settled via STEP2 or via the SEPA-compliant clearing and settlement mechanisms (CSMs). Forty-three banks participate in the Core SDD scheme and 25 in the B2B SDD scheme.
- Direct debits are settled on a three-day cycle via BACS.

Cheques

- The cheque as a method of payment is in decline but is still commonly used by consumers and small companies. In 2019, the volume of cheque payments declined 20% to 275.5 million.
- Cheques are truncated into electronic items before being settled via the C&CCC system on a three-day basis. For cheques drawn on banks in Northern Ireland and presented to a bank in Great Britain (or vice versa), clearing takes four days via the Belfast Bankers' Clearing Company.
- The C&CC has completed the roll-out of a new way of clearing cheques, the Image Clearing System, which enables digital images of cheques to be exchanged between banks and building societies for clearing and payment, speeding up the clearing process from six weekdays to one.

Card payments

- Card payments, particularly debit cards, are the most popular method of payment. There were 20,883 million debit cards transactions 2020, with a value of GBP 800 billion, a 9.1% and 2.2% increase respectively.
- There were 96 million debit cards and 63 million credit cards in circulation at the end of February 2021. Of these, 87 million debit cards were contactless and 52 million credit cards. One in four payments in the UK in 2020 were contactless.
- Visa-branded debit cards are the most widely issued although Visa Delta, Visa Electron, Maestro and Solo debit cards are also available.
- All debit card payments are processed by VocaLink on a same-day basis.
- Visa and MasterCard-branded credit cards are the most widely issued. American Express and Diners Club credit cards are also available.
- Credit card payments are processed by the card-issuing company.
- All cards issued are SEPA-compliant with EMV chips.

ATM/POS

- There were 63,528 ATMs in the UK at the end of 2019.
- There were 3 million POS terminals in the UK at the end of 2019.
- ATMs are linked by the ATM network, LINK, operated by VocaLink.
- All ATMs and POS terminals are EMV-compliant.

Electronic wallet

- Several pre-paid cards are available in the UK, including the Cashplus MasterCard, a Visa-branded pre-paid card, a pre-paid Maestro card offered by VocaLink, and a contactless credit card, OnePulse, offered by Barclaycard.
- Mobile wallets are offered by a number of backs. Android Pay, Apple Pay and Samsung Pay are also available; 32% (17.2 million) of the adult population were registered to use mobile payments at the

end of 2020.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are permitted for residents and non-residents, although interest rates tend to be low.

Demand deposits

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

Time deposits

- Time deposits are available in GBP or major foreign currencies with terms typically ranging from one night to one year. Terms up to five years are possible.

Certificates of deposit

- Domestic banks issue GBP-, USD- and EUR-denominated certificates of deposit (CDs) for terms ranging from one week to five years. Terms of three to six months are the most common.
- The minimum investment for GBP-denominated CDs is GBP 50,000 and USD 1 million for USD-denominated CDs.
- The UK has an active secondary market in CDs.

Treasury (government) bills

- The UK Government Debt Management Office issues Treasury bills (T-bills) through weekly tenders.
- T-bills are issued with terms of one, three, six and 12 months.
- The minimum investment is GBP 500,000.
- The UK has an active secondary market in T-bills.

Commercial paper

- Domestic commercial paper (CP) is issued by companies and public authorities denominated in GBP or EUR. Most paper is issued for three to six months, although terms ranging from one week to 12 months are permitted.
- The minimum investment required is GBP 500,000.
- Euro commercial paper (ECP) is issued by larger companies with a published credit rating. ECP can be issued in a range of currencies.

Money market funds

- Money market funds are available denominated in GBP, EUR and USD.

Repurchase agreements

- Repurchase agreements are available in the UK although they are more popular with financial institutions than with corporations.

Banker's acceptances

- Banker's acceptances are not commonly used in the UK.

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 the UK supports corporations headquartered in, and operating in the UK with a comprehensive range of products and solutions including risk mitigation and liquidity management. The team combines worldwide trade expertise with an extensive international network to provide a best-in-class service to the bank's corporate clients. The GTS team comprises 3 trade finance experts, providing traditional trade services along with structured trade and tailor-made supply chain solutions, according to each corporate's needs.

International trade

General trade rules

- On January 1, 2021, the UK left the EU single market and customs union, as well as all EU policies and international agreements.

- The UK and the EU signed a Trade and Cooperation Agreement (TCA) on December 24, 2020. The agreement entered into force on January 1, 2021, establishing zero tariffs or quotas on trade of goods between the UK and the EU, subject to relevant rules of origin.
- Under the Northern Ireland Protocol, Northern Ireland will remain in the EU's single market for goods and apply EU customs rules at its ports. Any future UK trade agreement will also apply to Northern Ireland.
- There is a free zone operating at Ronaldsway Airport, Isle of Man. The UK government has opened a bidding process for the creation of up to 10 new freeports in the UK. The first freeports are expected to open by the end of 2021.

Trade agreements

- The UK has also negotiated "rollover" agreements to preserve preferential trading terms with blocs and countries covered by its EU membership. At the time the UK left the EU, the EU had around 40 deals covering more than 70 countries. The rollover trade agreements that took effect from January 1, 2021 include deals with around 60 countries, such as Japan, Israel, Chile, Kenya, Tunisia, Palestinian Authority, Singapore, South Korea, Liechtenstein, Iceland and Norway, Switzerland, Turkey, Ukraine and Vietnam.
- Most recently, trade agreements have come into effect with Canada (April 2021), Jordan and Albania (May 2021) and Mexico (June 2021). The UK has agreed an agreement in principle with Australia.
- Trade with other countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.
- The UK government is prioritising reaching agreements with the USA, New Zealand and the CPTPP.

Imports / exports

Imports	Gold	Cars	Crude petroleum	Refined petroleum	Broadcasting equipment	
Primary Import sources	Germany (13.0%)	China (10.0%)	USA (8.0%)	Netherlands (7.0%)	France (6.0%)	Belgium (5.0%)
Exports	Cars	Gas turbines	Gold	Crude petroleum	Packaged medicines	
Export markets	USA (15.0%)	Germany (10.0%)	China (7.0%)	Netherlands (7.0%)	France (7.0%)	Ireland (6.0%)

Import / export volumes

		2016	2017	2018	2019	2020
Exports	**- goods USD bn**	404	435	469	476	399
	- services USD bn	348	376	411	404	343
Imports	**- goods USD bn**	583	610	651	644	548
	- services USD bn	211	233	265	271	205
Current account as % GDP		– 5.3	– 3.5	– 3.9	– 3.8	NA

Source: IMF, International Financial Statistics, July 2021.



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