Executive Summary

Banking

The UK’s central bank is the Bank of England. Bank supervision is performed by the Financial Services Authority. Prudential regulation and supervision of the banking sector is performed by the Prudential Regulation Authority (PRA), a part of the Bank of England.

The UK does not impose central bank reporting requirements.

Resident entities are permitted to hold fully convertible domestic currency (GBP) and foreign currency bank accounts within and outside the UK. Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts within the UK.

The UK has 158 banks and 45 building societies in operation. There is a significant foreign banking presence in the UK and 165 foreign banks have established branches.

Payments

The UK’s four main payment systems are CHAPS, BACS, the Faster Payments Service and the C&CC system.

The most important cashless payment instruments in the UK are electronic credit transfers in terms of value and card payments in terms of volume. Checks and direct debits are also popular payment instruments in the UK. The increased use of electronic and internet banking by consumers and businesses has led to significant growth in the use of electronic payments.

Liquidity Management

UK-based companies have access to a variety of short-term funding alternatives. There is also a range of short-term investment instruments available.

Cash concentration is a widely available technique used by British companies to manage company and group liquidity. Zero, target and threshold balancing are all commonly available techniques offered by both domestic and foreign banks.

Notional pooling is available in the UK. Both resident and non-resident bank accounts can participate in a notional cash pooling structure located in the UK.

Trade Finance

The UK applies the European Union (EU) customs code and all its associated regulations and commercial policies. All trade is free from restriction between the UK and its fellow European Economic Area (EEA) member states.
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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**
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](http://pnc.com/economicreports).

¹ Information compiled from Freedom of Information Act resources.
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Geographical Information

<table>
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<tr>
<th>Capital</th>
<th>London</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>243,610 km²</td>
</tr>
<tr>
<td>Population</td>
<td>64.43 million</td>
</tr>
<tr>
<td>Official languages</td>
<td>English, Welsh, Scottish Gaelic, Cornish, Irish</td>
</tr>
</tbody>
</table>
| Political leaders | Head of State — Queen Elizabeth II (since February 6, 1952)  
Head of Government — Prime Minister Theresa May (since July 13, 2016) |

Business Information

<table>
<thead>
<tr>
<th>Currency (+ SWIFT code)</th>
<th>Pound sterling (GBP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business/Banking hours</td>
<td>09:00–17:00 (Mon–Fri)</td>
</tr>
</tbody>
</table>
| Bank holidays           | 2017 — December 25, 26  
2018 — January 1, March 30, April 2, May 7, 28, August 27,  
December 25, 26  
2019 — January 1, April 19, 22, May 6, 27, August 26,  
December 25, 26 |
| International dialing code | + 44 |

Source: www.goodbusinessday.com
# Country Credit Rating

FitchRatings last rated United Kingdom on May 5, 2017 for issuer default as:

<table>
<thead>
<tr>
<th>Term</th>
<th>Issuer Default Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short</td>
<td>F1 +</td>
</tr>
<tr>
<td>Long</td>
<td>AA</td>
</tr>
<tr>
<td>Long-term rating outlook</td>
<td>Negative</td>
</tr>
</tbody>
</table>

## Economic Statistics

### Economics Table

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita (USD)</td>
<td>41,552</td>
<td>41,282</td>
<td>41,904</td>
<td>45,878</td>
<td>44,037</td>
</tr>
<tr>
<td>GDP (GBP billion)</td>
<td>1,618</td>
<td>1,655</td>
<td>1,713</td>
<td>1,791</td>
<td>1,864</td>
</tr>
<tr>
<td>GDP (USD billion)</td>
<td>2,594</td>
<td>2,624</td>
<td>2,680</td>
<td>2,951</td>
<td>2,850</td>
</tr>
<tr>
<td>GDP volume growth* (%)</td>
<td>+ 1.5</td>
<td>+ 1.3</td>
<td>+ 1.9</td>
<td>+ 3.1</td>
<td>+ 2.2</td>
</tr>
<tr>
<td>BoP (goods, services &amp; income) as % GDP</td>
<td>- 0.3</td>
<td>- 2.4</td>
<td>- 2.9</td>
<td>- 3.3</td>
<td>- 4.1</td>
</tr>
<tr>
<td>Consumer inflation* (%)</td>
<td>+ 4.5</td>
<td>+ 2.8</td>
<td>+ 2.6</td>
<td>+ 1.5</td>
<td>+ 0.1</td>
</tr>
<tr>
<td>Population (million)</td>
<td>62.43</td>
<td>63.57</td>
<td>63.96</td>
<td>64.33</td>
<td>64.72</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>8.1</td>
<td>8.0</td>
<td>7.6</td>
<td>6.2</td>
<td>5.4</td>
</tr>
<tr>
<td>Interest rate (local currency MMR)† (%)</td>
<td>0.52</td>
<td>0.48</td>
<td>0.45</td>
<td>0.41</td>
<td>0.39</td>
</tr>
<tr>
<td>Exchange rate† (USD per GBP)</td>
<td>1.6036</td>
<td>1.5853</td>
<td>1.5645</td>
<td>1.6474</td>
<td>1.5290</td>
</tr>
</tbody>
</table>

### 2016 & 2017

<table>
<thead>
<tr>
<th></th>
<th>Q3</th>
<th>Q4</th>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita (USD)</td>
<td>-</td>
<td>-</td>
<td>37,802</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GDP (GBP billion)</td>
<td>-</td>
<td>-</td>
<td>1,940</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GDP (USD billion)</td>
<td>-</td>
<td>-</td>
<td>2,487</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GDP volume growth* (%)</td>
<td>+ 2.3</td>
<td>+ 1.9</td>
<td>+ 1.8</td>
<td>+ 2.0</td>
<td>NA</td>
</tr>
<tr>
<td>BoP (goods, services &amp; income) as % GDP</td>
<td>-</td>
<td>-</td>
<td>- 3.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Consumer inflation* (%)</td>
<td>+ 0.7</td>
<td>+ 1.2</td>
<td>+ 0.6</td>
<td>+ 1.6</td>
<td>+ 2.8</td>
</tr>
<tr>
<td>Population (million)</td>
<td>-</td>
<td>-</td>
<td>65.79</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>5.1</td>
<td>4.7</td>
<td>4.9</td>
<td>4.5</td>
<td>NA</td>
</tr>
<tr>
<td>Interest rate (local currency MMR)† (%)</td>
<td>0.24</td>
<td>0.13</td>
<td>0.30</td>
<td>0.16</td>
<td>NA</td>
</tr>
<tr>
<td>Exchange rate† (USD per GBP)</td>
<td>1.3136</td>
<td>1.2426</td>
<td>1.2821</td>
<td>1.2388</td>
<td>1.2790</td>
</tr>
</tbody>
</table>

Financial Environment

**Sectoral Contribution as a % of GDP**

- Agriculture – 0.6%
- Industry – 19.2%
- Services – 80.2% (2016 estimate)

**Major Export Markets**

- USA (14.6%), Germany (10.1%), Switzerland (7.0%), China (6.0%), France (5.9%), Netherlands (5.8%), Ireland (5.5%)

**Major Import Sources**

- Germany (14.8%), China (9.8%), USA (9.2%), Netherlands (7.5%), France (5.8%), Belgium (5.0%)
Political and Economic Background

Economics

Interest Rate Management Policy
The UK’s interest rate is set through the mechanism of the Bank of England. Its main objective is to maintain price stability, defined by the British government as keeping inflation at around 2%. Interest rates are set at monthly meetings of the Bank of England’s Monetary Policy Committee (MPC).

Foreign Exchange Rate Management Policy
The pound sterling (GBP) is a free floating currency. The GBP exchange rate is determined through supply and demand in the foreign exchange market. The Bank of England is permitted to intervene to moderate volatile fluctuations in the exchange rate.

Major Economic Issues
The UK is one of the world’s largest economies through its position as a highly competitive, services-oriented economy, particularly within the financial and insurance sectors.

The UK’s main economic concern is the impact of high levels of both consumer and government debt, as well as a slower than expected return to normal lending, on economic growth. Annual GDP growth fell from 3.1% in 2014 to 2.2% in 2015, as the global economic slowdown weighed on the UK’s previous year’s rapid expansion. The economy grew by 1.8% in 2016, despite the Brexit vote, driven by strong consumer spending. The government deficit reached 10.1% of GDP in 2009, before gradually falling to 3% in 2016.

The current Conservative Party administration, led by Theresa May, has pledged to continue its austerity policies in pursuit of eliminating the UK’s budget deficit and “securing a stronger economy”. Higher taxes are being introduced on dividends, insurance and cars, while tax relief for pension savings are to be restricted for those earning in excess of GBP 150,000. The government also plans to cut the welfare bill by GBP 12 billion by 2019-20, which will include cuts to tax credits. A new Universal Credit system will gradually replace existing benefits and tax credits by 2022.

In April 2015, the UK government introduced a Diverted Profits Tax, which aims to prevent big multinationals moving their profits outside the UK to avoid tax.

