Country Profile
Peru
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Glossary
EXECUTIVE SUMMARY

Peru's programme of economic liberalisation since the 1990s has helped it to become one of Latin America's more stable and economically developed countries. Peru is a member of the Community of Andean Nations (CAN) and the Latin American Integration Association (LAIA). Peru is strongly committed to free trade and has actively sought foreign investment. Although Peru has made efforts to diversify its export sector to include agriculture, textiles and fishing, dependence on minerals and metals, such as copper, make it vulnerable to fluctuations in global commodity prices.

From a cash management perspective, banks are free to set their own competitive interest rates. Notional pooling is not permitted. Zero balancing is a common cash management technique in the country. The use of paper-based payment and collection instruments in Peru has generally declined in recent years in favour of electronic credit transfers, direct debits and payment cards, but cheques remain widely used by both consumers and businesses. LBTR (Liquidación Bruta en Tiempo Real) is Peru's real-time gross settlement system. It processes high-value and urgent interbank transfers and settles transactions from the low-value automated clearinghouse, the CCE (Cámara de Compensación Electrónica SA). Peruvian companies can rely on well-developed electronic banking services. Increasingly, banks and software providers are also able to provide a range of browser-based cash and liquidity management services.

Economic / Political Environment

Overview

One of Latin America's more economically stable countries, with an emerging, free-market economy, Peru is a member of the CAN and LAIA, and an associate member of the Mercosur (Southern Cone Common Market). Since the 1990s, Peru has reduced trade barriers, eliminated exchange controls and actively sought and attracted foreign investment, particularly in telecommunications, mining and financial services. It has also signed several trade agreements, including with the USA, Canada, China and Chile. However, it still faces the challenge of diversifying its economy, which is greatly dependent on mineral and metals exports such as copper, gold and zinc.

GDP growth averaged around 6.7% from 2002 to 2008, according to the National Statistics Institute. Growth rose to 9.9% in 2008 as global commodity prices soared but slowed sharply in 2009 with the onset of the global recession. GDP expanded by only 0.9% in 2009. However, helped by a USD 4.8 billion fiscal stimulus package announced in December 2008, rising investment in the mining and energy industries and consecutive interest rate cuts over 2009, the economy has recovered strongly since the end of 2009, growing by 8.8% in 2010. GDP growth slowed to 6.9% in 2011, reflecting falling government spending and exports. GDP is expected to slow further to 5.8% in 2012.

Peru has maintained a low rate of inflation, with economic expansion coming from high international commodities prices, export earnings and growing domestic demand. As in other countries, inflation spiked in 2008 (in Peru from 1.8% in 2007 to 6.75% in November 2008), but slowed sharply in 2009, standing at 0.25% at the end of the year. However, as the economy has recovered, the inflation rate has increased, standing at 3.53% in August 2012, above the central bank’s target range of 1% to 3%. Poverty levels have fallen in recent years, though Peru still has highly uneven wealth distribution. The unemployment rate for metropolitan Lima stood at 6.2% in July 2012, down from 7% a year earlier.

On 5 June 2011, Ollanta Humala, a nationalist former army officer and leader of the left-wing Peruvian Nationalist Party (PNP), won the second round of the presidential election, beating Congresswoman Keiko Fujimori, daughter of former President Albert Fujimori, by 3 percentage points.

Mr. Humala took office on 28 July 2011 for a five-year term, replacing President Alan García Pérez, from the centre-left Alianza Popular Revolucionaria Americana (APRA). He has pledged to support investments in the country’s natural resources and redistribute wealth to the country’s poor majority. Just over a year into his term, Mr. Humala has dispelled most investors’ doubts about his commitment to keeping Peru’s economy open to trade and investment.

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Key indicators

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP @ year end</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>exchange rate (USD)</td>
<td>billion</td>
<td>95</td>
<td>112</td>
<td>119</td>
<td>132</td>
<td>155</td>
<td>-</td>
</tr>
<tr>
<td><strong>GDP volume change</strong></td>
<td>%</td>
<td>+ 8.0</td>
<td>+ 8.7</td>
<td>+ 9.9</td>
<td>+ 0.9</td>
<td>+ 8.8</td>
<td>+ 6.7</td>
</tr>
<tr>
<td><strong>GDP per capita</strong></td>
<td>USD</td>
<td>3,394</td>
<td>3,978</td>
<td>4,175</td>
<td>4,591</td>
<td>5,321</td>
<td>-</td>
</tr>
<tr>
<td><strong>Consumer prices</strong></td>
<td>%</td>
<td>+ 2.0</td>
<td>+ 1.8</td>
<td>+ 5.8</td>
<td>+ 2.9</td>
<td>+ 1.5</td>
<td>+ 3.5</td>
</tr>
<tr>
<td>change (year on year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Exchange rate – PEN per USD</strong></td>
<td>(end</td>
<td>period market rate)</td>
<td>3.1955</td>
<td>2.9960</td>
<td>3.1395</td>
<td>2.8895</td>
<td>2.8085</td>
</tr>
</tbody>
</table>


Population (July 2012 est.) 29.55 million

Sectoral analysis % (2011 est.)

