



ASSOCIATION FOR
FINANCIAL
PROFESSIONALS

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CASH AND TREASURY MANAGEMENT COUNTRY REPORT

ARGENTINA

Executive Summary

Banking

The Central Bank of Argentina (Banco Central de la República Argentina – BCRA) has autonomous status under the BCRA Law of 2003. The central bank is responsible for implementing monetary and financial policy in pursuit of its core objective of preserving the value of the Argentine peso (ARS). The central bank carries out regulatory supervision of the financial sector via the Superintendency of Financial and Foreign Exchange Institutions (SEFyC).

The central bank monitors statistics on cross-border transactions for balance of payments purposes.

Both resident and non-resident entities may hold domestic (ARS) and foreign currency accounts locally and abroad.

There are currently 63 banks operating in Argentina, of which 50 are privately owned, with the remainder nationally, provincially or municipally owned. There are also 14 finance companies and one credit cooperative. The 2001–2002 economic crisis and currency devaluation resulted in a wide-scale run on the banks by consumers and a withdrawal by a number of foreign banks; customer confidence and foreign investment in the banking sector has taken time to recover.

Payments

There are three clearing systems for payments authorized by the central bank: one RTGS system, one high-value payment system and one retail clearing system.

Public mistrust of the banking sector following the economic crisis of 2001–2002 led to a significant increase in the use of cash for retail and commercial payments. Cash remains an important means of payment, particularly for consumers, although the check is by far the most important non-cash instrument. Use of electronic credit transfers is increasingly common in the commercial sector.

Liquidity Management

Argentina offers a range of short-term funding alternatives, but both short and long-term borrowing options remain limited following the 2001–2002 economic crisis. Bank loans are the most common source of borrowing and are available in both ARS and USD for tenors of between 30 and 90 days.

Optimization of cash balances through liquidity management techniques is relatively rarely practiced in Argentina for tax and regulatory reasons. However, a number of options are available for firms looking to accelerate collections and reduce days' sales outstanding.

Trade Finance

As a member of the Mercosur common market, Argentina trades under favorable terms with fellow participants Brazil, Paraguay and Uruguay, plus affiliated countries. Argentina operates nine free trade zones (FTZs), including Córdoba, La Plata, Mendoza, San Luis, and Tucumán, plus a Special Customs Area in Tierra del Fuego that permits duty-free imports of some capital goods.

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PNC's International Services

PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

PINACLE®, PNC's top-rated, online corporate banking portal provides access to International Funds Transfers to more than 130 countries in U.S. dollars and foreign currencies.

Multicurrency Accounts

Demand deposit accounts that hold foreign currency instead of U.S. dollars offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. In addition, our EUR and GBP multicurrency accounts (MCAs) are able to receive payments via the local payment systems, SEPA and BACS/ FPS, respectively. You can easily view deposit and withdrawal details through PINACLE.

PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations. We offer a comprehensive treasury management platform in Canada including U.S. dollar and Canadian dollar accounts, payment initiation services (ACH, wire and check), receivables (A/R Advantage lockbox, branch deposits, electronic payments) and information reporting (with previous day through PINACLE®).

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including U.S. dollar equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the

countries where you do business can help you simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a point of contact for setting up the account, help with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.
- PNC's Gateway Referral service can help you connect to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.

Disclosure

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Financial Environment

Country Information

Geographical Information

Capital	Buenos Aires
Area	2,780,400 km ²
Population	44.69 million
Official language	Spanish
Political leader	Head of state and government — President Mauricio Macri (since December 10, 2015)

Business Information

Currency (+ SWIFT code)	Argentine peso (ARS)
Business/Banking hours	Business hours: 09:00–18:00 (Mon–Fri) Banking hours: 10:00–15:00 (Mon–Fri)
Bank holidays	2019 — May 1, 25, June 17, 20, July 9, August 19, October 14, November 6, 25, December 8, 25 2020 — January 1, February 24, 25, March 24, April 2, 9, 10, May 1, 25, June 15, 20, July 9, August 17, October 12, November 6, 23, December 8, 25 2021 — January 1, February 15, 16, March 24, April 1, 2, May 1, 25, June 20, 21, July 9, August 16, October 11, November 6, 20, December 8, 25
International dialing code	+ 54

Source: www.goodbusinessday.com.

Country Credit Rating

Fitch Ratings last rated Argentina on November 7, 2018 for issuer default as:

Term	Issuer Default Rating
Short	B
Long	B
Long-term rating alert	Negative

Source: www.fitchratings.com, April 2019.

Economic Statistics

Economics Table		2012	2013	2014	2015	2016
GDP per capita	(USD)	11,331	14,380	12,751	14,575	12,429
GDP	(ARS billion)	2,164	3,340	4,426	5,843	8,050
GDP	(USD billion)	477	612	548	633	545
GDP volume growth*	(%)	- 1.0	+ 2.4	- 2.5	+ 2.7	- 2.2
BoP (goods, services & income) as % GDP		- 0.2	- 1.8	- 1.4	- 2.9	- 3.0
Consumer inflation*	(%)	+ 10.0	+ 10.6	NA	NA	NA
Population	(million)	42.10	42.54	42.98	43.42	43.85
Unemployment	(%)	7.2	7.1	7.3	NA	NA
Interest rate (local currency MMR)[†]	(%)	9.79	19.67	21.83	25.89	24.66
Exchange rate[‡]	(ARS per USD)[†]	4.5369	5.4594	8.0753	9.2332	14.7582

		2017	2018			
			Q1	Q2	Q3	Q4
GDP per capita	(USD)	14,396	-	-	-	-
GDP	(ARS billion)	10,556	-	-	-	-
GDP	(USD billion)	637	-	-	-	-
GDP volume growth*	(%)	+ 2.9	NA	NA	NA	NA
BoP (goods, services & income) as % GDP		- 5.0	-	-	-	-
Consumer inflation*	(%)	NA	NA	NA	NA	NA
Population	(million)	44.27	-	-	-	-
Unemployment	(%)	NA	NA	NA	NA	NA
Interest rate (local currency MMR)[†]	(%)	29.04	26.50	39.65	45.52	NA
Exchange rate[‡]	(ARS per USD)[†]	16.563	19.837	23.494	32.024	37.025

*Year on year. [†]Period average. [‡]Official rate. Sources: *International Financial Statistics*, IMF, April 2019 and 2018 Yearbook; and World Trade Organization.

Sectoral Contribution as a % of GDP

Agriculture - 10.8%

Industry - 28.1%

Services - 61.1% (2017 estimate)

Major Export Markets

Brazil (16.1%), USA (7.9%), China (7.5%), Chile (4.4%)

Major Import Sources

Brazil (26.9%), China (18.5%), USA (11.3%), Germany (4.9%)

Political and Economic Background

Economics

Interest Rate Management Policy

Argentina's central bank, the Banco Central de la República Argentina (BCRA), is responsible for implementing monetary and financial policies in pursuit of its core objective of preserving the value of the Argentine peso.

Foreign Exchange Rate Management Policy

The value of the Argentine peso (ARS) is determined on the interbank foreign exchange market.

Major Economic Issues

Development of the Argentinean economy remains constrained by the long-term effects of the 2001 government debt default and the abandonment of the peso-US dollar peg in 2002. This led to a run on all local banks. Today, many of the major domestic players in the Argentinean banking sector are state-owned.

Since his inauguration in December 2015, the new president Mauricio Macri has moved swiftly to reform Argentina's economy, introducing market-oriented changes meant to stimulate production and reinvigorate the economy after the sluggish business investment and growth of recent years. The measures include the lifting of capital controls that led to a 30% devaluation of the ARS, the scrapping of tariffs on agricultural exports and the removal of bureaucratic procedures that prevented manufacturers from importing needed equipment and parts.

