

Market Overview: United Kingdom



Country Profile	United Kingdom
UK	The UK is one of the largest economies in Europe and in the world. As a gateway to Europe, it is the top destination for European expansion, foreign investment and for European headquarters. More information on the UK can be found at: www.ukinvest.gov.uk .
Monetary Unit	British Pound (GBP)
Central Bank	Bank of England
Regulatory Agency	Financial Services Authority (FSA)
Foreign Exchange Controls	The UK applies no exchange control.
Central Bank Reporting	There are no reporting requirements imposed by the Bank of England for cross border transfers.
Corporate Tax Rate	28 percent
Value Added Tax	17.5 percent
National Clearing Systems	<p>CHAPS: real time gross settlement system, used for urgent and high value payments; same day settlement with finality.</p> <p>BACS: net settlement system, used for non-urgent, low value payments; 3-day settlement cycle.</p> <p>CCCC (Cheque and Credit Clearing Company): handles clearing of paper-based instruments like checks; payments are settled in 3 days.</p>
Banking Overview	
	<p>The UK has a mature, competitive and efficient banking market comprised of domestic and foreign banks, building societies and credit unions. There are four major domestic banks that provide a full range of banking services to corporate clients – The Royal Bank of Scotland and its subsidiary NatWest, Barclays, Lloyds and HSBC.</p> <p>The major UK banks are direct participants in the clearing systems and have a nationwide branch network. This allows companies to hold one account and make deposit and withdrawals from any branch. Being direct participants in all the clearings, the major UK banks have a dominant share in processing payments by cash, checks and ACH. It is common for foreign banks to engage the clearing services of UK banks to offer domestic cash management services to their clients.</p>
Banking Services	
Bank Accounts	Resident and non-resident accounts are available in GBP and in foreign currency.
Interest	Banks can pay interest on operating accounts, both in GBP and in foreign currency.

Bank Account Opening / Anti-Money Laundering (AML) / Know Your Customer (KYC) Requirements	<p>Due to anti-money laundering regulations, the UK banks are required to comply with a rigorous due diligence process.</p> <p>As part of the UK bank's account opening process, typical AML / KYC compliance requirements include disclosure of the company's beneficial owners and certified copies of the passport and driver's license of those individuals that own greater than 20 percent of the company.</p>
Internet Banking	<p>Although slower to implement than U.S. banks, the major UK banks do offer Internet banking. Using bilateral agreements, certain UK banks offer account information reporting and payment services for accounts held with them to be managed via a U.S. partner bank's online system.</p>
Payment Overview	<p>The most important payment instruments are electronic credit transfers in terms of value and card payments in terms of volume. The increased use of internet banking has led to a growth in electronic credit transfers and a reduction of checks. Although electronic credit transfers have increased, checks continue to be widely used by consumers and small business. Preauthorized direct debits using BACS are the most common type of direct debit in the UK and are commonly used to collect payments with set amounts and can be used for variable amounts as well.</p>
New Developments in the UK Payments Industry	<p>Faster Payments Service (FPS), a new clearing system to handle internet, phone and standing order payments, began operations on May 27, 2008. It allows customers to make payments anytime with clearing within hours instead of three days. FPS does have certain restrictions: it limits transfers of GBP10,000 (although some banks have set a lower limit) and banks at both ends of the transfer must be FPS participants. FPS is a significant development in the UK payments industry and could change the payment landscape in the UK as it expands and becomes available to corporate clients in the future.</p>
Collections	<p>Most commonly used collection services: Check deposits, authorized direct debits using BACS, wire payments via CHAPS, merchant services.</p> <p>Lockbox Services: Lockbox services are offered by UK banks but typically for companies with a high volume of retail payments such as utility and insurance companies. Lockbox is not a standard collection service offering as is the case in the U.S. The efficiency of the UK postal system reduces the need to manage mail float.</p>
Disbursements	<p>Most commonly used disbursements services: checks, electronic credit transfers (CHAPS and BACS payments), standing orders.</p>
Borrowing	<p>The UK banks offer similar financing products to the U.S. The one exception is that overdrafts through a current account are a common form of borrowing. Unlike the U.S., overdrafts do not incur a penalty rate and/or fee. Once agreed with the bank, overdrafts can be made available for up to one year with the variable interest rate charged linked to the bank's lending rate.</p> <p>Common Short Term Borrowing Options: overdrafts, fixed and variable rate loans, equipment loans, discounting trade bills of exchange, factoring.</p>
Investments	<p>Short Term Investment Options: As the UK is a mature financial market there is a wide variety of investment options to resident and non-resident entities. These include: interest bearing current or checking accounts, interest bearing demand deposit accounts, time deposits, certificates of deposit, Treasury bills, money market funds, repurchase agreements.</p>

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