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Mr. Andris Ruselis
Chairman of the Money and Payment Systems Working Group
of the National Euro Changeover Steering Committee of Latvia,
Deputy Governor of the Bank of Latvia
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National SEPA Working Group Progress Report No. 4

Dear Mr. Ruselis,

The National SEPA Working Group (NSWG) Progress Report No. 4 comprises the tasks accomplished during the period 5 December 2009–27 July 2010 and provides information on further tasks envisaged for implementing SEPA in Latvia.

The first meeting of the Sub-group of SEPA Card Framework was held on 29 March 2010. One of the key tasks was the strengthening of cooperation among the Association of Latvian Commercial Banks (ALCB), the Latvian Merchant Association and Ltd First Data Latvia in order to inform about the harmonisation of the requirements stipulated by international card organisations with the SEPA provisions and set a time frame for compliance with the above. The issue of organising SEPA workshops for merchants was raised at the first meeting of the Sub-group of SEPA Card Framework. On 19 May 2010, the representatives of SEPA Card Framework Working Group of the Payment Cards Committee of the ALCB sent invitations to the Latvian Association of Pharmacists, Latvian Fuel Traders Association, Latvian Merchant Association and Latvian Association of Hotels and Restaurants. The first workshop was conducted for the representatives of Latvian Association of Hotels and Restaurants on the premises of the Bank of Latvia on 1 July 2010. Other informational activities are envisaged in the near future subject to availability of the members of the above associations. The Sub-group of SEPA Card Framework comprises members from the Payment Cards Committee of the ALCB, Latvian Merchant Association and Ltd First Data Latvia.

Drafting the SEPA Communication Plan was the second major development over the reporting period. Associations, companies and institutions represented by the NSWG appointed communication experts for the purpose of holding discussions on SEPA communication. The first meeting was convened on 1 March 2010 and the potential structure of SEPA Communication Plan was discussed. Following the meeting, the experts sent in supplements and adjustments to the above plan. On 19 April 2010, the communication experts met for the second time and approved the draft SEPA Communication Plan produced jointly for incorporation into the updated Version 2.0 of Latvia's National SEPA Plan. Two brochures of the European Payments Council (the EPC) "The 10 best reasons to practice SEPA" were prepared in Latvian over the reporting period: for merchants and, in cooperation with the European Central Bank, for public authorities.

The NSWG participated in two public consultations launched by institutions of the European Union:

- from 2 June until 23 June, the European Commission (the EC) opened public consultation on the working paper "End-date for SEPA migration". The NSWG supported all proposals presented in the EC working paper and noted that the SEPA requirements regarding the retail payment service providers shall be proportionately incorporated in the Regulation of the European Parliament and of the Council drafted by the EC and shall conform to Payment Services Directive 2007/64/EC.
- on 19 May, the EPC organised public consultations on amendments made to the SEPA Scheme Rulebooks. The respective proposals were reviewed by the SEPA Working Group of the ALCB at the meeting of 26 May and an overall opinion of the banks was defined and the NSWG consulted thereof.

The Fourth EU forum of the National SEPA Coordination Committees, organised by the European Commission was held on 5 May 2010, where the Bank of Latvia representative presented a progress report on the SEPA Project in Latvia. The purpose of the forum is to exchange information on the SEPA Project progress in EU countries. The following issues were discussed at the forum: SEPA communication and progress of SEPA core product migration.