One of Mr. Macri's main challenges has been to restore the country's creditworthiness, after Argentina defaulted on its debt in July 2014. Legal issues in the US, which led to the default, were resolved in April 2016, when a US appeals court cleared the way for the Argentinean government to move forward with a planned global bond issue. Soon after, Argentina sold USD 16.5 billion of bonds, the largest emerging-market debt sale on record, marking the end of the era of default.

Other pressing issues faced by the new administration include reducing the fiscal deficit and keeping inflation under control. Inflation stood at 47.6% in 2018, the highest rate since 1991 and up from 24.8% in 2017. In December 2017, the government changed its inflation target for 2018 to 15%, up from the previous target of 8% to 12%, allowing the central bank to pursue looser monetary policy in an attempt to boost economic growth. However, the central bank has abandoned inflation targeting after increasing interest rates to 60% in August 2018, the highest in the world.

In June 2018, Argentina reached a 36-month deal with the International Monetary Fund (IMF) for a USD 50 billion credit line to help restore investor confidence following a run on the ARS. In September 2018, the government closed a revised agreement with the IMF, increasing the country's credit line to USD 57 billion, of which USD 15 billion has already been disbursed and a

further USD 35 billion can be disbursed by the end of 2019. The deal is expected to curb investors concerns over Argentina's ability to service its debt in 2019. In return for the increased credit line, the government has pledged to accelerate budget savings and tighten money supply in an attempt to curb soaring inflation. The controversial new deal calls for the primary fiscal deficit to be cut from an estimated 2.7% of GDP in 2018 to zero in 2019. The government has also agreed to intervene in the currency markets only in cases of extreme circumstances. Inflation stood at 51.3% in February 2019 and is expected to stand at around 32% by the end of the year.

GDP expanded by 2.9% in 2017 on the back of slowing inflation and more supportive monetary and fiscal policy stances. However, the weakening of the ARS, the worst drought in five decades, soaring inflation and rising interest rates, combined with new austerity measures promised to the IMF, have had a negative impact on the economy, pushing the country into technical recession in the third quarter of 2018, its second recession in three years. The economy contracted a further 6.2% in the last quarter of 2018, the weakest quarterly performance since 2009, and by 2.5% in 2018 as a whole. The IMF has forecast economic contraction of 1.6% in 2019.

Politics

Government Structure

Argentina is a democratic republic.

Executive

The president is both head of government and head of state. In elections held in November 2015, Mauricio Macri, leader of the Cambiemos (Let's Change) coalition, became Argentina's president, succeeding Cristina Fernández de Kirchner.

Presidential elections are held every four years. The most recent election was held in two rounds on October 25, 2015 and November 22, 2015. The next election is to be held in October 2019.

Legislature

Legislative power resides within the bicameral Congreso Nacional, formed of the Senate and the Chamber of Deputies. The most recent congressional elections were held in October 2017.

The 257 members of the Chamber of Deputies are elected to four-year terms, by proportional representation. Elections are staggered so that only half of the deputies face re-election at each poll.

The 72-members of the Senate are elected to six-year terms, with a third of senators elected every two years.

International memberships

Argentina is a founding member of the Mercosur (Southern Cone Common Market) and the Latin American Integration Association (LAIA). It is also a member of the Bank for International Settlements (BIS) and the World Trade Organization (WTO).

Major Political Issues

The predominant political issues are the twin aims of reducing poverty and unemployment that grew as a result of the country's economic problems in 2001.

Maurico Macri, the former mayor of Buenos Aires and candidate of the Let's Change coalition, won the second round of voting in the presidential election on November 22, 2015, putting an end to 12 years of "Kirchnerismo," the political movement named after the late President Nestor Kirchner and his wife and successor, Cristina Fernández de Kirchner. Mr. Macri beat Daniel Scioli, governor of the Buenos Aires province and candidate of the leftist ruling Peronist Justicialist Party, by a slim margin to become the first democratically-elected, non-radical or Peronist president since 1916. Ms. Fernández was unable to run after having already served two successive terms.

During her two terms in office, Ms. Fernández seized control of vast sections of the economy, including the energy and media industries. She tried to boost economic growth through welfare, subsidies, taxes, trade protection and foreign exchange controls, leaving behind a weak economy, with high inflation and rising budget deficits.

Mr. Macri has already implemented sweeping economic changes in the country, including lifting foreign exchange controls, appointing a new central bank president, lifting tax on agricultural exports, and bringing in a new team to give credibility back to INDEC, the national statistics agency. Despite promising more diplomatic prudence and a more accountable democracy, Mr. Macri has been criticized for bypassing Congress, in which the Peronists control the Senate and form the largest opposition group in the Chamber of Deputies, notably by issuing a series of controversial decrees to push through measures including the appointment of two judges to the Supreme Court and the overturning of Ms. Fernández's media law.

Mr. Macri's Let's Change coalition performed well in the October 2017 elections, picking up 19 seats in the Chamber of Deputies to become the largest party. Since then, his government has accepted the terms of a new deal with the IMF, in which they have adopted revamped fiscal targets in return for a USD 57 billion credit line. Government supporters believe that the rescue package will allow it to continue its "gradualist" reform program without imposing unpopular austerity measures that could undermine political support for the Mr. Macri's administration ahead of this year's elections. The deal, however, has been fiercely criticized by political opponents and has led to a wave of national protests. Mr. Macri's approval rating is at an all-time low and he now faces an uphill battle in his fight for re-election in 2019, especially against former presidential contender Sergio Massa. Many Argentines blame the IMF for the country's economic meltdown in 2001-2002 that impoverished millions and resulted in a massive default.

Taxation

Resident/Non-resident

A company is considered resident according to its place of incorporation, rather than on the basis of its center of activity or its place of management.

Companies incorporated outside Argentina with centers of activity in Argentina may create a permanent establishment (PE). The PE is deemed to be resident and is subject to tax on the same basis as if resident.

Tax Authority

Administración Federal de Ingresos Públicos (AFIP).

Tax Year

The tax year normally corresponds to the accounting year.

Company income tax returns must be filed by the second week of the fifth month after the fiscal year-end.

Ten monthly tax installments are paid on account during the course of the year based on the previous year's income tax liability. The first installment of 25% must be paid during the sixth month of the company's fiscal year, with nine equal monthly installments of 8.33% thereafter.

Consolidated returns are not permitted; each company must file a separate return and there are no provisions for relief of group losses.

Corporate Taxation

Resident companies are subject to taxation on their Argentinean and worldwide income.

Any corporation taxes paid abroad on foreign-sourced income are available as a tax credit.

Non-resident companies with a PE in Argentina are taxed on the worldwide income of their PE, and those that do not have a PE are subject to tax only on their Argentinean-sourced income.

The general corporate income tax rate is 30% (reduced from 35%) for the two fiscal years beginning as from January 1, 2018, reducing to 25% for subsequent periods. The rate remains 35% for fiscal years in progress as of January 1, 2018.

There is no surtax.

Tax incentives are available for certain activities (including mining, forestry, biotechnology and software production), and there is a tax-free zone (Tierra del Fuego).

Tax losses can be carried forward for five years. Losses may not be carried back. Certain losses (i.e. from the sale of shares, foreign-source losses) may be set off only against profits of the same kind.

Advance Tax Ruling Availability

Argentinean taxpayers may request a binding ruling from AFIP in order to secure its opinion on the applicability of certain taxes. The enforcement of the opinion given by AFIP is mandatory for the party that has made the enquiry.

Advance rulings are not available in relation to transfer pricing related matters, i.e. 'advance pricing agreements' (APAs) are not available.

Deemed Minimum Income Tax

A 1% asset tax, which operates as a minimum income tax, is imposed on corporate assets, including shareholdings in foreign companies (but not holdings in resident companies).