In its 2017 election manifesto, the Conservative government pledged to eliminate the deficit by the middle of the 2020s. However, the loss of their majority in Parliament has forced the government to abandon planned cuts and it is now expected to use the 2017 Autumn Budget to acknowledge that the budget may not be balanced before 2027.

In July 2017, the IMF revised down its UK growth forecast for 2017 from 2% to 1.7% on weaker-than-expected economic activity in the first quarter of 2017. The IMF also maintained its growth forecast for 2018 unchanged at 1.5%, adding that the ultimate impact of Brexit on the UK remains unclear.
Politics

Government Structure

Political power is divided between the government and the bicameral Houses of Parliament in the UK. The national government is based in London.

There are four elected regional governments, within which autonomous governing powers vary.

- The Scottish Parliament – the 129-member parliament is elected every four years through a combination of simple majority voting (73 constituencies) and proportional representation (56 regional members). It is able to pass primary legislation on health, education, local government, housing, tourism, economic development, and most aspects of criminal and civil law. It has some powers to vary taxes.

- The National Assembly for Wales – the 60-member assembly is elected every four years through a combination of simple majority voting (40 constituencies) and by regional closed lists using an alternative member system (20 regional members). It is able to pass primary legislation on specific matters not explicitly reserved to the UK Parliament.

- The Northern Ireland Assembly – the 108-member assembly is elected for five-year terms via proportional representation. It is able to pass primary legislation on specific matters not explicitly reserved to the UK Parliament.

- The London Assembly – the Greater London Authority’s 25-member assembly is elected every four years through a combination of simple majority voting (14 constituencies) and proportional representation (11 London regional members). Its purpose is to examine the work of the mayor, who is directly elected every four years and has some responsibility for transport, emergency services and economic development in London.

The UK also operates two systems of local government: unitary authorities and two-tier county and district councils.

The constitutional monarch, Queen Elizabeth II, is the head of state. Her role is essentially ceremonial, although she does have the right to be consulted, to advise and to warn the prime minister on government policy.

Executive

At national level, the government is headed by the prime minister and the cabinet. The prime minister forms a government with the support of the lower House of Commons, but is formally asked to form a government by the Queen. The government is formed by the majority party in the Parliament’s lower house, the House of Commons.

The current Conservative Party administration is headed by Prime Minister Theresa May.

Legislature

The UK’s bicameral parliament consists of the upper House of Lords and lower House of Commons.
The 805-member House of Lords is composed of 90 hereditary peers, 26 archbishops and bishops from the Church of England and 689 life peers. The House of Lords Act 1999 abolished the right of most hereditary peers to sit in the House of Lords and replaced them with government-appointed peers who serve for their lifetime. The House of Lords has the power to delay legislation introduced in the House of Commons, but not the veto power. It has no power over finance bills.

The 650-member House of Commons is directly elected at least every five years through simple majority voting in single member constituencies. The next election is to be held by May 5, 2022.

**International memberships**

The UK is currently a member of the European Union (EU) but voted in a June 2016 national referendum to leave. The government invoked Article 50 of the Lisbon Treaty, which formally began the UK’s withdrawal from the EU, on March 29, 2017.

The UK is also a member of the Council of Europe, the Organisation for Economic Co-operation and Development (OECD), the Bank for International Settlements (BIS), the North Atlantic Treaty Organization (NATO), the G-7 and the World Trade Organization (WTO).

**Major Political Issues**

A referendum on the UK’s continued membership of the EU was held on June 23, 2016. The people of the United Kingdom voted to leave the EU by 51.9% to 48.1% on a national turnout of 72% (the highest ever for a UK-wide referendum). After campaigning for the UK to remain in the EU, David Cameron resigned as Prime Minister. He was replaced by Theresa May on July 13, 2016. Theresa May has appointed several prominent “Brexit” advocates to key government positions responsible for negotiating the UK’s withdrawal.

The government triggered Article 50 of the Lisbon Treaty on March 29, 2017. Article 50 is the mechanism through which the UK can leave the EU. It provides a period of two years before the UK leaves the EU. At the end of Article 50 talks with the EU, the UK Parliament will get to vote on any deal struck with EU negotiators, however they will be unable to veto Brexit. If a majority of MPs reject the deal, the UK will leave the EU regardless and would trade with the EU under World Trade Organisation (WTO) rules.

In April 2017, Theresa May called a snap general election for June 8, 2017, despite having pledged several times after taking office in 2016 not to call an early election. Ms May claimed that disagreement in parliament over the terms of Brexit risks hampering the negotiations and wanted a fresh mandate to reinforce her ability to negotiate a transition to a new trade deal with the EU. Although an election had not been due until 2020, the call for a snap election in June 2017 received the necessary two-thirds majority in the House of Commons in April 2017.

The Conservative Party, which had a small majority in the previous parliament, won the most seats, but lost their majority in what is seen as a humiliating election result for Ms. May, who had expected to increase her majority. However, Theresa May remained as prime minister, after a majority coalition government was agreed between the Conservatives (317 seats) and Northern Ireland’s Democratic Unionist Party (DUP) (10 seats).
The opposition Labour Party, which had collapsed in the polls since the previous general election, affected by infighting over its divisive leader Jeremy Corbyn, run an effective campaign, pledging to nationalize key industries, scrap tuition fees and reverse a series of benefit cuts, and made an unexpected net gain of 30 seats, taking its total from 232 to 262 seats.

The constitutional position of Scotland remains an important political issue for the UK as a whole. The Scottish National Party (SNP), which favors independence from the UK, won a majority in the Scottish Parliament for the first time in the May 2011 election. In a referendum held in September 2014, voters rejected independence with a 55% “No” vote on an 85% turnout. However, further powers over taxation, VAT revenues and welfare are expected to be devolved to the Scottish Parliament; the Scotland Bill is currently being discussed in parliament.

Meanwhile, in a referendum held in March 2011, the people of Wales voted in favor of giving the National Assembly for Wales direct law-making powers in all of its 20 subject areas without it having to consult the UK Parliament or the Secretary of State for Wales.

The threat posed by international terrorism continue to be a concern. A terrorist attack on a music concert in Manchester on May 22, 2017, resulted in a number of fatalities and injuries, including to children. The UK government responded by raising the security threat level from “severe” to “critical”, meaning that another attack was “expected imminently”. The threat level has since been reduced to “severe”. 
Financial Environment

Taxation

Resident/Non-resident

A company is considered to be resident if it is incorporated in or is centrally managed and controlled in the UK, unless it is regarded as resident in another country under a double taxation treaty.

Tax Authority

HM Revenue & Customs (HMRC).

Tax Year / Filing

The corporation tax assessment is based on the company’s accounting year and is charged at the average corporation tax rate for the period.

The UK operates a self-assessment regime. The tax return is due to be filed within 12 months of the period end. Mandatory online filing of all company tax return applies.

In general, large companies pay corporation tax in four quarterly installments on the basis of the anticipated liability for the period of account, starting 14 days after the end of the second quarter (as from April 1, 2019, the first quarterly installment to be paid by the largest companies with profits over GBP 20 million will be due in month three of the financial year).

Small companies pay corporation tax in a single payment nine months after the end of the year.

All companies file separate tax returns. However, losses may be ‘group relieved’ between UK group companies (broadly, where one is a 75% subsidiary of another or both are 75% subsidiaries of the same corporate parent in terms of share ownership, rights to income and rights on a winding up, taking account of direct and indirect holdings. There are other group rules that apply to capital gains allowing, for example, the intragroup transfer of assets at no gain/no loss for tax purposes or the transfer of gains/losses between group members.

Corporate Taxation

A UK resident company is subject to corporation tax on worldwide profits and gains (see below), with credit given for overseas taxes paid. Foreign profits and losses (including those from certain capital assets) arising from a permanent establishment (PE) of a UK resident company may be excluded by making an irrevocable election. The effect of the election may be deferred where the PE has incurred a loss. Anti-diversion rules based on the CFC rules (see “Controlled foreign companies,” below) may restrict the profits that can be excluded from the charge to UK tax by virtue of the election.

A non-resident company is subject to tax only in respect of UK-source profits, which include the income of a UK PE of the non-resident, income and certain gains from UK real estate, certain UK-source interest income and gains on assets used for the purposes of a PE’s trade.
The main rate of corporation tax is 20%, reducing to 19% as from 1 April 2017. The main rate does not apply to “ring fence” profits from oil rights and extraction.

A 25% rate applies as from April 1, 2015 where multinational companies use artificial arrangements to divert profits overseas to avoid UK tax.

A 28% rate applies to gains that arise on disposal of UK residential property where the gain is ATED-related (see “Capital gains,” below).

There is no surtax or alternative minimum tax.

Where an accounting period straddles March 31, it will fall into two financial years; therefore the profits of the company must be time-apportioned between the two years, and tax for each portion calculated at the rate relevant to that financial year.

A dividend exemption applies to most dividends and distributions unless received by a bank, insurance company or other financial trader. Dividends received by a non-small UK company on most ordinary shares and many dividends on non-ordinary shares from another company (UK or foreign) are exempt from UK corporation tax, with no minimum ownership period or minimum ownership level. The exemption also can apply to small companies receiving dividends and distributions from UK companies or foreign companies resident in a jurisdiction that has concluded a tax treaty with the UK which includes a non-discrimination provision. (A small company is a “micro or small enterprise,” as defined by the EU).

