



ASSOCIATION FOR
FINANCIAL
PROFESSIONALS

Underwritten by



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.

© January 2017, AFP Country Profiles.

The material provided by PNC Bank, National Association (PNC), the Association for Financial Professionals (AFP) and AFP's contracted information supplier is not intended to be advice on any particular matter. No reader should act on the basis of any matter provided by PNC and AFP and AFP's contracted information supplier and third party suppliers in this document without considering appropriate professional advice. PNC, AFP and AFP's contracted information supplier expressly disclaim all and any liability to any person in respect of anything and of the consequences of anything done or omitted to be done by any such person in reliance upon the contents of this document.

The information provided is frequently subject to change without notice. The data and software are provided "AS IS" without any express or implied warranty of any kind including, without limitation, warranties of non-infringement, merchantability, or fitness for any particular purpose. PNC, AFP, and AFP's contracted information provider do not represent or warrant the information contained in this printed report, on this web site or on referred sites or sites accessible via hypertext links is complete or free from error and expressly disclaim and do not assume any liability to any person for any loss or damage whatsoever caused by errors or omissions in the data or software, whether such errors or omissions result from negligence, accident, quality, performance of the software, or any other cause.

All rights reserved. No part of the material provided by PNC, AFP and AFP's contracted information supplier and third-party suppliers may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of AFP and its contracted supplier.

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

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. 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.

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 USD 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 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 helping 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 connect you 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 risk management 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.¹

Economic Updates

Receive regular Economic Updates from our senior economist by going to pnc.com/economicreports.

(1) Information compiled from Freedom of Information Act resources.

PNC and PINACLE are registered marks of The PNC Financial Services Group, Inc. ("PNC").

Bank deposit and treasury management products and services are provided by PNC Bank, National Association, a wholly-owned subsidiary of PNC and **Member FDIC**. Lending products and services, as well as certain other banking products and services, may require credit approval.

In Canada, bank deposit, treasury management, equipment financing, leasing and lending products and services are provided by PNC Bank Canada Branch. PNC Bank Canada Branch is the Canadian branch of PNC Bank, National Association. Deposits with PNC Bank Canada Branch are **not** insured by the Canada Deposit Insurance Corporation.

Foreign exchange and derivative products are obligations of PNC Bank, National Association. Foreign exchange and derivative products are **not** bank deposits and are **not FDIC insured**, nor are they insured or guaranteed by PNC or any of its subsidiaries or affiliates.

This AFP Country Report is being provided for general information purposes only and is not intended as specific legal, tax or investment advice or a recommendation to engage in any other transactions and does not purport to be comprehensive. Under no circumstances should any information contained herein be used or considered as an offer or a solicitation of an offer to participate in any particular transaction or strategy. Any reliance upon this information is solely and exclusively your own risk.

©2017 The PNC Financial Services Group, Inc. All rights reserved.

Contents

Executive Summary	2
PNC's International Services	4
Financial Environment	9
Country Information	9
Geographical Information	9
Business Information	9
Country Credit Rating	10
Economic Statistics	11
Economics Table	11
Sectoral Contribution as a % of GDP	12
Major Export Markets	12
Major Import Sources	12
Political and Economic Background	13
Economics	13
Interest Rate Management Policy	13
Foreign Exchange Rate Management Policy	13
Major Economic Issues	13
Politics	14
Government Structure	14
Major Political Issues	15
Taxation	16
Resident/Non-resident	16
Tax Authority	16
Tax Year	16
Corporate Taxation	16
Advance Tax Ruling Availability	17
Deemed Minimum Income Tax	17
Capital Gains Tax	17
Withholding Tax (Subject to Tax Treaties)	17
Tax Treaties / Tax Information Exchange Agreements (TIEAs)	18
Transfer Pricing	19
Thin Capitalization	19
Controlled Foreign Companies	19
Disclosure Requirements	19
Anti-avoidance Rules	19
Stamp Duty	19
Financial Transactions / Banking Services Tax	20
Personal Property Tax	20
Cash Pooling	20
Value Added Tax	20
Excise Tax / Export Duties	20
Real Property Tax	21

