



ATLAS
BY BNP PARIBAS

CASH MANAGEMENT

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BNP PARIBAS

The bank
for a changing
world

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Spain is the fourth largest economy in the Eurozone. It has been one of Eurozone's most impacted country by the Covid-19 epidemic, given its large reliance on the services sector, which has been more impacted by health restrictions. Real GDP fell by 10.8% in 2020.

Important structural weaknesses persist, and in particular the low of level of investment and productivity, which are among the lowest in Europe. This hinders the growth potential of the economy and limit the number of job creation in the long run. The slump in activity and the countercyclical policies put in place to deal with the coronavirus shock has caused a sharp increase in the public deficit. The latter rose to 11% in 2020 while the public sector debt-to-GDP ratio jumped to 120%.

On joining the euro, the country experienced a very strong, albeit largely unbalanced, period of economic expansion. Fuelled by the booming construction sector and surging house prices, funded by external debt. The 2008 financial crisis precipitated the burst of the housing bubble which in turn led to an economic and banking crisis.

Spain emerged from the 2008 financial crisis after a long and painful process to reform the labour market and rebalance the economy towards export-oriented sectors. Its banking sector has been restructured and recapitalised. Gains in cost-competitiveness have allowed Spain to increase its market share both inside and outside the Eurozone. The country experienced solid growth in years preceding the Covid-19 pandemic, averaging 2.6% (2015-2019).

Summary

BNP Paribas presence

BNP Paribas has been present in Spain since 1979 when foreign banks were first allowed to operate there. Since then, the bank has become one of the largest foreign financial institutions in the country, with over 4,000 employees. BNP Paribas has four business centres across the country (Barcelona, Bilbao, A Coruna and Madrid), offering proximity to its corporate and institutional customers throughout Spain. BNP Paribas' cash management offering in Spain includes comprehensive local cash management capabilities including Pagarés, Recibos, Efectos and Confirming capabilities, together with local channels and formats and flexible lockbox solutions.

Currency

Currency

- Euro (EUR).

Exchange rates

	2016	2017	2018	2019	2020
Exchange rate: EUR per USD	0.9040	0.8873	0.847	0.893	0.88

Source: IMF, International Financial Statistics, July 2021.

Central Bank

- The Spanish central bank is the Banco de España (www.bde.es).
- The Banco de España 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, i.e. the Banco de España.

Bank accounts

Resident / non-resident status

- A company is generally considered resident in Spain if its place of effective management is located in Spanish territory or its head office is registered under Spanish law.

Bank accounts for resident entities

	Within SPAIN	Outside SPAIN
Local Currency	Permitted without restriction, fully convertible.	Permitted without restriction, fully convertible.
Foreign Currency	Permitted without restriction, fully convertible.	Permitted but opening and closing of accounts must be reported to Banco de España, fully convertible.

Bank accounts for non-resident entities

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

Lifting fees

- Lifting fees are rarely applied on payments between resident and non-resident bank accounts.
- Companies are often able to negotiate a flat fee structure.

Factoring

Legal framework

- There are specific regulations of the Bank of Spain to develop and provide factoring services. Articles 347 and 348 of the Spanish Mercantile Code, complemented by some others of the Civil Code, regulate the assignment of receivables.
- If notified, a letter of global or individual assignment (notified to the involved debtors) is required to involve debtors and oblige them to pay to the factoring company as assignee.
- Factoring agreements should be signed in front of a public notary.

Product specifics

- **DISCLOSED / UNDISCLOSED**

Both programmes available.

- **RECOURSE / NON-RECOURSE**

Mainly non-recourse factoring.

- **STRUCTURED PRODUCTS**

Not notified Public sector has been launched in 2019. Local Public Sector to be launched in 2023.

- **EXPORT / IMPORT**

Export factoring is provided directly to main EU countries or via FCI network.

- **CONCENTRATION REQUIREMENTS**

A concentrated portfolio is tolerated depending on prospect quality and factorability.

- **MAX. PREPAYMENT %**

Up to 100%.

- **CREDIT COVER %**

Up to 100%. Usual Funding period Depends on programme, no fixed period for full-factoring.

- **OFF-BALANCE SHEET SOLUTIONS**

Ability to create structures that meet the requirements of independent auditors, to be classified as “Off-balance sheet”.

- **INVOICE TRANSFER**

Transfer of invoices is possible through the website of BNP Paribas Factoring. If needed, a specific solution is provided to transform data from the client’s IT system into the template of BNP Paribas Factor.

- **ON-LINE APPLICATIONS**

Through a dedicated website of BNP Paribas Factor, clients can consult whatever kind of portfolio information in real time.

- **DELAYED DUNNING**

Available, usual terms 30-60 days after due date.

- **CURRENCIES OF FINANCE**

EUR, USD and GBP

BNP Paribas Cash Management Capabilities

Collections

Cash collections	
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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 used by companies to make supplier and payroll payments. Direct debits are used for approximately 40% of retail payments in Spain. Card payments, and increasingly contactless card payments, are the preferred in-store payment methods, although mobile payments are also rising. In July 2021, a new anti-fraud law was approved which limits cash payments for services to EUR 1,000 from EUR 2,500. (The law also reduces the limit from EUR 15,000 to EUR 10,000 for individuals outside Spain).

Electronic banking services are available from all banks. There is no national electronic banking standard in Spain, so companies use banks' proprietary services. 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.

Digitalisation of bank services and the launch of digital-only banks such as Revolut, Bnext and Openbank, has seen widespread adoption of online and mobile banking.

Payment Systems

TARGET 2-BE	Type	<ul style="list-style-type: none"> • Real-time gross settlement. • Spanish component of the pan-European TARGET2 system.
	Participants	<ul style="list-style-type: none"> • 71 direct. • 71 Indirect.

