

## Self-assessment of Latvijas Banka as the SEPA Product Provider

The Eurosystem's expectations are not formal or legally binding requirements for a SEPA provider (i.e. a bank or a payment institution). Rather, the aim is that the expectations published by the Eurosystem provide a benchmark to ensure that providers can aim to fulfil the Eurosystem's more comprehensive expectations and not only adhere to the relevant rulebooks and frameworks. The Eurosystem will not assess whether SEPA providers fulfil these expectations, but providers are invited (not legally required) to assess their operations against the criteria and recommendations on a regular basis and to publish the results.

It is not expected that banks and payment institutions which are currently not active in a specific product type will need to offer the corresponding product type within SEPA. Therefore, SEPA expectations<sup>1</sup> relate only to products a bank or payment institution already offers in legacy euro instruments. Providers are free to choose not to offer a product type which they do not provide already for legacy euro instruments, and yet they can still fulfil the expectations.

Latvijas Banka is the central bank of the Republic of Latvia pursuant to the Law of the Republic of Latvia "On the Bank of Latvia".

The Board of Latvijas Banka approved the SEPA plan<sup>2</sup> of Latvijas Banka by the Resolution No. 929/3 of 23 July 2009 and passed a decision whereby Latvijas Banka as the 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.*

The SEPA plan of Latvijas Banka stipulates that, as of the euro changeover day, the payments made by the Financial and Capital Market Commission, the customer of Latvijas Banka, are to be executed according to the requirements of SEPA credit transfers. As of 12 November 2010, commercial payments for goods and services received by Latvijas Banka and payments made by its employees in euro will be executed in the form of SEPA credit transfers (see the Self-assessment of Latvijas Banka as the SEPA Product User).

Latvijas Banka will use its internal resources (i.e. information systems and human resources) for sending and receiving customer SEPA credit transfers in the customer-to-bank and bank-to-customer domains. Latvijas Banka as the SEPA product provider will be a participant in the Electronic Clearing System of Latvijas Banka, the EKS, which is to be used for sending and receiving SEPA credit transfers in the bank-to-bank domain. At the same time, Latvijas Banka will also be a provider of SEPA credit transfer infrastructure – the EKS.

Answers to the self-assessment questionnaire are provided with respect to the situation as at 12 November 2010, once Latvijas Banka ensures functionality of the EKS as a SEPA compliant infrastructure.

1. ensures its operational capability to send and receive SEPA payments by

---

<sup>1</sup> Eurosystem's SEPA expectations, 27 March 2009.

<http://www.ecb.int/pub/pdf/other/eurosystemsepaexpectations200903en.pdf>.

<sup>2</sup> [http://www.bank.lv/images/img\\_lb/mns/latvian/sepa/Latvijas\\_Bankas\\_SEPA\\_plans.pdf](http://www.bank.lv/images/img_lb/mns/latvian/sepa/Latvijas_Bankas_SEPA_plans.pdf).

- a. adhering to the SEPA credit transfer rulebook and being a participant in the SEPA credit transfer scheme (only applicable if such business is conducted);<sup>3</sup>

Yes       No

Comments:

As of 12 November 2010, Latvijas Banka will offer its customers the opportunity to send and receive SEPA credit transfers.

- b. adhering to the SEPA direct debit rulebook(s) and being a participant in the SEPA direct debit scheme (only applicable if such business is conducted);<sup>4</sup>

Yes       No

Comments:

Not applicable. Of the SEPA core products, Latvijas Banka only intends to offer its customers the opportunity to send and receive SEPA credit transfers.

- c. listing all operational BIC8 or BIC11<sup>5</sup> used for payment services in at least one CSM directory that provides full SEPA reachability;

Yes       No

Comments:

The operational BIC of Latvijas Banka will be published in the directory of the EKS SEPA participants. Other participants in the SEPA Credit Transfer Scheme will reach the customers of Latvijas Banka through the above BIC as of 12 November 2010, once Latvijas Banka ensures functionality of the EKS as a SEPA compliant infrastructure.

- d. aligning business processes and affected software with the provisions of the relevant European Payments Council (EPC) rulebooks, and successfully testing the solutions and introducing them into the live environment;

Yes       No

Comments:

Latvijas Banka intends to transform and test internal information system where Latvijas Banka customers' SEPA credit transfers are to be processed, and reconcile the processes of business activities pursuant to the provisions of the EPC SEPA Credit Transfer Scheme Rulebook.

- e. offering the use of SEPA standards in the customer-to-bank and bank-to-customer field<sup>6</sup> (as developed by the EPC, but currently only recommended for optional use), at

<sup>3</sup> This means that the ECB expects a bank/payment institution that offers, for instance, a legacy credit transfer solution for euro payments to also offer SEPA credit transfers.

<sup>4</sup> This means that the ECB expects a bank/payment institution that offers, for instance, a legacy direct debit solution for euro payments to also offer SEPA direct debits.