Trading losses generally can offset total profits of the year (including capital gains), with carryback of the excess to the preceding year permitted. Trading losses may be carried forward indefinitely (unless there is a change of ownership of the company and a major change in the nature and conduct of the trade within three years), but can be offset only against trading income. Capital losses may be offset only against capital gains and may only be carried forward.

An enhanced tax deduction of 230% is available for certain R&D expenditure for small or medium-sized companies.

Large companies can claim an “above the line” R&D credit at a rate of 11%.

A patent box regime allows companies to elect to apply a preferential rate of corporation tax to all profits attributable to qualifying patents. As a consequence of the OECD’s initiative on Base Erosion and Profit Shifting (BEPS), the current regime was closed to new entrants from July 2016 and a new regime was introduced.

There are also creative industry tax reliefs of up to an additional 100% deduction for qualifying expenditure on film production, animation, video gaming, high end television broadcasts (including children’s television programs), orchestral concerts and and theatrical productions.

**Anti-avoidance Rules**

There are many specific anti-avoidance rules.
Financial Environment

A general anti-abuse rule (GAAR) applies across a wide range of taxes, including corporation tax, income tax, capital gains tax and stamp duty. The legislation gives the UK tax authorities power to potentially apply the GAAR to counteract tax advantages arising from tax arrangements that are abusive.

Advance Tax Ruling Availability

UK taxpayers may apply for advance pricing agreements as well as clearances from Her Majesty’s Revenue and Customs (HMRC). Except where a clearance mechanism is available by statute, clearances (known as non-statutory clearances) may be applied for where it can be demonstrated that there is material uncertainty and the issue is commercially significant or the legislation is less than four years old.

Withholding Tax (Subject to Tax Treaties)

<table>
<thead>
<tr>
<th>Payments to:</th>
<th>Interest</th>
<th>Dividends</th>
<th>Royalties</th>
<th>Other income</th>
<th>Branch Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident companies</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>NA</td>
</tr>
<tr>
<td>Non-resident companies</td>
<td>0% / 20%</td>
<td>None</td>
<td>0% / 20%</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Interest paid to a non-resident is subject to 20% withholding tax, unless the rate is reduced under a tax treaty or the interest is exempt under the EU interest and royalties directive. A reduction of the withholding tax rate under a tax treaty is not automatic; advance clearance must be granted by the UK tax authorities.

There typically is no withholding tax on dividends paid by UK companies under domestic law, although a 20% withholding tax generally applies to distributions paid by a REIT from its tax-exempt rental profits (subject to relief under a tax treaty).

Royalties paid to a non-resident are subject to 20% withholding tax, unless the rate is reduced under a tax treaty or the royalties are exempt under the EU interest and royalties directive. Advance clearance is not required to apply a reduced treaty rate.

Transfer Pricing

Under self-assessment, companies are required to prepare their corporate tax returns on arm’s-length principles. Where arm’s-length pricing was not initially applied to transactions with related parties, appropriate upward adjustments to profits must be made when completing the tax return. In determining what is an arm’s-length price, OECD transfer pricing guidelines are applied. Companies must maintain sufficient documentation to support the prices used and any adjustments made. Failure to do so can lead to penalties being charged.

The aforementioned transfer pricing rules also apply to UK-to-UK transactions with related parties.
Thin Capitalization

The UK’s transfer pricing rules apply to loans, and consequently the thin capitalization rules have been removed. Under the transfer pricing provisions, in order to obtain a tax deduction the loans (and their terms) need to be such that a third party would have entered into them.

No “safe harbor” ratios are prescribed by statute.

Foreign companies operating in the UK through a branch are required to attribute capital to the UK branch for tax purposes based on the capital the branch would need if it were an independent, free-standing company operating in the UK. This measure is designed to prevent a greater deduction of interest payments for branches than would be the case for a company in the same situation.

Interest deductions may also be restricted under the worldwide debt cap and other provisions. These “debt cap” rules broadly apply where the aggregate tax deductions for net financing costs of UK group companies exceed the worldwide group’s gross accounting financing costs.

Controlled Foreign Companies

CFC provisions are applicable where, broadly, a UK company has a direct or indirect interest of at least 25% in a non-resident company that is controlled by UK residents. The regime operates on an income stream basis. There is a “gateway” test and a number of provisions that may apply to exempt a company from the rules. Where the CFC rules do apply, the relevant profits of the CFC are computed as though it were UK resident and its UK shareholder is subject to tax accordingly.

In addition, an overseas finance company can be fully or partially exempt from a CFC charge on profits derived from certain overseas group financing arrangements. The partial exemption works by taxing 25% of the finance company profits at the main corporate tax rate (resulting in an effective rate of 5% based on a main rate of 20%).

Disclosure Requirements

Certain tax arrangements that result in a UK tax advantage and fall within prescribed hallmarks must be disclosed to the UK tax authorities by, for example, a promoter and the user must note the use of such arrangements on the tax return. Separately, certain transactions valued at more than GBP 100 million must be reported to the UK tax authorities within six months of the transaction; these include, for example, the issue of shares or debentures by, or the transfer or permitting the transfer of shares or debentures of, a foreign subsidiary of a UK company. There is a list of excluded transactions that do not need to be reported.

Stamp Duty

Stamp duty arises on instruments of transfer relating to “stock and marketable securities” and is charged at a rate of 0.5% of the consideration provided in the form of cash, shares or debt. Stamp duty reserve tax (SDRT) arises on agreements to transfer “chargeable securities” at a rate of 0.5% of any consideration provided in the form of “money or money’s worth.”
Loan capital is generally exempt from stamp duty and out of the scope of SDRT unless it is in some way equity-related, for example convertible into equity, or carries a return relating to profits, an interest rate that exceeds a reasonable commercial return, or a right to repayment that exceeds the nominal and is not commercially comparable.

A charge to SDRT at 1.5% may also arise on entry to certain systems, e.g. on the transfer of UK shares to clearing services or national securities depositaries.

Stamp duty land tax (SDLT) is charged on transfers of UK real property (except Scottish property from April 1, 2015 when the new land and buildings transaction tax (LBTT) is expected to be introduced).

For residential property, SDLT rates are between 0% and 15% depending on the value of the property. The rates for non-residential property are 0% to 5%. A 15% rate applies to purchases of residential property valued at more than GBP 500,000 by companies and certain other vehicles, though relief from the 15% rate is available for some businesses.

In certain circumstances, transfers within a tax group may be free from stamp duty/SDLT.

**VAT/TVA (including Financial Services)**

VAT is a transaction tax levied on supplies of taxable goods and services. VAT is intended to tax final consumers, and therefore businesses typically act as collectors of the tax through the charges made to customers, and recover it (to the extent they are permitted) on expenses incurred in the course of their business.

The standard rate of UK VAT is 20%. A reduced rate of 5% (on domestic fuel and power, for example) and a zero rate (on transport, food, books and medicines, for example) apply to certain supplies (seen to be in the public interest).

The supply of certain services is exempt from VAT, e.g. supplies relating to land, education and health, as well as supplies within the financial services and insurance sectors. Suppliers of exempt services are not entitled to recover VAT they incur which is linked to the supply of those exempt services (unlike businesses that make taxable supplies). Suppliers that make both taxable and exempt supplies are entitled to recover part of the input tax they incur, calculated based on the proportion of taxable supplies made (including supplies made to non-UK counterparties that would be taxable if made to UK counterparties, as well as many exempt supplies made to non-EU counterparties). It should be noted that Insurance Premium Tax (IPT) may be due on VAT-exempt supplies of insurance.

Businesses are required to register for VAT where the value of taxable supplies made exceeds GBP 83,000 (tax year 2016/17) in a 12-month period. Voluntary registration is possible for businesses making taxable supplies below this threshold. VAT reporting to HMRC is performed using a VAT return, which is typically submitted on a quarterly basis. Other related compliance obligations also exist for certain businesses, e.g. those involved in cross-border transactions.
Tax Treaties/Tax Information Exchange Agreements (TIEAs)

The UK has tax treaties with 127 countries. Different rates of withholding tax can apply to interest and royalties, depending on the terms of the agreement with the particular country.

The UK has exchange of information relationships with 144 jurisdictions through 127 double tax treaties and 26 TIEAs and one multilateral mechanism (www.eoi-tax.org, January 2017).

On January 27, 2016, the UK, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, signed a multilateral co-operation agreement with 30 other countries (“the MCAA”). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).

With Country-by-Country reporting tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA will start in 2017-2018 on 2016 information.

There are currently 87 signatory countries, including:-

- Australia, Austria, Belgium, Chile, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, Netherlands, Nigeria, Norway, Poland, Portugal, Slovak Republic, Slovenia, South Africa, Spain, Sweden and Switzerland.

Insurance Premium Tax

Insurance premium tax (IPT) is charged on most insurance premiums, such as motor, accident, medical, liability, building and travel insurance, where the risk is located in the UK. Certain insurance contracts are exempt from IPT, including reinsurance, life insurance and other “long-term” insurance.