<table>
<thead>
<tr>
<th>Sector</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>8%</td>
</tr>
<tr>
<td>Industry</td>
<td>38%</td>
</tr>
<tr>
<td>Services</td>
<td>54%</td>
</tr>
</tbody>
</table>

Regulatory Environment and General Market Practice

Key summary
There are no restrictions on resident and non-resident accounts in both domestic and foreign currency. Notional pooling is not permitted in Peru. Zero balancing is used in Peru. Cross-currency cash concentration is permitted. Central bank reporting is not required.

Resident and non-resident status
A company is considered resident if it has been incorporated in Peru. In addition, permanent establishments, branches or agencies of non-domiciled individuals or companies are taxed on their Peruvian-sourced income.
Central bank reporting

Central bank reporting is not required of companies in Peru.

Exchange controls

The Peruvian nuevo sol (PEN) is the official currency of Peru. The exchange rate of the peso is floating.

There are no controls on exchange transactions in Peru.

Peru is a member of the Latin American Integration Association (LAIA). Regional payment and clearing arrangements exist between Argentina, Chile, Bolivia, Brazil, Colombia, Mexico, Ecuador, Paraguay, the Dominican Republic, Venezuela, Uruguay and Peru. Payments can be made through unique central bank accounts within the framework of the multilateral clearing system of the LAIA.

Liquidity

Account types

Residents can open and maintain foreign currency accounts domestically and abroad.

Domestic currency is convertible into foreign currency.

Non-residents are allowed to hold accounts denominated in either domestic or foreign currency in Peru.

Non-resident domestic currency accounts are convertible into foreign currency.

Account opening forms must be returned along with a copies of the company registration documents and constitution, identity documents of company representatives and the taxpayer registration number (RUC).

General market practice

Interest can be offered on current accounts (cuentas corrientes) and short-term deposit accounts, although banks rarely offer interest on current account surplus balances. Banks are free to set their own competitive rates.

All credits and debits on bank accounts are subject to the financial transaction tax (ITF). Effective 1 April 2011, the financial transaction tax rate was reduced to 0.005%.

Cash concentration / ZBA sweeping

Cash concentration is a liquidity management technique whereby account balances are physically transferred to/from a single account (known as a master, header or concentration account) for liquidity management purposes. Cash concentration can take these forms:

Zero balancing (ZBA), sometimes referred to as sweeping, is a cash concentration technique whereby the total of all account balances is physically transferred into a nominated account.

Target balancing, also known as sweeping, is a cash concentration technique similar to ZBA, whereby all account balances are physically transferred into a nominated account leaving a predetermined amount in the sub-accounts.

Threshold balancing is a cash concentration technique similar to ZBA, whereby the balances of the sub-accounts are physically transferred in their totality into a nominated account each time the sub-account balances reach a predetermined threshold.
General market practice

For residents:
Zero balancing is available and widely in Peru. Zero balancing is used in Peru when all of the accounts have the same tax identification number as transfers between these accounts are exempt from the ITF of 0.005%. Accounts in both PEN and USD can be used.

For non-residents:
Non-resident bank accounts may participate in a cash concentration structure.

Cross-border sweeping

A cross-border sweep is a liquidity management technique used to concentrate funds held in accounts in different jurisdictions into one liquidity centre*. A system for accounting, reporting and payment in accordance with the respective national accounting standards of the countries involved in the sweeping arrangement has to be put in place.

* Care: A cross-border sweep can create an intercompany loan, which for certain countries will trigger corporate withholding tax.

General market practice

For residents:
Companies can establish a structure with an account acting as a header account. Funds collected in other jurisdictions can be swept to that account, allowing the company to concentrate cash in one location.

For non-residents:
Funds transfers between resident and non-residents are subject to lifting fees.
Non-resident companies can participate in cross-border sweeping into or out of structures based in Peru.

Notional pooling

Notional pooling is a liquidity management technique which does not involve the physical movement or any co-mingling of funds held in different bank accounts. All bank account balances within the structure are offset against one another. The bank applies interest on the structure’s net balance, rather than on the individual bank account balances.

Some countries restrict notional pooling to bank accounts held in the name of the same legal entity. Others permit bank accounts held in the name of different group entities to participate in the same notional cash pool.

General market practice – Single entity

For residents:
Notional pooling is not permitted.

For non-residents:
Notional pooling is not permitted.

General market practice – Multiple entities

For residents and non-residents:
Notional pooling is not permitted.