Asset tax paid may be credited against the company's income tax liability for up to 10 years.

According to Supreme Court precedents, if an entity is in a loss position for both book and tax purposes, the asset tax is not applicable.

The asset tax will be abolished for tax year's beginning as from January 1, 2019.

Capital Gains Tax

Most capital gains are included in taxable income and are subject to corporate income tax at the normal rate. Gains derived from the sale of shares by an Argentine entity are subject to income tax.

Gains derived by a non-resident from the sale of shares of an Argentine corporation or other participation in the capital of an Argentine entity are subject to a 15% tax. The seller has the option to calculate tax on 90% of the gross proceeds or on the gross proceeds less expenses incurred in deriving the gains. An exemption applies to the sale of publicly traded shares in local authorized markets and shares placed under a public offering in the same markets.

Withholding Tax (Subject to Tax Treaties)

Payments to:	Interest	Dividends ³	Royalties	Technical fees	Branch remittances
Resident companies	3%/6% ¹	0%/35%	2% / 28% ⁴	2%/28% ⁴	NA
Non-resident companies	15.05% / 35% ²	0%/35%	12.25% / 17.5% / 28% / 31.5% ⁵	21% /28% /31.5% ⁶	0% / 35% ⁷

1. Interest paid to resident registered taxpayers is subject to withholding tax at a rate of 3% if paid by a financial institution, and a rate of 6% if paid by other entities.

2. The general 35% withholding tax is reduced to 15.05% in the following cases:

- The borrower is a financial institution;
- The lender is a bank or financial institution located in a "cooperative jurisdiction";

- The interest relates to certain bonds registered in countries that have concluded an investment protection agreement with Argentina; or
- The transaction involves the financing by a seller of depreciable movable property.

The 35% rate applies to interest paid on other loans (with certain exemptions).

3. There is no withholding tax on dividends if the amount paid is lower than the accumulated taxable earnings determined under the general provisions of the Income Tax Act. Otherwise, withholding tax is levied on dividends at a rate of 35% on the amount paid in excess of accumulated taxable earnings.
4. For recipients who are registered taxpayers, the applicable rate for royalties is 2%. Otherwise, a rate of 28% applies. The 28% withholding rate applies to resident persons who are not registered as taxpayers in Argentina, and is intended to act as a penalty for those who do not register with the tax office.
5. Royalty payments made to a non-resident individual for the exploitation of copyrights in Argentina are subject to a final withholding tax of 35% on 35% of the gross payment, resulting in an effective rate of 12.25%, provided the works are registered with the National Copyright Bureau and certain other conditions are satisfied. Film and television royalties are subject to a final withholding tax of 35% on 50% of the gross payment, resulting in an effective rate of 17.5%. Patent royalties paid to a non-resident are subject to a final withholding tax of 35% on 80% of the gross payment (effective rate 28%) if the agreement under which the royalties are paid is registered by the National Institute of Industrial Technology (INTI). If these conditions are not satisfied, the effective rate on the royalties or fees is 31.5% (35% x 90%).
6. Fees for technical assistance, engineering or consulting services paid to a non-resident are subject to a final withholding tax of 35% on 60% of the gross payment (giving rise to an effective rate of 21%) if the agreement under which the fees are paid is registered with the INTI and the services cannot be obtained in Argentina. If the agreement is registered with the INTI, but the services can be obtained in Argentina, the effective rate is 28% (35% x 80%). If an agreement does not fall within the scope of the transfer of technology law or does not comply with the law, the effective rate is 31.5% (35% x 90%).
7. Profits remitted by a branch to its head office are subject to the same regime as dividends.

Tax Treaties / Tax Information Exchange Agreements (TIEAs)

Argentina has exchange of information relationships with 46 jurisdictions through 19 double tax treaties and 27 TIEAs (www.eoi-tax.org, January 2019).

Transfer Pricing

Transfer pricing rules apply to transactions between related parties, which must be carried out at arm's length.

The tax authorities determine income using six methods: uncontrolled price, resale price, added cost, profit distribution, transaction net margin, and a special method which is a variation of the comparable uncontrolled price method, must be used in certain circumstances and for certain products (mainly commodities).

Argentina also imposes documentation requirements. The tax authorities may request information on transactions with affiliated companies if the arm's length nature of a transaction is not sufficiently documented. Transactions with non-cooperative countries are also subject to transfer pricing provisions.

Argentina has introduced a country-by-country reporting regime for constituent entities of certain multinational entity groups, which applies to fiscal years beginning on or after January 1, 2017.

Thin Capitalization

The deduction of interest and foreign exchange losses on financial loans with related (domestic and foreign) companies is limited to the higher of: (1) 30% of the taxable base before the deduction of interest and amortization; or (2) an amount to be determined by the executive branch.

Certain exceptions apply for specific activities and in the case of highly leveraged economic groups. There is a five-year carry forward for excess interest/foreign exchange losses not deducted, and a three-year carry forward for any portion of the limitation that is not utilized.

Controlled Foreign Companies

The CFC rules require resident shareholders to include in their taxable income the taxable profits derived by non-resident companies, if certain conditions are met. In general, this provision is applicable to entities with no tax registration in their country of incorporation or entities deriving mainly passive income or with no material and human resources to perform their activities, if the tax paid by the foreign entity on the profits is lower than 75% of the Argentinean income tax rate (investments in low tax or no-tax jurisdiction or in noncooperative countries are deemed not to meet the rate test).

Foreign partnerships and branches are taxed on an accruals basis.

Disclosure Requirements

Except for documentation requirements under the transfer pricing rules and certain shareholding matters, there are no special disclosure requirements.

Anti-avoidance Rules

A statutory general anti-avoidance rule (economic reality principle) applies.

Stamp Duty

Stamp duty is levied on the formal execution of public and private instruments. Documents subject to stamp duty include contracts, notarised deeds, invoices confirmed by a debtor, promissory notes and negotiable instruments. The rate varies in each province, but generally is 1%. The rate can range between 2.5% and 4% in real estate sale, and there are certain other exceptions.

Financial Transactions / Banking Services Tax

This tax is levied upon debits and credits in current accounts and other transactions specifically mentioned in the text of the Act where a current account is not used.

The overall tax rate is 0.6% on both debits and credits, but there are certain transactions and businesses for which lower tax rates have been established.

Of the amount levied on credits in the accounts, 0.2 percentage points may be taken as an advance payment of income tax or minimum presumed income tax, resulting in an effective rate of 0.4% and, therefore, 1% on a complete collection/payment circle. There are some exemptions.

Transactions exempt from this tax include those related to the payment of payroll salaries, fund transfers when the funds are destined to be deposited in other current accounts opened in the name of the individual or entity that instructed such transfers to be made, and those financial trusts that meet the requirements laid down in current legislation.

Personal Property Tax

Stockholdings in Argentinean companies held by resident individuals and non-resident persons, both individuals and legal entities, are subject to a 0.5% personal property tax. The tax is payable by the company, rather than the shareholders, and the company is then entitled to seek reimbursements of the tax actually paid from its shareholders.

Cash Pooling

Argentina has no specific tax rules regarding cash pooling arrangements..

Value Added Tax

VAT is levied at all levels on the sale of goods and the provision of services performed at all stages through to retailing.

The standard rate of VAT is 21% but certain transactions are subject to a 10.5% or 27% rate.

Exports are zero-rated and companies are allowed to recover VAT credits associated with their cost.

The municipal sales taxes in Buenos Aires City generally range from 3% to 5% of gross revenue. Higher rates may be imposed on certain services in some provinces; industrial activities usually are exempt or subject to lower rates.

Excise Tax / Export Duties

Excise taxes are levied on tobacco, cigarettes, insurance, cellular phones, alcohol, fuel and luxury items, including cars.

