

LATVIA'S NATIONAL SEPA WORKING GROUP

## **Latvia's National SEPA Plan<sup>\*</sup>**

VERSION 5.0

<sup>\*</sup> Reviewed and approved by the National SEPA Working Group (NSWG) on 11 October 2013 and written public consultation of the Money and Payment Systems Working Group (MPSWG) on 28 October 2013.

## Contents

<b>SUMMARY.....</b>	<b>4</b>
<b>INTRODUCTION.....</b>	<b>7</b>
<b>1. NATIONAL SEPA WORKING GROUP ORGANISATION .....</b>	<b>11</b>
<b>2. SEPA PRODUCTS.....</b>	<b>13</b>
2.1 SEPA scope in Latvia.....	13
2.2 SEPA credit transfers .....	13
2.3 SEPA direct debit payments.....	18
2.4 SEPA card payments .....	22
2.5 e-SEPA .....	28
<b>3. SEPA INFRASTRUCTURE IN LATVIA .....</b>	<b>29</b>
3.1 SEPA credit transfer infrastructure .....	30
3.2 SEPA direct debit payment infrastructure.....	31
<b>4. LEGAL FRAMEWORK .....</b>	<b>32</b>
4.1 Payment Services Directive .....	32
4.2 Regulation on cross-border payments in the Community.....	33
4.3 Regulation establishing technical and business requirements for credit transfers and direct debits in euro .....	33
4.4 EPC documents .....	34
<b>5. STANDARDISATION.....</b>	<b>36</b>
<b>6. COMMUNICATION .....</b>	<b>39</b>
6.1 Development of national SEPALatvija.lv website.....	39
6.2 Active communication plan .....	40
<b>ABBREVIATIONS FREQUENTLY USED IN SEPA PROJECT.....</b>	<b>46</b>
<b>APPENDICES .....</b>	<b>47</b>
Appendix 1. Self-assessment forms of the SEPA stakeholders .....	47
Supply side: self-assessment template for payment service providers .....	47
Supply side: self-assessment template for infrastructure providers .....	50
Demand side: self-assessment template for credit institutions, central banks and payment institutions .....	55
Demand side: self-assessment template for companies and public administrations.....	56
Demand side: self-assessment template for merchants .....	58
Demand side: self-assessment template for retail customers (consumers) .....	59
Appendix 2. SEPA direct debit schemes mandates.....	60
SEPA Core Direct Debit Scheme mandate .....	60
SEPA Business to Business Direct Debit Scheme mandate .....	62

## Charts

Chart 1. SEPA project implementation in Latvia.....	9
Chart 2. SEPA project organisational structure in Latvia .....	12
Chart 3. Payment instruments .....	13
Chart 4. SEPA credit transfer scheme .....	14
Chart 5. SEPA credit transfer implementation plan in Latvia.....	17
Chart 6. SEPA direct debit schemes.....	18
Chart 7. SEPA direct debit payment implementation plan in Latvia .....	21
Chart 8. SEPA cards framework domains.....	23

Chart 9. SEPA cards framework implementation plan in Latvia .....	27
Chart 10. SEPA credit transfer infrastructure implementation plan in Latvia .....	30
Chart 11. SEPA project communication plan in Latvia: supply side.....	44
Chart 11 continued. SEPA project communication plan in Latvia: demand side .....	45

## SUMMARY

Latvia's National SEPA Plan presents an overview of tasks to be performed by public authorities, corporates, SMEs, merchants, consumers, payment service providers, 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 credit institutions 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 credit institutions 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 the SEPA requirements. It will take 18 months for Latvian companies using electronic settlement systems provided by credit institutions (customer-to-bank domain) and initiating and receiving payments bundled together for joint transmission to start using SEPA credit transfers following the replacement of the national standard, such as FiDAViSta, with the standard that is compliant with the requirements of UNIFI (ISO 20022) XML standard. In 2010, Latvian credit institutions 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 planned to be approved by the end of 2013.

Requirements for SEPA direct debit payments only apply to the direct debit payments executed in euro. Latvian credit institutions launched SEPA direct debit payments on 2 November 2009. In 2010, Latvian credit institutions updated the timeline for implementing SEPA direct debit payments, projecting the completion of implementation by the end of 2014 or replacing the above payments with alternative SEPA instruments. Transitional provisions of the Law "On Payment Services and Electronic Money" ensure the continued legal validity of direct debit mandates.

The technological standards (EMV, PCI DSS, PA DSS, PTS security standards) for SEPA card payments have been applied 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 credit institutions 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 took place by using security standards for the payment card industry, including the PCI DSS requirements set by VISA and MasterCard. VISA and MasterCard have set 1 July 2012 as the deadline for the migration of card payments application to PA DSS Standard and 31 December 2012 as the deadline for the migration of PIN entry devices to PTS Security Standard;
- the requirements for the third acquirer-to-issuer domain and the fourth domain – certification had not been fully defined by the end of 2013.

The migration of card payments to the SEPA Cards Framework in Latvia has been completed with the implementation of the first two domains 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.

Latvian credit institutions have committed to introduce credit transfers compliant with the SEPA requirements by the end of 2011, and SEPA direct debit payments or an alternative solution for SEPA direct debit payments – by the end of 2014. At the end of 2011, the majority of credit transfers executed in euro were compatible with the provisions set for SEPA products.

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 in accordance with 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 Resolution, 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 full implementation of SEPA credit transfers as of 1 January 2014. The Bank of Latvia will execute SEPA credit transfers via the SEPA-compliant EKS. 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 as of the €-day.

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 the SEPA Cards Framework standards. As regards the second terminal-to-acquirer domain in relation to card payments application, Ltd *First Data Latvia* has implemented the process of PCI DSS and PA DSS compliance assurance and has been certified for PCI DSS standard since 2006, and in relation to PIN entry devices – since 2012. 1 January 2015 is cited as the eventual deadline for the introduction of the third acquirer-to-issuer domain.

Banks that perform card processing (ensure card processing) or use other services of the payment system providers and have committed, in the course of 12 months following the approval of the SEPA Cards Framework standards, to ensure their application to the terminal-to-acquirer and acquirer-to-issuer domains.

LDDK 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, LDDK has pointed out the 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 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.

## INTRODUCTION

The SEPA project forms an integral part of the economic integration and development of the common European market. In February 1992, the Treaty on European Union or Maastricht Treaty was signed in Maastricht, stating the terms and conditions for introduction of the single European currency. On 1 January 1999, cashless settlements in euro were introduced. In March 2000, the European Council agreed on the EU agenda (the Lisbon Agenda<sup>1</sup>), defining the aim to create an innovation and knowledge-based internal market of the European Union. The Lisbon Agenda also contributed to the harmonisation and consolidation of cashless payments market. To enhance the development of the single European payment market, the Directive on cross-border credit transfers<sup>2</sup> and Regulation on cross-border payments in euro were adopted.<sup>3</sup>

In June 2002, European banks, the European Association of Co-operative Banks, the European Banking Federation, the European Savings Banks Group and EBA established the EPC. The EPC is the decision making and coordination body of the European banking sector in relation to payments<sup>4</sup> and its objective is to promote the creation of a single European payment market.<sup>5</sup> The SEPA project was launched in Europe with the establishment of EPC. Representatives of banking associations of the EU Member States joined the EPC and at the end of 2008, the above organisation comprised more than 300 experts. The EPC is an international non-profit organisation<sup>6</sup> governed by the national law of the Kingdom of Belgium.

SEPA is the single payments area of the EU Member States, Iceland, Liechtenstein, Norway, Switzerland and Monaco, in which consumers, companies and other economic actors will be able to make and receive payments in euro, whether between or within national boundaries under the same main terms and conditions, rights and obligations, regardless of their location. SEPA aims to foster the integration of Europe by creating competitive and innovative retail payments market which would ensure high quality services, more effective payment products and cheaper alternatives for making payments.

The EPC is involved in defining common commercial and operational rules for payments as well as technical standards when drafting the self-regulatory provisions for the operation of credit institutions. Transposition of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services<sup>7</sup> into national law and Regulation of

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<sup>1</sup> On 17 June 2010, the European Commission replaced the Lisbon Agenda by the EU 2020 Strategy [cited 14 September 2010]. Available: <http://ec.europa.eu/eu2020/pdf/115346.pdf>.

<sup>2</sup> Directive 97/5/EC of the European Parliament and of the Council of 27 January 1997 on cross-border credit transfers. OJ L 043, 14.02.1997, p. 25 [cited 28 November 2008]. Available: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997L0005:LV:HTML>.

<sup>3</sup> Regulation (EC) No 2560/2001 of the European Parliament and of the Council of 19 December 2001 on cross-border payments in euro. OJ L 344, 28.12.2001, p. 13 [cited 28 November 2008]. Available: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32001R2560:LV:HTML>.

<sup>4</sup> <http://www.europeanpaymentscouncil.eu/>.

<sup>5</sup> Euroland: our single payment area, EPC, 01.05.2002 [cited 28 November 2008]. Available: [http://www.europeanpaymentscouncil.eu/knowledge\\_bank\\_detail.cfm?documents\\_id=20](http://www.europeanpaymentscouncil.eu/knowledge_bank_detail.cfm?documents_id=20).

<sup>6</sup> International not-for profit association (A.I.S.B.L.), EPC Charter. Approved on 24.06.2008 [cited 7 January 2009]. Available: [http://www.europeanpaymentscouncil.eu/documents/EPC377-08%20Final\\_Charter\\_\(EN\).pdf](http://www.europeanpaymentscouncil.eu/documents/EPC377-08%20Final_Charter_(EN).pdf).

<sup>7</sup> Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and

the European Parliament and of Council of 16 September 2009 on cross-border payments in the Community<sup>8</sup> expanding and revising regulation in relation to direct debit payments are crucial for further promotion of liberalisation and consolidation of the European payment market. The EC and the ECB act as catalysts in the SEPA project, fostering the process of legal and economic integration. The national central banks may act as overseers or catalysts in line with the practice of each EU Member State, and become more or less active players in the implementation of the Project.

The SEPA Regulation<sup>9</sup> of 14 March 2012 establishes the technical and business requirements for credit transfers and direct debits in euro and SEPA migration end-dates. The EPC has defined provisions for launching the so-called SEPA core products and since the end of 2008 has continued to develop an enhanced or e-SEPA, i.e. innovative Internet and mobile payments and various value added services. Hence the supply side (credit institutions and payment infrastructure providers) has successfully promoted the SEPA project in Europe. In European countries, the demand side comprising public authorities, corporates, SMEs and consumers is actively involved in the SEPA project.

The National SEPA Coordination Committees have been established in all countries and their main assignment is the coordination of a successful implementation of the SEPA project in the respective country. Latvia's NSWG was also established on 28 October 2008 (see Section 1).

In Latvia, the SEPA project has been carried out since 2004 (see Chart 1).

- In September 2004, the Payment Committee of ACBL appointed its representative to the EPC.
- In 2007, the Payment Committee of ACBL established the Banking SEPA Working Group and commenced drafting the SEPA Implementation Plan for Latvian credit institutions.
- On 28 January 2008 Latvian credit institutions, along with other credit institutions of Europe, began to offer SEPA credit transfers (see Section 2.2) and issue SEPA payment cards (see Section 2.4).
- On 1 September 2008 ACBL was appointed the NASO in Latvia. The main assignment of NASO is to provide the necessary information and coordinate adherence by credit institutions to the SEPA Credit Transfer and SEPA Direct Debit Schemes. NASO is also responsible for the review of Adherence Agreements submitted by credit institutions and their delivery to the EPC.
- On 28 October 2008 the MPSWG of the Republic of Latvia Euro Project Steering Committee established the NSWG for drafting and coordinating the implementation of Latvia's National SEPA Plan.
- On 2 November 2009 along with other European credit institutions, Latvia's credit institutions launched SEPA direct debit payments.

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repealing Directive 97/5/EC. OJ L 319, 05.12.2007, p. 1 [cited 28 November 2008]. Available: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:319:0001:01:LV:HTML>.

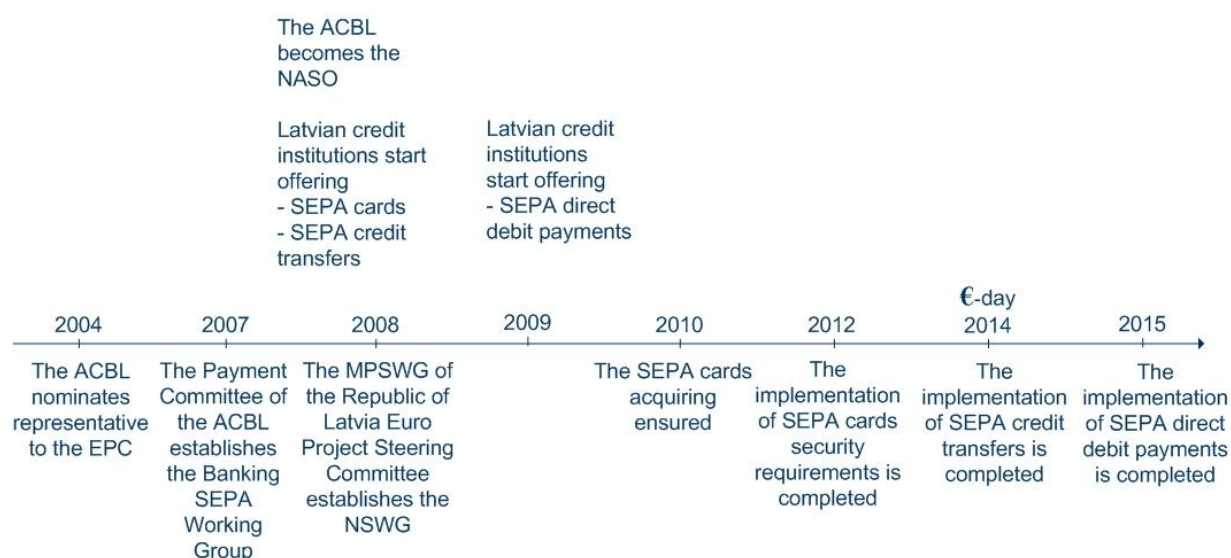
<sup>8</sup> Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001. OJ L 266, 09.10.2009, p. 11 [cited 28 November 2008]. Available: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:266:0011:01:LV:HTML>.

<sup>9</sup> Regulation (EC) No. 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing the technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009. Available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:094:0022:0037:LV:PDF>.