Any company receiving premiums in the course of a taxable business must register with HMRC. The rate of IPT is 10% (increasing to 12% in July 2017) on the gross premium received, although a higher rate (20%) applies to certain insurance contracts, such as travel insurance and insurance sold by intermediaries in connection with the supply of domestic goods and motor cars or motor cycles.
**Capital Gains Tax**

Capital gains form part of a company’s taxable profits. Gains or losses on the disposal of substantial shareholdings in both UK and foreign companies can be exempt. The main conditions, broadly, require the selling company to have continuously owned at least 10% of the shares of the company being sold for at least 12 of the 24 months before disposal and the selling company/company being sold both must be trading or members of a trading group (without, to a substantial extent, any non-trading activities) for at least 12 months before disposal (24 months in some cases) and immediately after the disposal. When an election has been made to exclude the profits of PEs (see “Corporate tax” above), the exclusion also may apply to gains and losses of certain capital assets of the PE. A non-resident company generally is not subject to tax on its capital gains unless the asset is held through a UK PE or, in certain cases, where UK residential property is owned.

The annual tax on enveloped dwellings (ATED)-related capital gains tax applies to both UK resident and non-resident companies and certain other vehicles disposing of UK residential property valued at more than GBP 500,000. Exemptions from this charge are available in various circumstances.

All gains on the disposal of UK residential property held by non-resident individuals, trustees, partners, some funds and narrowly-held companies are taxed.

**Financial Transactions/Banking Services Tax**

There are no specific financial transactions taxes.

The UK bank levy is a tax on bank balance sheets; bank liabilities are taxed at a rate of 0.18%. The rate is halved for long-term borrowing, 0.09%.

**Cash Pooling**

There are no specific tax rules for cash pooling arrangements.

**Property Taxes**

The national non-domestic rate is payable by occupiers of business premises. Local authorities collect the tax by charging a uniform business rate, which is deductible in computing income subject to corporation tax. Council tax applies to the occupation of domestic property.

The annual tax on enveloped dwellings (ATED) is an annual tax charge that applies where companies and certain other entities own UK residential property worth more than GBP 500,000, regardless of the residence of the entity owning the property. The amount of ATED payable depends on the property value band in which the property is classified. Reliefs from ATED are available where, broadly, the property is used for business purposes and is not occupied by a person connected with the company or other entity which owns the property.

Stamp duty land tax (SDLT) and the Scottish LBTT is charged on transfers of UK real property.
Payroll and Social Security Taxes

There is no payroll tax payable by employers.

Except where stated otherwise, all rates and limits relate to the 2016-17 tax year.

Under the PAYE (pay as you earn) system, tax on employment income is withheld by employers from employees' pay, as they earn it, and remitted to HMRC. This includes income tax and social security contributions (National Insurance Contributions – NIC).

NIC is payable by employers, employees and self-employed individuals.

Employers must pay NIC in respect of every director and employee whose earnings exceed a specified earnings threshold. For earnings in excess of GBP 156 per week, the amount payable by the employer is 13.8% of total earnings. Lower rates apply where the individual is contracted out of the State Second Pension under a salary-related pension scheme.

Employees pay NIC at a rate of 12% on earnings in excess of GBP 155 per week and at 2% on earnings above GBP 827 per week. Lower rates apply where the individual is contracted out of the State Second Pension, although this is not available for defined contribution schemes.

Self-employed individuals pay NIC at a rate of 9% on annual income between GBP 8,060 and GBP 43,000 and 2% on the excess, together with a fixed charge of GBP 2.80 per week.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2017 (www.deloitte.com).
Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

The UK’s central bank is the Bank of England. It was established in 1694 and is based in the City of London. Its authority currently derives from the 1998 Bank of England Act.

Within the UK, it is the banker to the national government and to other banks. It issues currency, manages the country’s monetary reserves and is responsible for financial stability, including acting as lender of last resort. It also sets interest rates. Its main responsibility is to maintain price stability through the operation of monetary policy. Price stability is defined as keeping the consumer price index close to 2% in the medium term.

Though not a member of the eurozone, it is a member of the General Council of the European Central Bank.

Other banking supervision bodies

The independent Financial Services Authority (FSA) was abolished on April 1, 2013; the independent Financial Conduct Authority (FCA) has assumed responsibility for policing the City of London and the banking sector; while the Prudential Regulation Authority (PRA), a part of the Bank of England, has assumed responsibility for the prudential regulation and supervision of the banking sector; the Bank of England’s Financial Policy Committee has assumed all other responsibilities.

UK Financial Investments (UKFI) is a government-run agency responsible for monitoring the activities of banks that have received government funding.

Central Bank Reporting

General

The UK does not apply central bank reporting requirements.

Exchange Controls

Exchange structure

The UK’s official currency is the pound sterling (GBP). The value of the GBP is determined freely in the foreign exchange market, based on supply and demand. The GBP has a free floating exchange rate structure.
Standing reciprocal currency swap arrangements are currently in place between the Bank of England, the European Central Bank, the Bank of Canada, the Bank of Japan, the Federal Reserve, and the Swiss National Bank. The standing arrangements comprise a network of bilateral liquidity swap lines agreement among the six central banks and are to remain in place until further notice.

**Exchange tax**
There is no exchange tax.

**Exchange subsidy**
There is no exchange subsidy.

**Forward foreign exchange market**
There are no restrictions on forward foreign exchange operations.

**Capital flows**
There are restrictions on foreign investment in broadcasting, shipping and air transportation.

**Loans, interest and repayments**
There are no controls on the provision of loans by commercial banks.

**Royalties and other fees**
There are no restrictions.

**Profit remittance**
There are no restrictions on the remittance of profits into or out of the UK.

**Bank Account Rules**
Resident entities are permitted to hold fully convertible foreign currency bank accounts domestically and outside the UK, and fully convertible domestic currency (GBP) bank accounts outside the UK.

Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts within the UK and GBP bank accounts outside the UK.

To open a bank account, a company must supply a list of authorized signatories and a copy of its registration documents along with the appropriate account opening documentation and proof of identity of the person who is to operate the account.

The Payments Council launched the Current Account Switch Service on September 16, 2013 which enables current account holders to switch banks within seven working days. Forty-four banks and building societies are currently participants, covering over 99% of UK current accounts.

**Anti-money Laundering and Counter-terrorist Financing**

The UK has enacted anti-money laundering legislation, including legislation implementing the first three EU anti-money laundering directives and counter-terrorist financing legislation (the Terrorism Act 2000; the Anti-Terrorism; Crime and Security Act 2001; the Proceeds of Crime Act 2002; the Serious Crime Act 2007; the Money Laundering Regulations 2007, as amended

- A Financial Action Task Force (FATF) member, the UK observes most of the FATF+49 standards. The UK is also a member of the Caribbean Financial Action Task Force (CFATF) as a Co-operating and Supporting Nation, and has observer status of the Asia Pacific Group on Money Laundering (APG), the Eurasian Group on Money Laundering (EAG) and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

- The UK has established a financial intelligence unit (FIU), housed within the National Crime Agency (NCA), which is a member of the Egmont Group.

- Account opening procedures require formal identification of the account holder.

- Beneficial owners must also be identified and have their identity verified by taking adequate measures on a risk-sensitive basis.

- All financial institutions are required to adopt a risk-based approach to ongoing customer due diligence.

- All financial institutions have to identify clients in respect of any individual or aggregated transactions, where the amount involved is equal to or greater than EUR 15,000.

- Relationships with shell banks are prohibited.

- Financial institutions in the broadest sense are required to record and report suspicious transactions to the UKFIU.

- Individuals entering or leaving the EU with EUR 10,000 or its equivalent in other currencies must make a written declaration to the customs authorities.

- All records must be kept for at least five years after the relationship has ended or the transaction has been completed.

Data as at February 2017.
### Major Domestic Banks

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total assets (USD million) December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays Bank</td>
<td>1,496,862</td>
</tr>
<tr>
<td>Lloyds Bank †</td>
<td>1,024,571</td>
</tr>
<tr>
<td>HSBC Bank</td>
<td>1,007,187</td>
</tr>
<tr>
<td>Royal Bank of Scotland</td>
<td>983,741</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>646,692</td>
</tr>
<tr>
<td>Bank of Scotland †</td>
<td>429,945</td>
</tr>
<tr>
<td>NatWest Bank</td>
<td>390,229</td>
</tr>
<tr>
<td>Santander UK</td>
<td>373,788</td>
</tr>
<tr>
<td>Credit Suisse International</td>
<td>332,381</td>
</tr>
<tr>
<td>Nationwide Building Society</td>
<td>298,016*</td>
</tr>
</tbody>
</table>

† part of Lloyds Banking Group.  *As at April 4, 2016.  Source: [www.accuity.com](http://www.accuity.com)

### Overall Trend

The UK has 158 banks and 45 building societies in operation. There is a significant foreign banking presence in the UK and 165 foreign banks have established branches. There are also approximately 460 credit unions in the UK.

There are four main domestic banking groups, providing the full range of banking services to corporate clients – Barclays, HSBC, Lloyds Banking Group (Bank of Scotland and Lloyds Bank) and Royal Bank of Scotland. All the major international cash management banks are established in London and can provide banking services to multinational companies and international asset management clients.

