Cash and Liquidity Management Guide for Corporates

Foreword

It continues to be a challenge for a treasurer to put in place a consistent treasury and cash management strategy, especially in the emerging and high-growth economies of Asia, Africa and Middle East.

Constantly changing regulations along with business and supply chain model changes arising from new free trade agreements, new trade barriers, ecommerce marketplaces, instant payments and other digital disruptions are changing the way businesses are organised. This impacts cash management operations, such as the types of accounts which can be opened, how funds are collected and paid, and also impacts strategic treasury management, such as how and where to concentrate cash, minimise borrowings and so optimise use of internally generated capital. The dynamic nature of the emerging markets poses both challenges and opportunities for companies seeking to optimise their treasury function.

While each treasurer faces unique circumstances, here are some of the more common themes that have emerged:

- A fast-changing and often complex regulatory landscape, with the liberalisation of certain markets, has presented significant opportunities for enhancement in treasury activities and operation.
- The market pressures brought on by a challenging macro-economic environment have resulted in a renewed focus on improving efficiency and productivity gains to offset the challenges in profitability.
- The fast pace of globalisation and digitalisation translated into an increased scope of treasury activities and having to set up appropriate treasury risk governance framework to deal with such changes, from small and medium enterprises to large multinational corporations.
- Acquisitions, especially of companies which have a different geographical footprint, have resulted in a need to consolidate and rationalise business and treasury functions.
- Major global events and developments, such as Brexit, US-China trade tension, has resulted in businesses modifying their supply chains.
- Developments in the financial sector, such as Basel III, have resulted in a downstream impact on banking solutions available and the overall cost of banking. In some cases, this has led to a re-think in the choice and number of banking partners.
- Extended periods of low and negative interest rates have also changed the way short or long cash balances are evaluated.

With these developments, it is crucial that treasurers keep abreast of the relevant market information to enable them to optimise their treasury strategy and cash management operations. To this end, Standard Chartered and PricewaterhouseCoopers Singapore are excited to present this Cash and Liquidity Management Guide for Corporates. We hope this publication will provide a handy overview of some of the considerations and information that impact your cash and liquidity management today.

Lisa Robins
Global Head
Transaction Banking
Standard Chartered

Andrew Taggart
Global Relationship Partner
South East Asia Consulting
PwC Singapore

User notes

This guide was developed for Standard Chartered's corporate clients seeking general information on considerations applicable to cash and liquidity management in selected markets. Financial institutions generally have different considerations from corporates and are therefore not covered in this guide.

This guide aims to provide information which is not bank-specific and therefore does not reflect Standard Chartered's presence or offerings in each market. For further information on Standard Chartered's offering in each market, please reach out to your relationship manager.

For brevity, abbreviations are used in certain profiles within this publication. A table of all abbreviations used in this guide can be found in the Appendix. As regulatory and tax definitions as well as banking product offerings vary between markets, the following provides further information on the terms / definitions used in this guide.

Under general information

Under general information, Gross Domestic Product (GDP) and population statistics have been obtained from the World Bank except for Taiwan's GDP statistics, which were obtained from the Statistical Bureau, National Statistics, Republic of China (Taiwan). The data sources (ex-Taiwan) are the latest available statistics from the World Bank, reflecting figures published for the year of 2018.

Under account conditions

Current and Savings accounts refer to demand deposit accounts offered by banks for resident and non-resident corporate clients, which will be referred to collectively as corporates in this guide unless specified. Current accounts may also be known as checking or cheque accounts. Certain markets may offer other similar account types, such as Call deposits. Interest Optimisation refers to the enhancement of interest based on notionally aggregated balances held across multiple accounts (possibly in different currencies or countries where local regulations permit). Non-residents in this section generally refers to an overseas entity without a permanent establishment.

Under sweeping / intercompany lending

The automation of intercompany lending transactions, typically provided as a service by transaction banks, is known as sweeping or cash concentration. In some markets, automation may not be possible due to regulations or because of market practice. Such markets may nonetheless allow for (non-automated) intercompany loans. Where no distinction is made, the information provided in this section is relevant for both sweeping and intercompany lending.