Export duties range from 5% to 45%, but certain exceptional cases may be subject to rates below or above the range.

Real Property Tax

Real property tax is levied annually by the provincial authorities. The tax is deductible for income tax purposes.

There is no transfer tax on the sale or purchase of property other than stamp duty.

Payroll and Social Security Taxes

There is no payroll tax payable by employers.

Social security and healthcare taxes are paid on a company's payroll. Both employers and employees must contribute to the system. The tax base is the gross salary earned by the employee plus certain fringe benefits.

The total employer contribution is between 23% and 27% on gross payroll, depending on the nature of the activities of the company including 6% for Medicare assistance.

In certain provinces, part of the employer's social security payment is creditable against VAT.

All tax information supplied by Deloitte Touche Tohmatsu (www.deloitte.com) and Deloitte Highlight 2018.

Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

Established by the 1935 Acts of Congress, the Central Bank of Argentina (Banco Central de la República Argentina - BCRA) has, under the new BCRA Law of 2012, “the purpose of promoting, to the extent of its ability and in the framework of policies established by the national government, monetary stability, financial stability, jobs and economic growth with social fairness.” It is also responsible for enforcing certain elements of Argentina’s exchange controls regime.

In March 2019, the government sent a bill to Congress for a new central bank charter that bans the BCRA from financing the Treasury and emphasizes its main role as keeping inflation under control. The bill, which is still subject to approval from Congress, will give the bank greater autonomy.

Other banking supervision bodies

The Central Bank of Argentina carries out regulatory supervision of the financial sector via the Superintendency of Financial and Foreign Exchange Institutions (SEFyC), a decentralized agency chaired by a member of the BCRA’s board which reports directly to the governor of the central bank.

Central Bank Reporting

General

The central bank monitors statistics on cross-border transactions for balance of payments purposes. Argentina’s balance of payments statistics are collated by the Dirección Nacional de Cuentas Internacionales (DNCI).

What transactions - listed

Statistics on foreign trade are collated by the National Institute of Statistics and Census on the basis of customs documents.

Whom responsible

NA.

Additional reporting for liquidity management schemes

There are no additional reporting requirements.

Exchange Controls

Exchange structure

The exchange rate of Argentina's official currency, the Argentine peso (ARS), is determined on the foreign exchange market (Mercado Único y Libre de Cambios). Argentina is a member of the Mercosur (Mercado Común del Sur) regional common market.

Argentina has adopted a crawl-like exchange rate arrangement as part of its deal with the IMF. As of October 1, 2018, Argentina established a trading band for the ARS between ARS 34 and ARS 44 per USD. This range has been adjusted daily at a 3% monthly rate since October 2018 but the pace of adjustment is expected to be lower in 2019. The BCRA will allow the ARS to float freely within this range. If the ARS drifts outside that range, the BCRA will be allowed to intervene in the market by spending up to USD 150 million a day buying ARS.

Exchange tax

Certain foreign exchange transactions are subject to tax.

Exchange subsidy

There is no exchange subsidy.

Forward foreign exchange market

The central bank authorizes financial institutions for the settlement of certain types of forward contracts and other derivatives transactions involving non-domestic financial institutions. Different exchange controls apply to different types of financial institution.

Capital flows

The BRCA requires prior approval for exports of foreign currency in excess of USD 10,000.

The annual mandatory bank deposit that was applicable on 30% of the value of funds entering Argentina through the foreign exchange market under specific transaction was eliminated in December 2015. In January 2017, the minimum term for the funds to be kept with local financial entities in foreign exchange accounts was reduced from 120 to 0 days.

Prior approval by the Border Superintendency of the Ministry of Defense (Ministerio de Defensa) is required for foreign investment in real estate in border areas.

Institutional investors may hold up to 25% of mutual fund portfolios abroad, although this does not include investments in Brazil, Paraguay, Uruguay and Chile. Pension funds may not invest their assets abroad. A minimum of 75% of any mutual fund's securities must be issued/traded in Argentina.

Since December 2015, individuals and companies are no longer required to register with the AFIP in order to make foreign currency purchases. Since August 2016, there is no monthly limit on the amount that individuals and companies are allowed to buy in foreign currency to make direct and portfolio investments abroad as well as to keep such currency in a foreign or domestic bank account.

Payments abroad for imports of goods and services can be made without any limit through the foreign exchange market. There has been no cap on the payment of outstanding debts for imports of goods and services since June 2016.

Banks must limit their foreign currency holdings and foreign currency-denominated futures contracts to 30% and 10% of assets, respectively.

Loans, interest and repayments

External loans are no longer required to be settled through the local foreign exchange market. However, the repayment of the principal and interest of external loans through the local foreign exchange market requires evidence showing the inflow of funds. In January 2017, the minimum term for repayment was cut from 120 to 0 days. Advance payment is allowed.

Royalties and other fees

Payments of royalties and other fees must be supported by documentation presented to the central bank.

Profit remittance

Since August 2016, export proceeds subject to repatriation requirements and proceeds received as advance payments and export prefinancing must be fully repatriated and sold in the foreign exchange market within 1,825 days of the disbursement of the funds abroad. Exporters may credit the proceeds from the sale of goods, advances and pre-financing of exports to a local foreign currency bank account in their name.

Proceeds from invisible transactions and current transfers must be fully repatriated within 365 calendar days of the disbursement of the funds abroad.

Financial credits from non-residents to residents are no longer required to be repatriated and sold in the foreign exchange market.

Dividends paid out of profits may be paid without prior approval. Companies must prove they are paying dividends and not other payments.

Bank Account Rules

Resident entities are those which are incorporated in Argentina.

Both resident and non-resident entities may hold domestic (ARS) and foreign currency accounts locally and abroad. Subject to identification requirements and prior approval by the central bank, resident and non-resident entities may also hold time deposits denominated in USD and EUR and deposit accounts in other foreign currencies.

Anti-money Laundering and Counter-terrorist Financing

- Argentina has implemented anti-money laundering and counter-terrorist financing legislation (the Money Laundering Law No. 25.246 of 2000 amended by Law 26.268 of 2007 and Law 26.683 of 2011; Resolution 1172 of 2001; Concealment and Laundering of Assets from Criminal Sources of 2003; Law 26.087 of 2006; Law 26.119 of 2006; Law 26.268 of 2007 on Illegal Terrorist Associations and Terrorist Financing and Law 26734 of December 2011). Additional guidelines have also been provided in a series of Resolutions issued by the financial intelligence unit, including Resolution 156/2018, Resolution 154/2018 and Resolution 30-E/2017 for the banking and exchange sector. Resolution 30-E/2017 revokes Resolution 121/2011 and establishes rules to be adopted and applied by entities when managing risks associated with money laundering and terrorism financing.
- A Financial Action Task Force (FATF) member, Argentina observes most of the FATF-49 standards.
- Argentina is also a member of the South American Financial Action Task Force (GAFILAT) and the Organisation of American States/Inter-American Drug Abuse Control Commission (OAS/CICAD).
- Argentina has established a financial intelligence unit (FIU), Unidad de Informacion Financiera (UIF), which is a member of the Egmont Group. The UIF is housed within the Ministry of Justice and Human Rights. In November 2011, Resolution 388 announced the creation of a new FIU housed within the government's federal tax agency (AFIP).
- Account opening procedures require formal identification of the account holder.
- Financial institutions must also take 'reasonable measures' to identify and verify beneficial owners, defined as a natural person that has at least 20% of the capital.
- Financial institutions in the broadest sense are required to report all suspicious or unusual transactions, regardless of value, to the UIF within 150 days of the transaction taking place and within 48 hours in the case of terrorist financing. Requests for further information from the UIF must be responded to within 48 hours.
- All banks are required to maintain a database of all transactions exceeding ARS 10,000 which is periodically submitted to the Central Bank and must be made available to the UIF on request.
- All individuals entering or leaving Argentina with currency and/or monetary instruments over USD 10,000 are required to declare this to the customs authorities.
- Records of all information related to client transactions including suspicious or unusual transaction reports must be kept for at least ten years from the end of the business relationship.