	Transaction types processed	<ul style="list-style-type: none"> • High-value (although there is no minimum value) and urgent EUR-denominated domestic and cross-border credit transfers. • Net obligations from the SNCE payment system.
	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. • Customer payment cut-off time = 17:00 CET. • 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.
SNCE	Type	<ul style="list-style-type: none"> • Multilateral net settlement system.
	Participants	<ul style="list-style-type: none"> • 21 direct
	Transaction types processed	<ul style="list-style-type: none"> • SEPA payments (credit transfers and direct debits). • Instant credit transfers. • Paper-based payments (cheques and bills of exchange) which must be truncated into electronic items before processing. •
	Operating hours	<ul style="list-style-type: none"> • See clearing cycle details.
	Clearing cycle details (eg cut-off times)	<ul style="list-style-type: none"> • SNCE cut-off times vary for each sub-system. • Transactions are processed from 08:00-11:00 CET each day and settled with next-day value via TARGET2 BE.
	System holidays	<ul style="list-style-type: none"> • SNCE is closed on all TARGET2 holidays.

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 SNCE and via STEP2 (accessed via the SNCE).
- Instant credit transfers (maximum value of EUR 100,000) are settled via the SNCE. In 2020, 192 million instant credit transfers were processed, with a value of EUR 55,000 million, 2.4 times more than in 2019.
- Approximately 116 banks in Spain 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-BE.
- 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. Five banks in Spain participate directly in EURO1.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad and/or bank branch networks.
- 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 89 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.
- 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 basis via STEP2 (accessed via the SNCE). Final settlement takes place in TARGET2-BE.
- Core SDDs are offered by 114 banks. B2B SDDs by 93 banks.

Cheques

- The cheque is not a common cashless payment instrument.
- Cheques are truncated into electronic items before being settled via the SNCE.
- Cheques with a value greater than EUR 50,000 are cleared via image exchange while those with a value greater than EUR 150,000 are often cleared physically via the SNCE.

Card payments

- Card payments are increasingly popular, especially for low-value retail transactions.

- There were 49 million debit cards and 37 million credit cards in circulation in March 2021.
- Visa and MasterCard-branded payment cards are the most widely issued.
- The majority of cards are SEPA-compliant with EMV chips.

ATM/POS

- There were 48,766 ATMs in Spain in March 2021.
- There were 2.1 million POS terminals in Spain in March 2021.
- All ATMs and POS terminals are EMV-compliant.

Electronic wallet

- Electronic wallet scheme are growing in popularity in Spain.
- Single-purpose, pre-paid cards are available.
- There are many mobile wallet payment apps such as Apple Pay, BBVA Wallet, Orange Cash, Samsung Pay and Google Pay available to consumers. Many of the country's leading banks, such as BBVA and Caixa Bank, have launched their own mobile wallet apps. Adoption of digital wallets is high.
- Twenty-six banks offer the Bizum mobile wallet service: to date it has over 16 million users and is accepted at 17,000 businesses.

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 EUR or foreign currency for residents and non-residents.

Certificates of deposit

- Domestic banks issue certificates of deposit for a variety of terms and rates, although they are not commonly used.
- The *depósito financiero* is more popular. If maturity is less than 15 days, the product is called a 'financial account'. If maturity is above 15 days, it is called a 'financial deposit'. The minimum investment amount is EUR 5,000.

Treasury (government) bills

- The Spanish treasury (Tesoro Público) issues Treasury bills (*letras del tesoro*). Terms of three, six, nine, and 12 months are the most common. The minimum investment is EUR 1,000.
- Government bonds with longer maturities are also issued.

Commercial paper

- Domestic commercial paper (pagarés de empresa) is issued by companies and public authorities but is more commonly used as an investment type by financial institutions.
- 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

- Domestic money market funds are popular short-term investment instruments.
- International money market funds are also available to Spanish investors.



Repurchase agreements

- Repurchase agreements with maturities ranging from overnight to one week are commonly available in Spain. Longer terms of one, two and three months are available.



Banker's acceptances

- Banker's acceptances are not used in Spain.




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	
	
	

- BNP Paribas' Global Trade Solutions (GTS) team in Spain is made up of 6 people including 4 senior trade managers, a trade advisor based in Madrid and a trade manager based in Bilbao. In addition, a back and middle office team of 6 international trade professionals is dedicated to guarantees and 7 to letters of credit and collections. GTS in Spain also provides support to the Portugal team. As a result of its comprehensive trade finance offering, customised trade finance and risk management solutions, GTS Spain's expertise is widely recognised in the Spanish trade finance market.

International trade

General trade rules

- As a member of the European Union (EU), Spain follows the EU customs code and applies all associated regulations and commercial policies.
- Trade with countries in the European Economic Area 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	Packaged medicines	Refined petroleum	Crude petroleum	Natural gas
Primary Import sources	Germany (13.0%)	France (11.0%)	China (8.0%)	Italy (7.0%)	
Exports	Cars and vehicle parts	Refined petroleum	Packaged medicines	Delivery trucks	Clothing

Export markets	France (15.0%)	Germany (11.0%)	Portugal (8.0%)	Italy (8.0%)	UK (7.0%)
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Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD m	284,129	317,525	344,007	329,045	302,878
	- services USD m	126,681	144,762	155,547	157,102	89,973
Imports	- goods USD m	300,953	342,644	378,966	358,696	313,144
	- services USD m	69,889	72,302	82,013	85,611	60,526
Current account as % GDP		+ 2.3	+ 2.7	+ 2.0	+ 2.2	+ 0.7

Source: IMF, International Financial Statistics, July 2021.



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