The most significant consolidations involving domestic banks prior to the most recent banking crisis included HSBC’s acquisition of Midland Bank in 1992, the merger of Halifax and Bank of Scotland (to become HBOS, now part of Lloyds Banking Group) in 2001, and Banco Santander’s takeover of Abbey in 2004 (known as Santander UK since January 2010). Significant merger and acquisition activity since the recent banking crisis has included Banco Santander’s takeover of Alliance & Leicester in October 2008 as well as its purchase of the fully nationalized Bradford & Bingley’s branch network and savings book. After competition rules were waived, Lloyds TSB and HBOS merged in January 2009 to form Lloyds Banking Group.

Due to the global liquidity crisis, an emergency bailout of the UK banks was announced by the government in October 2008, providing recapitalization for the banks most affected by the crisis. The government has since provided additional funding, guarantees to savings customers and to
banks against bad loans, and loan facilities to credit institutions and large companies. It has also enacted legislation permitting the Bank of England to provide undisclosed aid to struggling banks. These measures resulted in the government part-nationalizing some banks, exchanging GBP 45.5 billion for a 79% stake (currently 72%) in the Royal Bank of Scotland (RBS) and GBP 20.3 billion for a 43% stake in Lloyds Banking Group. RBS agreed to participate in the Asset Protection Scheme launched by the government in February 2009. The scheme enables banks to transfer the risk of some of their assets to the government in order to strengthen their balance sheets. Lloyds decided against participating in the scheme in November 2009, preferring instead to raise capital from its shareholders through a GBP 22.5 billion recapitalization. The UK Financial Investments (UKFI), a government-run bank agency, has been responsible for monitoring the activities of the banks that have taken government funding. In May 2017, the government, which had been slowly selling down its stake in Lloyds since 2013, sold its remaining stake (0.25%) in Lloyds Banking Group, marking the group’s return to full private ownership and the final stage in its recovery.

Other large UK banks such as Barclays, HSBC Bank, Santander UK and Standard Chartered Bank chose to seek additional capital from private investors. On February 13, 2017, the Co-operative Bank announced that the bank was up for sale and they were inviting offers as well as considering other options to build capital, such as raising cash from investors. However, the plan was dropped after the bank’s investors agreed to a GBP 700 million rescue plan, which will see them swap debt for a stake in the institution. As part of the deal, the Co-op Group’s stake in the bank will drop from 20% to about 1%.

From 2019, Britain’s largest banks (Barclays, Royal Bank of Scotland, HSBC, Lloyds Banking Group, Santander UK and Co-operative Bank) will be required to run their retail banking arms as independent banks, as if they are entirely separate from their investment banking and overseas operations. These banks are expected to be required to hold EUR 3.3 billion of extra capital as part of ringfencing plans to separate retail banking from their riskier investment banking operations.
Payment Systems

Overview

The UK’s four main payment systems are CHAPS, BACS, the Faster Payments Service and the C&CC system.

CHAPS is the country’s high-value payment system, used for high-value and urgent electronic payments in GBP. It is operated by the CHAPS Clearing Company Ltd. Until May 16, 2008, CHAPSCo also operated another system called CHAPS Euro, which processed domestic and cross-border EUR-denominated payments and was linked to TARGET. It closed on May 16, 2008 and EUR-denominated transactions and some banks now participate in the Irish or the Dutch national components of the pan-European TARGET2 RTGS system. CHAPS uses an enhanced Real-Time Gross Settlement (RTGS) system where each individual payment is settled in real time across settlement accounts at the Bank of England. The RTGS system is operated by the Bank of England.

The Bank of England has announced plans to develop a new generation of RTGS capable of supporting the future demands of a rapidly changing payments environment. It expects most of the enhanced functionality in the new system to be live by the end of 2020.

BACS is the country's main retail payment clearing system for electronic payments. BACS processes the majority of non-urgent and low-value payments. VocaLink handles the payments processing on behalf of BACS Payment Schemes Ltd (BPSL).

The Cheque and Credit Clearing (C&CC) system settles paper-based payments, such as checks and credit transfers, in Great Britain (England, Scotland and Wales) and is operated by the Cheque and Credit Clearing Company Ltd. Paper-based payments in Northern Ireland are settled within four days on a bilateral basis by the Belfast Bankers Clearing Company which has four member banks, i.e. Danske Bank (Northern Ireland), Ulster Bank, Bank of Ireland and First Trust Bank.

The Faster Payments Service was implemented by VocaLink in partnership with APACS (replaced in July 2009 by the UK Payments Administration). It clears customer-initiated electronic credit transfers (typically internet or telephone banking-initiated payments) and standing orders in near real-time. The system runs concurrently with BACS and CHAPS and began operations on May 27, 2008, at which point APACS handed over operational management to the CHAPS Clearing Company. Faster Payments Scheme Limited, a separate legal entity responsible for the management of the Faster Payments Service, was established in August 2011.

In addition, some USD-denominated paper-based payment instruments (i.e. checks, drafts and mandated currency debits) which are drawn, or payable, at City of London branches of five UK clearing banks, can be cleared by the Cheque and Credit Clearing Company-operated Currency Clearings Committee scheme. Payments submitted before 14:00 GMT/BST are settled on a same-day basis. In addition to the five settlement members, there are around 60 agency banks participating in the Currency Clearings Committee scheme.
# High-value

<table>
<thead>
<tr>
<th><strong>Name of system</strong></th>
<th>Clearing House Automated Payment System (CHAPS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Settlement type</strong></td>
<td>Real-time gross settlement</td>
</tr>
<tr>
<td><strong>Settlement cycle</strong></td>
<td>Payments are settled in real time with immediate finality across participants’ accounts at the Bank of England, on a first-in-first-out basis.</td>
</tr>
<tr>
<td><strong>Links to other systems</strong></td>
<td>NA</td>
</tr>
<tr>
<td><strong>Payments processed</strong></td>
<td>High-value and urgent electronic credit transfers</td>
</tr>
<tr>
<td><strong>Currency of payments processed</strong></td>
<td>GBP</td>
</tr>
<tr>
<td><strong>Value and other limits to processing</strong></td>
<td>There are no value thresholds.</td>
</tr>
<tr>
<td><strong>Operating hours</strong></td>
<td>06:00 to 18:00 GMT/BST, Monday to Friday</td>
</tr>
<tr>
<td><strong>System holidays</strong></td>
<td>The system is closed on weekends and bank holidays.</td>
</tr>
</tbody>
</table>
| **Cut-off times** | Customer payments = 17:40 GMT/BST  
                     Interbank payments = 18:00 GMT/BST |
| **Participants** | 27 direct participants, including the Bank of England. |
| **Access to system** | Using SWIFT message formats and the SWIFTNet Internet Protocol network |
| **Future developments** | The Bank of England has announced plans to develop a new generation of RTGS capable of supporting the future demands of a rapidly changing payments environment. It expects most of the enhanced functionality in the new system to be live by the end of 2020.  
As part of the new generation RTGS development plan, the Bank of England will take over the direct running of CHAPS. The Bank of England is currently working with CHAPS Co and its stakeholders to deliver a swift and orderly transition. The Bank of England is set to buyout CHAPS Co and to complete the transition process in the latter part of 2017. |
## Low-value