Data as at January 2019.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) December 31, 2018
Banco de la Nacion Argentina	31,943
Banco de Galicia y Buenos Aires	13,497
Banco Santander Rio	13,073
Banco del la Provincia de Buenos Aires	12,725
BBVA Banco Frances	9,362
Banco Macro	8,533
HSBC Bank	5,934

Source: Banco Central de la República Argentina.

Overall Trend

Argentina's banking sector has been buffeted by two substantial crises in the past 15 years; both customer confidence and foreign investment are only slowly recovering. There are currently 63 banks operating in Argentina, of which 50 are privately owned, with the remainder nationally, provincially or municipally owned. In addition, there are 15 non-bank credit institutions, consisting of 14 finance companies and one credit cooperative.

The 1995 banking crisis was followed by a period of consolidation, privatization and foreign investment, but the 2001-02 economic crisis and currency devaluation resulted in a wide-scale run on the banks by consumers and a withdrawal by a number of foreign banks. It is estimated that Argentineans have invested USD 160 billion abroad, and the use of banking services, particularly long-term finance, remains below pre-crisis levels.

In the aftermath of the 2001-2002 crisis, a number of foreign banks, including Credit Agricole, Bank of Nova Scotia and WestLB, sold their Argentinean subsidiaries in order to cut their losses, but several large banks - BBVA, Santander, HSBC and Citi - continued operations. In August 2011, Industrial & Commercial Bank of China (ICBC) announced an agreement to buy an 80% stake in the Argentinean unit of Standard Bank of South Africa for USD 600 million. The deal was completed in December 2012, making ICBC the first Chinese bank to enter the Argentinean market. The bank has since been renamed ICBC Argentina.

In February 2016, Citibank announced plans to sell its retail banking operations in Argentina, Brazil and Colombia. The move is part of the bank's strategy of slimming down its consumer banking arm in the region and concentrating on its corporate arm, which is larger and more profitable. In October 2016, Citibank agreed to sell its operation in Argentina to Banco Santander Rio for an undisclosed sum. The deal received regulatory approval in March 2017.

In August 2016, Germany's Deutsche Bank agreed to sell its subsidiary in Argentina to Banco Comafi for an undisclosed sum. The deal received regulatory approval in May 2017 and in October 2017, Comafi was authorized by the central bank to merge its operations with Banco BC SA (formerly the local subsidiary of Deutsche Bank).

In December 2017, Banco do Brasil announced that it would no longer sell its 59% stake in Argentina's Banco Patagonia and in September 2018, Banco do Brasil raised its stake in the Argentinean bank to 80.39%.

Although Argentinean banks have recovered relatively well from the recent international financial turmoil, asset quality and non-performing loans remain a pressing issue.

According to local market analysts, Argentina's banking sector could see a new wave of mergers and acquisitions following the November 2015 election of Mauricio Macri of the Cambiemos (Let's Change) coalition, a more moderate and market-friendly administration than the Kirchner government. The last foreign bank to enter Argentina was ICBC in 2012.

Payment Systems

Overview

There are three clearing systems for payments authorized by the central bank: one RTGS system, one high-value payment system, and one retail system.

Launched in 1997 by the Central Bank of Argentina, MEP (Medio Electrónico de Pagos) is a real-time gross settlement (RTGS) system used for transfers between central bank account holders, particularly for settlement of clearing obligations.

Argentina's high-value electronic clearing house (*cámara de compensación de alto valor*) - Interbanking - processes funds transfers and ATM transactions on a same-day, net settlement basis. Provincanje no longer operates as an electronic clearing house.

COELSA clears low-value payments on a deferred net settlement basis. In August 2010, provincial and cooperative banks that participated in the privately-owned electronic clearing house ACH began migrating to COELSA. Their full migration was completed in the end of April 2011. The ACH stopped operations in May 2011.

High-value

Name of system	MEP (Medio Electrónico de Pagos)
Settlement type	Real-time gross settlement
Settlement cycle	Transactions are settled for same-day value.
Links to other systems	All other domestic payment systems for final settlement
Payments processed	High-value financial and commercial electronic transfers, as well as the settlement of final net balances on Argentina's other clearing houses
Currency of payments processed	ARS, USD and EUR
Value and other limits to processing	No minimum value for transfers
Operating hours	08:00-20:00
System holidays	2019 — May 1, 25, June 17, 20, July 9, August 19, October 14, November 6, 25, December 8, 25 2020 — January 1, February 24, 25, March 24, April 2, 9, 10, May 1, 25, June 15, 20, July 9, August 17, October 12, November 6, 23, December 8, 25 2021 — January 1, February 15, 16, March 24, April 1, 2, May 1, 25, June 20, 21, July 9, August 16, October 11, November 6, 20, December 8, 25
Cut-off times	No cut-off time; MEP settles transactions individually in real time and with immediate finality.
Participants	Banks, clearing houses and the BCRA. Some non-bank financial intermediaries may hold limited purpose accounts.
Access to system	Access to the system is made via the internet (extranet), using applications provided by the BCRA.
Future developments	NA

Name of system	Interbanking
Settlement type	Net settlement system
Settlement cycle	Transactions are settled for same-day value.
Links to other systems	MEP for final settlement
Payments processed	High-value interbank and commercial electronic credit transfers
Currency of payments processed	ARS
Value and other limits to processing	No value limits
Operating hours	08:00 - 20:00
System holidays	2019 — May 1, 25, June 17, 20, July 9, August 19, October 14, November 6, 25, December 8, 25 2020 — January 1, February 24, 25, March 24, April 2, 9, 10, May 1, 25, June 15, 20, July 9, August 17, October 12, November 6, 23, December 8, 25 2021 — January 1, February 15, 16, March 24, April 1, 2, May 1, 25, June 20, 21, July 9, August 16, October 11, November 6, 20, December 8, 25
Cut-off times	18:00 for third-party transactions 20:00 for interbank transactions
Participants	54 participants
Access to system	Companies that use Interbanking's DataNet electronic banking service can send same-day electronic funds transfers to accounts at member banks.
Future developments	NA

Low-value

Name of system	COELSA (Compensadora Electrónica)
Settlement type	Deferred net settlement system
Settlement cycle	Credit transfers: T+0 to T+1 for payroll, third-party, supplier transactions; T+2 for foreign currency transfers. Checks: typically T+2. Direct debits: T+3.
Links to other systems	MEP for final settlement.
Payments processed	Checks (processed electronically including cashier's checks, post-dated checks and bank drafts), credit transfers, direct debits, postal payment orders, letters of credit, bills of exchange, fixed-term certificates of deposit, ATM transactions for the Banelco and Red Link networks.
Currency of payments processed	ARS, USD and EUR
Value and other limits to processing	NA
Operating hours	System operates throughout the day.
System holidays	2019 — May 1, 25, June 17, 20, July 9, August 19, October 14, November 6, 25, December 8, 25 2020 — January 1, February 24, 25, March 24, April 2, 9, 10, May 1, 25, June 15, 20, July 9, August 17, October 12, November 6, 23, December 8, 25 2021 — January 1, February 15, 16, March 24, April 1, 2, May 1, 25, June 20, 21, July 9, August 16, October 11, November 6, 20, December 8, 25
Cut-off times	17:00
Participants	Private banks, foreign banks, provincial and cooperative banks, Banco de la Nación and the BCRA. Other private and state institutions may also participate in the system subject to BCRA approval.
Access to system	NA
Future developments	NA

Payment and Collection Instruments

Overview and Trends

Public mistrust of the banking sector following the economic crisis of 2001–2002 led to a significant increase in the use of cash for retail and commercial payments. Today, cash remains an important means of payment, particularly for consumers, although the check is by far the most important non-cash instrument. Use of electronic credit transfers is increasingly common in the commercial sector, while card payments are more widespread than in most other South American countries.