Payroll and Social Security Taxes	21
Cash Management	22
Banking System	22
Banking Regulation	22
Banking Supervision	22
Central Bank Reporting	22
Exchange Controls	22
Bank Account Rules	24
Anti-money Laundering and Counter-terrorist Financing	24
Banking Sector Structure	25
Major Domestic Banks	25
Overall Trend	25
Payment Systems	27
Overview	27
High-value	27
Low-value	29
Payment and Collection Instruments	31
Overview and Trends	31
Statistics of Instrument Usage and Value	31
Paper-based	31
Checks	31
Giros	32
Electronic	32
Credit Transfer	32
Direct Debits	33
Payment Cards	33
ATM/POS	34
Electronic Wallet	34
Liquidity Management	35
Short-term Borrowing	35
Overdrafts	35
Bank Lines of Credit / Loans	35
Trade Bills – Discounted	35
Factoring	35
Commercial Paper	35
Bankers’ Acceptances	36
Supplier Credit	36
Intercompany Borrowing, including Lagging Payments	36
Short-term Investments	36
Interest Payable on Bank Account Surplus Balances	36
Demand Deposits	36
Time Deposits	36
Certificates of Deposit	36
Treasury (Government) Bills	36

Commercial Paper	36
Money Market Funds	36
Repurchase Agreements	37
Bankers' Acceptances	37
Liquidity Management Techniques	37
Cash Concentration.....	37
Notional Pooling.....	37
Trade Finance	38
General Rules for Importing/Exporting	38
Imports	39
Documentation Required.....	39
Import Licenses	39
Import Taxes/Tariffs	39
Financing Requirements.....	39
Risk Mitigation.....	40
Prohibited Imports.....	40
Exports	41
Documentation Required.....	41
Export Licenses	41
Export Taxes/Tariffs	41
Proceeds	41
Financing Requirements.....	41
Risk Mitigation	41
Prohibited Exports.....	41
Information Technology	42
Electronic Banking	42
External Financing	43
Long-term Funding	43
Bank Lines of Credit / Loans	43
Leasing	43
Bonds	43
Private Placement	43
Asset Securitization / Structured Finance	43
Government Investment Incentive Schemes / Special Programs or Structures	43
Useful Contacts	44
National Investment Promotion Agencies	44
Central Bank.....	44
Payment System Operators.....	44
Banks.....	44
Stock Exchange	44
Ministry of Economy.....	44
Chamber of Commerce.....	44
Bankers' Associations	44

Financial Environment

Country Information

Geographical Information

Capital	Buenos Aires
Area	2,780,400 km ²
Population	43.89 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	2017 — February 27, 28, March 24, April 2, 13, 14, May 1, 25, June 17, 20, July 9, August 21, October 9, November 6, 27, December 8, 25 2018 — January 1, February 12, 13, March 24, 29, 30, April 2, May 1, 25, June 17, 20, July 9, August 20, October 8, November 6, 26, December 8, 25 2019 — January 1, March 4, 5, 24, April 2, 18, May 1, 25, June 17, 20, July 9, August 19, October 14, November 6, 25, December 8, 25 <small>Source: www.goodbusinessday.com.</small>
International dialing code	+ 54

Country Credit Rating

Fitch Ratings last rated Argentina on October 13, 2016 for issuer default as:

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

Source: www.fitchratings.com, January 2017.