<table>
<thead>
<tr>
<th>Name of system</th>
<th>Bankers’ Automated Clearing Services (BACS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Settlement type</td>
<td>Multilateral net settlement</td>
</tr>
<tr>
<td>Settlement cycle</td>
<td>Payments are settled in batches in three days. Final settlement is effected via CHAPS across participants’ accounts at the Bank of England on day 3 at 09:30 GMT/BST.</td>
</tr>
<tr>
<td>Links to other systems</td>
<td>NA</td>
</tr>
<tr>
<td>Payments processed</td>
<td>Low-value and non-urgent electronic payments, such as credit transfers, direct debits and standing orders</td>
</tr>
<tr>
<td>Currency of payments processed</td>
<td>GBP</td>
</tr>
<tr>
<td>Value and other limits to processing</td>
<td>There are no value thresholds, though most are low-value retail payments.</td>
</tr>
<tr>
<td>Operating hours</td>
<td>The system operates 07:00–22:30 GMT/BST, Monday to Friday.</td>
</tr>
<tr>
<td>System holidays</td>
<td>BACS is closed on weekends and all UK bank holidays.</td>
</tr>
<tr>
<td>Cut-off times</td>
<td>Payments must be received by BACS by 21:00 (or 22:30 if payment is submitted through BACSTEL-IP, a direct online connection service).</td>
</tr>
<tr>
<td>Participants</td>
<td>19 direct participants</td>
</tr>
<tr>
<td>Access to system</td>
<td>Corporate customers can use BACSTEL-IP, a secure online connection service, which can track payment status online.</td>
</tr>
<tr>
<td>Future developments</td>
<td>BACS has produced a new translation guide that provides a best practice framework for conversion between its Standard 18 payments message format and the ISO 20022 international messaging standard. BACS will publish implementation guides and specifications for implementing the translation during 2017.</td>
</tr>
<tr>
<td><strong>Name of system</strong></td>
<td>Faster Payments Service</td>
</tr>
<tr>
<td>-------------------------</td>
<td>--------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Settlement type</strong></td>
<td>Multilateral net settlement</td>
</tr>
<tr>
<td><strong>Settlement cycle</strong></td>
<td>One-off customer-initiated electronic credit transfers and standing orders are cleared and settled in near real-time through the VocaLink Immediate Payments Platform. Final settlement is effected via CHAPS across participants’ accounts at the Bank of England three times a day (07:15, 13:00 and 15:45).</td>
</tr>
<tr>
<td><strong>Links to other systems</strong></td>
<td>NA</td>
</tr>
<tr>
<td><strong>Payments processed</strong></td>
<td>One-off customer-initiated electronic credit transfers (typically internet, mobile or telephone banking-initiated payments) as well as standing orders</td>
</tr>
<tr>
<td><strong>Currency of payments processed</strong></td>
<td>GBP</td>
</tr>
<tr>
<td><strong>Value and other limits to processing</strong></td>
<td>A maximum of GBP 250,000 for branch, internet, mobile and telephone-initiated payments and for standing orders. Individual banks and building societies set their own limits depending on how the payment is sent and the type of account their customer is sending from.</td>
</tr>
<tr>
<td><strong>Operating hours</strong></td>
<td>The system operates 24 hours a day, seven days a week.</td>
</tr>
<tr>
<td><strong>System holidays</strong></td>
<td>None</td>
</tr>
<tr>
<td><strong>Cut-off times</strong></td>
<td>NA</td>
</tr>
<tr>
<td><strong>Participants</strong></td>
<td>15 direct participants</td>
</tr>
<tr>
<td><strong>Access to system</strong></td>
<td>ATM/debit card (ISO 8523) message formats</td>
</tr>
<tr>
<td><strong>Future developments</strong></td>
<td>In January 2017, Faster Payments launched a new free-to-use HTML resource for developers that create solutions for financial service providers and fintech innovators to help these business link customers’ bank accounts to Faster Payments. Called Faster Payments Standard Library, the resource provides the recommended mapping of Faster Payments’ existing ISO 8583 message protocol to the globally recognised ISO 20022 standard. The Faster Payments Standards Library functionality will be extended later in 2017 to allow XML messages to be tested for conformance with the syntax of both the ISO 8583 and ISO 20022 standards specifications.</td>
</tr>
<tr>
<td>Name of system</td>
<td>Cheque and Credit Clearing Company (C&amp;CC) system</td>
</tr>
<tr>
<td>-------------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Settlement type</td>
<td>Multilateral net settlement</td>
</tr>
<tr>
<td>Settlement cycle</td>
<td>Payments are settled in batches in three days.</td>
</tr>
<tr>
<td></td>
<td>Final settlement is effected via CHAPS across participants’ accounts at the Bank of England on day 3 (six settlements staggered from 10:40 to 11:10 GMT/BST). EUR-denominated payments are settled by Ireland's national component of TARGET2.</td>
</tr>
<tr>
<td>Links to other systems</td>
<td>NA</td>
</tr>
<tr>
<td>Payments processed</td>
<td>Paper-based payment instruments, such as checks and paper-based credit transfers, in Great Britain (England, Scotland and Wales)</td>
</tr>
<tr>
<td>Currency of payments processed</td>
<td>GBP and EUR</td>
</tr>
<tr>
<td>Value and other limits to processing</td>
<td>There are no value thresholds.</td>
</tr>
<tr>
<td>Operating hours</td>
<td>The system operates 24 hours per day, Monday to Friday.</td>
</tr>
<tr>
<td>System holidays</td>
<td>The C&amp;CC system is closed on weekends and bank holidays.</td>
</tr>
<tr>
<td>Cut-off times</td>
<td>17:00 GMT/BST</td>
</tr>
<tr>
<td>Participants</td>
<td>Eleven direct participants</td>
</tr>
<tr>
<td>Access to system</td>
<td>Checks collected by each bank are sent to their central processing centers. Checks are then truncated and data is exchanged between banks. Physical checks are exchanged at an exchange center on day two of the clearing cycle.</td>
</tr>
<tr>
<td>Future developments</td>
<td>The C&amp;CC is developing a new image-based check clearing system, called the Image Clearing System, through which checks will be cleared using a digital image of the check rather than the paper checks being physically exchanged between banks and building societies. The new system will speed up the clearing process from six weekdays to one weekday. The system will go live with some institutions from October 30, 2017. All the UK’s banks and building societies are expected to clear all checks via the new system by the end of 2018.</td>
</tr>
</tbody>
</table>
Payment and Collection Instruments

Overview and Trends

The most important cashless payment instruments in the UK are electronic credit transfers in terms of value and card payments in terms of volume. Checks and direct debits are also popular payment instruments in the UK. The increased use of electronic and internet banking by consumers and businesses has led to significant growth in the use of electronic payments.

Since January 1, 2008, all debit cards issued by banks in the UK have been SEPA (Single Euro Payments Area)-compliant. The country’s banks have offered pan-European SEPA credit transfers (SCTs) for EUR-denominated payments since January 28, 2008. SEPA direct debits (SDDs) have been available since November 2, 2009. SEPA migration for EUR-denominated payments outside the eurozone was finalized on October 31, 2016.

In January 2016, a Revised Directive on Payment Services (PSD2) entered into force. The overall objective of the PSD2 is to increase the competition on the European Union payment market, facilitate innovative payment services and ensure that payment services are safe and offer complete consumer protection.

Statistics of Instrument Usage and Value

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Transactions (million)</th>
<th>% change 2015/2014</th>
<th>Traffic (value) (GBP billion)</th>
<th>% change 2015/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checks</td>
<td>644.0</td>
<td>-13.4</td>
<td>693.6</td>
<td>-8.2</td>
</tr>
<tr>
<td>Electronic credit transfers</td>
<td>3,653.00</td>
<td>4.2</td>
<td>71,356.29</td>
<td>0.6</td>
</tr>
<tr>
<td>Paper-based credit transfers</td>
<td>286.70</td>
<td>-15.0</td>
<td>161.21</td>
<td>-0.7</td>
</tr>
<tr>
<td>Direct debits</td>
<td>3,672.0</td>
<td>6.4</td>
<td>1,167.3</td>
<td>6.7</td>
</tr>
<tr>
<td>Debit cards</td>
<td>10,227.0</td>
<td>12.9</td>
<td>439.2</td>
<td>12.0</td>
</tr>
<tr>
<td>Credit cards</td>
<td>2,783.0</td>
<td>9.8</td>
<td>167.0</td>
<td>-1.0</td>
</tr>
<tr>
<td>Total</td>
<td>21,265.7</td>
<td>8.7</td>
<td>73,984.5</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: ECB payment statistics, September 2016

Paper-based

Checks

Despite the increase in electronic payments and unwillingness of most of the UK’s major retailers to accept checks, the use of checks remains widespread among small businesses. Checks are also sometimes used to pay utility and credit card bills.
The domestic check guarantee card scheme closed on June 30, 2011. Checks are no longer scheduled to be phased out in the UK by the end of October 2018, and will remain in use indefinitely.

All checks are truncated into electronic items by the collecting bank before clearing through the C&CC system, but they are also still physically exchanged between banks. Settlement is generally completed in three days, though it can be longer if a check is drawn on a Northern Irish bank and presented in Great Britain or vice versa. This is because there are separate clearing systems in place for Great Britain and Northern Ireland. Checks in Northern Ireland are processed by the Belfast Bankers Clearing Company, which settles cheque payments bilaterally within four days. Under 2-4-6 rules adopted by the C&CC system in November 2007, customers are able to start receiving interest within two days of the deposit of a check, withdraw money within four days of the deposit (six days in the case of savings accounts), and know funds have cleared within six days.

The C&CC is currently developing a new way of clearing checks called the Image Clearing System. The new system will enable digital images of checks to be exchanged between banks and building societies for clearing and payment, speeding up the clearing process from six weekdays to one weekday. The Image Clearing System will go live with some financial institutions at the end of October 2017. All the UK’s banks and building societies are expected to clear all checks via the new image-based check clearing system by the end of 2018.

Lockbox services are available, although they are mainly used when companies need to collect complex remittance advice with the payment.

**Bills of Exchange**

Bills of exchange are only usually used to finance trade in the UK.

They are cleared through the C&CC system.

**Bank Drafts**

Bank drafts offer security of payment, but are high-cost payment instruments.

They are cleared through the C&CC system.

**Credit Transfers**

Paper-based credit transfers are still used among small companies and consumers, though electronic credit transfers are rapidly replacing paper-based ones. Paper-based credit transfers are most commonly used in retail transactions, such as credit card or utility payments.

They are cleared through the C&CC system.

**Electronic**

**Credit Transfers**

Credit transfers are the most popular method of payment used by companies to pay suppliers and salaries. They are also used to make treasury, tax and benefit payments.
Domestic and cross-border electronic credit transfers in EUR can be made using the Europe-wide SEPA-compliant XML-based credit transfer format.