Statistics of Instrument Usage and Value

	Transactions (million)		% change	Traffic (value) (USD billion)		% change
	2017	2018	2018/2017	2017	2018	2018/2017
Checks	85.4	83.3	- 2.5	198.8	115.9	- 41.7
Electronic clearing houses credit transfers	210.7	267.2	26.8	1,148.6	774.7	- 32.6
MEP transfers	2.1	2.2	4.5	2,587.1	1,470.7	- 43.2

Source: Banco Central de la República Argentina, April 2019.

Paper-based

Checks

The check remains a popular non-cash payment instrument in Argentina. Check traffic dropped from 91.1 million in 2002 to 68.7 million in 2003, but recovered to 97.3 million in 2011. However, it has since fallen back to 83.3 million in 2018. The credit and debit tax (see Taxation) has also had a negative impact on the number of checks issued. Five types of check are commonly used in Argentina:

- Ordinary checks (*cheques comunes*) – paid on demand and not acceptable for deferred payment;
- Deferred payment / post-dated checks (*cheques de pago diferidos*) – payment orders payable on a future date, used in consumer, commercial and financial transactions as well as in legal proceedings such as bankruptcy;
- Certified checks (*cheques certificados*) – bought and pre-debited on issue, certified checks give the payee five business days to deposit the payment;
- *Cheques cancelatorios* – pre-debited on issue, *cheques cancelatorios* give the payee 90 days to deposit the payment, after which they can only be presented for payment at the Central

Bank of Argentina. *Cheques cancelatorios* can be issued in either ARS and USD, with values of between ARS 5,000 and ARS 400,000, or USD 2,500 and USD 100,000, respectively. *Cheques cancelatorios* in USD can only be used for real estate transactions. Individuals are permitted to buy both ARS- and USD-denominated *cheques cancelatorios*. Companies are only allowed to buy *cheques cancelatorios* denominated in USD.

- Financial payment checks (*cheques de pago financiero*) - used instead of cash by persons without current accounts or credit cards for any commercial or third-party transactions in excess of ARS 1,000, in accordance with the Law to Prevent Fiscal Evasion (25345 art. 1) and as modified in 2001 by the Law of Competitiveness (25413 art. 9). These are also issued by financial institutions.

Checks are cleared electronically through COELSA, Argentina's low-value clearing house, for T+2 value. As of March 2017, checks up to ARS 40,000 (the vast majority of all checks issued) are truncated at the bank of deposit, while checks above this value have their images transmitted in addition to the electronic exchange of relevant data.

In November 2016, the BCRA implemented new rules enabling banks to develop applications allowing account holders to remotely deposit ordinary or deferred checks into their bank accounts via mobile or online banking services. In order to deposit a check directly into a bank account, clients have to take a picture of the front and back of the check with their devices and send the images electronically.

The BCRA has implemented new rules allowing banks to issue electronic checks (ECHEQ), which will keep all the features of a paper check and may be either ordinary or for deferred payment. The ECHEQ will launch on July 1, 2019 and is expected to increase the efficiency of check transactions within the national payment system.

Giros

Giros, or postal money orders, are offered by the Argentinean post office and can be cashed like checks at post office counters or bank branches. Giros are very widely used for regular payments such as utility bills and tax payments. They are cleared through COELSA. The Argentinean post office has an account at the BCRA for final settlement.

Electronic

Credit Transfer

Credit transfers are increasingly used for both high- and, in particular, low-value payments in Argentina. Between 2008 and 2018, the volume of low-value credit transfers (*transferencias minoristas*) grew by 2,452%, while their value soared by 3,737% in USD terms. In 2018, the volume of low-value credit transfers totalled 267.2 million, while their value stood at USD 774.7 billion.

High-value, urgent payments are made for same-day value, either using the MEP RTGS system or Interbanking's net settlement system. Low-value or non-urgent payments, i.e. payroll and most

vendor payments, are processed by COELSA, Argentina's low-value clearing system, for T+0 or T+1 value, depending on the type of payment being made. Foreign currency credit transfers are processed for T+2 value. The volume of MEP transfers totaled 2.2 million in 2018, while their value reached USD 1,470.7 billion.

Low-value ARS payments initiated via ATMs (transfers of up to ARS 50,000 per day) or online banking services (up to ARS 100,000 per day) between 08:00 and 18:00 on T+0 are available to the beneficiary on T+0. USD and EUR payments initiated via ATMs (transfers of up to USD 5,000 or up to EUR 5,000 per day) or online banking services (up to USD 12,500 or up to EUR 12,500 per day) between 08:00 and 18:00 on T+0 are available to the beneficiary on T+0.

In 2018, 66.3% of low-value ARS payments made for same-day value in Argentina were initiated via online banking services, compared with 72.5% in 2017. While the share of low-value instant transfers initiated via corporate electronic banking services fell slightly from 4.2% to 4.1%, the share of instant payments initiated via ATMs increased from 19.3% to 23.7% and the share of instant payments initiated via mobile banking services increased from 8.2% to 10% of total instant transfers.

Cross-border

Cross-border electronic credit transfers are typically made via a combination of SWIFT connectivity, correspondent banking relationships and payment clubs, and branch network capabilities.

In addition, banks can move funds from accounts held with the Central Bank of Argentina via MEP to USD-denominated accounts held by Argentinean banks in New York.

Commercial deals between Argentina and Brazil can be settled in both ARS and Brazilian real (BRL) via the Payment System in Local Currency (SML). The SML eliminates the need to use US dollars to pay for foreign trade transactions between the two countries and can process transactions of up to 360 days on trade of goods, including related services and other expenses.

Direct Debits

Direct debits (*débitos directos* or *domiciliación*) can be used for recurring or non-recurring payments, once signed authorization is in place, but volumes are low. Consumers prefer to initiate payment for regular household bills via home banking systems, credit card or in cash. Available for either interbank or intrabank payments, direct debits are processed by COELSA on a T+3 basis.

The BCRA has developed a new instant direct debit system for corporate and individual bank customers. The new system, called DEBIN (Débito Inmediato), was launched in August 2017. It allows suppliers to draw amounts in ARS and USD directly from the customer's bank account through online or mobile banking services. Transactions can be pre-authorized by the customer or authorized after being electronically presented for payment. The new system is available 24/7 and is operated by COELSA on a T+0 basis.

Payment Cards

Credit card use is very well established in Argentina and debit cards are also increasingly popular in the retail market. The government had been offering VAT refunds to incentivize card use. The credit card incentive program ended in December 2007 and the debit card scheme ended on December 31, 2016. There were approximately 45 million debit cards in circulation in Argentina in 2017, up from 37.5 million in 2015 and 30 million at the end of 2013. Visa's Electron and MasterCard's Maestro debit card brands have a strong market presence in Argentina. The two schemes use the operational infrastructures provided by Banelco and Red Link, the two local bank consortia, whose ATM cards can also be used as debit cards. COELSA processes transactions initiated by cards issued by Banelco's participants (14 of Argentina's largest private banks and one finance company), while transactions from Red Link's members (39 financial institutions, mostly national and provincial public banks) are processed by Interbanking.

The number of credits cards in circulation in Argentina totalled approximately 60.8 million in 2017, up from 57.6 million in 2016 and 46.6 million at the end of 2013. In addition to the international credit card schemes Visa and MasterCard, Argentinean banks also issue credit cards in partnership with three local schemes, Credencial, Cabal and Carta Franca. Diners Club and American Express also operate in the Argentinean market.

