

Treasury Management in the Netherlands

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Netherlands Overview

The Netherlands is a small but centrally located country within the Benelux region of Europe.

The unit of currency is the euro (EUR) which is divisible into 100 cents. The Dutch Guilder (NLG) became a denomination of the EUR on January 1, 1999 and will be eliminated as legal tender in 2002. The Guilder is one of 11 currencies comprising the Euro (EUR) which is freely traded on the foreign exchange market. The locking rate of the EUR to the NLG is EUR 1 = NLG 2.20371

The central bank is De Nederlandsche Bank (DNB) which has supervisory responsibility for Dutch financial institutions in addition to issuing currency. With the advent of the Euro a key role of DNB is coordination of the central monetary policy with the European Central Bank. DNB reporting requirements impose a modest compliance burden on banks and their clients but in general have minimal impact on cash management activity.

There are three payment and clearing systems in the Netherlands that relate to cash and treasury management.

1. The TOP system is owned and operated by DNB and used for high value payments. It is a Real Time Gross Settlement (RTGS) system which replaced an earlier RTGS system known as FA. Transactions through TOP have no minimum or maximum value and are irrevocable. Participation in TOP is limited to licensed banks in the Netherlands where TOP is the interface with TARGET. TOP terminals are connected to the DNB through the Interpay network and settlement is through participant accounts with DNB.
2. The Interpay network is owned and operated by participant banks and handles low value electronic and check transactions. The electronic portion of Interpay functions as an ACH with payments below NLG 500,000 processed for value on the next business day and payments above NLG 500,000 (with a maximum value of NLG 10,000,000) processed for value on the same day. While checks are seldom used in the Netherlands, the Interpay network is used to transmit clearing information. In all cases settlement between participating banks for transactions through Interpay is on a net basis through accounts maintained with DNB.
3. The Dutch Postbank also operates a giro system for low value electronic payments. It is available to Postbank account holders and does not interface directly with Interpay.

A company is considered to be resident in the Netherlands if it is incorporated in the Netherlands or if management and control are exercised from the Netherlands. Resident companies are taxed on their worldwide income. Non resident companies are only taxed on certain categories of Dutch source income. For both residents and non residents the rate of corporate tax is 35%

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Sponsor

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Background

[US Department of Commerce](#), [US State Department](#), and [USCIA](#)

Government

[De Nederlandsche Bank](#), [Ministry of Finance](#), [Dutch State Treasury](#), [Ministry of Economic Affairs](#), [Royal Netherlands Embassy](#), and [Bank Nederlandse Gemeenten](#)

Consultants

[DTT](#), [WorldTax](#) and [Ernst & Young](#)

Associations

[DACT](#)

Banks

[ABN AMRO](#), [Fortis Nederland](#), [ING Group](#), and [Rabobank](#)

Treasury Management

The Netherlands has a strong tradition of trade and commerce going back many centuries. Combined with a favorable tax regime, relatively open regulatory environment, high degree of enthusiasm for the European Union, and a favorable geographic position it is a natural center for treasury and distribution activity. An efficient payments infrastructure which keeps transaction costs relatively low is another important reason that the Netherlands is selected as a center for treasury activities. Domestic cash management in the Netherlands is easily automated and managed and the focus of treasury management in the Netherlands is on cross border activity.

All common treasury management techniques are permitted in the Netherlands including multilateral netting, notional pooling, and leading/lagging. The simplicity of domestic cash management makes the primary focus of treasury management the management of cross border activity and the integration of other domestic cash management systems into a treasury center.

Multiple NLG accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted and are common business practice.

Accounts

The basic NLG operating account is referred to as a current account and may be held by resident or non-resident corporations. Interest can be paid on current accounts and overdrafts are permitted subject to mutual agreement with the bank.

Resident and non-resident corporations registered in the Netherlands may hold accounts in Netherlands that are denominated in a large number of currencies including USD, GBP, EUR, and JPY without prior central bank approval.

Interest can be paid on current accounts. Additional short term investment options include time deposits, certificates of deposit and treasury bills with term deposits being the most popular option.

Overdraft finance is permitted but term loans are a more economical form of short term finance. Discounted trade bills and commercial paper are also available but not commonly used. Factoring of receivables is a well developed practice and is commonly used.

Payments and Receipts

Debit cards and giro credits are the main form of settlement for retail obligations while commercial obligations are settled by giro debits or credits. Direct debit of the consumer's account by a business is a common way of settling business to consumer transactions. Paper based instruments such as checks are extremely uncommon.

Lockbox type arrangements are permitted but not common business practice due to the lack of check use and the availability of sophisticated electronic alternatives.

Controlled disbursement is not possible because the timing of check presentment and Interpay cutoffs does not permit funding of a disbursement account. Further, checks are seldom used and interest is payable on current accounts so there is little need for a functional alternative.

[International](#)

Specialist Sites

[Bibit - Internet Billing Services](#),
[Interpay](#), and
[Valmet](#)



[International Treasurer](#)
The Journal of Global Treasury and Financial Risk Management

Technology and Marketplace

The Netherlands has a sophisticated and liberalized telecommunications system with fiber optic cable and digital switches. Bandwidth is inexpensive and readily available and the population and commercial community are well connected. Electronic banking products including access systems and balance reporting are available and commonly used. Stored value cards, ATMs, and other technology solutions are quickly adopted.

Banking and finance are important sectors in the Dutch economy. The banking scene is dominated by four bank conglomerates; ABN AMRO, ING Bank, Rabobank, and Fortis which collectively have over 80% of the corporate lending market. ING Bank is also the only institution with access to both the Interpay and Postbank giro systems. Foreign banks are not discriminated against by the Ministry of Finance and DNB. Because of the Netherlands' role as a treasury center many international banks have a presence in the country, generally in Amsterdam. The traditional players include Bank of America, Citibank, Chase, Deutsche Bank, HSBC in addition to more European players such as KBC. The market for domestic and cross border services is highly competitive and there is general overcapacity in the market.

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