- On 27 September 2010 ACBL adopted FiDAViSta version 1.2.
- On 9 November 2010 the Bank of Latvia implemented the SEPA compliant EKS.
- On 31 December 2010 the implementation of the first card-to-terminal domain of the SEPA Cards Framework was completed.
- On 1 July 2012 merchants, acquirers and card payment processors completed migration to the payment applications compliant with the requirements of PA DSS standard.
- In the first half of 2012, pursuant to the requirements of SEPA credit transfers, the majority of euro payments were executed in the bank-to-bank domain, reaching the critical mass (more than 90%).
- On 31 December 2012 merchants, acquirers and card payment processors completed migration to PIN entry devices that are compliant with the requirements of PTS security standard, thus completing the implementation of the second terminal-to-acquirer domain of the SEPA Cards Framework.
- SEPA credit transfers will be fully implemented as of 1 January 2014.
- The implementation of SEPA direct debit payments will be completed by 1 January 2015.

**Chart 1. SEPA project implementation in Latvia**



The ALCB – ACBL (3x); Latvian banks – Latvian credit institutions (2x)

The SEPA project was implemented in Latvia when the majority or the critical mass<sup>10</sup> of euro payments, credit transfers and card payments in particular, were executed in accordance with the provisions set for SEPA products. With the introduction of the euro in Latvia, all domestic payments currently executed by public authorities, corporates, SMEs, merchants and consumers in lats will be effected in euro. Implementation of SEPA card payments was accomplished upon the completion of the first two Cards Framework domains at the end of 2012. Implementation of SEPA credit transfers will be completed on the €-day. The SEPA

<sup>10</sup> ACBL defined a criterion for the critical mass of SEPA payments in Latvia upon the approval of the SEPA Implementation Plan in the Banking Sector of Latvia, Version 1.0 on 29 May 2008. The majority or critical mass will be achieved when 80% of credit institutions offer SEPA credit transfers and SEPA direct debit payments, and 90% of card framework elements, such as cards, ATMs, POS terminals, including cash register systems, conform to the SEPA requirements and 90% of the entire executed payments comply with the SEPA product requirements.

The SEPA Implementation Plan in the Banking Sector of Latvia, Version 1.0, ACBL, 29 May 2008 [cited 28 November 2008], p. 16. Available: <http://www.bankasoc.lv/lka/sepa/index2.php>.

project in Latvia will be completed within a year following the €-day, i.e. by 1 January 2015 when the migration to SEPA direct debit payments will be finalised, thus concluding the introduction of the entire set of SEPA products. Setting the end-date for completion of the SEPA project implementation and ensuring extensive use of SEPA payment instruments in Latvia are important prerequisites allowing all stakeholders in the project, i.e. public authorities, SMEs and merchants as well as payment services providers, providers of payment systems and technologies, to plan the required investment in as synchronised and timely manner as possible. Upon completing the SEPA project, the work on further development of SEPA, i.e. e-invoicing, e-reconciliation, internet payments, mobile payments, and other e-SEPA products, will continue. On 10 September 2009, the EC adopted its Communication on Completing SEPA: a Roadmap for 2009–2012<sup>11</sup> to be implemented in the EU Member States in order to enhance migration to uniform European payments (see Section 2).

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<sup>11</sup> The EC Communication on "SEPA Completion: a Roadmap for 2009–2012", 10 September 2009 [cited 5 August 2010]. Available:[http://ec.europa.eu/internal\\_market/payments/docs/sepa/com\\_2009\\_471\\_lv.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/com_2009_471_lv.pdf).

## 1. NATIONAL SEPA WORKING GROUP ORGANISATION

All stakeholders involved in the SEPA project should engage in a concerted dialogue to ensure efficient implementation of the above project. At the close of 2008, a number of working groups were involved in the solution of the SEPA project related issues in Latvia (see Chart 2).

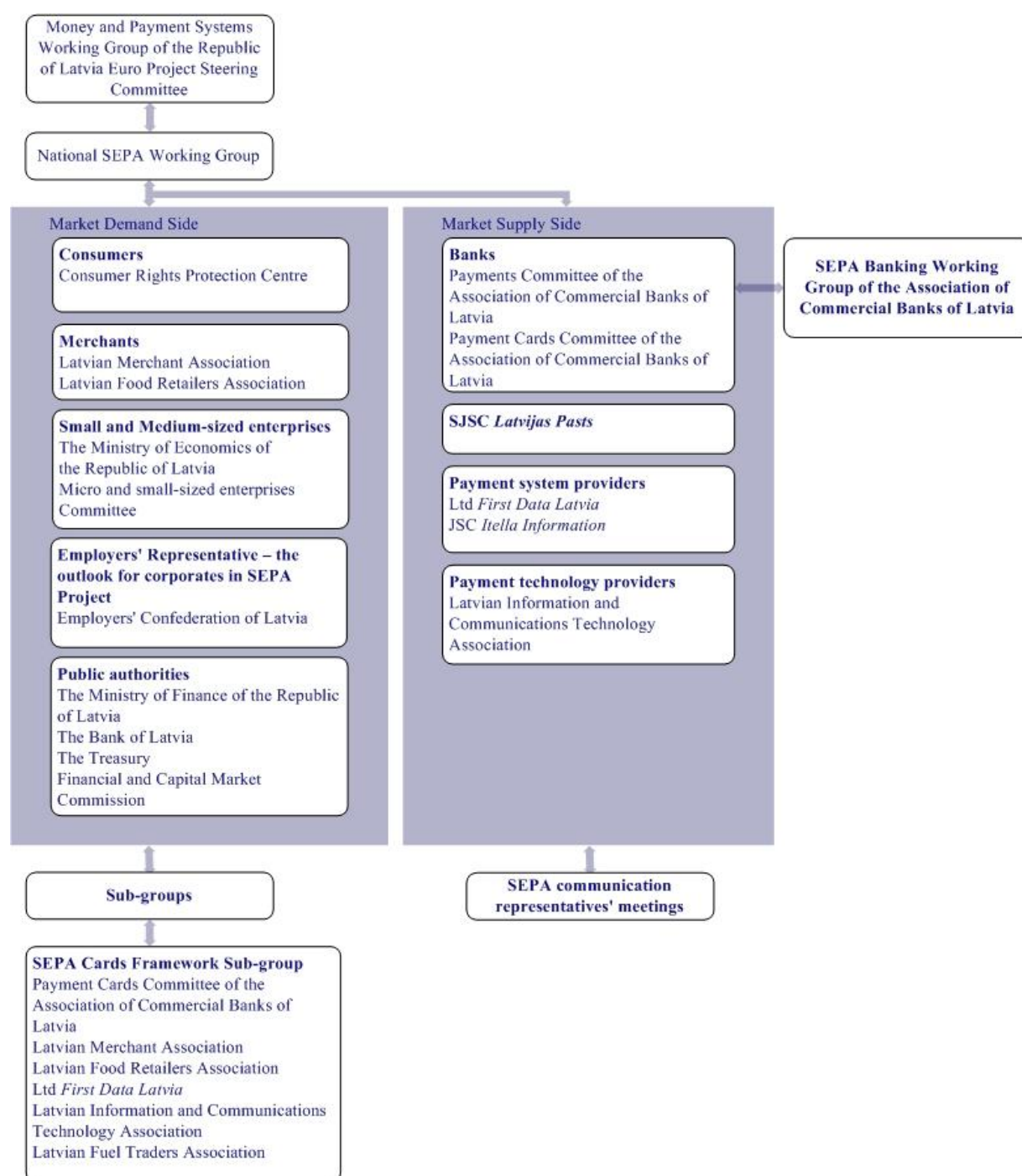
- On 18 December 2007, Mr. O. Spurdziņš, Minister of Finance of the Republic of Latvia, in his reply to Mr. Charlie McCreevy, the European Commissioner for Internal Markets and Services, appointed the MPSWG of the Republic of Latvia Euro Project Steering Committee as the SEPA Project Steering Committee.
- On 28 October 2008, the NSWG was established subject to the Protocol Decision of the MPSWG and on the basis of a similar experience of other European countries, with the representatives of many institutions involved in its activities. Credit institutions and providers of payment systems and payment technologies represent the supply side of SEPA payments market. Consumers, merchants, SMEs, corporates and public authorities represent the demand side of SEPA payments market.
- In 2007, the Payment Committee of ACBL established the Banking SEPA Working Group. To stipulate the key provisions for credit institutions of Latvia, the above working group took the initiative of the supply side of Latvia in developing the SEPA Implementation Plan in the Banking Sector of Latvia.<sup>12</sup>

ACBL, Ltd *First Data Latvia* and Latvia Merchant Association deemed it necessary to establish the SEPA Cards Framework Sub-group in order to enhance the introduction of the second terminal-to-acquirer domain of the SEPA Cards Framework. The SEPA Cards Framework Sub-group was established in 2010, and Latvian Information and Communications Technology Association and Latvian Association of Fuel Traders joined the above Sub-group in 2011. The SEPA Cards Framework Sub-group is open for participation by other stakeholders as well.

In order to promote single communication among the SEPA project stakeholders in Latvia, NSWG organised the work of communication representatives in 2010 and developed a SEPA communication plan (see Section 6).

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<sup>12</sup> The SEPA Implementation Plan in the Banking Sector of Latvia, Version 1.0, ACBL, 29 May 2008 [cited 28 November 2008]. Available: <http://www.bankasoc.lv/lka/sepa/index2.php>.

**Chart 2. SEPA project organisational structure in Latvia**

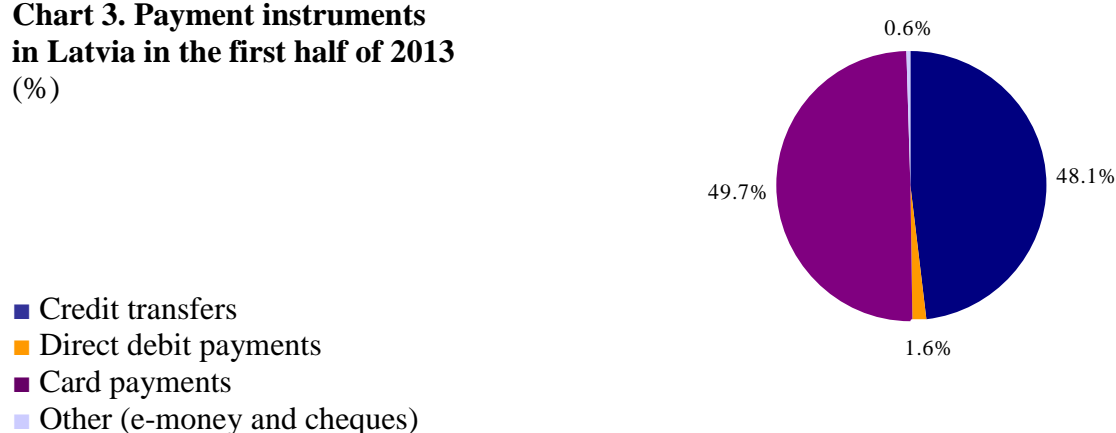
## 2. SEPA PRODUCTS

The following SEPA core products are the major components of the SEPA project: SEPA credit transfers, SEPA direct debit payments and SEPA card payments. The above uniform European payment instruments will be of a notable benefit to further harmonisation and consolidation of the European internal market. Customers will, however, derive full benefit from SEPA once they start using, in addition to core products, the enhanced SEPA products or the so-called e-SEPA products which ensure straight-through processing of the entire payment chain, e.g., innovative SEPA internet payments, SEPA mobile payments as well as value added services – e-invoicing, e-reconciliation and e-mandate.

### 2.1 SEPA scope in Latvia

Latvia's customer payment market, similar to those of other EU Member States, is mainly described by three payment instruments (see Chart 3). Of all cashless payments executed in euro and lats in Latvia, credit transfers made in lats and euro amounted to 48.1% (62.2 million payments), direct debit payments stood at 1.6% (2.2 million) and card payments comprised 49.7% (68.4 million) in the first half of 2013. Other payment instruments (e-money and cheques) accounted for 0.6% (0.9 million payments) of payments made by cashless payment instruments.

**Chart 3. Payment instruments in Latvia in the first half of 2013 (%)**



In the first half of 2013, 98% of credit transfers made in euro<sup>13</sup> (2.2 million) were SEPA credit transfers.

The requirements for SEPA products in Latvia apply to the credit transfers and direct debit payments executed in euro and card payments made in lats and euro.

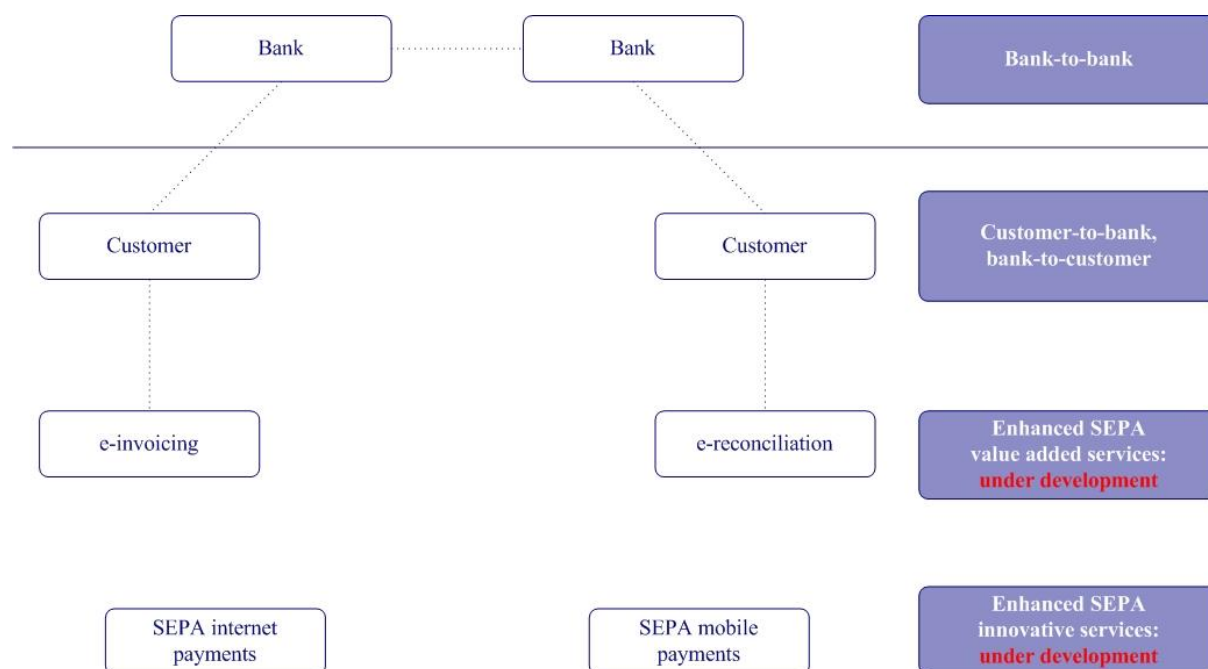
### 2.2 SEPA credit transfers

SEPA credit transfer is a payment instrument that meets the requirements of the SEPA Credit Transfer Scheme Rulebook approved by the EPC. The above Rulebook defines uniform rules

<sup>13</sup> Credit transfers to the third countries in euro and urgent credit transfers in euro via large value payment systems are not included herein.

and procedures for credit transfers executed in euro (see Chart 4). As of 28 January 2008, European payment service providers, including Latvian credit institutions, payment institutions and electronic money institutions have committed to comply with the above basic requirements when adhering to the SEPA Credit Transfer Scheme.