In parallel with the above activities, several working group representatives performed the following tasks in relation to the SEPA Project in Latvia:

- on 14 January, following the decision by the Money and Payment Systems Working Group of the Republic of Latvia Euro Project Steering Committee, the Bank of Latvia held a meeting with the representatives of the Ministry of Justice of the Republic of Latvia, the State Revenue Service, the Enterprise Register of the Republic of Latvia, the ALCB and the Employers' Confederation of Latvia (ECL) in order to deal with the issue of implementing SEPA creditor identifier. The above issue was agreed on with all stakeholders and the concept On Uniform Registration of Institutional Units and Economic Operators developed by the Ministry of Justice of the Republic of Latvia (the concept of the Ministry of Justice of the Republic of Latvia) was supplemented with an option to assign the SEPA creditor identifier to entities registered with the Enterprise Register of the Republic of Latvia. The concept of the Ministry of Justice of the Republic of Latvia stipulates a uniform system of entities' registration where the unique SEPA creditor identifier is assigned by the credit institution upon the creditor's request subject to a special arrangement with the Enterprise Register of the Republic of Latvia thereof. The ECL approved the structure of SEPA creditor identifier according to the methodology presented by the EPC, without indication of the sector in the classifier. Implementation of the new system depends on the approval of the concept formulated by the Ministry of Justice of the Republic of Latvia and allocation of funding; yet, the updated or new database is expected to be launched no earlier than in 2012;
- on 26 February, the Ministry of Finance of the Republic of Latvia supported the framework document on e-invoicing services at the public consultation opened by the EC;
- from 19 March until 30 April, the third public administration institutions' survey, organised by the EC, was conducted in relation to their migration to SEPA, with the participation of the Bank of Latvia, Ministry of Finance of the Republic of Latvia, State Revenue Service, Treasury of the Republic of Latvia and State Social Insurance Agency;
- on 13 April, 26 May and 21 June, regular meetings of the SEPA Working Group of the ALCB were held;
- on 23 April, JSC *Itella Information* submitted to the NSWG a progress report on implementation of SEPA direct debit payment infrastructure, indicating that the requirements were being analysed and development of the system was in progress. At this stage of the

project, the system's architecture is designed and the technology ensuring its operation selected. On 30 June, JSC *Itella Information* published a report providing information to the customers on the SEPA project and its role therein;

- on 27 April, the ALCB sent the first version of SEPA requirements for the customer-to-bank domain to the ECL and NSWG. On 29 June, the ALCB and ECL discussed the planned changes in the customer-to-bank domain. The ELC took note of the fact that ISO 11649 Creditor Reference Standard will be available to Latvian companies for payments in lats and euro as of November 2010, using version 1.02 of FiDAViSta which is expected to be launched in September 2010;
- on 28 April, a meeting of financial directors of corporations was held at ELC and the impact of SEPA on the operation of enterprises was discussed. To provide information on the progress of the SEPA Project in Latvia, experts from the Bank of Latvia Payment Systems Department and Public Relations Department were invited to the above meeting.
- on 18 May, the NSWG received a letter from JSC *Latvijas Pasts* regarding a commitment to start launching the SEPA core products 12 months prior to the euro changeover and offer SEPA products to the customers as of the euro changeover day in the Republic of Latvia;
- AS *DnB NORD Banka*, State Joint-Stock Company *Latvijas Hipotēku un zemes banka*, the Treasury of the Republic of Latvia and JSC *SMP Bank* published their self-assessments as the providers and users of SEPA products on 19 May, 25 May, 6 July and 8 July respectively;
- in the reporting period, the Bank of Latvia and JSC *Latvijas pasta banka* sent the Adherence Agreement to the EPC SEPA Credit Transfer Scheme, stipulating that the date of adherence to the above would be 1 November 2010.

In the reporting period, Latvian banks proceeded with providing statistics on SEPA core products to the NSWG. The data submitted by banks suggest that 55.1% of customer payments were compliant with the requirements of SEPA credit transfers in the bank-to-bank domain in the second half of 2009, and 98.7% of credit cards and 97.7% of debit cards were issued in line with the SEPA requirements (EMV Standard) at the end of the first quarter of 2010. 88.7% of POS terminals and all ATMs in Latvia also conform to the requirements of the EMV Standard.

In the near future, Latvia's National SEPA Plan will be further updated by the NSWG in line with the development of SEPA core products in Latvia and previously planned time frame for the implementation of SEPA core products adjusted respectively.

Yours faithfully,

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