Lifting fees

A lifting fee is a charge associated with the resident/non-resident movement of funds calculated as a percentage of the transaction value.

General market practice

Funds transfers between resident and non-resident accounts are subject to lifting charges.
Investment instruments

Bank (current) accounts – interest payable on surplus balances
Dependent on the jurisdiction, banks may pay interest on surplus balances in designated current accounts.

General market practice
Although banks are free to offer interest on all bank accounts held by residents and non-residents, very few interest-bearing current accounts (cuentas corrientes) are used.

Bank demand deposits
A demand deposit account or sight account pays interest and the investor can usually withdraw funds at little or no notice. The account is not available to be used for cheques and other similar payments.

General market practice
Banks are free to offer interest on all bank accounts held by residents and non-residents.

Bank time deposits
Time or term deposits enable investors to deposit funds for a predetermined term.

General market practice
Time deposits are available in domestic currency (PEN) and major foreign currencies (USD, EUR) with maturities ranging from 30 to 360 days.

Certificates of deposit
Certificates of deposit (CDs) are bank-issued negotiable investment instruments.

General market practice
CDs are issued in USD at terms of between 30 and 360 days.

Treasury (government) bills / bonds
As part of their debt management policies, governments issue a variety of debt instruments with maturities ranging from overnight to many years.

General market practice
Treasury bonds are available to financial entities through repurchase agreements.

Central bank bills / bonds
Central banks may issue bills or bonds to control the money supply.

General market practice
Banco Central de Reserva del Perú (BCRP) issues central bank certificates of deposit sold through repurchase agreements to financial entities in daily auctions usually in maturities from overnight to two months and are used to control the money supply.

Commercial paper
Commercial paper is a short-term, unsecured promissory note. It is usually issued in bearer form, meaning it is a negotiable instrument. By issuing the paper, the issuer promises to pay the bearer the face value of the paper on a fixed maturity date.

General market practice
Demand for local paper issued by companies has increased along with the growth in private pension funds.
Mutual investment funds / money market funds
Mutual investment funds buy a portfolio of instruments, allowing the fund investor to diversify their investment risk through the fund. A money market fund is a mutual fund which invests in money market instruments.

General market practice
Mutual investment and money market funds are widely available.

Repurchase agreements
Repurchase agreements (repos) allow investors to purchase securities which are then sold back on a predetermined date for the purchase price plus interest.

General market practice
Repurchase agreements are available in Peru.

Bankers’ acceptances
A banker’s acceptance, or BA, is a time draft drawn on and accepted by a bank.

General market practice
BAs (acceptaciones bancarias - ABs) are available in Peru.

Corporate and municipal bonds
Bonds are issued by companies, governments and other entities for terms ranging from under a year to over 20 years.

General market practice
Peruvian companies can issue bonds in domestic or foreign currency.

Taxation
Companies are considered resident in Peru for income tax purposes if incorporated in Peru. Permanent establishments (PEs) and branches or agencies of non-resident entities are taxed on their Peruvian-sourced income only.

The tax year corresponds to the calendar year. Corporate income tax returns for income received during the fiscal year must be filed between the end of March and the beginning of April of the following year.

Withholding tax

<table>
<thead>
<tr>
<th>Payments to:</th>
<th>Interest</th>
<th>Dividends</th>
<th>Royalties/Fees</th>
<th>Other income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident companies</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Non-resident companies</td>
<td>4.99% / 30%*</td>
<td>4.1%</td>
<td>30%</td>
<td>24% / 10% **/ 15%† / 30%</td>
</tr>
</tbody>
</table>

* The 30% rate is applicable to interest paid abroad to economically related parties or to interest payable to non-related parties exceeding the maximum allowed by law. ** Applies only to chartering of vessels and aircraft. † Applies to technical assistance services.
Interest obtained by non-resident entities from credits or loans granted to non-related companies established in Peru is subject to withholding income tax rate of 4.99%, provided the interest does not exceed the maximum rates allowed by law. In the case of credits or loans granted to related companies, the withholding income tax rate applicable is 30%.

As a member of the Andean Community of Nations (CAN), Peru has an agreement in force to prevent double taxation among member countries (Bolivia, Colombia and Ecuador).

Peru also has double tax treaties in force with Canada, Chile and Brazil. Under these treaties different rates of withholding tax can apply to interest, dividends and royalties, depending on the terms of the relevant agreement. It has further treaties with Argentina, Sweden and the USA.

In 2006 Peru signed an agreement with Spain, which has not been implemented to date.

In 2011, Peru signed an agreement with Mexico, but it is not yet in force. The agreement must have the approval of the Congress.

Peru has signed a TIEA with the USA.

**Value-added tax**

A general sales tax (Impuesto General a las Ventas — IGV) is levied based on the value added to goods sold, services provided in the country, services received from abroad, construction contracts, the first sale of real property by builders in Peru (as defined), and on the import of goods.