**High-value**

High-value and urgent credit transfers in GBP are processed through CHAPS. All CHAPS payments are settled in real time with immediate finality.

High-value and urgent domestic and cross-border EUR-denominated transfers can be processed by the Irish or Dutch national components of TARGET2, in which a number of UK banks participate, or via the EBA’s EURO1 system (in which 14 UK banks participate).

Credit transfers in other currencies can also be processed by bilateral correspondent banking arrangements. The majority of these are processed via SWIFT.

**Low-value**

Non-urgent and low-value credit transfers in GBP are processed through BACS or the Faster Payments Service. Most payments are processed through BACS to be settled on a three-day basis. Over 95% of monthly salaries for 85% of the total workforce are paid by BACS Direct Credit. One-off internet or telephone banking-initiated payments can processed through the Faster Payments Service for settlement in near real-time.

Low-value cross-border transfers can be processed through banks’ traditional correspondent banking relationships or networks. Low-value cross-border electronic payments in EUR can also be processed via the EBA’s STEP1 or STEP2 systems.

EBA Clearing and Italy’s SIA Group (which already serves as a technical operator for STEP2) have agreed to develop and implement a pan-European real-time infrastructure for instant EUR payments by the fourth quarter of 2017. The service will align with the ISO 20022 global messaging standards for instant payments.

**Direct Debits**

Preauthorized direct debits are the most common type of direct debit in the UK and permit a beneficiary’s bank to seek the release of funds from a debtor’s bank. Preauthorized direct debits are used to collect regular payments, such as insurance or utility payments, as well as variable payments such as mobile phone payments. In 2015, 73% of all household bills in the UK were paid via direct debit.

Direct debits are processed through BACS. Most payments are processed to be settled on a three-day basis.

SEPA Direct Debit (SDD) CORE and B2B services have been available since November 2, 2009, enabling cross-border EUR-denominated direct debits to be made. The EBA has been processing SDD payments in STEP2 since the launch of the SDD schemes on that date. Banks within SEPA but outside the eurozone have been obliged to offer and accept SEPA direct debits since November 1, 2014.
Payment Cards
The use of payment cards continues to increase in the UK, especially among retail consumers. Debit cards are expected to take over from cash as the UK’s most popular payment method by 2021.

Approximately 98.8 million debit cards and 64.7 million credit and charge cards were in circulation at the end of 2015.

Maestro, Solo, Visa Delta and Visa Electron debit cards are issued in the UK. Visa debit cards account for two-thirds of those in circulation.

Most credit cards are issued in affiliation with Visa or MasterCard. American Express and Diners Club credit cards are also in circulation.

As of January 1, 2011, all payment cards in circulation should now be SEPA-compliant EMV chip cards.

ATM/POS
At the end of 2015, there were approximately 70,270 ATMs and approximately 1.96 million POS terminals in the UK. All ATMs and POS terminals in the UK should now be EMV chip-compliant.

ATMs are owned individually by banks or independent ATM deployers, but are linked through the ATM network, LINK, operated by Vocalink. There are currently 39 member financial institutions in the LINK ATM network.

Electronic Wallet
Prepaid cards are principally single-purpose cards used at retail stores, or on public transport like London Transport’s Oyster card.

The Cashplus MasterCard was the first multi-purpose prepaid card to be issued in the UK in September 2005. It is reloadable at the Post Office, at certain retail outlets, and via standing order.

Visa also offers a similar prepaid card which is reloadable at the Post Office and NatWest Bank.

Vocalink also provides its own prepaid card with Maestro functionality.

Contactless card technology has begun to be rolled out in the UK, with Visa and MasterCard the forerunners. Barclaycard launched the OnePulse contactless credit card in September 2007, which can function like an Oyster card on the London Underground.

eBay’s PayPal is an internet-based e-money scheme and the world's largest online payment service for consumer payments and payments between individuals.
Liquidity Management

Short-term Borrowing

Overdrafts

Both resident and non-resident entities can arrange overdrafts with the bank. These are legally repayable on demand or at short notice. Companies commonly use bank overdrafts for the flexibility and convenience that they provide. Overdrafts may be unsecured, secured or guaranteed depending on the borrower’s creditworthiness.

A commitment fee is payable on overdrafts, which often utilize annual lines of credit.

Banks will usually charge interest at a margin (usually from one to five percent) on their base rate.

Bank Lines of Credit / Loans

Resident and non-resident entities can arrange short-term bank loans and revolving lines of credit denominated in local and foreign currency from local and foreign banks. The average tenor is between three and six months.

Banks will usually charge interest at a margin on Libor for GBP loans and advances, or on other benchmarks for foreign currency loans and advances.

Trade Bills – Discounted

Discounted trade bills with recourse to the borrower are used by companies in the UK.

In most cases, the borrower will borrow through the use of discounted trade bills for periods of three to six months.

Factoring

The UK is home to the world’s largest factoring market. In most cases, the factoring company does not accept the credit risk as they usually have recourse to the borrower.

Factoring services, such as invoice discounting through to credit control and collection (i.e. full accounts receivable management), are increasingly used by SMEs.

Commercial Paper

Many large UK corporations access the eurocommercial paper (ECP) market (usually EUR or USD-denominated commercial paper).

There is also a smaller domestic GBP commercial paper market, with most issues having one or more ratings. To issue GBP commercial paper, a company must have its shares or other public debt issue quoted on the London Stock Exchange or another EEA exchange, or it must be a guaranteed subsidiary of such a company. Issues range from one day to one year, but the average tenor is usually between one and three months.
Bankers’ Acceptances

Bankers’ acceptances are less used than in the past as other forms of funding are less expensive. Eligible bills (accepted by banks, with eligibility determined by the Bank of England) are freely tradable.

Funding is usually arranged for a maximum of 180 days.

Supplier Credit

Open account trading is the most common form of domestic trade. Payment terms are usually 30 days, although collection averages around two months.

Intercompany Borrowing, including Lagging Payments

Affiliated UK groups are permitted to establish intercompany loans, and they are common among large groups both as part of a liquidity management scheme or for longer term working capital financing.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Interest-bearing current, or checking, accounts are available in the UK, to resident and non-resident entities. Yields tend to be low. The relative ease of sweeping surplus balances in the UK allows companies to take advantage of higher yielding alternatives such as money market funds.

Demand Deposits

Interest-bearing demand, or sight, deposit accounts are available to both resident and non-resident entities.

Time Deposits

Time deposits are popular investment instruments in the UK. Banks usually offer them for terms ranging from overnight to up to a year, though they can be arranged for up to five years. Companies can invest in several different currencies. Banks can require minimum investment amounts.

Certificates of Deposit

Certificates of deposit (CDs) are common investment instruments in the UK. They are available in dematerialized form for maturities ranging from one week to five years (though most have maturities of three to six months). Most CDs can be issued in a range of currencies. CDs in GBP and USD require a minimum investment of GBP 50,000 and USD 1 million respectively. The UK has an active secondary market for CDs.

Treasury (Government) Bills

Treasury bills (T-bills) are issued by the UK Government Debt Management Office through weekly
Cash Management

Cash Management

Cash concentration is a widely available technique and increasingly used by UK companies to manage company and group liquidity. Zero and target balancing are both commonly available techniques offered by both domestic and foreign cash management banks.

Different legal entities and both resident and non-resident bank accounts can participate in a cash concentration structure located in the UK. Intercompany cross-guarantees are required if accounts held by different legal entities participate in the same structure. Some banks will also allow cross-currency pools. Cross-border structures are often located within the UK because of the large number of domestic and international banks located in the City of London, the non-restrictive regulatory environment (including the absence of regulatory constraints over residency), and because withholding taxes are not applied at the source to any interest earned.

Notional Pooling

Notional pooling is offered by leading cash management banks in the UK. Different legal entities and both resident and non-resident bank accounts can participate in a notional cash pooling structure located in the UK. Inter-company cross-guarantees will usually be required if participating companies are different legal entities.

Commercial Paper

UK companies issue CP in a range of currencies for terms ranging between one week and one year (terms of three to six months are most popular). The minimum denomination amount is usually GBP 100,000 with a minimum investment amount of GBP 500,000.

Money Market Funds

Money market funds are widely available and popular with UK companies.

Repurchase Agreements

Repurchase agreements (repos) are available as a short-term investment instrument in the UK and there is an active repo market.

Bankers’ Acceptances

Bankers’ acceptances (BAs) are infrequently issued between banks in the UK. Popularity is low as yields are low.

Liquidity Management Techniques

Cash Concentration

Tenders. Maturities of one, three, six months and 12 months are available. The UK has an active secondary market for T-bills. T-bills require a minimum investment of GBP 500,000.

Short-term obligations are issued by local authorities.

Commercial Paper

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Notional Pooling

Notional pooling is offered by leading cash management banks in the UK. Different legal entities and both resident and non-resident bank accounts can participate in a notional cash pooling structure located in the UK. Inter-company cross-guarantees will usually be required if participating companies are different legal entities.
General Rules for Importing/Exporting

A member of the EU, the UK follows the EU customs code and all associated regulations and commercial policies apply.

All trade with other countries in the EEA (European Economic Area) is free from tariffs and other controls.