**Chart 4. SEPA credit transfer scheme**



To ensure efficient implementation of the customer-to-bank and bank-to-customer domains, the following e-SEPA products are being developed: value added services, such as e-invoicing and e-reconciliation, and innovative services, such as SEPA internet payments for enhancing e-Commerce and SEPA mobile payments (initiation of payment and credit advice via the mobile phone).

#### What is a credit transfer?

Credit transfer is a payment initiated by the payer. In the case of a credit transfer, a payment instruction is sent to the payer's bank which moves the funds to the payee's bank.

#### What is an electronic invoicing service?

It is a service offered to customers prior to a payment; for instance, invoices are sent directly to the payer's internet banking application and, after the payer has accepted the invoice, an automatic SEPA credit transfer instruction is created containing the relevant information on the payer and payee (see Section 2.5 for more detailed information about the EC e-invoicing initiative).

#### What is an electronic reconciliation service?

It is a service offered to customers after execution of a payment. In this case e-invoices are electronically matched with the payment, and the payee's records are automatically updated.

The main features of SEPA credit transfer are as follows:

- payment is executed in euro;
- bank customers' accounts of all EU countries, Iceland, Liechtenstein, Norway, Switzerland, Monaco are reachable;
- payment is executed for full amount. Commission fees are collected separately and the SHA option is applied, i.e. the payer pays to the payer's bank and the payee pays to the payee's bank (shared between two parties);
- no limit is set on the value of payment;
- the maximum payment settlement time is one business day as of January 2012;
- the IBAN/BIC identifier;
- UNIFI (ISO 20022) XML standard (see Chart 5);
- common procedures for the refund of erroneous payment.

In 2005, IBAN, International Bank Account Number, and BIC, Bank Identifier Code, were introduced in Latvia for domestic and cross-border payments as the sole identifiers of an account number. Hence the migration of the national account numbers to IBAN and BIC – the identifiers of the account number defined by SEPA has already been accomplished within the SEPA Project in Latvia.

European payment service providers, including the majority of Latvia's credit institutions, have adhered to the SEPA Credit Transfer Scheme<sup>14</sup> by entering into the Adherence Agreement which incorporates the following key requirements: compliance with the provisions of the SEPA Credit Transfer Scheme Rulebook and adherence to the SEPA compliant infrastructure for payment processing and legal opinion about the credit institution's operation in the relevant EU Member State. However, the SEPA credit transfer is not deemed to be fully implemented in Latvia by adhering to the Scheme.

A coordinated migration of all stakeholders, i.e. public authorities, corporates, SMEs, consumers, payment service providers, payment system and payment technologies' providers to the SEPA credit transfer would contribute significantly to a faster pay-back of the required investment. Therefore the following dates for credit transfer migration should be set: the start-date of the use of SEPA credit transfer and the end-date of completing the modification of credit transfers in line with the SEPA requirements.<sup>15</sup>

Latvian credit institutions launched SEPA credit transfers on 28 January 2008, with the intention of executing the majority of euro payments (the critical mass) in line with the SEPA credit transfer requirements, thus finalising the introduction of SEPA credit transfers in euro by the end of 2011 (in the first half of 2013, 2.2 million SEPA credit transfers (or 98%) were executed). SEPA credit transfers will be fully implemented as of the euro changeover when the payments made in lats are replaced by the euro payments compliant with SEPA requirements. An additional transition period is not foreseen.

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<sup>14</sup> Register of Participants in SEPA Payment Schemes, 11.09.2009, CB.Net, p. 75 [cited 8 October 2009]. Available: [http://epc.cbnet.info/docs/SEPA\\_Credit\\_Transfer.pdf](http://epc.cbnet.info/docs/SEPA_Credit_Transfer.pdf).

<sup>15</sup> "Migration starts when the first SEPA product appears on the market and ends when SEPA products have replaced the corresponding national payment products and standards". The EC Communication on "SEPA Completion: a Roadmap for 2009–2012", 10 September 2009 [cited 5 August 2010]. Available: [http://ec.europa.eu/internal\\_market/payments/docs/sepa/com\\_2009\\_471\\_lv.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/com_2009_471_lv.pdf).

In 2008, a number of credit institutions already offered SEPA credit transfers in the customer-to-bank and bank-to-customer domains, incorporating all details of the effective requirements of SEPA credit transfer in the respective payments. In 2010, Latvian credit institutions commenced the development of the national standard in the customer-to-bank and bank-to-customer domains in line with the UNIFI (ISO 20022) XML standard projected to be approved by the end of 2013.

To commence the execution of SEPA credit transfers and offer SEPA credit transfers to the customers of the Treasury, including the state budget institutions and local governments, the Treasury committed on 27 January 2009 to update its internal payment processing information systems according to the requirements for SEPA compliant EKS subject to the timeframe of the EKS development plan. All state budget institutions have opened accounts with the Treasury subject to the Republic of Latvia laws and regulations. In terms of the number of accounts, the State Revenue Service ranks among the largest customers of the state budget institutions of the Treasury as it ensures collection of the government taxes, duties and other mandatory payments stipulated by the Republic of Latvia law. In terms of the number of payment orders, the State Social Insurance Agency is one of the major customers of the Treasury among the state budget institutions, as it ensures social security services and provision of the respective social benefit payments pursuant to the Republic of Latvia laws and regulations. Local governments have to open accounts with the Treasury subject to the requirements of the Republic of Latvia laws and regulations in order to receive the state budget funds and provide co-financing for investment projects and cover expenses related to one-off assignments. With the customers of the Treasury migrating to the uniform SEPA payments, the time frame for preparing 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 Resolution No. 929/3 of 23 July 2009. The above Plan describes the use of SEPA core products at the Bank of Latvia and also emphasising the offer of 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 €-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.

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 to customers as of the €-day.

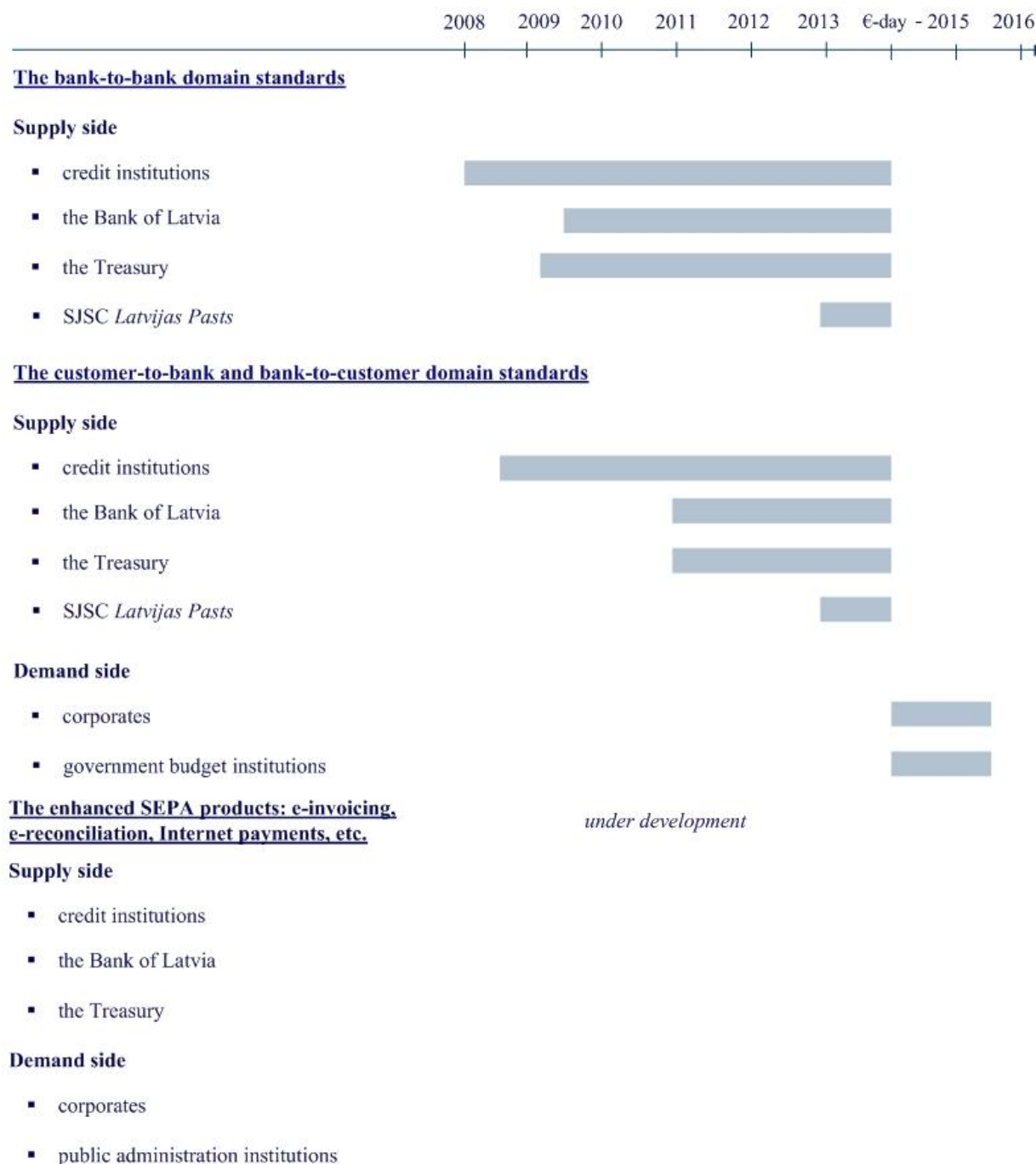
As a representative of companies, LDDK points out that, following the updating of the national standard in line with the requirements of UNIFI (ISO 20022) XML standard, it will take 18 months for Latvian companies to implement the above products.

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 notified the respective companies about the SEPA project, and under other favourable conditions, mainly commission fees charged for payments, has encouraged them to use SEPA core products.

**Chart 5. SEPA credit transfer implementation plan in Latvia**



To ensure SEPA credit transfers, the SEPA payment market supply side takes appropriate measures within the SEPA credit transfer implementation plan (see Chart 5).

To ensure the use of SEPA credit transfers offered by credit institutions, the demand side performs the necessary preparatory activities.

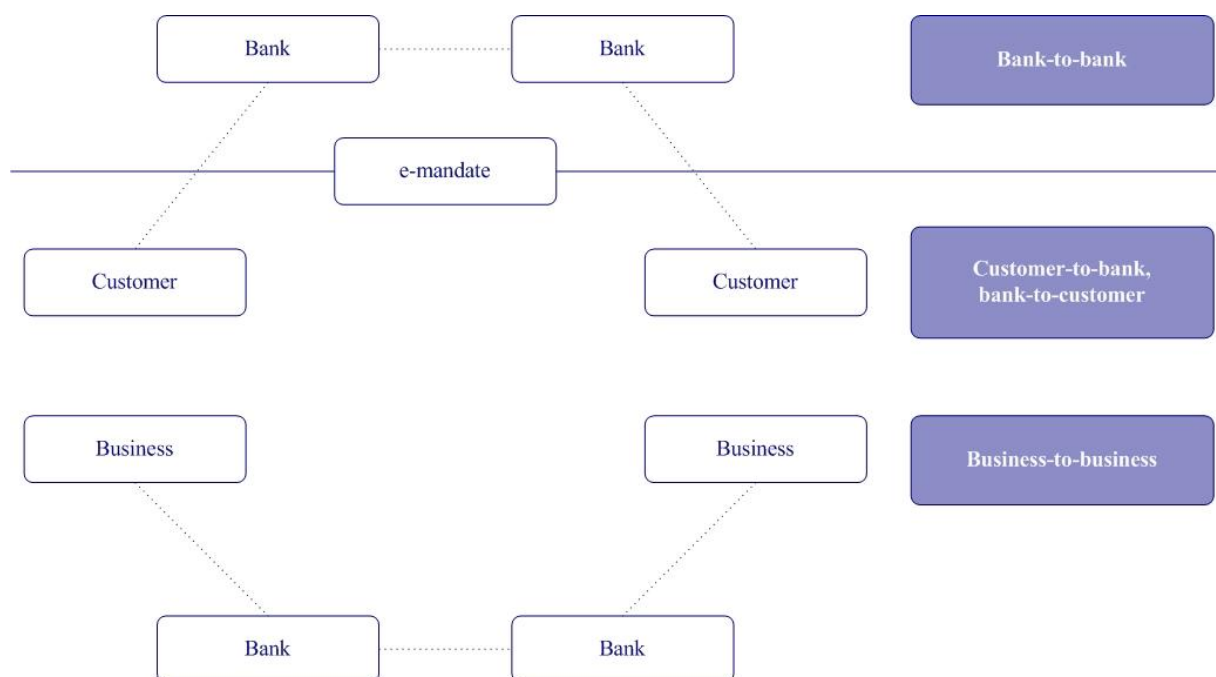
An institution within the SEPA credit transfer implementation project:

- appoints the project manager;
- develops an individual action plan;
- incorporates in the above plan the updating of current standards to UNIFI (ISO 20022) XML standard;
- identifies potential benefits and the necessary investment;
- identifies potential obstacles to the implementation of SEPA project;
- conducts self-assessment of the SEPA credit transfer implementation process (see the questionnaires enclosed in Appendix 1) and publicly discloses the self-assessment results.