The IGV rate is 18% and includes the Municipal Promotional Tax (Impuesto de Promoción Municipal) of 2%.

Basic foods are exempt, as are firms operating in free-trade zones and the Amazon region. Exports of goods and exports of certain services not used in Peru are also exempt.

The multi-stage system provides a business entity with a right to deduct the IGV incurred as a tax credit on purchased supplies of goods and services relating to the business activity. Companies submit IGV returns monthly.

Excise tax (Impuesto Selectivo al Consumo) is levied on some products specified by law, such as petroleum-derivate fuels, spirits, wine, beer, cigarettes and some types of motor vehicle.

There are no stamp duties.

**Corporate taxation**

Resident companies are subject to taxation on their worldwide taxable income.

Resident companies that have entered into a tax stability agreement (signed before 1 January 2005) must adjust their annual profit for inflation.

Companies need to make 12 monthly advance tax payments which are based on either their tax-to-revenue ratio in the previous year or 2% of monthly gross revenues.

The general rate of corporate income tax rate is 30% for resident entities.

The general income tax rate for non-resident entities is also 30%. “International activities”, such as transport, telecommunications, insurance etc., are subject to a lower effective tax rate. Technical assistance services are subject to a 15% rate. (Certification is required for the actual rendering of the services, issued by an international audit firm.)

The distribution of dividends or profits to individuals and to non-resident legal entities is subject to tax at the rate of 4.1% applied to the actual amount distributed and payable by the beneficiary of the distribution.

In the case of branches and other forms of permanent establishments of non-resident legal entities, a distribution is deemed to be made when the term to file the corporate income tax has expired. In this case a rate of 4.1% is applied to net income.
Losses incurred in one fiscal year may be offset against either:

- full taxable income obtained in the immediately subsequent four fiscal years; or
- fifty percent of the taxable income obtained in the immediately subsequent fiscal years until they have been fully utilised without a time limit.

Losses may not be carried back.

**Financial instruments**

Profits and losses obtained from derivative financial instruments are taxable for income tax purposes. Hedging derivative losses may be offset against taxable income; losses obtained from other derivative instruments (speculative) may only be offset against income obtained from derivative instruments of the same nature.

**Interest and financing costs**

Interest expenses are tax deductible if they are incurred to generate taxable income or maintain its source, unless they do not comply with thin capitalisation and transfer pricing rules. Regarding banks and other financial institutions, interest expense may be deducted up to the limit of the ratio of levied financial income to non-levied financial income.

**Foreign exchange**

Exchange differences must be included in the taxable basis. If the exchange difference is connected to the acquisition of a fixed asset, the difference cannot be deducted as an expense in the year of its accrual, but it is included as part of the cost of the asset and subject to depreciation for tax purposes. This also applies to the exchange difference connected to the acquisition of inventory, if the exchange difference per item can be properly identified. If it cannot be identified, the exchange difference is included in the year’s taxable income.

**Net assets temporary tax**

Within the first 12 days of April, all entities that are liable to corporate income tax must file the net assets temporary tax annual return. This obligation comes into force at the start of the entity’s second year of activity. The net assets temporary tax is a credit to corporate income tax.

Net assets temporary tax is paid by entities that own assets with a value in excess of PEN 1 million (approximately USD 350,000). The rate of tax is 0.4% and is applied to the value in excess of this amount.

**Advance tax ruling availability**

Advanced pricing arrangements (APAs) may be agreed only for international transactions.

**Real estate tax**

This is a municipal annual tax levied on the value of real estate, both urban and rural. Real estate is considered to be the land, buildings and fixed and permanent facilities that are an integral part thereof, and which cannot be separated without altering, deteriorating or destroying the building. The tax is paid by the owner of the property. It is calculated using a cumulative progressive scale ranging from 0.2% to 1.0% of the self-assessed value of the taxpayer’s real property located within the same municipal district. The self-assessment of the value is based upon official values.
Transfer pricing
For corporate income tax and VAT purposes, the determination of transfer prices for transactions with related companies must be based upon on the arm’s length principle and supported with documentation showing the valuation methods used to determine the transfer price, indicating the criteria and objective elements considered. Should the value assigned by the tax authorities differ, the price will be adjusted for any overstatement or understatement. The OECD methodology and guidelines apply.

Companies that undertake transactions with related parties are required to present an annual statement of their transactions with those parties in accordance with the form, terms and conditions that the Administrative Authority establishes. Failure to present the necessary documentation results in a fine equivalent to 0.6% of net income.

Cash pooling
No specific tax rules apply.

Thin capitalisation
If debt with related individuals or companies exceeds three times the total equity as at the end of the previous fiscal year, interest on the excess debt will not be deductible as an expense for corporate income tax purposes.

