

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. Latvia's National SEPA Plan is updated once every year.

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.

Under the SEPA Project in Latvia, requirements for SEPA credit transfers only apply to the credit transfers executed in euro. On 28 January 2008, Latvian banks started offering SEPA credit transfers in the bank-to-bank domain. 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 credit transfers following the adjustment of the national standard, such as FiDAViSta, to the requirements of UNIFI (ISO 20022) XML standard. In 2010, the Latvian banks commenced the development of the national standard in the customer-to-bank and bank-to-customer domains in compliance with the requirements of UNIFI (ISO 20022) XML standard and updated FiDAViSta as well.

Requirements for SEPA direct debit payments only apply to the direct debit payments executed in euro. The Latvian banks launched SEPA direct debit payments on 2 November 2009. In 2010, the Latvian banks updated the timeline for implementing SEPA direct debit payments, projecting the completion of implementation by the end of 2014. Transitional provisions of the Law on Payment Services ensure the continued legal validity of direct debit mandates.

The technological standards (EMV, PCI DSS, PA DSS, PCI PIN security standards) for SEPA card payments will apply to card payments executed in lats and euro. At the same time, card payments in euro will be executed in line with the uniform SEPA requirements. The SEPA Cards Framework comprises four domains:

– the first card-to-terminal domain includes the EMV standard requirements. On 1 January 2008, Latvian banks started offering cards, POSs and ATMs compatible with the EMV

standard. The requirements for the first card-to-terminal domain had been introduced by the end of 2010;

– the second terminal-to-acquirer domain includes the SEPA card standard requirements. The implementation of these standards takes place by using security standards for the payment card industry, including PCI DSS requirements set by VISA and MasterCard. VISA and MasterCard have set 1 July 2012 as a deadline for card payments application migration to PA DSS Standard and 31 December 2012 as a deadline for PIN entry devices migration to PCI PIN Security Standard;

– the requirements for the third acquirer-to-issuer domain and the fourth certification domain had not been fully defined by the end of 2011.

The migration of card payments to the SEPA Cards Framework in Latvia will be completed with the implementation of the first two domains and the certification domain of the Cards Framework.

The Sub-group of SEPA Cards Framework gives support to the initiative to introduce a European Card Scheme in order to facilitate the development of effective European payment cards market.

The banks of Latvia have committed to introduce the credit transfers in compliance with the SEPA requirements by the end of 2011, and SEPA direct debit payments – by the end of 2014.

To commence execution of SEPA credit transfers and start offering SEPA credit transfers to the customers of the Treasury, such as the state budget institutions and local governments, on 27 January 2009, the Treasury 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 migrating to uniform SEPA payments, the time frame for preparation of payments in line with the SEPA format will be agreed with the Treasury. The Treasury sends and receives SEPA credit transfers via the EKS as of 9 November 2010.

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. The Bank of Latvia sends and receives SEPA credit transfers via the EKS as of 9 November 2010.

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, by 12 November 2010, the SEPA requirements' compliant EKS for the processing of SEPA credit transfers. Credit transfers handled by the EKS in lats will be replaced by processing of SEPA credit transfers as of the euro changeover day. On 9 November 2010, the Bank of Latvia launched a SEPA-compliant EKS.

In 2010, SJSC *Latvijas Pasts* altered its payment services strategy and projected to launch SEPA product implementation 12 months prior to the euro changeover and to offer SEPA credit transfers and SEPA direct debit payments to customers as of the €-day.

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 no earlier than one year prior to the euro changeover.

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. Ltd *First Data Latvia* projects the completion of the second terminal-to-acquirer domain in relation to card payments application by the end of 2011 and in relation to PIN entry devices by the end of 2012. 1 January 2015 is cited as the eventual deadline for the introduction of the third acquirer-to-issuer domain.

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. *Swedbank AS* implemented the second terminal-to-acquirer domain in 2010, whereas the third acquirer-to-issuer domain will be implemented in accordance with the VISA and MasterCard infrastructure development plans.

As a provider of card processing, *AS DNB 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. *AS DNB banka* implemented the second terminal-to-acquirer domain in 2010.

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. In 2010, the merchants provided for the migration of terminals and cash-register systems to the requirements of the first card-to-terminal domain of the SEPA Cards Framework.

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.