<sup>5</sup> BIC11 is only necessary if payments addressed to the generic BIC8 plus any branch code – including "XXX" – cannot be processed.

least in addition to legacy standards and – if useful – liaising with the customers' software providers in order to contribute to customers' migration to SEPA payment instruments;

Yes       No

Comments:

Pursuant to the EPC Recommendations, Latvijas Banka will adapt all banking details required for preparing SEPA credit transfers in the customer-to-bank domain and offer its customers the opportunity to prepare and receive payment orders in compliance with the SEPA credit transfer requirements as well as receive the entire information on incoming SEPA credit transfer, i.e. in the bank-to-customer domain.

- f. not offering conversion services which result in a loss of data. Except for cases in which the payee explicitly asks that not all information be forwarded, full data are provided to the payee. After the SEPA migration end-date (once defined), the offering of any conversion service in the interbank space will cease.

Yes       No

Comments:

Latvijas Banka will ensure that full data indicated in SEPA credit transfers are provided to the customer with respect to the incoming payments and will send customer outgoing SEPA credit transfers in UNIFI ISO20022 (XML) format. Thus, conversion services will not be provided in the bank-to-bank domain.

2. offers SEPA instruments to users that correspond to instruments already offered in the form of legacy euro payment instruments.<sup>7</sup> The SEPA instruments are available for sending and receiving domestic and cross-border payments within SEPA.

By fulfilling these expectations, we are operationally ready to process (relevant) SEPA instruments. We also make these instruments available for active use by our customers.

Yes       No

Comments:

As of 12 November 2010, Latvijas Banka will be operationally ready to process national and cross-border SEPA credit transfers and will offer its customers the opportunity to send and receive the SEPA credit transfers.

In addition, we observe the Eurosystem's recommendations that a bank/payment institution.

A. make the SEPA instruments attractive to customers by:

- a. making SEPA payment instruments the default option for domestic and cross-border transactions within SEPA thereby replacing legacy euro payment instruments;

<sup>6</sup> It is assumed that the same standards will be recommended for communication by payment institutions.

<sup>7</sup> The ECB expects not only that payment instruments offered in the legacy format will also be offered in the SEPA format, but also that the same service level will be guaranteed. If this is not possible with the core SEPA format, AOSs should be introduced in accordance with the EPC's guidelines.

Yes       No      Comments:

- b. making services that are available for legacy payments (e.g. internet banking and the ability to register recurring or standing orders) available for the SEPA instruments as well;

Yes       No

Comments:

For customers, Latvijas Banka will provide the same services which have been available for those credit transfers that are to be replaced by SEPA credit transfers.

- c. offering services which allow customers to effect payments containing only the IBAN (i.e. without the BIC);

Yes       No

Comments:

Customers of Latvijas Banka will indicate IBAN and BIC when initiating SEPA credit transfers.

- d. working to improve the SEPA instruments in order to meet user requirements and demands by establishing additional optional services (AOSs), supporting the transformation of successful community AOSs into SEPA-wide AOSs and implementing products based on the e-SEPA initiative and future frameworks such as 'SEPA online payments' and 'SEPA mobile payments' (once available).

Yes       No

Comments:

With respect to SEPA credit transfers, Latvijas Banka will not provide additional optional services (AOS) for its customers. If additional optional services are implemented in Latvia for SEPA credit transfers, Latvijas Banka will provide the above for its customers pursuant to the EPC Implementation Guidelines.

B. B. actively inform customers about SEPA by:

- a. dedicating an area on the bank's/payment institution's website to SEPA and providing additional information for customers;

Yes       No

Comments:

Latvijas Banka releases the SEPA related information on Latvijas Banka and National SEPA Latvia websites on a regular basis as well as responds to the issues raised by customers.

- b. clearly describing the benefits of SEPA for different types of user;

Yes       No

Comments:

SEPA benefits are presented on Latvijas Banka and National SEPA Latvia websites and described in other publications of Latvijas Banka as well as explained to the professional associations at presentations.

- c. making the BIC (as long as it is a required identifier in SEPA) and the IBAN easily available to its customers (e.g. inserting it in obvious place on the bank account statement, in the internet banking interface and on cards – provided there are no legal obstacles).

Yes       No      Comments:

C. observe the Eurosystem's SEPA policy by:

- a. using an infrastructure (if relevant) that has undergone a self-assessment against the relevant Terms of Reference (ToR) for infrastructures, that has published the results and that observes the ToR in accordance with this self-assessment;

Yes       No

Comments:

To send and receive customer SEPA credit transfers, Latvijas Banka, as the participant in the EKS, will use the EKS because its functionality as a SEPA compliant infrastructure is to be ensured as of 12 November 2010.

The self-assessment of the EKS has been published in compliance with the ECB Terms of Reference for infrastructures

[http://www.bank.lv/images/img\\_lb/mns/latvian/sepa/ToR\\_SEPA\\_compliance.pdf](http://www.bank.lv/images/img_lb/mns/latvian/sepa/ToR_SEPA_compliance.pdf)

- b. offering clearing and settlement services (if relevant) based on the applicable principles from the ToR for infrastructures.

Yes       No

Comments:

Not applicable, since Latvijas Banka will execute its customers' SEPA credit transfers in the bank-to-bank domain via the EKS only and will not provide clearing and settlement services beyond the EKS.

Latvijas Banka as the provider of the SEPA credit transfer infrastructure – the EKS – will comply with the ECB Terms of References for infrastructures.