Capital gains tax
Capital gains are taxed as ordinary income.

Financial transaction tax
Peru currently applies a 0.005% financial transaction tax (ITF) on credits and debits to bank accounts. Transfers between bank accounts with the same tax identification number (RUC number) are not subject to this tax.

Payroll taxes
Employers must pay a monthly contribution of 9% to the National Health System (ESSALUD). Employees may choose to pay their monthly contribution of either 13% to the National Pension System (ONP) or around 12% to the Private Pension System (AFP).

Payment to domiciled employees is subject to an income tax rate of 15%, 21% or 30% depending on the net income. Employers that pay non-resident employees should apply a withholding income tax rate of 30% to income derived from a Peruvian source.

Payment Instruments
General overview and trends
The use of paper-based payment and collection instruments (such as cheques) in Peru has, in general, declined in recent years in favour of electronic credit transfers, direct debits and payment cards. As a result, electronic credit transfers (interbank and intra-bank transactions) are now the most common payment method in terms of both volume and value.

Supplied by Deloitte Touche Tohmatsu, 1 June 2011.
For more information please visit www.deloitte.com.
Indicators of use of various cashless payment instruments

<table>
<thead>
<tr>
<th></th>
<th>Transactions (million)</th>
<th>% change</th>
<th>Traffic (USD billion)**</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheques*</td>
<td>8.4</td>
<td>8.2</td>
<td>-2.4</td>
<td>54.9</td>
</tr>
<tr>
<td>Debit cards*</td>
<td>NA</td>
<td>54.5 ‡</td>
<td>-</td>
<td>NA</td>
</tr>
<tr>
<td>Credit cards*</td>
<td>89.6</td>
<td>80.4</td>
<td>-10.3</td>
<td>5.4</td>
</tr>
<tr>
<td>LBTR credit transfers*</td>
<td>0.55</td>
<td>0.64</td>
<td>16.4</td>
<td>851.1</td>
</tr>
<tr>
<td>CCE transfers*</td>
<td>2.7</td>
<td>4.2</td>
<td>55.6</td>
<td>9.3</td>
</tr>
<tr>
<td>On-us credit transfers†</td>
<td>NA</td>
<td>105.1 ‡</td>
<td>-</td>
<td>NA</td>
</tr>
<tr>
<td>On-us direct debits†</td>
<td>34.0</td>
<td>34.9</td>
<td>2.7</td>
<td>8.9</td>
</tr>
<tr>
<td>Total</td>
<td>NA</td>
<td>287.9</td>
<td>-</td>
<td>NA</td>
</tr>
</tbody>
</table>

* PEN and USD. ** PEN 2.807 per USD 1 for 2010; PEN 2.697 per USD 1 for 2011; † 'On-us' transactions are intra-bank transfers. ‡ March 2011 to December 2011. NA = not available.

Source: Banco Central de Reserva del Perú.

Electronic payment instruments

Domestic

Credit transfers (electronic payments)
High-value or urgent credit transfers can be initiated via Liquidación Bruta en Tiempo Real (LBTR), Peru’s real-time gross settlement system (RTGS).

Low-value, non-urgent interbank credit transfers (transferencias de crédito) can be initiated via the Cámara de Compensación Electrónica SA (CCE). They are commonly used for payroll and supplier payments.

However, most low-value credit transfers continue to be effected between accounts within the same bank, also known as ‘on-us’ transfers.

High-value / urgent
Banks effect high-value interbank transfers through LBTR, while banks’ corporate clients use it to effect urgent financial/commercial payments. The minimum transfer amount for these customer payments is PEN 5,000 (or USD 2,000).

Clearing details
LBTR transfers are executed individually in real time on a same-day basis. The cut-off time for customer transfers is 16:30 and, for interbank transfers, 17:00 local time.
Low-value / non-urgent

Clearing details
Retail interbank credit transfers are processed and cleared through CCE.
Transactions are processed electronically in batches and related funds are available at the beneficiary’s account on a T+0 or T+1 basis. The maximum transfer amount per CCE credit transfer is PEN 310,000 (or USD 60,000).

Direct debits
Direct debits are used in Peru for regular collections such as utilities and other consumer bill payments.
The debtor pre-authorises his/her bank to transfer the due funds into the payee’s account.

Clearing details
Although direct debits can be initiated on an interbank basis via the CCE, Peruvian banks have not used this service and continue to offer an intra-bank, ‘on-us’ direct debit service to their customers with accounts at the same bank. The maximum amount per CCE direct debit is PEN 70,000 (or USD 20,000).

Payment cards
Credit and debit cards are available to both consumers and companies and their usage is increasing. Payment cards represented 46.9% of the total volume of non-cash payments in 2011. However, they only accounted for less than 1% of the value. As of July 2012, there were over 7.2 million credit cards and 10.79 million debit cards in circulation in Peru.
Banks issue most credit and debit cards in Peru in association with either Visa, MasterCard or American Express.

