



ATLAS
BY BNP PARIBAS

CASH MANAGEMENT

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BNP PARIBAS

The bank
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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.

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	✓
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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.

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	●
	●
	●

- 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.

Trade finance - Imports

Documentation

- Documentation is not required for imports from within the EU, although a commercial invoice should be supplied.
- The following documentation is required in order to import goods into Spain from outside the EU:
 - customs declaration
 - bill of lading
 - packing list
 - certificate of origin (in certain cases).
 - It is also good practice to send a commercial invoice.

Import licences

- Import licences are required when importing specific goods from outside the EU.
- Import licences are required for items with quantitative restrictions from outside the EU and for items from within the EU that are deemed to be of national interest or of a strategic nature.
- Imports of defence equipment and materials require prior authorisation from the General Secretary of Foreign Trade. (COMEX).

Import taxes and tariffs

- Tariffs are set according to the EU Customs Code for all imports from outside the EU, with higher tariffs for agricultural imports.

Financing requirements

- None

Risk mitigation

- None

Prohibited imports

- Spain prohibits the import of certain items in line with EU regulations and UN Security Council resolutions.
- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

Trade finance - Exports

Documentation

- Documentation is not required for exports from within the EU, although a commercial invoice should be supplied.
- The following documentation is required in order to export goods from Spain outside the EU:
 - customs declaration
 - bill of lading
 - packing list
 - certificate of origin (in certain cases).
 - It is also good practice to send a commercial invoice.

Export licences

- Licences are required when exporting goods subject to international controls and certain items subject to strategic controls.
- Exports of specific defence equipment and materials require prior authorisation from the COMEX.

Export taxes and tariffs

- None

Financing requirements

- None

Risk mitigation

- Spain has implemented the EU directive on export credit insurance.
- Compañía Española de Seguros a la Exportación (CESCE) provides state-supported export credit insurance.
- Insurance for commercial banks providing export financing at OECD-approved preferential rates is available from the state-owned Official Credit Institute, Instituto de Crédito Oficial (ICO).
- Export credit insurance is also available from private companies.
- Export financing is available privately from commercial banks.
- Soft credit for exports to developing economies is available from the state-owned Development Aid Fund (Fondo de Ayuda al Desarrollo).

Prohibited exports

- Spain prohibits the export of certain items in line with EU regulations and UN Security Council resolutions.

Regulatory requirements

Reporting regulations

- Transactions between resident accounts and accounts held by non-residents, and balances in financial assets or liabilities abroad, that are equal to or exceed EUR 300 million during the previous year must be reported to the Banco de España every month.
- Transactions between resident accounts and accounts held by non-residents, and balances in financial assets or liabilities abroad, that are equal to or exceed EUR 100 million but are less than EUR 300 million during the previous year must be reported to the Banco de España on a quarterly basis.
- Transactions between resident accounts and accounts held by non-residents, and balances in financial assets or liabilities abroad, that exceed
- EUR 1 million but are less than EUR 100 million during the previous year must be reported to the Banco de España on an annual basis.
- Transactions with a total value equal to or below EUR 1 million are not required to be reported to the Banco de España unless specifically requested.

Reporting method

- Transactions must be submitted to the Banco de España by the 20th day of the following month via an ETE (Encuestas de Transacciones Exteriores – Foreign Transaction Survey) form. The resident has ultimate liability for the reported data.
- Data must be submitted electronically (PDF or XML).

Exchange controls

- Spain does not apply exchange controls.

Taxation

Resident / non-resident

- A company is considered resident if it is formed under Spanish law, or if either its registered office or place of effective management is located in Spanish territory.

Tax year

- The tax year coincides with the entity's financial year.
- The tax period cannot exceed 12 months and the self-assessment method is applied.
- The corporate income tax return must be filed and taxes paid within six months and 25 days following the close of the fiscal year.
- Corporations are required to make three advance payments of income tax in April, October and December of each year.
- A group of corporations may be taxed on a consolidated basis. To qualify as a tax group, a Spanish company must own at least 75% of its Spanish subsidiaries, or 70% in the case of Spanish quoted subsidiaries.
- Resident subsidiaries held indirectly through a non-resident intermediary company are able to be part of a consolidated group, as well as resident subsidiaries held directly or indirectly by a non-residential parent (i.e. horizontal tax consolidation).
- Permanent establishments (PE) of non-resident entities are permitted to become members of a Spanish consolidated group if certain requirements are met.

Financial instruments

- In general, there are no tax rules in place to determine the tax treatment of financial instruments.

Foreign exchange

- There are no specific rules that deal with foreign exchange conversions.

Advance tax ruling availability

- Advance pricing arrangements may be agreed with the tax authorities in connection with certain transactions, including transactions with related entities based on market conditions, contributions for research, development and technological innovation, and management expenses that may be allocated to a PE in Spain of a non-resident entity.

- In addition, a taxpayer may request a tax ruling from the tax authorities regarding the related tax consequences of entering into specific transactions.

Capital gains tax

- Capital gains are included as part of taxable income. A tax exemption is available for capital gains derived from the transfer of shares if certain requirements are met.
- Dividends and capital gains from shareholdings in Spanish and foreign subsidiaries may be exempt from taxation if, among other requirements, a participation of at least 5% in the subsidiary is held for at least a one-year period (for dividends, the one-year period may be completed after the dividend payment).

Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	0%/ 19%	0% / 19%	0%/19%/ 24%	0%
Non-resident entities	0% / 19%	19%	19%/24%	19%/24%

- The general withholding tax rate on income paid to non-residents is 24% (19% if the recipient is resident in the EU or the EEA if the country of residence of the recipient exchanges tax information with Spain).
- Royalties (including payments for technical assistance) qualifying as business income paid to resident companies generally are not subject to withholding tax; royalties not qualifying as business income generally are subject to a 19% withholding tax, while royalties relating to image rights may be subject to a 24% withholding tax.

Tax treaties / tax information exchange agreements (TIEAs)

- Spain has concluded 93 tax treaties and agreements that are currently in force.
- Spain, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, has signed a multilateral co-operation agreement with 30 other countries ('the MCAA'). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).
- With country-by-country reporting, tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business

activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA started in 2017/18 on 2016 information.

Thin capitalisation

- Net interest deductions generally are capped at 30% of tax adjusted EBITDA. However, net interest expense is tax deductible if it does not exceed EUR 1 million per year. Additional restrictions apply for leveraged buyouts and intragroup indebtedness.

Transfer pricing

- In general, OECD transfer pricing guidelines are applied. It is possible to obtain advance rulings on pricing arrangements from the Spanish tax administration.
- Taxpayers are required to prepare documentation for related party transactions.
- Country-by-country reporting obligations apply for entities and groups with an aggregate turnover of at least EUR 750 million.

Stamp duty

- Stamp duty is levied at 0.5% of the value of the subject of notarised documents registered in a public register. This tax rate may be increased in different regions and the increased rates range between 0.75% and 3%, depending on the autonomous region and the type of transaction. Stamp duty is not levied on transactions subject to transfer tax.

Cash pooling

- There are no specific tax rules that apply to [cash pooling](#).

Financial transactions / Banking services tax

- There is no specific financial transactions and/or services tax that applies to services, loans, money transfers, letters of credit and/or foreign exchange, etc.

Tax information provided by Garrigues (www.garrigues.com) and Deloitte Highlight 2021 (www.deloitte.com)



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