Under notional pooling

Notional pooling refers to the offsetting of deficit and surplus balances across different accounts without a physical transfer of funds. These may be allowed in some markets for multiple accounts held by different entities and / or in different currencies. Notional pooling will typically result in interest benefits or cost savings arising from the offset as well as efficient access to intra-group funds in a similar manner to sweeping. In general, notional pooling is subject to the enforceability of rights of set-off for single entity pools and cross guarantees and set-off for multi-entity pools.

Under domestic remittance

The domestic remittance section covers the different payment systems available in each country, including information on their respective earliest value dates and any applicable restrictions. This information is obtained from the respective Central Banks and other government websites of each market.

Under POBO / ROBO (Payments- / Receipts-on-behalf-of)

POBO / ROBO refers to the practice of an in-house bank (IHB) or group treasury function executing payments or receiving collections on behalf of an affiliate entity.

Key benefits of establishing a POBO / ROBO structure include account rationalisation and the consolidation of bank relationships. As payments and receivables are processed centrally, the IHB will benefit from enhanced liquidity control, such as more accurate cash forecasting, working capital allocation, improved process efficiency, and reduced fraud risk. Additionally, the consolidation of transactions will realise cost savings from reduced volumes of cross-border transactions.

Key considerations for POBO / ROBO structures include regulatory and tax considerations:

Regulatory considerations

- Intercompany lending – Some markets have restrictions on intercompany loans, especially cross-border loans. Restrictions may be in the form of approvals, reporting, documentation, tenor, and interest rate levels.
- Non-resident accounts – Some markets have restrictions on the opening and operations of non-resident accounts. Such restrictions may limit accounts to specific purposes and activities, affecting the feasibility of certain POBO / ROBO models. In such cases, an account held by a resident may need to be used to process transactions.
- Currency controls – The use of currencies offshore is restricted in many markets, limiting the feasibility of POBO / ROBO in restricted currencies.

Tax considerations

- Thin capitalisation – Many markets impose a cap on the level of borrowing or gearing for companies, which may restrict the amount of interest on related party loans that is deductible for tax purposes.
- Withholding taxes (WHT) – Some markets levy WHT on intercompany loan interest received by an offshore entity. Hence, these structures require careful vetting by tax advisors and extensive modelling of cash flows to determine the financial impact.
- Transfer pricing – High rates of interest charged on cross-border intercompany loans may be viewed as profit shifting.

When considering a POBO / ROBO model, the IHB must consider the regulatory landscape of both its resident market and the market where the model is being executed. For example, in POBO model 2 in this guide, the offshore IHB must consider if their resident market (Country A) permits the opening of offshore accounts. In addition, the IHB will also have to take note of any regulations regarding the opening and operation of non-resident accounts in the target operating market. The same considerations apply for regulations governing cross-border remittances, currency controls, and intercompany lending in both markets.

This guide outlines the feasibility of the three possible POBO / ROBO models in each market by classifying them into one of three designations: Possible, Possible with restrictions, or No. The models' classification will be accompanied by an explanation justifying its designation. Each model's feasibility is dependent on the current regulatory restrictions and requirements governing intercompany lending and cross-border remittances in the market.

Under tax considerations

Corporate Tax may also be known as Corporate Income Tax in some markets. Treasury-related tax incentives refer to tax incentives for setting up centralised treasury structures such as regional treasury centres or in-house banks. Regulations generally differ across markets as to what constitutes qualifying treasury activity for providing incentives. In general, tax incentives for other business activities or for the promotion of certain economic sectors have not been included in this guide.

Some markets have different WHT rates for interests, dividends, and royalties paid. For all markets listed, withholding tax rates may be reduced by Avoidance of Double Taxation Agreements (DTAs) signed and ratified by both countries. Tax credits may be available pursuant to tax treaties for relief from double taxation. More information can be found in our jointly published Double Taxation Treaty Handbook For Corporate Withholding Tax.