Electronic money
Electronic money is relatively limited, but growing as a payment instrument in Peru.
Pre-paid cards issued by telephone companies are widely used.
Re-chargeable, pre-paid payroll and incentives cards are available to companies as an alternative way to distribute salaries and bonuses.
Statistics related to the usage of this instrument are not yet available.

Cross-border
Clearing details
Cross-border payments are routed via SWIFT and settled through accounts held with correspondent banks abroad.

Cheque and paper instruments

Cheques
Cheques still represent an important non-cash payment instrument in Peru for settlement between companies as well as consumers. Although their use has generally fallen in recent years due to the increasing preference for electronic payments, cheque usage did increase slightly from 2004 to 2010. The number of interbank cheques cleared in 2011 totalled 8.2 million while intra-bank, ‘on-us’ cheques cleared totalled 31.3 million, up from 7.9 million and 37 million in 2004, respectively.
Post-dated cheques (cheques de pago diferido) are commonly issued in Peru. They are payment orders payable on a date sometime in the future (no more than 30 days).
Cheques can be denominated in both PEN and USD.
Clearing details
Cheques are processed and cleared electronically through the CCE.

The physical exchange of interbank cheques is still made in parallel with the exchange of electronic information.

Most cheques are available to the beneficiary on T+1.

Bills of exchange
Bills of exchange are a commonly used payment instrument in Peru for collections.

How Companies Pay & Receive

Key summary
Peruvian companies pay their suppliers by credit transfer or cheque. Taxes and social security payments, wages and treasury settlements are increasingly paid by credit transfers. Generally, receivables from other companies come under the form of cheques and, increasingly, credit transfers. Consumers also use cheques, payment cards and, in the case of regular payments, direct debits.

How companies make payments

Vendors / suppliers
General market practice
The use of credit transfers or cheques to pay suppliers is normal practice.

Tax / social security
General market practice
Credit transfers are the most popular method of payment for pensions, tax and social security benefits in general.

Payroll
General market practice
In general, electronic credit transfers are the most popular method of payment for paying wages, although cheques are also used. Payroll outsourcing is available.

Treasury settlements
General market practice
Treasury settlements are usually paid for via credit transfers.

How companies receive payments

From consumers / small companies
General market practice
In the case of retail services, cheques and card payments are common, as are direct debits for regular payments such as utilities.

Payments from small companies are usually received via cheques or credit transfers.
From other companies
General market practice
Payments from other companies are usually received via cheque or credit transfer.

Summary of payment methods

<table>
<thead>
<tr>
<th>Physical presence</th>
<th>Remote payment</th>
<th>Regular payment</th>
<th>One-off payment</th>
<th>Usage</th>
<th>Transactions in 2011 (million)</th>
<th>% of total number of transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Consumer</td>
<td>Companies</td>
</tr>
<tr>
<td>Cheque</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>I</td>
<td>I</td>
<td>8.4</td>
</tr>
<tr>
<td>Debit/Credit card</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>I</td>
<td>S</td>
<td>134.9</td>
</tr>
<tr>
<td>Credit transfer*</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>M</td>
<td>I</td>
<td>109.9</td>
</tr>
<tr>
<td>Direct debit*</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>M</td>
<td>S</td>
<td>34.9</td>
</tr>
<tr>
<td>Card-based e-money</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>S</td>
<td>S</td>
<td>NA</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>288.1</td>
</tr>
</tbody>
</table>

* Includes intra-bank transfers.
† Debit card and intra-bank credit transfer figures from March 2011 to December 2011.
I: important usage
M: moderate usage
S: seldom used

Source: Banco Central de Reserva del Perú.

Clearing Systems (including interface with cross-border systems)

Overall structure(s)
There are two main payment clearing systems in Peru:

- The LBTR (Liquidación Bruta en Tiempo Real), developed, owned and operated by the Peruvian central bank (BCRP), is an RTGS system. It processes high-value and urgent interbank transfers and settles transactions from the automated clearing house (CCE).
- The CCE (Cámara de Compensación Electrónica SA), is privately owned by a consortium of Peruvian banks and operates as the high-volume, low-value automated electronic clearing house for interbank credit and debit transfers as well as for cheques.

In addition, the majority of low-value electronic credit and debit transfers are made between accounts within the same bank and are processed in-house as intra-bank, ‘on-us’ transfers.
Electronic clearing systems

High-value / urgent
LBTR (Liquidación Bruta en Tiempo Real) is a real-time gross settlement (RTGS) system. Developed, owned and operated by the BCRP, the LBTR went live in February 2000.