### 2.3 SEPA direct debit payments

SEPA direct debit payment is a payment instrument that meets the requirements of the EPC SEPA Direct Debit Scheme incorporated into two Rulebooks – SEPA Core Direct Debit Scheme Rulebook and SEPA Business to Business Direct Debit Scheme Rulebook. The above Rulebooks define common rules and procedures for direct debit payments made in euro. In contrast to SEPA credit transfers, two Rulebooks apply to SEPA direct debit payments, with the additional rulebook describing the SEPA Direct Debit Scheme for one group of customers – companies. European payment service providers have committed to comply with the above basic requirements as of 2 November 2009, with the adherence to the SEPA direct debit payment schemes.

**Chart 6. SEPA direct debit schemes**



What is a direct debit payment?

Direct debit payment is a transfer initiated by the payee via the payee's bank subject to the agreement between the payee and payer. Direct debit payments are often used for recurring payments (such as settling the utility bills). Direct debit payments are also used for executing one-off payments.

What is a mandate and e-mandate?

The Mandate (see Appendix 2) is the authorisation given by the payer to the payee allowing the payee to initiate payments for debiting the specified payer's account and allowing the payer bank to comply with such instructions in accordance with the SEPA Direct Debit Scheme Rulebook.

An e-mandate is an electronic mandate, created through the use of electronic channels and signed in a secure electronic manner.

What is an e-mandate service?

An e-mandate service is a value added service of the SEPA direct debit payment scheme. This service gives an opportunity for the payer and payee to agree on the issue of mandate electronically.

The SEPA Direct Debit Scheme stipulates that the payer's mandate to debit funds from its account has to be incorporated into the SEPA direct debit agreement signed between the payee and payer (and kept by the payee). Mandate information is annexed to each executed payment, thus ensuring a notification of stakeholders. In some countries of Central and East Europe, including Latvia, mandate is frequently incorporated into the SEPA direct debit agreement between the payer and payer's bank and the above agreement is held by the payer's bank. To compare both practices, the EPC developed and approved a version of the SEPA Direct Debit Scheme Rulebook on 17 December 2008, also incorporating an additional service for the core product of SEPA direct debit payments – an e-mandate process. The e-mandate process allows signing of the mandate electronically and relieves the payee from an obligation to dematerialise and keep the mandate in a paper-based form.

To implement SEPA direct debits and especially an e-mandate, a unique creditor identifier<sup>16</sup> has been created as an additional number of a company to allow identifying the e-mandate in Europe during the entire processing stages. In 2010, experts of the Ministry of Justice of the Republic of Latvia, State Revenue Service of the Republic of Latvia, Register of Enterprises of the Republic of Latvia, ACBL and LDDK started the implementation of SEPA creditor identifier in Latvia. The structure of SEPA creditor identifier has been aligned with the EPC requirements. The SEPA creditor identifier will be automatically assigned by the Enterprise Register of the Republic of Latvia along with other requisites of tax payers registered with the Register of Enterprises of the Republic of Latvia. Information about the SEPA creditor identifier will be publicly available along with the relevant information on a legal person (the registration number, name and registered address). The SEPA creditor identifier will be created in accordance with the structure of the SEPA creditor identifier<sup>17</sup>. The SEPA creditor

<sup>16</sup> *Overview of Creditor Identifiers*, EPC [cited 12 August 2010]. Available: <http://www.europeanpaymentscouncil.eu/documents/EPC262-08%20Creditor%20Identifier%20Overview%20v1.1.pdf>.

<sup>17</sup> [http://www.sepalatvija.lv/sites/default/files/20101025\\_latvijas\\_sepa\\_sanemeja\\_identifikatora\\_struktura.pdf](http://www.sepalatvija.lv/sites/default/files/20101025_latvijas_sepa_sanemeja_identifikatora_struktura.pdf).

identifier will be maintained in the databases of the Register of Enterprises of the Republic of Latvia as of the €-day.

The main features of SEPA direct debit payment are as follows:

- payments are executed in euro;
- payment may be received by any customer – account holder of the banks located in the EU Member States, Iceland, Liechtenstein, Norway, Switzerland and Monaco;
- both one-off and recurrent direct debit payments may be executed;
- funds are credited to the payee's account on the day these funds are debited from the payer's account;
- IBAN/BIC identifier;
- UNIFI (ISO 20022) XML standard (see Section 5);
- common procedures for the refund of erroneous payments;
- specific schemes for the business-to-bank and bank-to-business domains (see Chart 6).

Latvian credit institutions commenced providing SEPA direct debit payments as of 2 November 2009, ensuring customer (debtor) reachability within the SEPA Core Direct Debit Scheme. Latvian credit institutions project to adhere to the SEPA Direct Debit Schemes in the medium term or to replace SEPA direct debit payments with other SEPA instruments as of 1 January 2015.

Following the adherence to the SEPA Direct Debit Schemes, Latvian credit institutions plan to make use of additional e-mandate fields, e.g. by including also the field of the maximum payment amount in the e-mandate. In perspective, the respective field is projected as Latvia's national additional optional service (AOS) of credit institutions, which in line with the EPC requirements will be released on ACBL website and also published by the EPC. Specification of the maximum payment amount enables both customers (by determining an adequate payment amount) and credit institutions (by minimising dispute possibilities in cases of authorised payments) to enjoy an additional opportunity of a better direct debit payment management.

Some Latvian credit institutions also offer a payment product of SEPA Business to Business Direct Debit Scheme. As a representative of companies, LDDK maintains that corporates will start using the SEPA Business to Business Direct Debit Scheme, if credit institutions offer such a product.

*SJSC Latvijas Pasts* projects to launch SEPA product implementation 12 months prior to the euro changeover and to offer SEPA credit transfers to customers as of the €-day.

**Chart 7. SEPA direct debit payment implementation plan in Latvia**

To ensure SEPA direct debit payments, the SEPA payment market supply side performs appropriate measures within the SEPA direct debit payment implementation plan (see Chart 7).

To ensure the use of SEPA direct debit payments offered by credit institutions, the demand side carries out the necessary preparatory activities.

An institution within the SEPA direct debit payment implementation project:

- appoints the project manager;
- develops an individual action plan;
- incorporates into the above plan the updating of current standards in accordance with UNIFI (ISO 20022) XML;
- identifies potential benefits and the necessary investment;
- identifies potential obstacles to the implementation of SEPA project;
- conducts self-assessment of the SEPA direct debit payment implementation process (see the questionnaires enclosed in Appendix 1) and discloses publicly the self-assessment results.

## 2.4 SEPA card payments

SEPA card payment is a payment instrument that meets the requirements of the SEPA Cards Framework approved by the EPC<sup>18</sup> for card issuers, card acquirers, card schemes, and card processing centres. As of 1 January 2008, the SEPA Cards Framework is applicable to the card payments made in euro and euro cash withdrawals from the customer accounts with credit institutions or electronic money institutions. According to the practice of the EU Member States, the SEPA Cards Framework is also applicable to the payments executed in other currencies, as credit institutions and card schemes are reluctant to maintain various solutions for customers depending on the currency.<sup>19</sup>

The main features of SEPA card payments are as follows:

- a card holder can make purchases and withdraw cash with one card in all EU Member States, Iceland, Liechtenstein, Norway, Switzerland and Monaco;
- a card holder and merchants can execute and accept card payments in line with common provisions;
- a merchant is free to choose the card schemes, thus enhancing their competition and cost reduction for merchant.

What is a payment card?

Of the numerous types of payment cards available to card holders, two main groups may be identified:

- debit cards which enable the card holder to pay for each purchase and withdraw cash directly from the card holder's account;
- credit cards which enable the card holder to make purchases within a certain credit limit.

SEPA card payments are processed in four domains (see Chart 8) specified by the EPC according to a varying degree of detail<sup>20</sup>:

- the first card-to-terminal domain stipulates that the cards shall be issued in line with the EMV standards, and all POS terminals, including cash register systems and ATMs, shall ensure the acceptance of such cards pursuant to the EMV standard. The requirements of the EMV standards for the first card-to-terminal domain were implemented at the end of 2010;
- the second terminal-to-acquirer domain includes the requirements of the SEPA card standards. The implementation of these standards takes place by using the requirements of the Payment Card Industry Data Security Standard, including PCI DSS requirements defined by VISA and MasterCard. VISA and MasterCard have set 1 July 2012 as a deadline for the migration of card payment application and 31 December 2012 as a deadline for PIN entry device migration;

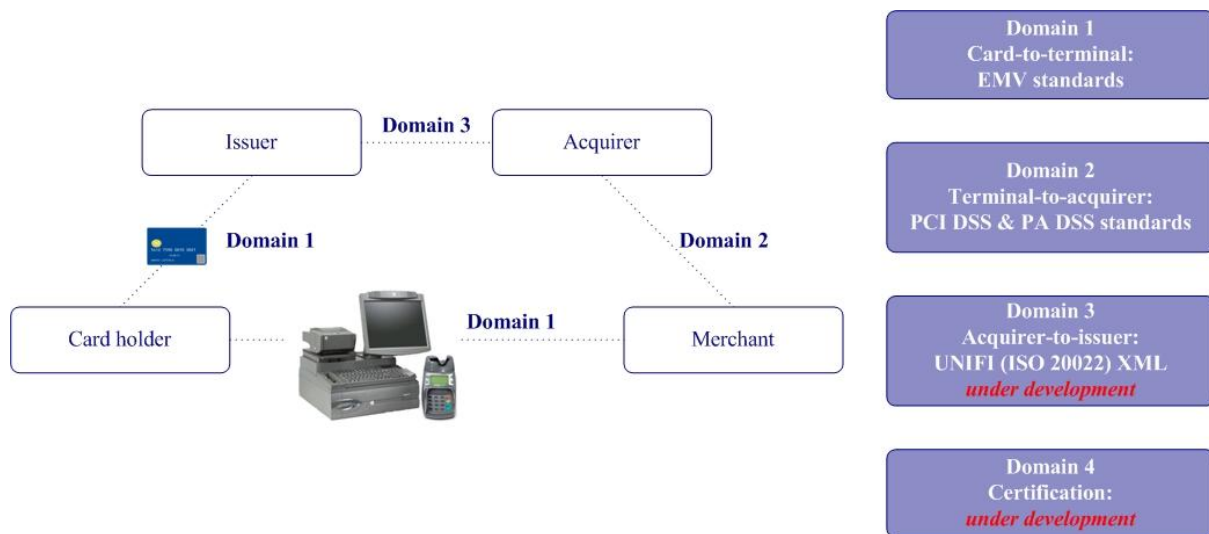
<sup>18</sup> See Section 4.3 for differences between the EPC Rulebook and EPC Framework.

<sup>19</sup> EPC *Questions and answers clarifying key aspects of the SEPA Cards Framework*. Approved 11.06.2008, p. 3 [cited 11 December 2008]. Available: <http://www.europeanpaymentscouncil.eu/documents/EPC075-SCF%20QAs%20Version10%20Final.pdf>.

<sup>20</sup> *SEPA Cards Standardisation Volume – Book of Requirements*, EPC. Approved 21.12.2009. [cited 6 September 2010]. Available: [http://www.europeanpaymentscouncil.eu/knowledge\\_bank\\_download.cfm?file=EPC020-08%20SEPA%20Cards%20Standardisation%20Volume%20-%20Book%20of%20Requirements%20v%204%200%20approved.pdf](http://www.europeanpaymentscouncil.eu/knowledge_bank_download.cfm?file=EPC020-08%20SEPA%20Cards%20Standardisation%20Volume%20-%20Book%20of%20Requirements%20v%204%200%20approved.pdf).

– the requirements for implementing the third acquirer-to-issuer domain and the fourth certification domain had not been fully defined at the end of 2013.

**Chart 8. SEPA cards framework domains**



The main features of the first card-to-terminal domain of the SEPA Cards Framework are as follows:

- credit institutions, payment institutions and electronic money institutions issue cards according to the EMV standard;
- card holders use the EMV functionality, also for the confirmation of purchase by entering PIN code;
- POS terminals, including cash register systems and cash ATMs, service cards which adhere to the EMV standard, web based points of sale comply with 3-D Secure regulations;
- across SEPA countries the parties comply with the liability shift rule stipulating that in the event of fraudulent card use the compensation shall be payable by the party which has not migrated to the EMV standard or does not abide by the security standards for card payments via the Internet;
- all stakeholders enhance the use of SEPA payment cards, thus replacing cash transactions at the points of sale, etc.

The main features of the second terminal-to-acquirer domain of the SEPA Cards Framework are as follows:

- points of sale servicing card payments, card servicing systems of the acquirers and card processing centres comply with the Payment Card Industry Data Security Standard (PCI DSS) which provides also limited physical access to the card holders' data;
- card acceptance terminals (POSs, including cash register systems), acquirers, and card processing centres maintain card payments in accordance with the Payment Application Data Security Standard (PA DSS);
- merchant uses and acquirer or card payment processing centre services terminals (POSs, including cash register systems) that comply with the PIN Transaction Security (PTS) requirements;
- virtual POSs service card payments in accordance with the Payment Card Industry Data Security Standards for card payments via the Internet, ensuring payment safety by using 3-D

Secure XML based protocols offered by VISA *Verify by VISA* and MasterCard *SecureCode* and *Safe Key* services;

– payment technology providers supply terminals and integrated solutions for cash register systems ensuring connection to the acquirer's payment systems in accordance with uniform specifications. Merchants may purchase such terminals and cash register systems or agree on their lease.

The main features of the third issuer-to-acquirer domain of the SEPA Cards Framework are as follows:

– card issuers and acquirers use UNIFI (ISO 20022) XML standards when processing card payments via the card processing infrastructure.

The main features of the fourth certification domain of the SEPA Cards Framework are the uniform requirements for card and terminal certification.

In Latvia, all credit institution, payment institution and e-money institution cards issued are co-branded with the international card organisations VISA, MasterCard and American Express unless they are local gift cards. Hence one of the most crucial issues of the SEPA Cards Framework related to the migration of local card schemes to the SEPA framework is not topical. Nonetheless, the SEPA Cards Framework stipulates an obligation for all card framework stakeholders such as card issuers, card acquirers, merchants, including virtual POSs, and card payment processing centres to migrate to the SEPA standards (EMV, UNIFI (ISO 20022) XML, PCI DSS, PA DSS, PTS, Verify by VISA, MC SecureCode, Safe Key etc.). In Latvia, card payments are mainly executed in lats (88.9% of all card payments made in the first half of 2013).