Economic Statistics

Economics Table		2010	2011	2012	2013	2014
GDP per capita	(USD)	9,172	11,003	11,331	14,380	12,751
GDP	(ARS billion)	1,443	1,842	2,164	3,340	4,426
GDP	(USD billion)	370	448	477	612	548
GDP volume growth*	(%)	+ 9.1	+ 8.6	+ 0.9	+ 2.9	+ 0.4
BoP (goods, services & income) as % GDP		+ 0.5	- 0.4	- 0.2	- 1.8	- 1.4
Consumer inflation*	(%)	+ 10.8	+ 9.5	+ 10.0	+ 10.6	NA
Population	(million)	40.37	40.73	42.10	42.54	42.98
Unemployment	(%)	7.7	7.2	7.2	7.1	NA
Interest rate (local currency MMR)[†]	(%)	9.09	9.98	9.79	13.10	17.90
Exchange rate[‡]	(ARS per USD)[†]	3.8963	4.1101	4.5369	5.4594	8.0753

		2015		2016		
		Q4	Year	Q1	Q2	Q3
GDP per capita	(USD)	-	14,575	-	-	-
GDP	(ARS billion)	-	5,843	-	-	-
GDP	(USD billion)	-	633	-	-	-
GDP volume growth*	(%)	+ 2.2	- 17.6	+ 0.3	- 3.4	NA
BoP (goods, services & income) as % GDP		-	- 2.5	-	-	-
Consumer inflation*	(%)	NA	NA	NA	NA	NA
Population	(million)	-	43.42	-	-	-
Unemployment	(%)	NA	NA	NA	NA	NA
Interest rate (local currency MMR)[†]	(%)	24.25	22.02	28.69	34.29	28.11
Exchange rate[‡]	(ARS per USD)[†]	10.1625	9.2332	14.4395	14.2323	14.9433

*Year on year. †Period average. ‡Official rate. Sources: *International Financial Statistics*, IMF, December 2016 and 2015 Yearbook; and World Trade Organization.

Sectoral Contribution as a % of GDP

Agriculture - 10.9%

Industry - 29.3%

Services - 59.7% (2015 estimate)

Major Export Markets

Brazil (17%), China (8.6%), USA (5.9%)

Major Import Sources

Brazil (22.4%), USA (16.3%), China (15.5%), Germany (5.1%)

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. Despite initial problems, the economy grew strongly between 2003 and 2008. The abandonment of the exchange rate peg against the US dollar helped exporters sell in excellent international financial conditions. Since then, economic performance has been mixed.

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. In July 2014, Argentina was forced to default on its debt for a second time in 13 years after refusing to repay holdout creditors (hedge funds), who were suing it for USD 1.3 billion in principal and past interest. In March 2016, the Congress approved a package of measures proposed by the government, which calls for the repeal of laws that prevent the government from paying holdout creditors, as well as authorising it to raise approximately USD 12 billion to settle the debt. In April 2016, a US appeals court cleared the way for the Argentinean government to move forward with a planned global bond issue, the country's first since the default. 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.

In December 2016, Mr. Macri fired his finance minister Alfonso Prat-Gay, due to internal conflicts, and split the ministry into two – a treasury division, led by fiscal hardliner Nicolás Dujovne, and a finance division, led by former finance secretary Luis Caputo.

Mr. Macri's administration has aimed to cut its primary fiscal deficit, with the previous finance minister forecasting a primary fiscal deficit of 4.2% in 2017, higher than the 3.3% deficit originally proposed. However, the new treasury minister, whose responsibilities include pushing through austerity measures in an election year, has not announced a new deficit target yet, stating that it would depend on how much revenue the government receives from a tax amnesty program that allows Argentines with foreign assets to declare the assets until the end of March 2017 without the risk of being prosecuted. As of January 2017, Argentines have repatriated USD 90 billion, resulting in government revenue of USD 5.17 billion. The government also plans to bring annual inflation down from an estimated 40% in 2016 to 17% in 2017.

In June 2016, the Argentine National Statistics and Census Institute (INDEC) released its first set of inflation and GDP growth numbers since December 2015, when the new government suspended the publication of official data on the economy and intervened in the institute following long standing claims of manipulation by the previous government. According to the new figures, the economy was in recession in 2009, 2012 and 2014. The revised data shows that the economy contracted by 2.56% in 2014 compared to an estimate of 0.5% growth under the previous government. GDP growth stood at a revised 2.37% in 2015. The IMF expects the Argentinean economy to contract by 1.8% in 2016 before expanding by 2.7% in 2017 on the back of slowing inflation and more supportive monetary and fiscal policy stances.