ATM/POS

Argentina has two interoperable ATM networks: Banelco, run by a consortium of Argentina's largest private banks, and Red Link, which is operated by national and provincial public banks. Their transactions are cleared via COELSA.

As of 2017, there are approximately 16,000 ATMs in Argentina, the majority operated by either local private banks or foreign banks, with state-owned banks accounting for around a quarter. There were 620,000 POS terminals in Argentina in 2017.

Electronic Wallet

Some prepaid cards are offered in Argentina, including telephone cards and the SUBE (Sistema Único de Boleto Electrónico) reloadable cards. The SUBE contactless card is used for payments on the Greater Buenos Aires transportation network and, as of January 2014, for toll payments.

In March 2012, the Monedero contactless card, which could be used to pay for road tolls and purchases in affiliated retail outlets and movie theaters as well as for payments on the Greater Buenos Aires transportation network, was acquired by Visa Argentina. Visa Argentina turned the Monedero nonbank-based prepaid card scheme into a bank-based virtual scheme and discontinued the contactless card in the end of November 2012. The cards are no longer accepted for payments on the Greater Buenos Aires transportation network.

In August 2016, MasterCard, in partnership with First Data, launched a contactless payment card scheme in Argentina.

Naranja MO and Wanda, the mobile money services which were launched in Argentina in December 2009 and May 2012, respectively, have been discontinued. Wanda, a joint venture between telecommunications company Telefonica and Mastercard, was based on a virtual prepaid debit account linked to a mobile phone. Users could transfer money between Wanda accounts, top up mobile phones and make purchases at participating stores.

In June 2016, the BCRA approved new regulations that allows the use of mobile wallets in the country. According to the regulations, financial institutions are allowed to develop their own mobile applications to enable users to perform transactions through their mobile phones. Since August 2016, three applications have been available through a new channel called Mobile Payment Platform, which allows users to make interbank transfers and receive payments from debit cards. The new services also include an e-commerce purchase button linked to the user's bank account. This button can be used to save the consumer the trouble of having to log into their bank account to make a transaction.

Liquidity Management

Short-term Borrowing

The provision of bank credit collapsed in the wake of the economic crisis of 2001–2002 and has not yet recovered. Private sector loans as a percentage of gross domestic product fell from 24% in 2000 to 8.8% in 2004. It has since increased to 14.7% in 2015.

Overdrafts

Overdrafts are scarce but available. Known as *adelanto* (advances), overdrafts can be extended without prior agreement only for short tenors, i.e. around 30 days.

Bank Lines of Credit / Loans

Agreed advances (*adelantos acordados*) are available at a pre-agreed rate over the prime lending rate. Like overdrafts, such credit lines are in limited supply and only for short tenors. Bank loans are the most common source of borrowing and are available in both ARS and USD for tenors of between 30 and 90 days.

Trade Bills – Discounted

Banks discount bills or checks with recourse to the borrower. Under central bank rules, the discounting bank needs only to consider the ultimate bill payer's solvency. For transparency, the central bank has created a debtor rating system with stipulated lending percentages. If an invoice is not paid within 30 days, a small firm can discount the credit invoice (*facturas de credito*). Discounted bill tenors range from seven to 180 days.

Banks also discount deferred checks (*cheque de pago diferido*) for the same range of maturities, which are tradable on the stock exchange.

Factoring

Factoring is available, but providers generally have to be very comfortable with a company and its credit history before agreeing to lend against its accounts receivable.

Commercial Paper

Issuance on the commercial paper market has dried up considerably since 2001–2002, but companies may issue ARS or USD-denominated paper of between 90 days and two years, with 180 days being the most popular tenor. Commercial paper has no minimum denomination and is traded on the stock exchange. ARS-denominated paper has a zero coupon. Issues placed outside Argentina have a minimum maturity of 360 days.

Bankers' Acceptances

Bankers' acceptances are not commonly used as a source of short-term funding in Argentina.

Supplier Credit

It is relatively common practice for large firms to extend credit to smaller customers up to 90 days, while also offering discounts for cash.

Intercompany Borrowing, including Lagging Payments

Subsidiaries of multinationals may secure funding by lagging payments on imports from fellow companies within the group structure.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Remunerated bank accounts (*cuenta remunerada*) are available.

Demand Deposits

USD-denominated demand deposit accounts are available.

Time Deposits

Time deposits (*depósitos a plazos fijos*) are available in local and foreign currency.

Certificates of Deposit

ARS-denominated certificates of deposit (*certificados de depósitos*) are available in a range of maturities; the shorter maturities (i.e. under two months) are more popular.

Treasury (Government) Bills

The central bank issues bills (*letras del BCRA* — LEBACs and *notas del BCRA* — NOBACs) in ARS. ARS-denominated bills are available with maturities of between one month and three years.

Commercial Paper

The appeal of investment in commercial paper has been reduced by the decline in new issuance since the 2001-2002 crisis, but companies and other entities issue paper in ARS and USD for between 90 days and two years.

Money Market Funds

There are some short-term mutual investment funds available to Argentinean investors.

Repurchase Agreements

Repurchase agreements are available for tenors from overnight to a month, but the market is more commonly used by financial institutions than companies.

Bankers' Acceptances

Bankers' acceptances are not commonly used as a short-term investment instrument in Argentina.

Liquidity Management Techniques

Optimization of cash balances through liquidity management techniques is relatively rarely practiced in Argentina for tax and regulatory reasons. However, a number of options are available to accelerate collections and reduce days' sales outstanding.

For example, special collection accounts (*cuenta recaudadora*) are used to consolidate nationwide customer payments into a single account. Typically, customers make payments directly at a bank branch. Special deposit tickets and/or barcoded payment slips are then used to capture remittance information at point of payment, which are made available to the collecting company via electronic banking, file transfer or report. Pago Fácil and Rapipago are similar non-bank collections services: they have more than 4,000 and 3,000 outlets across Argentina, respectively. Pago Fácil was purchased in December 2006 by Western Union. Banks also offer custody services to firms that receive large volumes of post-dated checks (*cheques diferidos*). The bank receives checks then automatically clears and settles them before crediting to the collecting company's account on the due date. Discounting post-dated checks can also provide an additional source of short-term financing. Similar outsourcing services are available for the collection of 'out of town' checks (*valores al cobro*).

Cash Concentration

Zero balancing is permitted and practiced in Argentina but the introduction of a 0.6% financial transaction tax (*impuesto a los créditos y débitos en cuentas bancarias* - ICDB) for most debits and credits to bank accounts has eliminated the economic benefits of such cash concentration techniques in many cases. However, salary payments and transfers between accounts with the same tax identification number are exempt from ICDB tax, enabling limited scope for cash concentration within single entities. Funds are generally transferred via electronic credit transfers or checks.

Notional Pooling

Notional pooling is not permitted in Argentina.

Trade Finance

General Rules for Importing/Exporting

As a member of the Mercosur common market, Argentina trades under favorable terms with fellow participants Brazil, Paraguay, Uruguay and other affiliated countries. In December 2016, Venezuela was temporarily suspended from the bloc for failing to comply with a series of trade and human rights rules. In August 2017, Mercosur suspended Venezuela indefinitely for violating the bloc's democratic principles, stating that Venezuela will remain suspended until democratic order and stability is restored in the country.

On March 8, 2018, the US government imposed a 25% tariff on imports of steel and a 10% tariff on aluminum, claiming that such imports are a threat to national security. On March 22, the US government announced that Argentina was one of a group of countries to be granted temporary exemptions until the end of April 2018. In May 2018, the US government permanently excluded Argentina from its additional tariffs on steel and aluminum imports after Argentina agreed to limit its exports to the US.

Argentina operates nine free trade zones (FTZs), including Córdoba, La Plata, Mendoza, San Luis, and Tucumán. More free trade zones are currently being established in various Argentinean provinces.

