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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. 5

Dear Mr. Ruselis,

The National SEPA Working Group (NSWG) Progress Report No. 5 comprises the tasks accomplished during the period 27 July–29 November 2010 and provides information on further tasks envisaged for implementing SEPA in Latvia.

Over the reporting period, the Sub-group of SEPA Card Framework continued to organise SEPA workshops for merchants commenced in the previous period. The second workshop was held for the Latvian Merchant Association in the Bank of Latvia premises on 15 September 2010; the third workshop was held for the Latvian Association of Fuel Traders on 30 September 2010 and the fourth concluding workshop – for the Latvian Association of Pharmacists on 26 October 2010. The materials of workshop and other topical information on SEPA Card Framework are available on the national SEPA Latvia website (<http://www.sepalatvija.lv>). The second meeting of the Sub-group of SEPA Card Framework was held on 25 October 2010.

Supplements and amendments incorporated into the draft Version 2.0 of Latvia's National SEPA Plan in accordance with the information submitted by the NSWG members during 2010 were reviewed at the fifth meeting of the NSWG held on 10 November 2010. Information on the main tasks accomplished with respect to implementing SEPA in Latvia (in line with the planned implementation of SEPA credit transfers in the bank-to-bank domain at the end of 2010 and implementation of the SEPA credit transfer infrastructure – the Bank of Latvia's electronic clearing system (the EKS) in line with the SEPA requirements on 9 November 2010). To evaluate the provision for SEPA implementation, i.e. compliance with the criteria of critical mass, in 2011, a significant task of the NSWG will be monitoring of progress made with respect to the National SEPA credit transfer indicator. Information on the following major changes has been provided: extension of the deadline for launching the SEPA direct debit payments by the end of 2014 and extension of the deadline for implementing the SEPA direct debit payment infrastructure, the SEPA direct debit system of JSC "Itella Information", by 1 August 2011 as well as setting the deadline for completing the

implementation of SEPA card framework at the end of 2012 in line with the provisions for implementing the first domain of SEPA card framework cards-to-terminal; the second domain terminal-to-acquirer and the fourth domain certification. Proposals for high level SEPA implementation measures for amending Annex 1 "Action Plan for Introduction of the Single European Currency in Latvia" to Latvia's National Euro Changeover Plan have also been revised in line with the above changes. In the written consultation held up to 17 November 2010, the NSWG approved the draft wording specifying the activities performed by the Treasury of the Republic of Latvia with respect to the introduction of the standards of customer-to-bank and bank-to-customer domains.

We submit to the SEPA Project Steering Committee – the Money and Payment Systems Working Group (MPSWG) of the Republic of Latvia Euro Project Steering Committee the draft Version 2.0 of Latvia's National SEPA Plan and revised proposals for high level SEPA implementation measures for Annex 1 "Action Plan for Introduction of the Single European Currency in Latvia" (annexed) to Latvia's National Euro Changeover Plan for their further submission to the Cabinet of Ministers under the Euro Implementation Project.

The Fifth EU forum of the National SEPA Coordination Committees, organised by the European Commission, was held on 22 October 2010 where S. Bajāre, Euro Project Manager, and D. Kalsone, Payment Systems Senior Analyst of the Payment Systems Department of the Bank of Latvia, represented Latvia. The purpose of the forum is exchange of information on the progress made in the SEPA Project in the EU countries. In the Fifth forum, the key issues discussed were the migration progress of SEPA core products and SEPA communication activities, including the involvement of product users in the above activities, as well as the EC Regulation on SEPA Migration End-date.

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

- on 19 August, the national SEPA Latvija website was supplemented with the so-called SEPA barometer. The SEPA barometer discloses information on the survey of households "The Monetary and Banking System in Latvia" conducted by Ltd "Factum" in May 2010 in order to ascertain the bank account users' awareness of SEPA. The majority of the survey respondents (61%) had not heard about the new euro payment instruments, while 37% of the respondents had already heard about SEPA;
- on 26 August and 11 November, regular meetings of the SEPA Working Group of the Association of Latvian Commercial Banks (ALCB) were held;
- on 27 September, the ALCB approved version 1.2 of FiDAViSta (common standard for financial data exchange) incorporating new fields for SEPA credit transfers "Identifier assigned by the payer" (*end-to-end identification*) and "Identifier assigned by the creditor" (*reference number*) which may be also sent, using Creditor Reference Standards, for instance, ISO 11649 standard. The above new fields may also be used for payments in lats;
- on 25 October, the structure of SEPA Creditor Identifier applicable in Latvia was published on the national SEPA Latvija website;
- on 8 November, a workshop devoted to the EKS SEPA was held for journalists, with the representatives of the Payment Systems Department, the Payments Committee of ALCB and businesses informing the general public on the opportunities provided by infrastructure;
- on 9 November, the Bank of Latvia started to offer SEPA compliant processing of credit transfers in euro, ensuring compliance of the EKS with the SEPA requirements;
- on 10 November, JSC "SEB banka" published its self-assessment as the provider and user of SEPA products;

- on 22 November, subject to the decision by the MPSWG and to solve the issue of maintaining the database for the SEPA Creditor Identifier, the Bank of Latvia held a second meeting with the representatives of the Ministry of Justice of the Republic of Latvia, Enterprise Register of the Republic of Latvia and ALCB. The concept On Uniform Registration of Institutional Units and Economic Operators developed by the Ministry of Justice of the Republic of Latvia has changed since the previous meeting of 14 January 2010, thus the issue of maintaining the SEPA Creditor Identifier in the database of the Enterprise Register of the Republic of Latvia has to be dealt with anew. It was decided at the meeting that the Ministry of Justice of the Republic of Latvia shall prepare an opinion on the maintenance of SEPA creditor identifier with the Enterprise Register of the Republic of Latvia by 8 December 2010, and the above shall be reported at the regular meeting of the MPSWG on 9 December 2010 in conformity with the furnished information;
- over the reporting period, the Treasury of the Republic of Latvia sent the Agreement on Adherence to the EPC SEPA Credit Transfer Scheme, indicating that the date of adherence would be 1 November 2010; JSC "PrivatBank" and JSC "UniCredit Bank" sent the Agreement on Adherence to the SEPA Core Direct Debit Scheme and JSC "UniCredit Bank" also sent the Agreement on Adherence to the SEPA Direct Debit Business-to-Business Scheme, pointing out that the date of adherence would also be 1 November 2010.

Over the reporting period, Latvian banks proceeded with providing statistics collated 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 first half of 2010, and 99.1% of credit cards and 98.2% of debit cards were issued in line with the SEPA requirements (EMV Standard) at the end of the third quarter of 2010, and 89.6% of POS terminals and all ATMs in Latvia also conform to the requirements of EMV standard.

In 2011, the NSWG will continue to coordinate the SEPA Project, including further measures to launch the SEPA direct debit payment infrastructure of JSC "Itella Information" and execute communication plan. In the next year, the process of developing standards for the "customer-to-bank" and "bank-to-customer" domains and applying security standards to the points of sale in the second domain of SEPA Card Framework will continue. Each institution and company involved in SEPA Project pursue their tasks in line with the individual SEPA plans.

In 2011, the NSWG intends to convene meetings and organise written consultations, if required.

Yours faithfully,

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