Note that all tax rates listed in the right-hand column are base rates and exclude any additional surcharges or levies.

As-of date

Unless otherwise stated, the information contained in this guide is up to date as of 30 June 2019.

Singapore

GDP
USD 364.16 bn

GDP GROWTH
3.14%

POPULATION
5.64 million

CENTRAL BANK
Monetary Authority of Singapore

LOCAL CURRENCY
Singapore Dollar (SGD)

Account conditions

		R	NR	Additional information
Current account opening	LCY	Y_1	Y_1	As per market practice, savings accounts in Singapore are not offered to companies.
	FCY	Y_1	Y_1	
Savings account opening	LCY	N_M	N_M	
	FCY	N_M	N_M	
Residents may open accounts offshore.				
Interest optimisation		Yes		Subject to account conditions, individual account balances may contribute to balance aggregation and benefit from interest rate enhancement.

Y_1: Interest – Y, Overdraft – Y
Y_2: Interest – Y, Overdraft – N
Y_R: Restrictions apply
Y_3: Interest – N, Overdraft – Y
Y_4: Interest – N, Overdraft – N
N: Not available
N_M: Not offered in the market

Sweeping / intercompany lending

Domestic	LCY	FCY	Additional information
Same entity (R)	Y	Y	-
Same entity (NR)	Y	Y	
R ↔ R	Y	Y	
R ↔ NR	Y	Y	
NR ↔ NR	Y	Y	
X-border	**LCY**	**FCY**	**Additional information**
R ↔ offshore	Y	Y	-
NR ↔ offshore	Y	Y	

Y: Yes, without restrictions Y_R: Restrictions may apply   N: Not allowed N_M: Not offered in the market

Notional pooling

There are no specific regulatory restrictions on notional pooling arrangements.

Currency convertibility

Local currency: LCY is convertible onshore and offshore. LCY can be held offshore.

Foreign currency: FCY is convertible to LCY onshore.

Domestic remittance

Transaction type	Earliest value date	Market variants
Automated Clearing House (ACH)	T+1	-
Real Time Gross Settlement (RTGS)	T	-
Direct Debit (Clearing House)	T+1	-
FAST Payment (24x7)	T (almost immediate)	Limited to LCY 200,000 per transaction
PayNow	Based on the payment type	PayNow via ACH: T+1 PayNow via RTGS: T PayNow via FAST: Realtime settlement & LCY 200,000 per transaction

Cross-border remittance

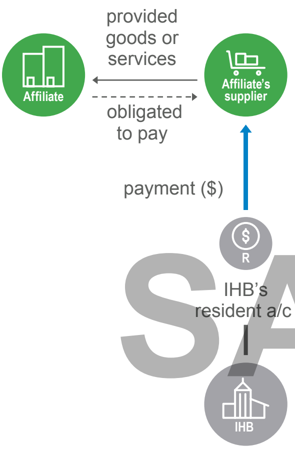
Inward: Generally, there are no foreign exchange regulatory restrictions. Purpose of payment is not mandatory. There are no documentary requirements.

Outward: Generally, there are no foreign exchange regulatory restrictions. Purpose of payment is not mandatory. There are no documentary requirements.

Payments-on-behalf-of (POBO)

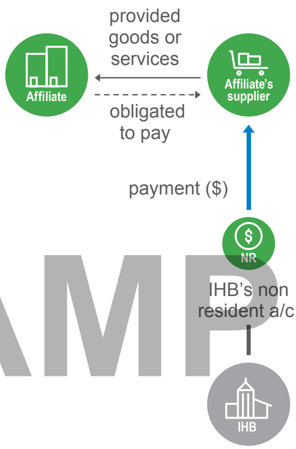
Model 1 › Possible

In-House Bank (IHB) entity using its resident account in Country A to execute POBO an affiliate entity in Singapore



