

SUMMARY

Latvia's National SEPA Plan presents an overview of tasks to be performed by public authorities, corporates, SMEs, merchants, consumers, banks, payment system and payment technology providers for implementing the SEPA project in Latvia.

The NSWG, established and approved by the Protocol Decision of the MPSWG of the Republic of Latvia Euro Project Steering Committee on 28 October 2008, has developed the above Plan. The Republic of Latvia Euro Project Steering Committee supported submission of Latvia's National SEPA Plan to the Cabinet of Ministers of the Republic of Latvia for its approval within the framework of the Euro Changeover Plan. On 24 March 2009, the Cabinet of Ministers of the Republic of Latvia took note of the report submitted by the Ministry of Finance of the Republic of Latvia on the introduction of the euro and the respective supplement to Latvia's National Euro Changeover Plan comprising information about the SEPA project, and assignment to develop Latvia's National SEPA Plan by the end of 2009.

Latvian banks will offer uniform SEPA credit transfers, SEPA direct debit payments and SEPA card payments via specific payment processing infrastructures to customers who represent the demand side of SEPA: public authorities, corporates, SMEs, merchants and consumers. Providers of payment systems will have the possibility to offer adequate infrastructures for payment processing and providers of payment technologies – the respective payment data processing technologies.

Requirements for SEPA credit transfers will only apply to the credit transfers executed in euro. On 28 January 2008, Latvian banks started offering SEPA credit transfers. Requirements set for SEPA credit transfers will apply to all credit transfers executed in euro in the bank-to-bank domain as of the end of 2010. Implementation of SEPA credit transfers will be accomplished by the euro changeover day when the payments made in lats are replaced with the euro payments that conform to SEPA requirements. It will take 18 months for Latvian companies to start using SEPA products following the adjustment of the national standard, such as FiDAViSta, to the requirements of UNIFI (ISO 20022) XML standard. A delay in deciding on the update of the national standards according to SEPA UNIFI (ISO 20022) XML standard may cause risk to companies deciding on migration to SEPA credit transfers.

Requirements for SEPA direct debit payments will only apply to the direct debit payments executed in euro. Currently it is impossible to set a date for implementing SEPA direct debit in Latvia. On 2 November 2009, one of Latvia's banks launched SEPA direct debit payments, thus ensuring customer reachability within the SEPA Core Direct Debit Scheme. Other Latvian banks also intend to join the EPC SEPA direct debit payment schemes gradually and provide SEPA direct debit payments. Transitional provisions of the Law on Payment Services will ensure the continued legal validity of direct debit mandates.

Requirements for SEPA card payments will apply to card payments executed in lats and euro. On 1 January 2008, Latvian banks started offering card services according to the SEPA Cards Framework requirements. Migration of card payments to the SEPA Cards Framework will be completed within six months following the changeover to the euro.

The banking sector of Latvia has committed to introduce the euro payments in compliance with the SEPA requirements by the end of 2010, and to complete the SEPA project with the changeover to the euro in Latvia. On 29 May 2008, Latvian banks presented their view at the meeting of the ALCB Payments Committee and approved the SEPA Implementation Plan in the Banking Sector of Latvia, Version 1.0.

To commence execution of SEPA credit transfers and start offering SEPA credit transfers to the customers of the Treasury of the Republic of Latvia, such as the state budget institutions and local governments, on 27 January 2009, the Treasury of the Republic of Latvia committed to upgrade its internal information systems of payment processing in line with the SEPA requirements' compliant EKS, subject to the timeline of the EKS development plan. With the customers of the Treasury of the Republic of Latvia migrating to uniform SEPA payments, the time frame for preparation of payments in line with the SEPA format will be agreed with the Treasury of the Republic of Latvia.

The Board of the Bank of Latvia approved the Bank of Latvia's SEPA Plan by the Resolution No. 929/3 of 23 July 2009. The above Plan describes the use of the SEPA core products at the Bank of Latvia, also offering SEPA credit transfers to the Bank of Latvia customers. At the same time, pursuant to the above decision, the Bank of Latvia supports the SEPA project in Latvia and as a SEPA product user has committed to send and receive SEPA credit transfers and as a SEPA product provider has committed to offer its customers the opportunity to send and receive SEPA credit transfers as of 12 November 2010, ensuring complete implementation of SEPA credit transfers by the euro changeover day. For execution of SEPA credit transfers, the Bank of Latvia will use the EKS that meets the SEPA requirements.

On 19 February 2009, the Bank of Latvia as the EKS operator supported a concept of transforming the EKS into a SEPA compliant system. The above concept incorporates a commitment to launch the SEPA requirements' compliant EKS for the processing of SEPA credit transfers up to 12 November 2010. Credit transfers handled by the EKS in lats will be replaced by processing of SEPA credit transfers as of the euro changeover day.

SJSC *Latvijas Pasts* plans to delegate the provision of financial services to JSC *Latvijas Pasta banka* by 31 December 2010.

As a provider of infrastructure for direct debit payments, JSC *Itella Information* has committed to modify the system of direct debit payments, i.e. information and communication technology systems, legal documentation and other processes and procedures in line with the SEPA requirements by 1 November 2010.

As a provider of card processing, Ltd *First Data Latvia* has committed to offer solutions supporting common specifications in the terminal-to-acquirer and acquirer-to-issuer domains in the course of 18 months following the approval of SEPA Cards Framework standards.

As a provider of card processing, *Swedbank AS* has committed, in the course of 12 months following the approval of SEPA Cards Framework standards, to ensure their application to the terminal-to-acquirer and acquirer-to-issuer domains.

As a provider of card processing, *AS DnB NORD Banka* has committed, in the course of 12 months following the approval of SEPA Cards Framework standards, to ensure their application to the terminal-to-acquirer domain.

The ECL represents 50 sectors of the economy and regional employers' organisations and also socially responsible companies, overall employing 33% of employees in Latvia. In the SEPA project, the ECL has pointed out benefits for companies, focussing in particular on corporates. It will take 18 months for Latvian companies to prepare for the use of SEPA products following the adjustment of the national standard, such as FiDAViSta, to the requirements of UNIFI (ISO 20022) XML standard.

As a representative of merchants, the Latvian Merchant Association commits to support both the SEPA core products by informing the companies of the respective sector about the SEPA project, and provision of SEPA card payments. The opinion of Latvian Merchant Association was approved at the meeting held on 17 February 2009.

As a representative of SMEs, the Small and Medium-Sized Enterprises and Crafts Consultative Committee of the Ministry of Economy of the Republic of Latvia has been informed on SEPA core products and, subject to the decision taken at the meeting of 27 February 2009, has disseminated information about the SEPA project to the respective companies, and under other favourable conditions, such as commissions and fees charged for payments, has encouraged them to use SEPA core products.

As a representative of consumers, the Consumer Rights Protection Centre urges furnishing of accessible, understandable and timely information about the SEPA products, commissions and fees and the respective costs to consumers and public at large.