#### Implementation of the first card-to-terminal domain of the SEPA Cards Framework in Latvia:

On 1 January 2008, Latvian credit institutions started offering card services in accordance with the SEPA Cards Framework by issuing the EMV standard compliant international payment cards to their customers and installing new/migrating current POS terminals and ATMs to the EMV standard. At the end of the first half of 2013, 99.3% of issued credit cards and 99.5% of issued debit cards met the EMV requirements; likewise, all of POS terminals and all ATMs were EMV standard compliant. In the first half of 2013, 90.2% of card payments at terminals located in the country with cards issued in the country were EMV compliant. Pursuant to the requirements of VISA and MasterCard harmonised with the EPC SEPA Cards Framework, Latvian credit institutions have provided for the migration to the EMV card acceptance at the card acquiring points located in the country.

The Association of Latvian Merchants reported the merchants using cash register systems to have migrated to the EMV standard by the end of 2010, while those in possession of POS terminals have had to engage in an active dialogue with the acquirer.

#### Implementation of the second terminal-to-acquirer domain of the SEPA Cards Framework in Latvia:

Latvian credit institutions started to introduce the PCI DSS, PA DSS and PTS standards in the area of card acquiring, implementing the above standard requirements in POS terminals, ATMs and card acquiring systems at the end of 2008. Cooperation of Latvian merchants and credit institutions is very important for ensuring effective implementation of the terminal-to-acquirer domain of the SEPA Cards Framework. As credit institutions are in possession of



most POS terminals, they ensure the compliance with the SEPA requirements of POS terminals installed at the points of sale by means of introducing the EMV standard over a period of several years and in 2008 also by commencing the introduction of PCI DSS, PA DSS and PTS standards; likewise in 2008, the 3-D Secure security standards were introduced in the servicing of virtual POSs. As cash register systems are owned by merchants, it is the merchants in collaboration with acquirers that are responsible for compliance of cash register systems with the SEPA requirements. Introduction of the SEPA requirements in cash register systems in 2008 was the major obstacle to the implementation of terminal-to-acquirer domain of the SEPA Cards Framework, since the majority of cash register systems were not EMV standard compliant. The Payment Cards Committee of ACBL launched the project of introducing SEPA requirements for card products in 2009, focussing in particular on implementing the PCI DSS, PA DSS and PTS standards in the area of card acquiring. VISA and MasterCard have established the following periods of implementation of the terminal-to-acquirer domain for merchants, acquirers and card payment processing centres: the migration to a card payments application compliant with PA DSS shall have been accomplished by 1 July 2012, whereas PTS security standard for card transaction confirmation at PIN entry devices shall have been implemented by 31 December 2012 (VISA) or 31 December 2014 (MasterCard).

ACBL together with Ltd *First Data Latvia* and the Association of Latvian Merchants started the activities of the SEPA Cards Framework Sub-group in the first half of 2010. To increase awareness of stakeholders, the SEPA Cards Framework Sub-group releases all relevant information about the national SEPA Latvia website on a regular basis, provides recommendations for all stakeholders of SEPA card payments and organises seminars about topical issues for appropriate merchant associations. On 26 October 2011, the SEPA Cards Framework Sub-group gave support to the initiative of the Euro Alliance of Payment Schemes, Monnet and PayFair to introduce a European card. The SEPA Cards Framework Sub-group supports the introduction of the European card in order to promote development of an effective European payment card market.

As card processing provider in the second terminal-to-acquirer domain since 2005, Ltd *First Data Latvia* conducted the assessment of PTS standards on an annual basis, constantly since 2005 maintaining compliance with PTS standards. Ltd *First Data Latvia* has been certified as PCI DSS standard compliant since 1 December 2006. Ltd *First Data Latvia* has constantly been cooperating with software providers to promote the development and implementation of appropriate software. In 2012, the company continued its collaboration with software developers to achieve compliance of the supplied card payment applications with PA DSS standard.

Some credit institutions perform card transaction processing (ensure card processing) or use other services of the payment system provider and have implemented the Payment Card Industry Security Standards in the terminal-to-acquirer domain in 2010.

#### Implementation of the third acquirer-to-issuer domain of the SEPA Cards Framework in Latvia:

In Latvia, the majority of interbank card payment processing is provided via the clearing and settlement system of Ltd *First Data Latvia*, while interbank settlements are provided by the Bank of Latvia. Some credit institutions perform the processing of domestic card payments

themselves or use other services of the payment system provider. International card payments are processed via the systems of VISA, MasterCard and American Express.

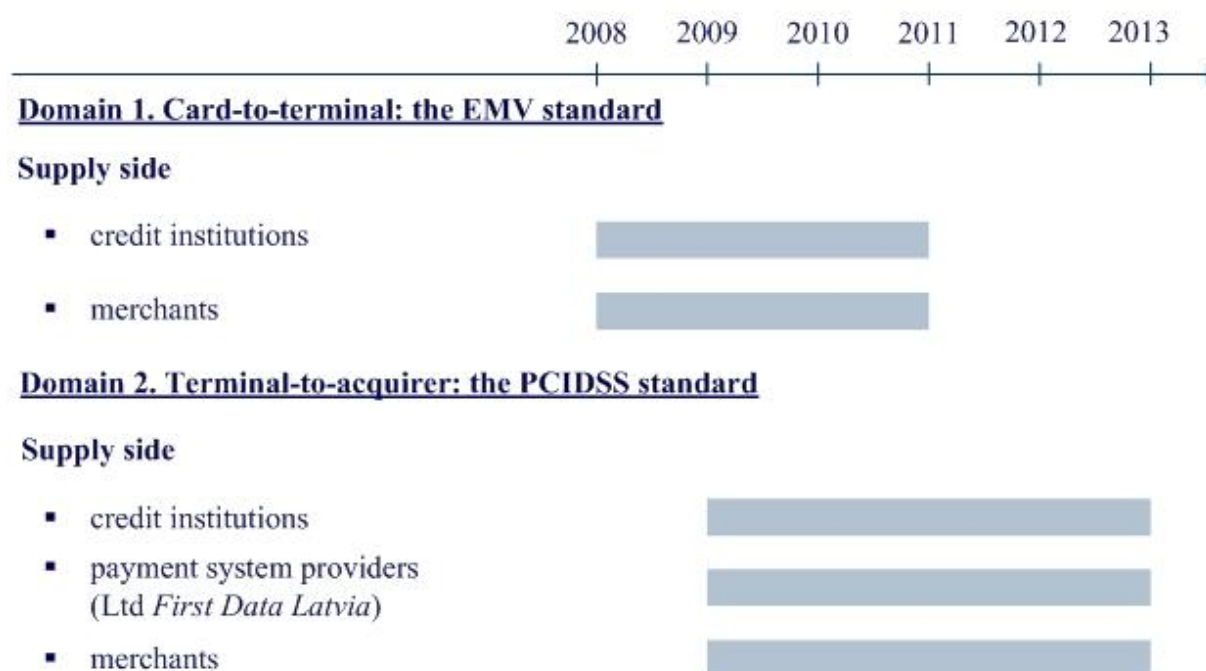
In Latvia, the infrastructure for card transaction processing complies with the ISO 8583 standard, which ensures that merchants are free to choose the most attractive acquirer, given that POS terminals of any credit institution accept cards issued by any credit institution or issuer. The EPC has been developing a uniform specification both for connections and terminals. In the future, the technical boundaries of markets will also vanish for this phase, with *Ltd First Data Latvia*, merchants and other market players implementing the relevant requirements.

*Ltd First Data Latvia* will also offer the UNIFI (ISO 20022) XML standard for interbank payment card processing in the course of 18 months following the issue of the final version of the respective standard.

Given the fact that the requirements for the SEPA cards standard have not been defined, the third domain is not included in the SEPA Cards Framework. The implementation of SEPA Cards Framework was completed in 2012 with the introduction of the first two domains of the Cards Framework.

Implementation of the fourth certification domain of the SEPA Cards Framework has not yet been launched in Latvia, as the EPC is still working on the specification of requirements.

The Latvian Information and Communications Technology Association points out that the requirements for payment card processing and relevant standards as well as their implementation time frames are mostly in line with the provisions stipulated by international payment card organisations. Terminal suppliers offer products which are certified on the market and meet the requirements of the above organisations.

**Chart 9. SEPA cards framework implementation plan in Latvia**

To ensure SEPA card payments, the SEPA payment market supply side takes appropriate measures within the SEPA card payment implementation plan (see Chart 9). Merchants who use cash register systems for servicing payment cards perform the required activities to implement the SEPA standards (EMV, PCI DSS, PA DSS, PTS, Verify by VISA, MC SecureCode, etc.) in their companies.

Consumers are informed on a timely basis about the expected benefits associated with the SEPA Cards Framework and about enhancing the implementation of the SEPA Cards Framework through the use of a card.

An institution within the SEPA card payment implementation project:

- appoints the project manager;
- develops an individual action plan for the institution;
- identifies potential benefits and the necessary investment;
- identifies potential obstacles to the implementation of SEPA project;
- conducts self-assessment of the SEPA card payment implementation process (see the questionnaires enclosed in Appendix 1) and publicly discloses the self-assessment results.

## 2.5 e-SEPA

e-SEPA (electronic SEPA) or enhanced SEPA is the next step of the SEPA project aimed at achieving full automation of the entire payment chain. e-SEPA offers the following two groups of services: value added services (e-invoicing, e-reconciliation, e-mandate services, etc.) and innovative SEPA products (SEPA internet payment, SEPA mobile payment, etc.). To introduce e-SEPA products, the EPC develops subordinate standards for creditor reference and creditor identifier.

The EC initiative regarding e-invoicing<sup>21</sup>

E-invoicing is a general term for dematerialised invoice (invoice that is not created in material, physical form). The invoice is a document or a data set marked with the word "invoice" formally specifying details of a (or part of a) trade and all settlement related information for the (or part of the) trade, explicitly and separately stating the applicable tax.

The EC particularly emphasizes economic benefits derived from substituting a paper invoice with new SEPA core products and e-invoice. The forecast for the total economic benefit of Europe is counted up to 362 billion euro for the period 2007-2012.<sup>22</sup>

To facilitate wide implementation of e-invoicing, an e-invoicing ecosystem has to be created to the utmost open, enabling a large number of stakeholders to operate both on the market demand side and on the market supply side, at the same time ensuring interoperability at the system and process levels. Hence, it is forecast that the e-invoicing services will be offered not only by financial institutions, but also by specialized service providers.

In view of the above requirements, the e-invoicing infrastructure is expected to be decentralised, enabling coexistence of different business models – from bilateral e-invoice exchangeable message model to complex four-corner network models (two receivers, each represented by its own service provider).

The common creditor reference standards are an important prerequisite for successful implementation of an e-invoicing. As of November 2010, Latvian companies executing payments in lats and euro are able to apply the Creditor Reference Standard in compliance with the ISO 11649 standard by using the approved FiDaViSta version 1.2.

The restructuring of companies' internal accounting and management systems is of vital importance for the introduction of SEPA products, ensuring that not only consumers can access new services via internet banking applications but also businesses can use new products via electronic credit institution services for their day-to-day work.

Latvian credit institutions support the standardisation of a structured invoicing in Europe and other innovative and value added services and, following their development, intend to use them gradually as the SEPA value added services.

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<sup>21</sup> *Final Report of the European Commission Expert Group on e-Invoicing*, 11.2009 [cited 12 August 2010]. Available: [http://ec.europa.eu/internal\\_market/consultations/docs/2009/e-invoicing/report\\_en.pdf](http://ec.europa.eu/internal_market/consultations/docs/2009/e-invoicing/report_en.pdf).

<sup>22</sup> *European Commission: SEPA Potential Benefits at Stake. Researching the impact of SEPA on the payment market and its stakeholders. SEPA Study carried out by Capgemini Consulting*, 28.01.2008, p. 29 [cited 12 December 2008]. Available: [http://ec.europa.eu/internal\\_market/payments/docs/sepa/sepa-capgemini\\_study-final\\_report\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/sepa-capgemini_study-final_report_en.pdf).

### 3. SEPA INFRASTRUCTURE IN LATVIA

SEPA infrastructure comprises payment and settlement systems designated for processing the SEPA core products and adhering to the Pan-European Automated Clearing House/Clearing and Settlement Mechanisms Framework approved by the EPC. The EPC maintains a register of infrastructures supporting the processing of SEPA payments.

What is clearing?

Clearing is the process of transmitting, reconciling and confirming payment orders, and establishing a final position for settlement on the basis of individual transactions or bundles of transactions.

What is settlement?

Settlement is the transfer of funds between the payer and payee including the transfer of funds between the payer's bank and payee's bank.

The EPC has defined eight key requirements for SEPA-compliant infrastructure and the ECB has supplemented them with four basic criteria.

The main requirements stipulated by the EPC for SEPA infrastructure are as follows:

- delivery of all payment information among the participants in the SEPA schemes;
- execution of payments within the timeline set by the SEPA schemes;
- execution of the payment in full, i.e. all charges and fees are collected directly from the participants of the system and never deducted from the payment;
- conformity with the technical formats of SEPA schemes;
- national additional optional services (AOS) of credit institutions, if any, shall not compromise the provisions of SEPA core products;
- publicly available regulations;
- compliance with the ECB Oversight Standards for Euro Retail Payment Systems;
- fair and open access criteria and governance principles of the system.

The key criteria for SEPA infrastructure established by the ECB are as follows:

- compliance with the main EPC requirements for SEPA infrastructure;
- interoperability with other SEPA infrastructures;
- possibility to send and receive SEPA payments to and from all credit institutions in the euro area;
- common principles for all participants in terms of the accessibility to the system, the respective prices and provided services.

In Latvia, the Bank of Latvia is the provider of the SEPA payment infrastructure, maintaining the EKS for SEPA credit transfers.

### 3.1 SEPA credit transfer infrastructure

Latvian credit institutions currently execute most SEPA credit transfers via EKS or direct or indirect participation in the EBA STEP2 system.