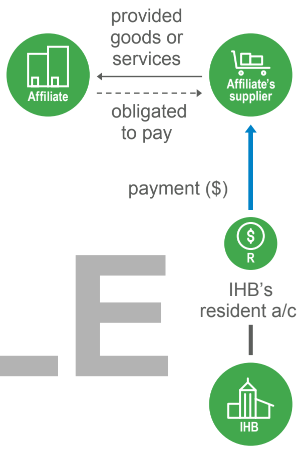
Model 2 › Possible

IHB entity using its non-resident account in Singapore to execute POBO an affiliate entity in Singapore



Model 3 › Possible

Local IHB entity in Singapore using its resident account to execute POBO an affiliate entity in Singapore



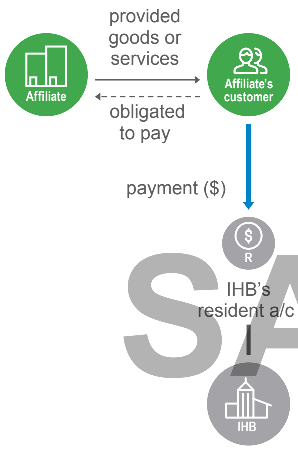
Legend ● **Singapore** ● **Country A**

› Residents and non-residents can open bank accounts in LCY and most foreign currencies.

Receipts-on-behalf-of (ROBO)

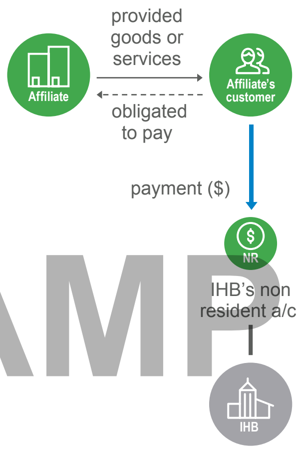
Model 1 › Possible

IHB entity using its resident account in Country A to receive and process ROBO an affiliate entity in Singapore



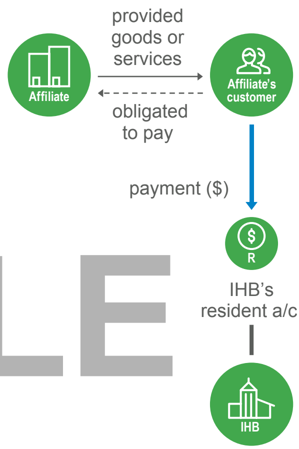
Model 2 › Possible

IHB entity using its non-resident account in Singapore to receive and process ROBO an affiliate entity in Singapore



Model 3 › Possible

Local IHB entity in Singapore using its resident account to receive and process ROBO an affiliate entity in Singapore



Legend ● **Singapore** ● **Country A**

› Residents and non-residents can open bank accounts in LCY and most foreign currencies onshore.

Tax considerations

Residency: The tax residence of a corporation is determined by the place where the central management and control of its business is exercised. This is taken generally to mean the place where the directors meet to exercise de facto control.

Permanent Establishment (PE): Singapore taxes with reference to the source of income rather than the presence of a PE.

The definition of a PE in Singapore's DTAs is largely based on the OECD definition. It is generally taken to be a fixed place, of through which the business of an enterprise is wholly or partly carried on.

Corporate tax	17%
Treasury-related tax incentives Qualifying income derived by an approved Finance and Treasury Centre (FTC) company from carrying on qualifying FTC activities is taxed at a reduced rate of 8%. An approved FTC company is also exempt from Singapore withholding tax on interest payments on loans for which the funds are used for carrying on approved qualifying activities or services, subject to conditions.	8%
Thin capitalisation There are no thin capitalisation rules in Singapore. However, there is restriction on the tax deductibility of interest expenses attributable to non-income producing or non-trade assets.	No
Transfer pricing Transactions between related parties are expected to adhere to the arm's length principle and contemporaneous Transfer Pricing Documentation should be maintained.	Yes
Controlled foreign corporation rule	No