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 2015.

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, who took office on December 10, 2015, 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. He has also promised more diplomatic prudence and a more accountable democracy.

However, one year after Mr. Macri came to power and implemented market-friendly reforms, Argentina remains in recession, inflation is likely to end 2016 at 40% and unions are threatening to go on strike for higher wages. Although the government expects the economy to recover in 2017, with GDP growth of around 3%, the difficult economic scenario is causing political problems for Mr. Macri and, with mid-term elections scheduled for October 2017, the government could end up with an even smaller representation in Congress, making it harder to drive its political agenda.

Mr. Macri has also been criticized for bypassing Congress, in which the Peronists control the Senate and form the largest opposition group in the Chamber of Deputies. He has issued 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 has also hinted that he will adopt a more internationalist approach, by saying that, without dropping the Falklands claim, he wants "a new era" in relations with the United Kingdom.

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 35%.

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. losses 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

This tax applies to resident companies, and is charged at a rate of 1% on assets located in Argentina.

The starting point in determining the taxable base is the total assets as per the financial statements, which are then adjusted to make them compliant with tax criteria (e.g. by adding assets that, for accounting purposes, were not considered assets, or to comply with tax-specific valuation criteria). Entities governed by the Argentina Financial Institutions Act only need to include 20% of their assets when calculating the charge.

Certain assets are exempt, such as shares held in companies that pay this tax and depreciable new movable assets (except cars). The latter are only exempt for the first two fiscal years from when the asset was acquired or the investment made.

Income tax for the same tax year can be credited against this tax. If the company is carrying forward losses, the minimum income tax paid becomes a tax credit against income tax for the next 10 years.

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.

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% /24% /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 24% (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 44 jurisdictions through 19 double tax treaties and 25 TIEAs (www.eoi-tax.org, January 2017).

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.

Thin Capitalization

Interest on the portion of qualifying loans exceeding a 2:1 debt-to-equity ratio will not be deductible. Any non-deductible interest is treated as a dividend or profit distribution, which may then be liable to withholding tax.

Controlled Foreign Companies

The tax authorities have issued a list of countries that are considered "cooperative" for tax transparency purposes. Any country or jurisdiction not included on the list of cooperative countries is deemed to be a non-cooperative country that is subject to all tax provisions that apply to low or not tax jurisdictions.

The CFC rules require resident shareholders to include in their taxable income the taxable profits derived by a company resident in a non-cooperative country from dividends, interest, royalties, leases and other passive income. Current taxation will not apply, however, if at least 50% of the profits of the non-cooperative country company are related to active income.

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 2017.

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.

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.

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, the federal tax agency (AFIP) is no longer required to vet most foreign currency purchases. The 35% tax (creditable against income and asset taxes) that applied on all overseas credit and debit card purchases and online sales was eliminated in December 2015.

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.

As of December 17, 2015, payments abroad for imports of goods and services can be made without any limit through the foreign exchange market. Caps on the payment of outstanding debts for imports of goods and services were gradually reduced until May 2016. As from June 2016, there is no cap.

As of April 30, 2014, 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, specifically 121/2011 for the banking and exchange sector and most recently Resolution 92/2016.
- 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 2017.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) October 31, 2016
Banco de la Nacion Argentina	37,791
Banco del la Provincia de Buenos Aires	13,089
Banco Santander Rio	12,205
Banco de Galicia y Buenos Aires	12,184
BBVA Banco Frances	9,017
Banco Macro	8,560
HSBC Bank Argentina	5,401

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 Argentines 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 is subject to regulatory approvals.

In August 2016, Germany's Deutsche Bank agreed to sell its subsidiary in Argentina to Banco Comafi for an undisclosed sum. The deal is expected to close in the first half of 2017, subject to regulatory approval.