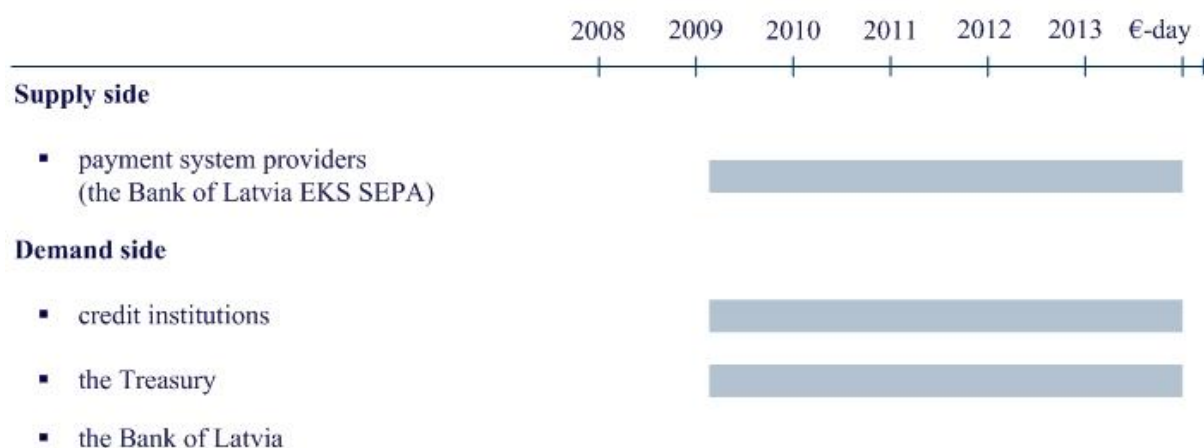
In January 2008, the Bank of Latvia started processing the euro payments in the EKS, executed by Latvian credit institution customers. To ensure further provision of the euro settlement services in the EKS, the euro settlement services should be updated in line with the SEPA requirements. The most important modification activities are related to the introduction of UNIFI (ISO 20022) XML standard and compliance with the requirements for interoperability and reachability of infrastructures.

The Bank of Latvia submitted proposals to ACBL and the Treasury for elaborating the EKS into a SEPA compliant infrastructure. ACBL and the Treasury supported the above conceptual project, and on 19 February 2009, the Board of the Bank of Latvia also expressed consent to the concept for transforming the EKS into a SEPA compliant system and committed to implement the SEPA requirements' compliant EKS for processing SEPA credit transfers by 12 November 2010. On 9 November 2010, the Bank of Latvia launched a SEPA-compliant EKS. Credit transfers executed in lats in EKS will be replaced by the processing of SEPA credit transfers as of the €-day.

In order to ensure interoperability with other SEPA infrastructures and reachability of the EKS participants, the EKS engages in the exchange of euro cross-border credit transfer messages with the EBA STEP2 system via SEPA Clearer, the *Deutsche Bundesbank* system.

The Treasury intends to update its internal information systems of payment processing in line with the SEPA requirements' compliant EKS, subject to the timeline of the EKS development plan. The Treasury sends and receives SEPA credit transfers via the EKS as of 9 November 2010.

**Chart 10. SEPA credit transfer infrastructure implementation plan in Latvia**



To ensure that EKS is transformed into a SEPA compliant infrastructure, the supply and demand sides implement appropriate measures within the SEPA credit transfer infrastructure implementation plan (see Chart 10).

An institution within the SEPA credit transfer infrastructure implementation plan:

- appoints the project manager;
- develops an individual action plan;
- identifies potential benefits and the necessary investment;
- identifies potential obstacles to the implementation of SEPA project;
- conducts a self-assessment of the SEPA credit transfer infrastructure implementation process (see the questionnaires enclosed in Appendix 1) and publicly discloses the self-assessment results.

*SJSC Latvijas Pasts* projects to launch SEPA product implementation 12 months prior to the euro changeover and to offer SEPA credit transfers to customers starting as of the €-day.

### **3.2 SEPA direct debit payment infrastructure**

*JSC Itella Information* started to update its direct debit payment system in line with the SEPA requirements on 1 May 2009. *JSC Itella Information* has launched a project to update both the information and communication technology systems and legal documentation (customer contracts, forms, etc.) as well as other processes and procedures.

In view of the economic grounds, *JSC Itella Information* will not create the SEPA direct debit infrastructure in Latvia. Latvia's credit institutions, companies and *JSC Itella Information* will reach an agreement by 1 January 2014 on the introduction of a cost-effective alternative solution for SEPA direct debit payments, whereby the national direct debit payments are to be replaced until 1 January 2015.

## 4. LEGAL FRAMEWORK

EU legislation and documentation issued by the EPC form the legal framework for the SEPA project. To ensure a successful implementation of the SEPA project at a national level, it is important to adopt the relevant EU law, and to follow the EPC requirements.

### 4.1 Payment Services Directive

The main purpose of the Directive 2007/64/EC is to ensure that EU customer payments – particularly credit transfers, direct debits and card payments – are executed in a simple, safe and efficient manner as national payments today. Directive 2007/64/EC is the core element of the SEPA legal framework. By 1 November 2009 all EU Member States need to transpose the Directive 2007/64/EC into national law. The Directive 2007/64/EC covers three areas:

- The right to provide payment services to the public;
- Transparency and information requirements;
- Rights and obligations of users and providers of payment services.

What is a directive?

Directives are legal means to harmonise and coordinate Member State legal acts. Provisions of a directive become binding on the Member States after they have been incorporated in the national legislation. Each Member State is bound to achieve the aims of a directive, but it is up to the national authorities to decide how the directive is implemented in national law.

By having to be implemented in national law, a directive differs from a regulation which is adopted by the Community and is directly applicable in the Member States, i.e. without having to be implemented in national law.

*The right to provide payment services to the public.* Directive 2007/64/EC provides for the legal regulation for launching and supervising operations of new retail service providers. It will enhance competitiveness, create a level playing field and new developments in the national markets, promoting technology development and possibilities to create new products.

*Transparency and information requirements.* Directive 2007/64/EC provides for a uniform set of information which the payment service providers must make available to the service users whether SEPA products or other national payment products are offered. It will improve the transparency of services and will enable the service users to select the most effective payment products.

*Rights and obligations of users and providers of payment services.* Directive 2007/64/EC provides for the rights and obligations of payment service users and providers:

- principles for levying charges;
- principles for authorising payment transactions, including terms and conditions for refunding authorised and unauthorised payments, and the duty of the service user to keep the payment instrument safe;
- principles for execution of payment transactions, including execution time, terms and conditions for receipt, execution and value dating;
- provisions for data protection and procedures for settlement of disputes.



The Ministry of Finance of the Republic of Latvia is the institution in charge of drafting the Law On Payment Services and Electronic Money (25.02.2010, the Law On Payment Services) in Latvia. The above Law became effective on 31 March 2010.

Transitional Provisions of the Law On Payment Services and Electronic Money ensure the continued legal validity of direct debit mandates. ACBL, JSC *Itella Information* and the Bank of Latvia took part in drafting the Transitional Provisions. After the drafting was completed, consultations were held with sector representatives, stakeholders and non-governmental organisations.

As a representative of consumers, the Consumer Rights Protection Centre points out that the out of court dispute settlement procedure, stipulated by the Directive 2007/64/EC, could also support a fair implementation of the SEPA project with respect to consumers.

#### **4.2 Regulation on cross-border payments in the Community**

Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001 (Regulation (EC) No 924/2009) promotes the single European payments market by setting requirements to levy the same charges for national and cross-border payments in euro and to apply IBAN and BIC as account identifiers. Regulation (EC) No 924/2009 also enlarges the scope of payments by covering not only credit transfers and card payments but also direct debit payments.

What is a regulation?

A regulation shall have general application. It shall be binding in its entirety and directly applicable in all Member States.

At the moment the regulation takes effect, it becomes binding across the whole EU, and no special national legislation is required for its enforcement.

Pursuant to Regulation (EC) No. 924/2009, a payment service provider of a payer reachable for a national direct debit transaction in euro on the payment account of that payer shall also be reachable, within the direct debit scheme, for direct debit transactions in euro initiated by a payee through a payment service provider located in any EEA country (EU Member States and Iceland, Liechtenstein and Norway) as of 1 November 2010. Regulation (EC) No 924/2009 states that in those EEA countries, where the euro has not been introduced as their currency, the reachability of payers' accounts for direct debit payments in euro should be ensured by 1 November 2014.

#### **4.3 Regulation establishing technical and business requirements for credit transfers and direct debits in euro**

Regulation (EU) No. 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009 supplements the current legal framework for payment services in the European Union.

The Regulation covers all credit transfer and direct debit transactions executed in euro in the EEA countries, stipulating the requirements to apply IBAN and BIC as account identifiers and

XML message standard for making payments. The Regulation provides for the reachability of the payment service providers and technical interoperability of the payment systems.

The Regulation stipulates that the payment service provider of a payee reachable for a domestic credit transfer in euro should also be reachable for credit transfers initiated by a payer via a payment service provider located in any EU Member State. The payment service provider of a payer reachable for a domestic direct debit payment in euro should also be reachable for direct debit payments in euro initiated by a payee via a payment service provider located in any EU Member State. Pursuant to the Regulation, credit transfers and direct debit payments shall be executed in accordance with the provisions of the Regulation not later than from 1 February 2014.

The Regulation states that those EEA countries, where the euro has not been introduced as their national currency, shall comply with the relevant requirements for credit transfers and direct debit payments in euro by 31 October 2016. If, however, any such Member State has introduced the euro as its currency before 31 October 2015, the above compliance shall be ensured within one (1) year of the date on which the respective Member State has joined the euro area. Latvia's National SEPA Plan is fully consistent with the deadlines stated in the Regulation for the fulfillment of the requirements, while some activities provide for the fulfillment of the relevant requirements prior to the deadlines stated in the above Regulation.

#### **4.4 EPC documents**

The EPC has developed business requirement rulebooks for two SEPA core products – SEPA credit transfers and SEPA direct debit payments, and business requirement framework for SEPA card payments and SEPA infrastructures. Numerous implementation guidelines including technical standards for payment handling are available for SEPA credit transfers and SEPA direct debit payments and the SEPA Cards Standardisation Volume has been developed as well.

What is a rulebook?

Rulebooks define SEPA schemes (SEPA credit transfer and SEPA direct debit payments) conditions and obligations. The Rulebook contains requirements for SEPA scheme participants and other involved stakeholders, for example, infrastructures and vendors. The Rulebook is primarily focused on the business requirements and operational procedures of SEPA schemes.

What is the Framework?

The framework defines general principles and rules for stakeholders.

What are implementation guidelines?

Implementation guidelines define rules for implementing UNIFI (ISO 20022) XML message standards into the SEPA schemes.

What is the Cards Standardisation Volume?

The SEPA Cards Standardisation Volume – Book of Requirements includes SEPA card standards for card payments and cash withdrawals from ATMs to be ensured by card issuers, card acquirers, card schemes, card processors, technology providers, merchants, etc.

In the update process of the above documents, the EPC regularly organises public consultations, inviting all SEPA project stakeholders to participate.

The EPC has established SEPA credit transfer and SEPA direct debit payments Scheme Management Committee (SMC) which is responsible for the registration of participants, and three panels as out-of-court dispute settlement options for SEPA credit transfer scheme and SEPA direct debit scheme participants. In 2008, three panels were established: for complaints, reconciliation and appeals. The EPC SMC has approved the SEPA Scheme Management Internal Rules.

## 5. STANDARDISATION

Uniform business and technical requirements for SEPA product processing are a prerequisite for an integrated payment market development. A fully automated data exchange throughout the payment value chain in accordance with uniform requirements would not merely ensure convenient payment processing but also contribute to the reduction of payment transaction costs.

The EPC has developed and agreed on customer payment standards for the bank-to-bank domain. The EC and ECB encourage expanding the application scope of the standards, i.e. to customer-to-bank and bank-to-customer domains.

Standards are rules regulating the technology and operations of the system. Technical standards are necessary to ensure the information system interoperability and enhance the payment process automation.

In the field of standards, the EPC has defined two major groups and developed relevant documents:

- 1) uniform business requirements for payment messages, which have been included in the rulebooks for SEPA credit transfer and SEPA direct debit schemes, as well as SEPA card framework and SEPA infrastructure framework. Each payment message must contain all relevant information that credit institutions require for executing a payment, including payment amount, credit institution's account details, names of the payer and beneficiary;
- 2) payment message formats provided for by the SEPA implementation guidelines. The payment message formats have been developed on the basis of the universal financial industry message standards UNIFI (ISO 20022) XML developed by ISO.

Latvian credit institutions and other stakeholders involved in the SEPA project have to ensure transition to the new UNIFI (ISO 20022) XML standards.

Regulation (EU) No. 260/2012 of the European Parliament and of the Council states that the payment messages consistent with UNIFI (ISO 20022) XML standards shall be introduced:

- 1) in the bank-to-bank domain – by credit institutions;
- 2) in the customer-to-bank and bank-to-customer domains – by credit institutions and companies that use the companies' accounting applications that are linked to the data exchange systems provided by credit institutions, and initiate and receive payments bundled together for joint transmission.

Complying with the requirements of SEPA technical standards, some of Latvian credit institutions undergo conversion from the previous SWIFT MT103 customer payment standard to UNIFI (ISO 20022) XML message standard in compliance with SEPA requirements. In 2010, most of Latvian credit institutions completed the conversion to UNIFI (ISO 20022) XML standard in the bank-to-bank domain.

Since 2002, several Latvian credit institutions use the XML standard for the business-to-bank and bank-to-business domains. *FiDAViSta* Committee of ACBL has developed the description of the standard and operational framework.

The application of UNIFI (ISO 20022) XML standards for the customer-to-bank and bank-to-customer domains depends on the enterprise IT system developers. As soon as the identification of standard requirements for the customer-to-bank and bank-to-customer domains is accomplished, Latvian credit institutions envisage agreeing with the system developers on aligning the standards with the IT systems used by companies.

In autumn 2009, ACBL re-established the operation of *FiDAViSta* Committee with the aim of developing a proposal for a new *FiDAViSta* standard version. On 29 June 2010, LDDK took into consideration that the Creditor Reference Standard, allowing ISO 11649 standard as well, would be available to Latvian companies for the execution of payments in lats and euro as of November 2010. LDDK approved *FiDaViSta* version 1.2 on 27 September 2010, which provides for the inclusion of payment identifiers by both parties – companies and customers: the companies may assign either structured or unstructured payment identifier, and the customers may assign payment identifiers as well. Payment identifiers provided by both parties – the payee (company) and the payer (customer) – enable the company to process more effectively in-house payments as well as the so-called exceptional transactions that are mostly related to payment's technical malfunctioning. ACBL resumed discussion on developing a SEPA compliant version of *FiDAViSta* following the approval of the Regulation on SEPA Migration End-date in March 2012.