Withholding tax

Interest on bank deposits	No
Interest on intercompany loans	
Singapore does not impose WHT on interest paid by a resident company to another resident company.	No
WHT at the prevailing corporate tax rate (currently at 17%) (non-final) is applicable on interest paid by a resident to a non-resident company (with PE) where the interest is effectively connected to the PE in Singapore. WHT requirements have been waived on interest payments made to Singapore branches of non-resident companies.	17%
A final WHT of 15% applies on interest paid to non-resident companies without PE.	15%
Dividends	No
Royalties	
Singapore does not impose WHT on royalty payment between resident companies.	No
The following are the applicable Singapore WHT rates on royalty paid by a resident company to:	
(a) Singapore PE (other than a Branch) of a non-resident company – prevailing corporate tax rate (currently at 17%) (non-final)	17%
(b) Singapore Branch of a non-resident company – waived	
Royalty payments paid by resident to non-residents (without PE) are subject to WHT at the rate of 10%. The tax withheld represents a final tax.	10%

South Africa

GDP USD 366.30 bn	**GDP GROWTH** 0.62%
POPULATION 57.78 million	**CENTRAL BANK** South African Reserve Bank
LOCAL CURRENCY South African Rand (ZAR)	

Account conditions

		R	NR	Additional information
Current account opening	LCY	Y_1	Y_1	Approval from the bank's in-house exchange control department is required to open FCY bank accounts. Operation of the account is subject to Exchange Control regulations and for specified purposes only. Maximum interest rate for overdrafts are prescribed by the National Credit Act. As per market practice, overdrafts are not offered to non-resident LCY accounts. In South Africa, call accounts are offered in place of saving accounts for corporates.
	FCY	$Y_{1,R}$	$Y_{1,R}$	
Savings account opening	LCY	Y_1	Y_1	
	FCY	$Y_{1,R}$	$Y_{1,R}$	
Residents are allowed to open accounts offshore through an onshore Authorised Dealer, subject to conditions.				
Interest optimisation		Yes		Subject to account conditions, individual account balances may contribute to balance aggregation and benefit from interest rate enhancement.

Y_1: Interest – Y, Overdraft – Y
Y_2: Interest – Y, Overdraft – N
Y_R: Restrictions apply
Y_3: Interest – N, Overdraft – Y
Y_4: Interest – N, Overdraft – N
N: Not available
N_M: Not offered in the market

Sweeping / intercompany lending

Domestic	LCY	FCY	Additional information
Same entity (R)	Y	Y	Sweeping between residents in the same group is allowed if the centralised treasury operations are in South Africa. Local borrowing limitations apply if the resident borrower is 75% or more controlled by a non-resident. Lending between residents and non-residents is subject to Exchange Control approval which is granted only where the loan is in relation to an approved foreign investment.
Same entity (NR)	Y	Y	
R ↔ R	Y_R	Y_R	
R ↔ NR	Y_R	Y_R	
NR ↔ NR	Y_R	Y_R	

X-border	LCY	FCY	Additional information
R ↔ offshore	Y_R	Y_R	Cross-border intercompany lending and borrowing is subject to obtaining Exchange Control approval.
NR ↔ offshore	Y_R	Y_R	

Y: Yes, without restrictions Y_R: Restrictions may apply N: Not allowed N_M: Not offered in the market

Notional pooling

Generally, notional pooling is allowed for accounts of corporates with the same residency status.

Currency convertibility

Local currency: Residents may convert LCY to FCY onshore, subject to purchasing the FCY from an Authorised Dealer who may require an application to be submitted. Non-residents may convert LCY to FCY if they hold a non-resident account. LCY is convertible offshore.

Foreign currency: If the resident receives FCY from offshore, conversion into LCY is automatic unless the resident holds a Customer Foreign Account. Non-residents may convert FCY into LCY if they hold a non-resident account.

Domestic remittance

Transaction type	Earliest value date	Market variants
Automated Clearing House (ACH)	T+1	Up to LCY 5 million per transaction
Real Time Gross Settlement (RTGS)	T	-
Direct Debit (Clearing House)	T+1	Up to LCY 1 million per transaction
Faster (Instant) Payments (Real Time Clearing)	T (almost immediate)	-

Cross-border remittance

Inward: Residents obtaining inward foreign loans and foreign trade finance facilities from non-residents are required to obtain approval from Authorised Dealers and must be recorded via the Loan Reporting System. For any other applications which fall outside the applicable criteria, an application must be submitted to the Financial Surveillance Department for consideration. Purpose of payment is mandatory. There are no documentary requirements.