LBTR typically settles interbank transactions carried out in the monetary, foreign exchange and capital markets as well as urgent commercial funds transfers made on behalf of third parties. The minimum transfer amount for these customer payments is PEN 5,000 (or USD 2,000).

LBTR transfers are also used for the settlement of obligations resulting from the CCE.

Banks and financial institutions who are reserve account holders at the BCRP participate in LBTR. Participants can access the system through browser-based interfaces. Funds transfer instructions can also be initiated manually via written instructions (letter or facsimile).

The system is open between 08:00 and 18:30. Interbank settlements/payments may be made until 17:00, while third-party payments must be made by 16:30.

Low-value / non-urgent
CCE (Cámara de Compensación Electrónica SA) is privately owned by a consortium of Peruvian banks and operates as the high-volume, low-value automated electronic clearing house for interbank credit and debit transfers as well as for cheques.

The CCE launched operations in November 2000 and replaced the manual cheque clearinghouse that was operated by the BCRP.

Multilateral net positions are settled in reserves accounts held by participants in the central bank, via LBTR.

The maximum transfer amount per CCE credit transfer is PEN 310,000 (or USD 60,000).

All banks and financial institutions are allowed to participate in the CCE.

The CCE operates throughout the day.

Cheques (in PEN or USD) are presented from 09:15 until 24:00. Cheques are cleared electronically overnight, and cheques are also physically exchanged in Lima. Preliminary settlement of net debit positions takes place via participants’ accounts at the BCRP from 08:30 until 10:00 T+1, with final settlement of net positions across participants’ accounts at the BCRP via LBTR occurring between 13:15 and 13:30 T+1.

Electronic files with electronic credit and debit instructions must be transmitted by banks to the CCE between 17:15 and 23:00 T-1 for transfers to be available to beneficiaries on T+0. Credit and debit instructions transmitted between 10:00 and 15:15 T+0 are available to beneficiaries on a next-day basis.

Paper-based systems
There are no paper-based clearing systems in Peru.

Electronic Banking

Existing and future trends
Electronic banking is common practice in Peru with major banks offering electronic and online banking services such as reporting and payment initiation. Peruvian banks also offer their retail customers a wide array of e-banking services. In addition, most banks offer some form of internet banking.
Usage by companies
Electronic banking is used extensively by large Peruvian companies and multinational corporations operating in Peru.

Market practice
All major banks in Peru offer comprehensive internet-based electronic banking systems for both companies and consumers.

In order to send electronic interbank funds transfers in Peru, a uniform code is required, the Codigo de Cuenta Interbancaria (CCI), which is a unique 20-digit number allotted to every bank account.

Internet banking
Internet banking is becoming increasingly commonplace in Peru. All the major banks offer some form of internet banking. Although relatively low internet penetration in Peru (34.1% of the population in December 2011) has inhibited retail internet banking usage, those consumers with internet access are increasingly using online banking to initiate bill payment and make account inquiries.

Trade Finance

Overview of trade agreements with other countries
Peru is a member of the Community of Andean Nations (Comunidad Andina — CAN), a regional free trade area and partial customs union. CAN is currently formed by Bolivia, Ecuador, Colombia and Peru.

Peru is also an associate member of the Mercosur (Mercado Común del Sur — Southern Cone Common Market) regional common market and a member of the LAIA.

In 2006 Peru agreed a free trade agreement (FTA), the Peru Trade Promotion Agreement (PTPA), with the United States. The agreement came into force on 1 February 2009.

Peru has implemented FTAs with Chile, Canada, China, Singapore, the European Free Trade Association, South Korea and Thailand. Peru also signed a FTA with Mexico, which came into effect on 1 February 2012, with Japan, which came into effect on 1 March 2012, and with Panama, which came into effect on 1 May 2012.

Peru has also signed a preferential trade agreement with Venezuela in January 2012, but the agreement has yet to come into force.

In addition, Peru has signed FTAs with the European Union (EU), Costa Rica and Guatemala, but has yet to implement them. Peru is in negotiations for FTAs with El Salvador, Honduras and Thailand.

General trade overview including any government policy
Peru pursues an export-oriented development strategy, with the goal of increasing competitiveness in international markets and diversifying exports, in order to help create jobs domestically and reduce country risk.

Peru, as a member of the CAN, applies the CAN common external tariff to most imports from outside the CAN.