In 2011 and 2012, credit institutions continued with applying the UNIFI (ISO 20022) XML standard to the national standard in the customer-to-bank domain which is planned to be approved by the end of 2013. The development process is supported by consultations with LDDK and the Treasury on a regular basis.

At the meeting held in January 2013 about the derogations of Regulation (EU) No. 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro, credit institutions and corporates decided to use a waiver stipulated by Regulation (EU) No. 260/2012 for the payment service providers until 1 February 2016, ensuring that payment service users use the ISO 20022 XML message format for individual credit transfers and direct debits that are bundled together in a file for transmission.

To improve and enhance the quality of customer servicing, the Treasury offers the exchange of financial information (payment and bank account statement data) in an electronic form by applying the *FiDAViSta* payment message format thus enabling the implementation of public administration functions in the sphere of state financial management more efficiently by ensuring exchange of information between the Treasury and its customer. As of 2011, the Treasury will offer to its customers the opportunity to apply the *FiDAViSta* version 1.2 in the customer-to-Treasury domain. The Treasury positively assesses the commenced credit institution activities in applying the UNIFI (ISO 20022) XML standard to the national standard in the customer-to-bank domain and maintains that it is important to reach an agreement, as soon as possible, on the application of UNIFI (ISO 20022) XML standard to the national standard in the customer-to-bank and bank-to-customer domains in Latvia, as the absence of standard is burdensome for the transfer of payment information in the entire bank-to-customer domain, with maintaining of several standards at a time giving rise to extra costs.

Upon the application of UNIFI (ISO 20022) XML standard to the national standard, the Treasury is planning to migrate to a single standard in the Treasury-to-customer and customer-to-Treasury domains.

LDDK points out that it is important to proceed with cooperation in applying the UNIFI (ISO 20022) XML standard in Latvia also after the implementation of FiDAViSta version 1.2, which would be in the so called mini SEPA company-to-bank domain. Upon Latvian credit institutions and companies reaching an agreement on the scope of UNIFI (ISO 20022) XML standard, migration to SEPA credit transfers may commence.

The Latvian Information and Communications Technology Association supports and is positive about the implementation of FiDAViSta standard in Latvia, as it has enabled substantial facilitation of the system compatibility and the reduction of time and other resources. Upon the implementation of the updated FiDAViSta standard, coordination among credit institutions, companies and information and communication technology corporations would be required, and at the same time agreement on the timeframe for the reorganisation process reached. Concerted action of all SEPA project stakeholders would make the migration to UNIFI (ISO20022) XML standards easier.

The EC Expert Group on e-invoicing is preparing consolidation of payment standards that would enable to make e-invoices compatible with other e-SEPA products. In the long-term, migration towards a single predominant syntax level standard is under way. The Expert Group calls for using proposals of UN/CEFACT and ISO, two global standardisation organisations. In the Expert Group's opinion, resolving of the e-invoicing standard issues will provide considerable opportunities to use them also in the delivery of other e-government services, including e-SEPA.

## 6. COMMUNICATION

Effective communication is crucial for implementing the SEPA project successfully. The SEPA project communication is a topical issue both on the overall European and national levels, identifying priorities of communication methods of each project stakeholder.

The goal of communication is to enhance public awareness of the benefits of SEPA payment instruments.

The EC in cooperation with the EPC and ECB established a forum of SEPA Coordination Committees where topical migration issues are discussed, including those on the national working group organisation, country progress and identification of current obstacles.

The EC and ECB encourage them to develop national communication plans, stating the key activities to be undertaken for promoting SEPA products.

Since January 2008, credit institutions in Latvia offer the first SEPA products: payment cards compliant with SEPA requirements and SEPA credit transfers as well as have started to offer, as of 2 November 2009, SEPA direct debit payments ensuring debtor reachability within the SEPA Core Direct Debit Scheme. Latvian payment infrastructures develop implementation projects for SEPA compliance. In order to encourage the demand side of SEPA payment market to start using SEPA products, the SEPA communication plan covers possibilities of providing communication by each stakeholder and SEPA project benefits in Latvia.

Since Latvia is a non-euro area country, SEPA stakeholders would initially use methods of passive communication: publications in the press, publishing information on SEPA websites, etc. As the moment of euro changeover approaches closer, active communication means would be used on a wider scope.

### 6.1 Development of national SEPALatvija.lv website

The development of national SEPA websites became a topical issue for all euro area countries already in 2007. At the end of 2007, as non-euro area countries were also actively involved in the SEPA project, the issue of developing the national SEPA website became important in Latvia as well.

The goal of the national SEPA website is to provide unbiased, publicly available and comprehensive information about the progress of the SEPA project, its objectives, benefits to the stakeholders, etc., which is relevant and topical for introducing and developing SEPA products. Given the significance of the SEPA project in ensuring effectiveness of the European internal market, the key goals of a national SEPA website is to inform the general public about the following:

- 1) the general meaning of the SEPA project and its progress in Europe and Latvia, including organisational measures;
- 2) stakeholder opinions about the SEPA project in Latvia, including public commitment to offer and use SEPA products;

- 3) benefits to all stakeholders;
- 4) SEPA products, SEPA infrastructure, standards and other SEPA components;
- 5) legal framework of the SEPA project;
- 6) progress of implementing the SEPA project, using SEPA indicators;
- 7) results of self-assessment of the SEPA project implementation;
- 8) various publications and announcements related to the SEPA project.

Information on the national SEPA Latvia website has been targeted to each main market segment, i.e. consumers, companies, public authorities, credit institutions, system providers and technology providers. Technical features of the national SEPA Latvia website ensure instantaneous access to the materials of the National SEPA Working Group, SEPA Cards Framework Sub-group and SEPA Communication, including those related to the SEPA logo.

To ensure the development of the national SEPA Latvia website, on 30 June 2008 the MPSWG in cooperation with the Bank of Latvia registered the domain names *sepalatvija.lv* and *sepalatvia.lv*. When developing the national SEPA Latvia website, the experience of developing and operating SEPA websites in other countries as well as the ECB SEPA and EC SEPA websites was used. All SEPA project stakeholders coordinate the incorporation of information on the national SEPA Latvia website. The national SEPA Latvia website was launched on 2 July 2009.

## 6.2 Active communication plan

The European Parliament, the ECOFIN Council, the EC, the ECB and the EPC encourage the implementation, at a national level, of active communication measures on a regular basis. In order to enhance public awareness of SEPA, payment service providers should engage in active communication measures in the process of providing SEPA products. Institutions of public administration involved in the SEPA project and other SEPA product users have to ensure relevant information to their target audiences.

In terms of SEPA communication contents, the EPC has published several brochures with concise information about SEPA benefits for each SEPA project stakeholder, and the above brochures may be used in the communication process with target audiences in all EU countries making reference to the EPC.

The SEPA project plan for active communication in Latvia is associated with the Communication Strategy for the Euro Changeover in Latvia<sup>23</sup>. According to the projections, communication activities under the Euro Project of the Republic of Latvia will be launched 24 months prior to the €-day and completed 12 months after it. Nevertheless, the SEPA project in Latvia is proceeding in line with the European general trends, with a significant share of SEPA project implementation activities accomplished prior to the €-day, i.e. before the beginning of the communication period under Latvia's National Euro Project. Consequently, informing public at large regarding accomplishments under the SEPA project is planned also prior to launching communication activities under Latvia's euro project.

Communication Strategy for the Euro Changeover in Latvia comprises principal theses of communication in respect to cash and cashless payments in euro, including SEPA payments.

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<sup>23</sup> Communication Strategy for the Euro Changeover in Latvia. Ministry of Finance of the Republic of Latvia, November 2009 [cited 15 January 2010]. Available: <http://www.eiro.lv/faili/struktura/8A8611225351001259154473.pdf>.



**21. Single currency and single set of payment instruments**

SEPA (Single Euro Payments Area) consists of a single European currency and a single set of payment instruments. Upon introducing the euro, the community will be able to receive all benefits offered by cashless payments: SEPA credit transfers, SEPA direct debit payments and SEPA card payments. These three SEPA payment instruments will enable every and each customer irrespective of his/her location in Europe to make cashless payments as quickly, conveniently and safely as current domestic payments.

*A single card and a single account will be enough to make payments anywhere in Europe according to single technical and legal conditions.*

SEPA active communication comprises stakeholders:

- contents of communication;
- methods of communication;
- person responsible for communication;
- timeline for communication.

All SEPA stakeholders that provide SEPA products in the payment market are encouraged to conduct self-assessment<sup>24</sup>. Latvian consumers, in turn, can provide answers to the questions about the use of SEPA products.

In the opinion of Latvian credit institutions, active communication is required as the moment of euro changeover approaches, coordinating it with the communication action plan of Latvia's Euro Project. However, as SEPA products are already available in Latvia's payment market, the activities vital for the period before the euro changeover, which credit institutions launched already in 2010 and accomplished in the course of 2011 are as follows:

- to educate credit institution employees about SEPA products complementing the manuals for customer servicing specialists with SEPA information;
- to adjust credit institution websites using interactive representation of SEPA payments, including using single SEPA logo, in internet banking, price lists and sites describing payment types;

By the €-day, Latvian credit institutions are planning to conduct a variety of information campaigns consistently with their business activities, e.g. offering credit institution expert consultations and providing informative materials at branches.

With respect to SEPA payments, the SEPA Cards Framework Sub-group held seminars in 2010 and 2011 on the implementation of SEPA standards for merchants. The SEPA Cards Framework Sub-group released all information on the national SEPA Latvia website and organised seminars for the representatives of the Latvian Association of Hotels and Restaurants, the Latvian Merchant Association, the Latvian Fuel Traders Association, the Latvian Pharmaceutical Development Society, IT providers and public authorities. The Latvian Merchant Association holds a view that additional seminars should be organised in Latvia's regional areas. On 24 September 2013 the SEPA Cards Framework Sub-group organised seminars for the representatives of the following involved merchant associations: the Latvian Association of Hotels and Restaurants, the Latvian Merchant Association, the

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<sup>24</sup> Self-assessment questionnaires on the National SEPA Latvia website [cited 9 April 2010]. Available: <http://www.sepalatvija.lv/pasnovertejuma-anketas>.

Latvian Food Retailers Association, the Latvian Fuel Traders Association and the Latvian Pharmaceutical Development Society. Information about the SEPA standard and topical issues regarding the euro changeover were within the scope of the seminar.

When adjusting the internal payment processing IT system to SEPA requirements, the Treasury commenced an information campaign about system changes for its customers in the fourth quarter of 2010 using the method of both direct customer servicing over the telephone or by e-mail and accurate technical internet presentations. Like all other users of the Treasury's internal payment processing IT, the State Revenue Service, the State Social Insurance Agency and the local governments will be informed about SEPA requirements according to general procedure.

In mid-2010, the Ministry of Finance of the Republic of Latvia disseminated information to general public about the Law On Payment Services and Electronic Money (25.02.2010, the Law On Payment Services). With the active communication period of euro changeover approaching, a seminar for the sector of central public administration would be useful.

On 20 May 2011, the Ministry of Finance of the Republic of Latvia and the Treasury organised a seminar to public authorities, with the participation of the State Social Insurance Agency and the Bank of Latvia. The issues regarding the role of public sector in SEPA project and relevant preparatory activities were dealt with at the above seminar.

Upon implementing the EKS as a SEPA-compliant system and acting as a SEPA product user and provider, the Bank of Latvia informed mass media and direct system users about its activities, emphasising major changes and benefits for the community brought about by the implementation of the SEPA credit transfer system in Latvia.

SJSC *Latvijas Pasts* considers SEPA communication to be associated with Latvia Euro Project's communication activities in terms of a timeline, and in line with the postal services plans to apply uniform communication methods, i.e. press releases, dissemination of information on the web page of SJSC *Latvijas Pasts* and its public accounts in social network, and intends to organise educational sessions on SEPA products for the employees of SJSC *Latvijas Pasts* customer service.

Ltd *First Data Latvia* organised seminars for its customers (Latvian credit institutions) about SEPA impact on market participants already in the summer of 2008, presenting its outlook regarding the development of SEPA infrastructure in Latvia. Ltd *First Data Latvia* will continue to closely collaborate with its system participants to develop SEPA-compliant infrastructure and to enhance public awareness of adjustments to have been and to be made to achieve it.

The Latvian Information and Communications Technology Association supports communication and undertakes to inform its members about SEPA benefits and encourages them to actively participate in the usage of SEPA products and also creation of customer-tailored solutions enabling the processing of such SEPA products according to customer needs. The Latvian Information and Communications Technology Association published most vital SEPA information related to technology suppliers on its website, providing links to wider EPC information in the respective area.