Outward: Exchange Control approval is required for residents to invest in foreign countries for all investments exceeding LCY 1 billion per annum, providing LCY loans to non-residents and payment of royalties, technical services fees and management fees in LCY to non-residents. For residents remitting FCY offshore, purchasing FCY from an Authorised Dealer to remit FCY may require an application be submitted. If non-residents have LCY accounts in South Africa or invoice residents in LCY for permissible transactions, specific approval is required from the Central Bank to remit LCY / FCY offshore. Purpose of payment is mandatory. There are documentary requirements.

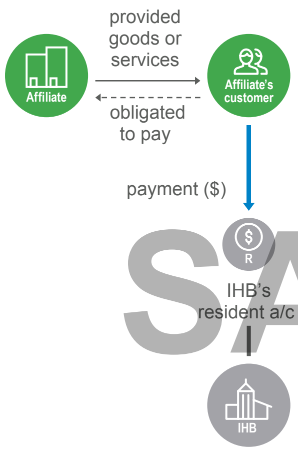
Common Monetary Area (CMA): South Africa, Lesotho, Swaziland and Namibia comprise the CMA and there are no exchange controls on transactions between these states. However, such transactions must be reported to the Central Bank.

SADC Integrated Real Time Electronic Settlement System (SADC-RTGS): High value-cross-border transactions can be made using the single-currency (ZAR) regional settlement system SADC RTGS. Participating countries include South Africa, Lesotho, Swaziland, Namibia, Malawi, Mauritius, Mozambique, Tanzania, Zambia, Zimbabwe, Seychelles, Botswana, Angola and Democratic Republic of Congo.

Payments-on-behalf-of (POBO)

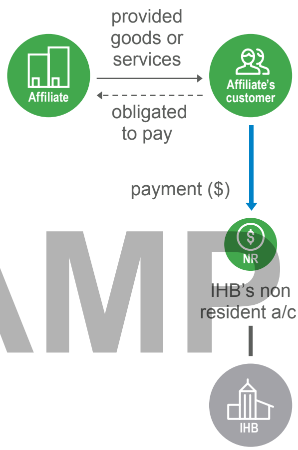
Model 1 › Possible with restrictions

In-House Bank (IHB) entity using its resident account in Country A to execute POBO an affiliate entity in South Africa



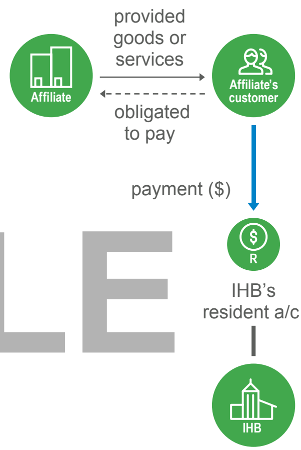
Model 2 › Possible with restrictions

IHB entity using its non-resident account in South Africa to execute POBO an affiliate entity in South Africa



Model 3 › Possible with restrictions

Local IHB entity in South Africa using its resident account to execute POBO an affiliate entity in South Africa



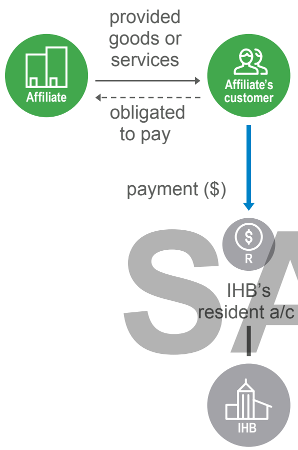
Legend ● **South Africa** ● **Country A**

- Residents and non-residents can open bank accounts in LCY and most foreign currencies.
- Model 1 may be challenging to implement as cross-border intercompany lending and borrowing is subject to Exchange Control approval.
- Model 2 may be challenging to implement as domestic intercompany lending and borrowing is subject to Exchange Control approval.
- Model 3 is feasible in LCY, subject to intercompany borrowing limitations and FCY, subject to account opening approval.