A Special Customs Area in Tierra del Fuego permits duty-free imports of capital goods for use in designated high-priority industries and goods to be assembled locally for sale in Argentina. Other imports into the zone are taxed at half the normal rate.

Imports

Documentation Required

A commercial invoice (the original plus three copies, in Spanish) including a full description of the imported goods, plus a bill of lading, and – in certain cases – a packing list and/or certificate of origin are required.

Import Licenses

Effective December 21, 2015, importers wishing to bring consumer goods into the domestic market are no longer required to file an anticipated sworn statement of planned imports (DJAI) to the federal tax agency (AFIP) prior to the issue of any document used for completing the operation. The DJAI system, which was introduced in February 2012, has been replaced by a system of automatic (LA) and non-automatic (LNA) licenses called Import Monitoring System (Sistema Integral de Monitoreo de Importaciones -SIMI). The new system will generally issue licenses within 10 days.

Non-automatic licenses are required for products such as motor vehicles and auto parts, motorcycles, tires, general purpose machinery, textiles, footwear, electrical equipment, agricultural machinery, electronic goods, toys, paper and wood, plastics, steel, furniture and chemical products, among others.

Import Taxes/Tariffs

Tariffs are generally based on the assessed value of the goods, with agricultural products and raw materials typically subject to lower rates than consumer goods. Imports that benefit from foreign subsidies may attract an excess tariff.

Imports from outside Mercosur are subject to ad valorem tariffs ranging from zero to 20%, with a 15% rate typically levied on intermediate goods and 20% on finished goods. A maximum tariff of 35% may be applied to imports not listed in the Mercosur Common Code. Following an agreement in 2006 to restrict Brazilian imports that threaten Argentinean industries, imports in excess of quotas are taxed at 90% of the rate applied to non-Mercosur goods.

Although capital goods, including computers and telecommunications products, are generally zero rated, imports of some capital goods are charged at a 14% rate.

All goods, except those imported from other Mercosur countries, are subject to a 0.5% statistical import tariff surcharge.

Financing Requirements

There are no particular financing requirements for imports.

Risk Mitigation

There are no specific requirements.

Prohibited Imports

As well as a negative list of imports that are prohibited on public health and security grounds, Argentina forbids the import of used tires, certain used capital goods and second-hand clothing.

Exports

Documentation Required

A commercial invoice including a full description of the exported goods, plus a bill of lading, and – in certain cases – a packing list and/or certificate of origin are required.

Export Licenses

Argentina requires licenses for the export of armaments, sensitive goods and military equipment.

Exports of endangered animal species are subject to licenses with quotas and exports of some agricultural products are subject to prior government approval.

Export Taxes/Tariffs

Export taxes range between 0% and 32%.

In December 2015, the government eliminated export taxes on agricultural products, except for soy, for which its current rate of 30% would be cut by 0.5 percentage points a month from January 2018 until December 2019. By the end of 2019, the soybean export tax would be 18%. The government had also reduced export taxes on leather and some wood products and eliminated taxes on all other products, excluding iron and steel scrap and waste. Export duties on hydrocarbon exports had also been eliminated. However, in September 2018, the government imposed temporary taxes on exports in a bid to balance the 2019 budget. The new emergency taxes include an export tax of ARS 4 per USD 1 on exports of primary products, including agricultural products, and ARS 3 per USD 1 on all other exports. The government has also reduced the existing export tax on soy to 18%. The temporary export tax will end in December 2020.

Proceeds

Export proceeds must be fully repatriated and sold in the foreign exchange market within 1,825 days of the disbursement of the funds abroad.

Financing Requirements

There are no particular financing requirements for exports.

Risk Mitigation

CESCE Argentina offers export protection services. Coverage against political risk is provided in conjunction with the government.

Prohibited Exports

There is no negative list, but exports of some fish species and natural gas to Uruguay and Chile are restricted.

Information Technology

Electronic Banking

Multinational companies, local firms and consumers all use electronic banking services from Argentina's leading banks. Standard functionality for wholesale customers includes domestic and cross-border payment initiation, balance and transaction reporting, collections/remittance data, and zero-balance accounts.

Multibanking is available via a platform called DataNet, owned by the Interbanking clearing house, which enables firms to access account information at any of 53 participating banks. DataNet also supports same-day funds transfers and is commonly used for tax and vendor payments.

Interfacturas is a service offered by Interbanking through which an e-invoice is delivered electronically to the customer.

Interbanking also allows companies to pay suppliers' bills and taxes and receive payments from other businesses through a number of other electronic payment services.

Following restrictions imposed by the authorities to limit the withdrawal of cash during the economic crisis of 2001-2002, internet-based home banking has grown significantly. Financial portals operated by Interbanking, Banelco, and Red Link enable consumers to deal with bills, credit cards, and taxes online.

The BCRA and the electronic clearinghouses have adopted a standardized code (CBU — Clave Bancaria Uniforme) for all interbank electronic funds transfers. The BCRA has developed a so-called "Alias CBU" to facilitate electronic transfers and payments. As of December 2016, banks have been required to have their systems ready to enable customers to link their account numbers to an alpha-numeric alias of their choice. Unlike the CBU, the "Alias CBU" is portable, allowing customers switching bank accounts to keep the same alias and link it to the CBU of the new account. In May 2018, the BCRA created a virtual identification code (CVU - Clave Virtual Uniforme) for virtual non-banking accounts. The CVU is compatible with the CBU and allows the transfer of funds between bank and virtual accounts.

External Financing

Long-term Funding

Since the economic crisis of 2001–2002, medium and long-term financing to companies in Argentina has been extremely scarce.

Bank Lines of Credit / Loans

There is very little long-term bank funding available at present. In 2016, the government introduced a new indexed system based on a unit of account (UVA – Unidad de Valor Adquisitivo) tied to the consumer price index to finance mortgage loans at a lower interest rate. The UVA, which is updated daily, is expected to give rise to a new way of saving and a new source of long-term loans.

Leasing

Lease finance is relatively rare either for buildings or machinery.

Bonds

The bond market is generally used by Argentinean firms for restructuring their debt portfolios. Bonds can be issued in ARS or USD. Rates are generally floating at a level above a reference rate such as the Buenos Aires interbank offered rate.

Private Placement

Private debt placements are rarely used in Argentina.

Asset Securitization / Structured Finance

Asset-backed finance is well-established in the Argentinean capital markets, with firms commonly leveraging domestic receivables and export proceeds. Most issues are fixed rate and denominated in ARS.

Government (Agency) Investment Incentive Schemes / Special Programs or Structures

Some banks offer five-year terms at rates subsidized by the government.

Useful Contacts

National Investment Promotion Agencies

Investment Promotion Agency — www.prosperar.gov.ar

Invest in Argentina Foundation — www.invertir.com

Central Bank

Banco Central de la República Argentina — www.bcra.gov.ar

Payment System Operators

Interbanking S.A. — www.interbanking.com.ar

COELSA (Compensadora Electrónica S.A.) — www.coelsa.com.ar

Banks

Banco de la Nación Argentina — www.bna.com.ar

Banco de Galicia y Buenos Aires — www.bancogalicia.com.ar

Banco de la Provincia de Buenos Aires — www.bapro.com.ar

BBVA Banco Francés — www.bancofrances.com.ar

Banco Santander Río — www.santanderrio.com.ar

Stock Exchange

Bolsa de Comercio de Buenos Aires (BCBA) — www.bolsar.com

Ministry of Economy

Ministry of Economy and Production — www.mecon.gov.ar

Chamber of Commerce

Argentine Chamber of Commerce — www.cac.com.ar

Bankers' Associations

Association of Argentine Banks — www.aba-argentina.com

Association of Public and Private Banks of Argentina — www.abappa.com