There are approximately nine free zones in Peru, including Chimbote, Ilo, Paita, Tacna and Tumbes.
**Imports and exports**

<table>
<thead>
<tr>
<th>Figures for 2010</th>
<th>Goods</th>
<th></th>
<th></th>
<th>Services</th>
<th></th>
<th></th>
<th>Income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>USD billion</td>
<td>% of GDP</td>
<td>USD billion</td>
<td>% of GDP</td>
<td>USD billion</td>
<td>% of GDP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imports / debits</td>
<td>28.4</td>
<td>15.8</td>
<td>6.0</td>
<td>3.3</td>
<td>11.2</td>
<td>6.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports / credits</td>
<td>35.6</td>
<td>19.8</td>
<td>3.5</td>
<td>2.0</td>
<td>1.2</td>
<td>0.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance</td>
<td>+ 7.2</td>
<td>+ 4.0</td>
<td>- 2.5</td>
<td>- 1.4</td>
<td>- 10.1</td>
<td>- 5.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


**Main trading partners for imports and exports**

**Imports** United States 19.5%, China 17.1%, (European Union 10.6%), Brazil 7.3%, Ecuador 4.8%, Argentina 4.8%.

**Exports** (European Union 17.8%), United States 16.4%, China 15.5%, Switzerland 11.0%, Canada 9.1%, Japan 4.8%.

Source: WTO, April 2012.

**Main traded products / sectors – share of total imports and exports**

**Imports** Manufactures 60.1%, fuels and mining products 12.9%, agricultural products 10.0%, transportation 6.8%, commercial services (excl. travel and transportation) 5.9%, travel 3.5%.

**Exports** Fuels and mining products 44.7%, agricultural products 15.1%, manufactures 9.7%, travel 5.8%, transportation 2.2%, commercial services (excl. travel and transportation) 1.7%.

Source: WTO, April 2012.

**Documentation requirements for imports and exports**

A commercial invoice (containing a full description of the imported/exported item), bill of lading, packing list, and, in certain cases, a certificate of origin, a certificate of analysis (for imports of pharmaceutical products) or a sanitary certificate are required for importing items into and exporting items from Peru.

**Licence requirements for imports and exports**

Import licences are no longer required for most imports. Import activities are restricted for armaments, ammunition, explosives, lead, coffee and certain agricultural products.

Licences are not required for most exports.
**Taxes, tariffs and other fees on imports and exports**

Peru applies the Nandina harmonised tariff system as a member of the CAN. A CAN common external tariff (CET) is in place.

The basic tariff rates are zero, 9% and 17%. Zero-rated import tariffs are levied on the majority of capital goods. Textiles, footwear and certain agricultural products attract a tariff rate of 17%.

Imports are subject to a municipal sales tax (Municipal Promotional Tax — Impuesto de Promoción Municipal — IPM) of 2%.

Imports are also subject to a 18% general sales tax (IGV) charge.

Imports into the Chimbote, Ilo, Paita, Tacna and Tumbes free trade zones enjoy exemptions from customs tariffs.

There are no taxes on exports, except for certain traditional products that exceed export thresholds, such as coffee, cotton, fishmeal and minerals.

**Country export credit agency**

The Peruvian Export Credit Insurance Company (Compañía Peruana de Seguro de Crédito a la Exportación — Secrex), covers commercial political and extraordinary risks. It also provides companies with indirect export financing by offering guarantees to financial institutions. Secrex covers up to 60% of the risk for banks financing export pre-shipment operations and up to 80% of exporters’ sales on credit.

Export credit is widely available from commercial banks.

Neither imports nor exports are subject to financing requirements.

**Export credit programmes**

PromPerú is Peru’s official export promotion institution. It promotes new exports, invests in market research, matches buyers and sellers, and facilitates access to market intelligence.

Secrex offers companies indirect export financing through guarantees made to financial institutions providing export credit.

**List of prohibited imports / exports**

Certain items are prohibited from being imported into Peru to protect public health and national security.

There is also a negative list of products whose exports are prohibited, including endangered species and historical/cultural heritage items or archeological artefacts.
# Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banco Central de Reserva del Perú (BCRP)</td>
<td>Peru’s central bank.</td>
</tr>
<tr>
<td>CAN</td>
<td>Community of Andean Nations (Comunidad Andina), a regional free trade area and partial customs union, consisting of Bolivia, Ecuador, Colombia and Peru.</td>
</tr>
<tr>
<td>CCE (Cámara de Compensación Electrónica SA)</td>
<td>Privately owned by a consortium of Peruvian banks, the CCE operates as the high-volume, low-value automated electronic clearing house for interbank credit and debit transfers as well as for cheques.</td>
</tr>
<tr>
<td>ITF</td>
<td>Impuesto a las transacciones financieras, a 0.005% financial transaction tax applied to all financial transactions. Transfers between accounts with the same tax registration number are exempt.</td>
</tr>
<tr>
<td>LBTR (Liquidación Bruta en Tiempo Real)</td>
<td>Operated by the BCRP, it is a real-time gross settlement system that processes high-value and urgent interbank transfers and settles transactions from the automated clearing house (CCE).</td>
</tr>
<tr>
<td>PEN</td>
<td>The Peruvian nuevo sol, Peru’s official currency.</td>
</tr>
</tbody>
</table>