Receipts-on-behalf-of (ROBO)

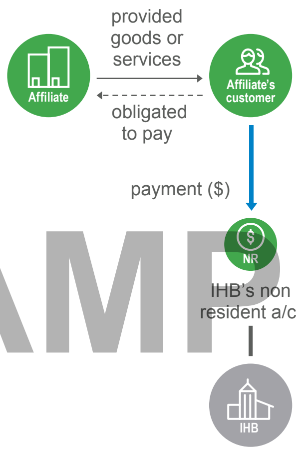
Model 1 › Possible with restrictions

IHB entity using its resident account in Country A to receive and process ROBO an affiliate entity in South Africa



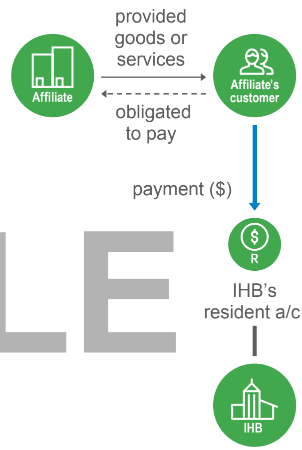
Model 2 › Possible with restrictions

IHB entity using its non-resident account in South Africa to receive and process ROBO an affiliate entity in South Africa



Model 3 › Possible with restrictions

Local IHB entity in South Africa using its resident account to receive and process ROBO an affiliate entity in South Africa



Legend ● **South Africa** ● **Country A**

- Residents and non-residents can open bank accounts in LCY and most foreign currencies.
- Model 1 may be challenging to implement as cross-border intercompany lending and borrowing is subject to Exchange Control approval.
- Model 2 may be challenging to implement as domestic intercompany lending and borrowing is subject to Exchange Control approval.
- Model 3 is feasible in LCY, subject to intercompany borrowing limitations and FCY, subject to account opening approval.

Tax considerations

Residency: A company is resident in South Africa if it is incorporated, established, or formed in South Africa or has its place of effective management in South Africa.

Permanent Establishment (PE): A PE is defined by reference to the definition thereon in the OECD Model Tax Convention.

Corporate tax Corporate entities are taxed at 28% on taxable income exceeding ZAR 550,000.	28%
Treasury-related tax incentives	No
Thin capitalisation The provisions governing thin capitalisation is part of the transfer pricing rules. To the extent where there is a difference between the taxpayer's actual taxable income and the taxable income calculated on the arm's length basis, this amount is deemed to be a dividend in specie declared to a non-resident and is subject to the dividends tax at 20%.	Yes
Transfer pricing A South African taxpayer is required to follow arm's length principles in transactions with connected persons outside South Africa. The onus of proving the prices are set at arm's length rests with the taxpayers.	Yes
Controlled foreign corporation rule The net income of a CFC (i.e. a company resident outside South Africa in which South African residents directly or indirectly hold more than 50% of the total participation or voting rights) is taxable in the hands of the South African resident. The following are exempt from CFC imputation: › Foreign Business Establishment exemption – A fixed place of business located outside South Africa for the carrying on of the business of the CFC for a period of not less than one year. › High tax exemption – if the foreign taxes paid by the CFC is at least 75% of the taxes that would have been payable by the CFC had it been a South African tax resident.	Yes

Withholding tax

Interest on bank deposits	No
Interest on intercompany loans South Africa does not impose WHT on interest paid by a resident to another resident. A WHT of 15% applies on interest paid by a resident to a non-resident.	No 15%
Dividends A WHT of 20% applies on dividends paid to resident and non-residents.	20%
Royalties South Africa does not impose WHT on royalties paid by a resident to another resident. A WHT of 15% applies on royalties paid to non-resident.	No 15%

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