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	2017 — February 27, 28, March 24, April 2, 13, 14, May 1, 25, June 17, 20, July 9, August 21, October 9, November 6, 27, December 8, 25 2018 — January 1, February 12, 13, March 24, 29, 30, April 2, May 1, 25, June 17, 20, July 9, August 20, October 8, November 6, 26, December 8, 25 2019 — January 1, March 4, 5, 24, April 2, 18, May 1, 25, June 17, 20, July 9, August 19, October 14, November 6, 25, 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	2017 — February 27, 28, March 24, April 2, 13, 14, May 1, 25, June 17, 20, July 9, August 21, October 9, November 6, 27, December 8, 25 2018 — January 1, February 12, 13, March 24, 29, 30, April 2, May 1, 25, June 17, 20, July 9, August 20, October 8, November 6, 26, December 8, 25 2019 — January 1, March 4, 5, 24, April 2, 18, May 1, 25, June 17, 20, July 9, August 19, October 14, November 6, 25, December 8, 25
Cut-off times	18:00 for third-party transactions 20:00 for interbank transactions
Participants	53 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	2017 — February 27, 28, March 24, April 2, 13, 14, May 1, 25, June 17, 20, July 9, August 21, October 9, November 6, 27, December 8, 25 2018 — January 1, February 12, 13, March 24, 29, 30, April 2, May 1, 25, June 17, 20, July 9, August 20, October 8, November 6, 26, December 8, 25 2019 — January 1, March 4, 5, 24, April 2, 18, May 1, 25, June 17, 20, July 9, August 19, October 14, November 6, 25, 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
	2014	2015	2015/2014	2014	2015	2015/2014
Checks	91.4	89.1	- 2.5	228.3	206.2	- 9.7
Electronic clearing houses credit transfers	122.9	142.5	16.0	917.6	922.8	0.6
MEP transfers	1.7	1.8	5.9	1,629.1	1,626.0	- 0.2

Source: Banco Central de la República Argentina, April 2016.

Paper-based

Checks

The check is the most 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 dropped to 89.1 million in 2015. 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 September 2014, checks up to ARS 20,000 (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.

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 2005 and 2015, the volume of low-value credit transfers (*transferencias minoristas*) grew by 2,539%, while their value soared by 11,884%. In 2016, the volume of low-value credit transfers totalled 171.2 million, while their value stood at USD 970.4 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 totalled 1.8 million in 2016, while their value reached USD 1,968.1 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 the first nine months of 2016, 69.5% of low-value ARS payments made for same-day value in Argentina were initiated via online banking services, compared with 70.6% in the same period in 2015. While the share of instant transfers initiated via ATMs fell from 22.8% to 21.9% and the share of instant payments initiated via corporate electronic banking services increased slightly from 3.2% to 3.5%, the share of instant payments initiated via mobile banking services increased by 50% from 3.4% to 5.1% 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.

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 38 million debit cards in circulation in Argentina in March 2016, 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 participant banks (14 of Argentina's largest private banks), while transactions from Red Link's members (36 financial institutions - mostly national and provincial public banks) are processed by Interbanking.

The number of credit cards in circulation in Argentina totalled approximately 35 million in March 2016, up from 34.5 million in 2015 and 30 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 2015, there are over 19,660 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 1 million POS terminals in Argentina in 2015.

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 will allow the use of mobile wallets in the country. According to the regulations, financial institutions will be able to develop their own mobile applications to enable users to perform transactions through their mobile phones. Banks will also be required to create an e-commerce purchase button linked to the user's bank account. This button will 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 suspended from the bloc for failing to comply with a series of trade and human rights rules.

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

In December 2015, the government eliminated export taxes on agricultural products, except for soy, for which a 35% tax rate will be cut by five percentage points a year. The government has also announced plans to eliminate export taxes on industrial products.

Export taxes are levied on industrial products at a rate between 0% and 35%.

Crude petroleum is subject to a fluctuating rate, starting at 45%, based on international reference prices. Natural gas is subject to a 100% rate.

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 50 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.

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