The EU has also agreed trade agreements with a number of countries as well as with other regional trade blocs.

In the end of March 2017, the government triggered Article 50 of the Lisbon Treaty, which gives the UK a two-year deadline to leave the EU. The current UK government has ruled out continued membership of the EU Single Market and the EU Customs Union, focusing its efforts on reaching a free trade agreement with the EU. However, the kind of post-Brexit relationship the UK will have with the EU remains uncertain. Brexit negotiations are expected to be challenging and possible outcomes range from a full trade agreement between the UK and the EU to a reversal to WTO rules.

There is a free zone operating at Ronaldsway Airport, Isle of Man.
Imports

Documentation Required

Imports originating outside the EU will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Imports originating inside the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

Import Licenses

Various steel products from outside the EU require import licenses, as do as armaments, ammunition, and nuclear materials.

Textiles and clothing imports from North Korea, textile imports from Belarus, and various steel products from Kazakhstan, Russia and Ukraine require import licenses with quotas.

A Kimberley Process certificate and specific tamper-proof containers are required to import rough diamonds.

Minimum import prices (enforced through autonomously imposed variable import levies) apply to cereals, beef, veal, mutton, lamb, poultry, and dairy products (excluding butter and cheese).

Import Taxes/Tariffs

As a member of the EU, the UK applies the common customs code to all imports originating from outside the EU. In general terms, the EU customs code applies higher levels of tariffs on agricultural imports from non-EEA countries.

Financing Requirements

There are no particular financing requirements for imports.

Risk Mitigation

The UK does not operate a national risk mitigation program for importers.

Prohibited Imports

The UK prohibits imports in line with EU regulations and UN Security Council resolutions. Imports are also prohibited to protect national security, to preserve wildlife, and for safety and moral reasons.
Exports

Documentation Required

Exports to countries outside the EU will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Exports to countries within the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

Export Licenses

Various items are subject to international controls and require export licenses for reasons of national security, national heritage and animal welfare.

To export rough diamonds, a Kimberley Process certificate and specific tamper-proof containers are required.

Export Taxes/Tariffs

The UK does not levy taxes or tariffs on exports.

Proceeds

There are no restrictions on the use of export proceeds.

Financing Requirements

There are no particular financing requirements for exports.

Risk Mitigation

Export financing is provided by UK commercial banks.

The UK’s official export credit agency is UK Export Finance, the government’s Export Credits Guarantee Department, which provides export credit insurance against political and commercial risk.

Private export credit insurance is also available.

Prohibited Exports

The UK prohibits exports in line with EU regulations and UN Security Council resolutions.
Electronic Banking

Almost all UK companies have access to electronic banking services. No bank-neutral electronic banking standard has been developed in the UK so most banks provide their own proprietary electronic banking systems. A full range of electronic banking services is available, from daily transaction and balance reporting, to automated sweeping of balances, multilateral netting and domestic and international payment initiation. Banks are increasingly offering automated services that can facilitate liquidity management techniques.

Most larger banks offer internet banking to companies, frequently as part of their proprietary banking system. In most cases, internet users have a similar range of electronic banking services to those offered through a physical workstation, as well as more up-to-date account information.

The Faster Payments Service allows for near real-time clearing and settlement of internet, mobile, or telephone banking-initiated payments with a maximum value of GBP 250,000.

Launched by eWise in conjunction with Vocalink in January 2011, PayWithMyBank (formerly eWise payo) is an online payment application, allowing for secure retail purchases and bill payments over the internet from bank accounts via credit transfer.

Electronic invoicing and bill presentment and payment services can be provided online by the country’s leading banks. However, the Vocalink-operated the OneVu electronic bill and data presentment service and MyBillsOnline online portal (powered by OneVu) both closed on November 30, 2014.

In September 2011, Vocalink launched its new Multi-Channel Gateway enabling payments made by mobile phone to be effected in real-time.

Paym, a mobile phone payment service enabling security-protected payments between account holders of participating banks without disclosing account details, was launched by the Payments Council in April 2014. Seventeen banks and building societies, which together account for over 90% of current accounts (i.e. over 40 million customers) in the UK, currently offer the service.

In June 2015, Vocalink launched the Pay by Bank app paymark for mobile payments. Consumers can click the Pay by Bank app symbol online which will automatically open a bank app on their mobile phone. Pay by Bank app transactions are protected by the consumer’s existing bank app security.
External Financing

Long-term Funding

Bank Lines of Credit / Loans

Medium and long-term financing are both available in the form of bank loans. Depending on the nature of the borrower’s requirements, funding can be available as a bilateral facility or in the form of a syndicated loan. A number of large UK-based banks are experienced arrangers of syndicated loans. Long-term loans usually require collateral.

Bank loans can be arranged by both domestic and foreign-based companies in both domestic and foreign currency. Both real-estate mortgages and sales and leasebacks are used when companies want long-term funding.

Bank loans denominated in domestic currency are usually arranged at a margin to Libor (London interbank offered rate). The precise margin is dependent on general market conditions, the creditworthiness of the borrower, and the nature of any guarantees and other credit enhancements in place. Large companies with good credit can borrow without having to provide security.

Leasing

Leasing is an option for longer-term finance for UK companies. It is used to finance a range of underlying assets, whose nature determines the term of the lease contract.

Large ticket items are leased at variable interest rates set at a margin over Libor. They may give the lessee the option to purchase the underlying asset at the end of the lease term (hire purchase). Leases can also be arranged as an operating lease (where maintenance costs are covered by the leasing company) or as a finance lease. Finance leases are the most popular.

Bonds

Both domestic and foreign companies can issue GBP or foreign currency bonds and the timing of issues is now unregulated. However, almost all issues have one or more credit ratings. Both banks and companies issue medium-term notes denominated in GBP and foreign currency under established programs.

All types of bonds are available, including convertible bonds and zero-coupon bonds. When issuing asset-backed bonds, financial institutions will usually use floating rate notes.
Private Placement

Medium-sized companies often privately place loan notes with insurance companies. Borrowers can place notes with equity conversion features. When placed with US investors, notes can be denominated in USD.

Asset Securitization / Structured Finance

UK and foreign-based banks commonly arrange asset securitization programs for non-bank corporations. These are used to refinance assets such as consumer debt, mortgages, and privatized railways’ rolling stock.

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

The UK government’s Private Finance Initiative (PFI) is available to finance infrastructural development including hospitals, school buildings and IT. Infrastructure UK, operating as a standalone unit within HM Treasury’s Public Services and Growth Directorate, works on major infrastructure projects with private sector assistance.

The EU’s structural funds are also available to finance infrastructural development. Funds are also available through the European Investment Bank and the European Investment Fund.
Useful Contacts

National Treasurers’ Association
Association of Corporate Treasurers (ACT) — www.treasurers.org

National Investment Promotion Agencies
UK Trade & Investment — www.gov.uk/ukti
Invest Northern Ireland — www.investni.com
Scottish Development International — www.sdi.co.uk
Finance Wales — www.financewales.co.uk

Central Bank
Bank of England — www.bankofengland.co.uk

Supervisory Authorities
Prudential Regulation Authority — www.bankofengland.co.uk/pra/Pages/default.aspx
Financial Conduct Authority — www.the-fca.org.uk
Financial Policy Committee — www.bankofengland.co.uk/financialstability/Pages/fpc/default.aspx
UK Financial Investments — www.ukfi.co.uk

Payment System Operators
UK Payments Administration — www.ukpayments.org.uk
Payments UK — www.paymentsuk.org.uk
Access to Payment Systems — www.accesstopaymentsystems.co.uk
BACS Payment Schemes Limited — www.bacs.co.uk
CHAPS Clearing Company — www.chapsco.co.uk
Cheque and Credit Clearing Company — www.chequeandcredit.co.uk
Belfast Bankers Clearing Company Limited — www.bbccl.co.uk
Faster Payments — www.fasterpayments.org.uk
VocaLink — www.vocalink.com
Pay by Bank app — www.paybybankapp.co.uk
Useful Contacts

PayWithMyBank — www.paywithmybank.com
Paym — www.paym.co.uk
The UK Cards Association — www.theukcardsassociation.org.uk
Pay Your Way — www.payyourway.org.uk
SWIFT UK — www.swiftuk.org.uk

ATM/POS Network Operator

Link Interchange Network— www.link.co.uk

Banks

Barclays Bank — www.barclays.co.uk
Royal Bank of Scotland — www.rbs.co.uk
Lloyds Banking Group — www.lloydsbankinggroup.com
HSBC Bank — www.hsbc.co.uk

Stock Exchange

London Stock Exchange — www.londonstockexchange.com

Ministry of Finance

HM Treasury — www.gov.uk/hm-treasury

Ministry of Economy

Department for Business, Innovation and Skills — www.gov.uk/bis

Chamber of Commerce

British Chambers of Commerce — www бритишчамберс.org.uk

Bankers’ Associations

British Bankers’ Association — www.bba.org.uk
Chartered Banker Institute — www.charteredbanker.com
Association of Foreign Banks — www.foreignbanks.org.uk
Building Societies Association — www.bsa.org.uk