

## National SEPA Working Group Progress Report No. 6

The National SEPA Working Group (NSWG) Progress Report No. 6 comprises the tasks accomplished during the period 29 November 2010–3 May 2011 and provides information on further tasks envisaged for implementing SEPA in Latvia.

1. With the aim to ensure the security of retail payments, the European Central Bank established the European Forum on the Security of Retail Payments (European Forum) in which the European Banking Authority, the national central banks and supervisory institutions of the EU Member States as well as the participants of the European Commission and Europol would participate. The representatives of payment industry are to be involved in the discussion of recommendations given by the European Forum. The NSWG meeting was held on 3 February 2011 in order to stipulate the priorities of retail payment security in Latvia and notify the European Forum thereon. Experts of the Financial and Capital Market Commission (FCMC) participated in the ad hoc meeting of the NSWG, as one of the aims of the European Forum was to promote cooperation among the overseers of payment systems and supervisors of payment service providers in the area of payment security. The NSWG stipulated the following priorities in line with the issues raised at the European Forum with respect to: 1) card payments: companies deemed it necessary to address the security issues related to the online card payments; banks in turn expressed concern whether a need to set the end-date for the implementation of chip cards only was commercially justified in Europe; 2) remote payments: the FCMC experts pointed out that e-commerce was developing in close cooperation with the banking sector in Latvia. "Regulations on Information Systems Security of the Financial and Capital Market Participants" are binding on the banking sector: they also include two-factor authentication requirements at the submission of payment orders in the customer-to-bank domain and, to a large extent, comply with the international data security standards. The opinion of the FCMC on remote payments stipulates a strict regulation and supervision of the payment intermediation services between a customer and internet bank in order to prohibit the third parties to possess personalised security features. On 14 February 2011, the European Forum was notified on the opinion expressed by the NSWG. The European Forum convened its first meeting on 22 February.

2. The representatives of SEPA communication presented a summary of the tasks accomplished over the reporting period:

- from 17 January until 14 February, Latvian companies took part in the survey on SEPA payments conducted by the European Business Test Panel. The Employers' Confederation of Latvia and Latvian Information and Communications Technology Association coordinated the above survey at their organisations;
- on 8 March, the Bank of Latvia, in cooperation with the Small and Medium-Sized Enterprises and Crafts Consultative Committee (represented by the Ministry of Economics of the Republic of Latvia regarding the issues of communication), incorporated the questionnaire of the small and medium-sized enterprises about SEPA into the enterprise survey conducted by the Ministry of Economics of the Republic of Latvia, and the above survey results will be used to assess the progress achieved by the small and medium-sized enterprises towards SEPA;

– on 3 May, the Communication Committee of the Association of Latvian Commercial Banks (ALCB) notified that banks continued to update their websites with the SEPA-related information and the SEPA-related issues were put on the agenda of the workshops held for the bank employees.

On 14 February 2011, pursuant to the request submitted by the Ministry of Finance of the Republic of Latvia, the NSWG issued an opinion on Latvia's position regarding the European Commission's proposal for the Regulation of the European Parliament and of the Council establishing technical requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009. A statement of the ALCB that banks identified no obstacle to the implementation of the Regulation requirements in Latvia was pointed out in the above opinion; also the position regarding the impact on the budget was complemented by the tasks of adjusting the information system for processing on-us payments of the Treasury of the Republic of Latvia in line with the SEPA requirements and those of modifying the counterpart internal systems of the government budget institutions and local government institutions, including the SRS (State Revenue Service) and SSIA (State Social Insurance Agency), in accordance with the SEPA requirements. It was also stated that the functions of the Consumer Rights Protection Centre (one of the competent authorities stipulated by the Regulation) would expand.

On 22 December, "SEPA – the gate to the euro world is open", a series of analytical broadcasts *Naudas zīmes* produced by the national TV channel, presented the EKS SEPA workshop of 8 November 2010, where the representatives of the Payment Systems Department of the Bank of Latvia, the Payments Committee of ALCB and businesses informed the public on compliance of the EKS with the SEPA requirements.

3. Over the reporting period, the Latvian banks continued to provide statistics on SEPA core products to the NSWG, and the Treasury of the Republic of Latvia and Bank of Latvia submitted statistics on SEPA credit transfers for the first time. According to the submitted data, 60.6% of customer credit transfers in euro were compliant with the requirements of SEPA credit transfers in the "bank-to-bank" domain in the second half of 2010, and 99.3% of credit cards and 98.4% of debit cards were issued in line with the SEPA requirements (EMV standard) at the end of 2010, and 94.9% of POS terminals and all ATMs in Latvia were also consistent with the requirements of the EMV standard.

4. In the next period, the NSWG will continue to coordinate the SEPA Project, including the launching of SEPA direct debit payment infrastructure of JSC *Itella Information*, developing a standard for the "customer-to-bank" and "bank-to-customer" domains and security standards for the points of sale in the second domain of SEPA Card Framework. The NSWG will also implement further measures for the execution of communication plan. Each institution and company involved in the SEPA Project pursues the work in line with the individual SEPA plan.

*Has been submitted to the Money and Payment Systems Working Group (MPSWG) of the Republic of Latvia Euro Project Steering Committee for review at the regular meeting of 9 May 2011.*