LDDK has reached an agreement on SEPA communication activities:

- on 28 April 2010, a meeting with financial directors of Latvian corporates took place to discuss the impact of SEPA on further operation of companies. This was an internal meeting without the involvement of mass media;

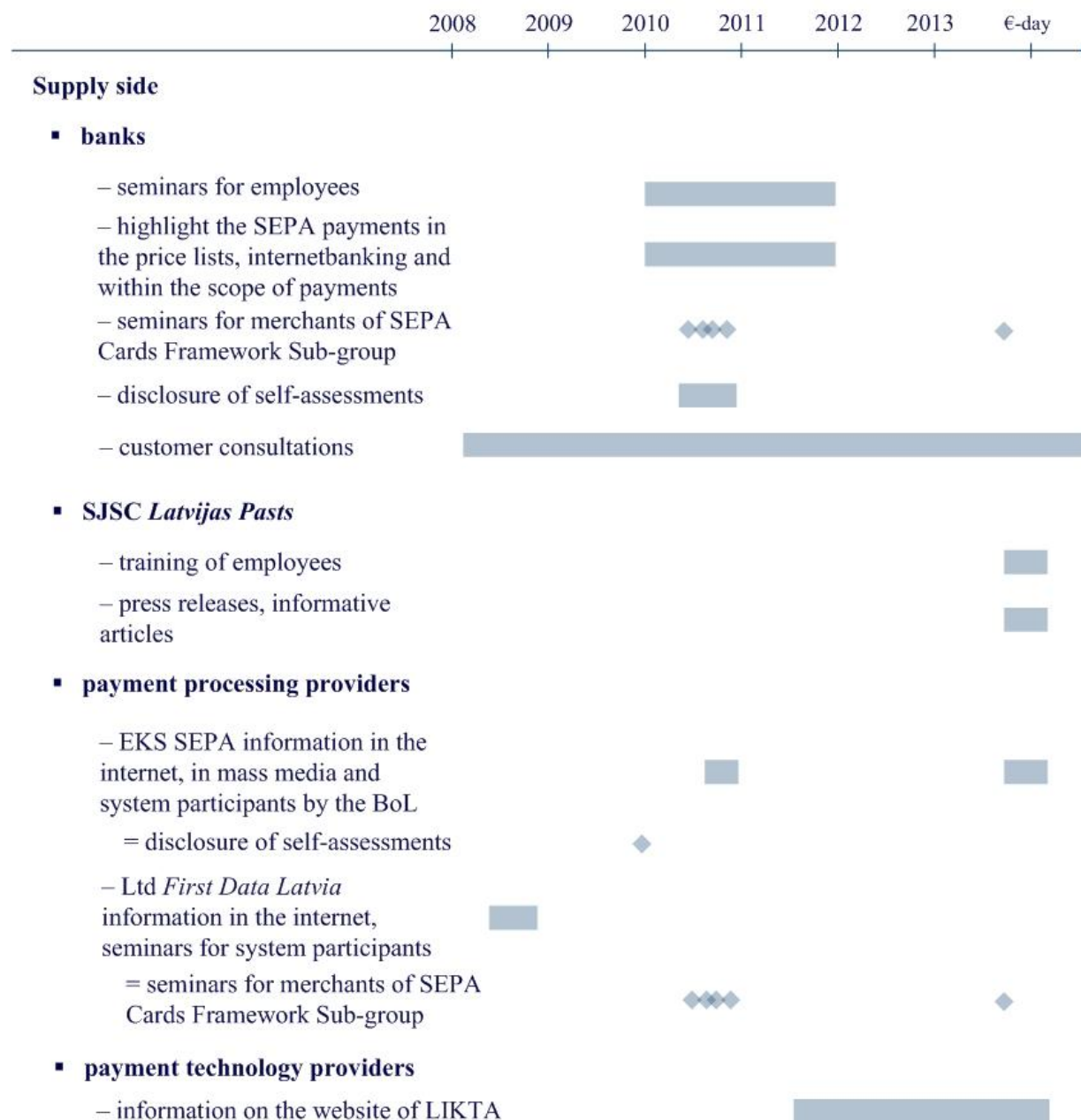
Likewise, the following information activities to be conducted on a regular basis are planned:

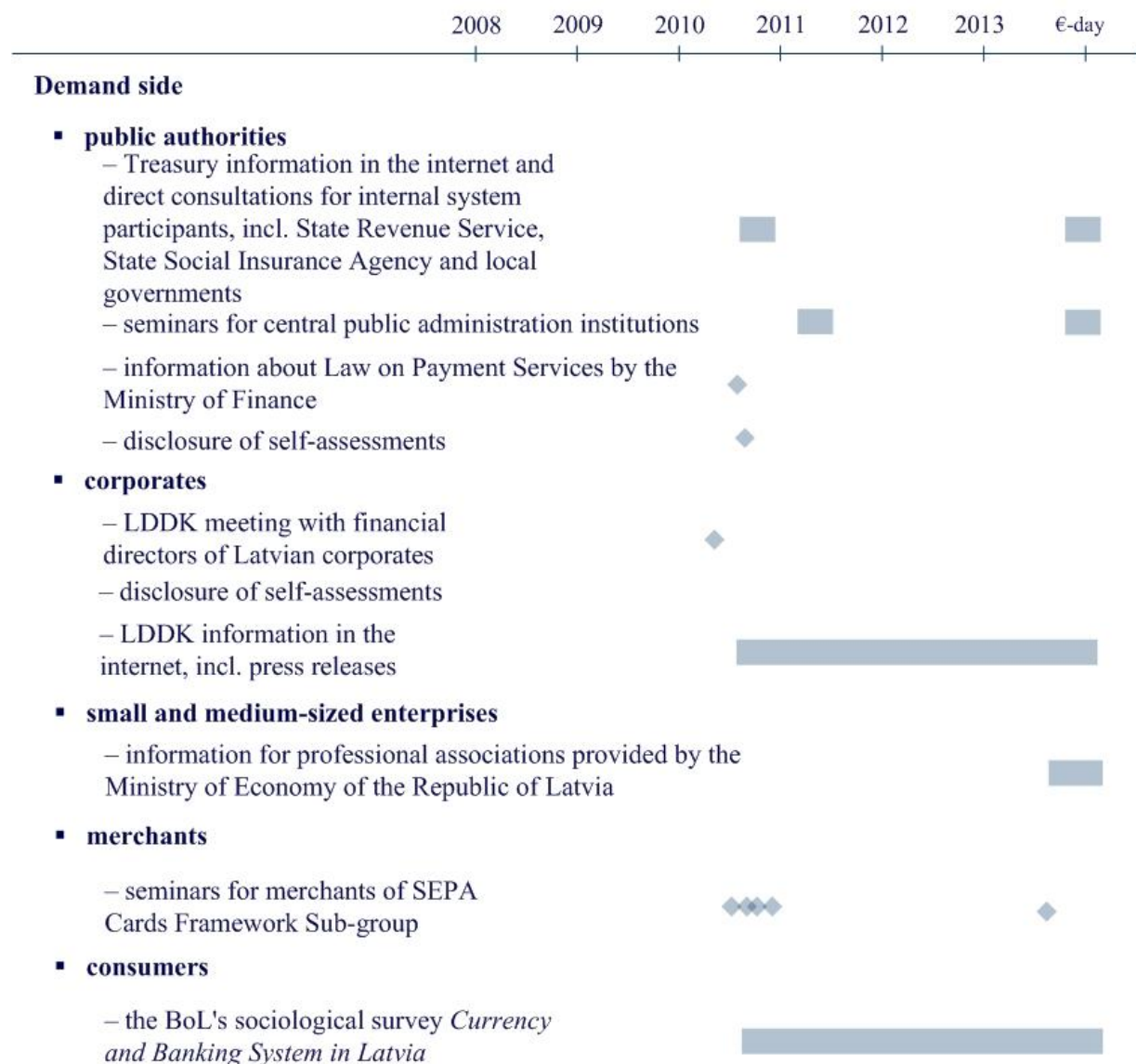
- LDDK website [www.lobijs.lv](http://www.lobijs.lv) comprises a new SEPA section presenting complete information about the project. It will remain operational on a continuous basis until 2014;
- LDDK publishes press releases on SEPA project progress on the website [www.lddk.lv](http://www.lddk.lv). The period of activity lasts till 2014 (on a continuous basis).

The Ministry of Economics of the Republic of Latvia envisages disseminating SEPA product related information among professional associations for publishing it on their websites during the active communication period under Latvia's Euro Project.

Representing the interests of consumers, the Consumer Rights Protection Centre points out that it is essential for consumers to be aware of the terms and conditions with respect to the specific issues and thus to use those products and services they need most, and that the rules be applied fairly. The contents of communication for consumers shall be transparent and simple. The emphasis supported by sound and pragmatic substantiation, e.g. cheaper euro payments, faster payment execution, more guaranties in the event of fraud or error, should be on direct gains for consumers from using SEPA. The communication process should deal with potential risks related to consumers' misunderstandings that might arise from misinterpreting SEPA (e.g. free of charge euro payments, fast euro transfers to third countries). In order to ensure it, both information measures should be organised on a national level, and consumers should have free access to information of their service providers. Taking into account the specific nature of the issue, only those consumer groups that use such services should be involved solely at the time of their consumption. It implies the using of those channels that consumers can access at the moment of SEPA issues becoming vital for them (during payment execution), i.e. internet websites, credit institution homepages.

To raise public awareness, the Bank of Latvia's sociological survey *Currency and Banking System in Latvia* includes questions about SEPA: what people know about SEPA, if they know what it is at all, and what benefits it offers to general public.

**Chart 11. SEPA project communication plan in Latvia: supply side**

**Chart 12 continued. SEPA project communication plan in Latvia: demand side**

Pursuant to the SEPA project communication plan (see Chart 11), the supply and demand sides perform appropriate measures to ensure as effective communication in their respective sector and with the general public as possible.

NSWG communication activities:

- the institution responsible for informing the whole sector has been appointed, and its accurate contact details have been identified;
- the impact of the SEPA project has been identified;
- the communication contents has been developed and appropriate communication methods have been selected.

**ABBREVIATIONS FREQUENTLY USED IN SEPA PROJECT**

	Bankomāts	<i>Automated teller machine</i>	ATM
	Uzņēmuma identifikācijas kods	<i>Business Identification Code</i>	BIC
	Maksājumu un norēķinu sistēmas	<i>Clearing and settlement mechanism</i>	CSM
	Eiro banku asociācija	<i>Euro Banking Association</i>	EBA
EK	Eiropas Komisija	<i>European Commission</i>	EC
ECB	Eiropas Centrālā banka	<i>European Central Bank</i>	ECB
EKS	Latvijas Bankas elektroniskā klīringa sistēma	<i>The Electronic Clearing System of the Bank of Latvia</i>	
		<i>Europay, Mastercard, VISA</i>	EMV
	Eiropas Maksājumu padome	<i>European Payments Council</i>	EPC
ES	Eiropas Savienība	<i>European Union</i>	
FiDAViSta	Finansiālu datu apmaiņas vienotais standarts	<i>Single standard for financial data exchange</i>	
	Starptautiskais bankas konta numurs	<i>International Bank Account Number</i>	IBAN
	Starptautiskā standartizācijas organizācija	<i>International Organization for Standardization</i>	ISO
LDDK	Latvijas Darba devēju konfederācija	<i>Employers Confederation of Latvia</i>	LDDK
LKA	Latvijas Komercbanku asociācija	<i>Association of Latvian Commercial banks</i>	ACBL
MVU	Mazie un vidējie uzņēmumi	<i>Small and medium-sized enterprises</i>	SMEs
	Nacionālā pievienošanās atbalsta organizācija	<i>National Adherence Support Organisation</i>	NASO
NMSDG	Naudas un maksājumu sistēmu darba grupa	<i>Money and Payment Systems Working Group</i>	MPSWG
NSDG	Nacionālā SEPA darba grupa	<i>National SEPA Working Group</i>	NSWG
	Maksājumu programmatūras datu drošības standarts	<i>Payment application data security standard</i>	PA DSS
	Maksājumu karšu industrijas datu drošības standarts	<i>Payment card industry data security standard</i>	PCI DSS
	Personiskais identifikācijas numurs	<i>Personal identification number</i>	PIN
	Tirdzniecības vieta	<i>Point of sale</i>	POS
	Vienotā eiro maksājumu telpa	<i>Single Euro Payments Area</i>	SEPA
	Maksājuma komisijas piemērošanas metode, kad komisiju maksā gan maksātāja, gan saņēmēja puse	<i>Commission fees are shared between parties, i.e. the payer pays to the payer's bank and the payee pays to the payee's bank</i>	SHA
		<i>Terms of Reference</i>	ToR
		<i>Universal financial industry message scheme</i>	UNIFI
		<i>Extended mark-up language</i>	XML

## APPENDICES

### Appendix 1. Self-assessment forms of the SEPA stakeholders

#### Supply side: self-assessment template for payment service providers

The Eurosystem's expectations are not formal or legally binding requirements for a SEPA provider (i.e. credit institutions and payment institutions). 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 credit institutions 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>25</sup> relate only to products a credit institution 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.

[name of the credit institution or payment institution]

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

- 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>26</sup>

☐ Yes      ☐ No      Comments:

- 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>27</sup>

☐ Yes      ☐ No      Comments:

- c. listing all operational BIC8 or BIC11<sup>28</sup> used for payment services in at least one CSM directory that provides full SEPA reachability;

☐ Yes      ☐ No      Comments:

<sup>25</sup> Eurosystem's SEPA expectations, 27 March 2009. Appendix 1. [cited 8 October 2009]. Available: <http://www.ecb.int/pub/pdf/other/eurosystemsepaexpectations200903en.pdf>.

<sup>26</sup> This means that the Eurosystem expects a bank/payment institution that offers, for instance, a legacy credit transfer solution for euro payments to also offer SEPA credit transfers.

<sup>27</sup> This means that the Eurosystem expects a bank/payment institution that offers, for instance, a legacy direct debit solution for euro payments to also offer SEPA direct debits (once available).

<sup>28</sup> BIC11 is only necessary if payments addressed to the generic BIC8 plus any branch code – including "XXX" – cannot be processed.

- 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:

- e. offering the use of SEPA standards in the customer-to-bank and bank-to-customer field<sup>29</sup> (as developed by the EPC, but currently only recommended for optional use), at 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:

- 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:

2. offers SEPA instruments to users that correspond to instruments already offered in the form of legacy euro payment instruments.<sup>30</sup> The SEPA instruments are available for sending and receiving domestic and cross-border payments within SEPA.

By fulfilling these expectations, credit institution and a payment institution is operationally ready to process (relevant) SEPA payment instruments. We also make these instruments available for active use by our customers.

☐ Yes      ☐ No      Comments:

In addition, we observe the Eurosystem's recommendations that a credit institution/payment institution:

A. makes 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;

☐ Yes      ☐ No      Comments:

<sup>29</sup> It is assumed that the same standards will be recommended for communication by payment institutions.

<sup>30</sup> The Eurosystem expects not only that a payment instrument 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.



- 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:

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

☐ Yes      ☐ No      Comments:

- 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:

B. actively informs customers about SEPA by:

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

☐ Yes      ☐ No      Comments:

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

☐ Yes      ☐ No      Comments:

- 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 account statement, in the internet banking interface and on cards – provided there are no legal obstacles).

☐ Yes      ☐ No      Comments:

C. observes 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:

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

☐ Yes      ☐ No      Comments:

**Supply side: self-assessment template for infrastructure providers**

To achieve the desired transparency, the Eurosystem expects<sup>31</sup> major infrastructure providers aiming to meet the SEPA compliance criteria to conduct self-assessments on a regular basis and make them publicly available. The Terms of Reference (ToR) in this document provide guidance for this purpose.

[name of the infrastructure provider]

1. Processing capabilities: To promote the SEPA-compliance of infrastructures, infrastructures are asked to comply with the requirements of the PEACH/CSM Framework, the SCT Rulebook and/or the SDD Rulebook(s), the Implementation Guidelines and the associated UNIFI (ISO 20022) XML standards, and to be ready to support scheme testing as planned by the European Payments Council (EPC).

1) Have you sent a Disclosure Letter to the EPC regarding your intention to become a SEPA scheme compliant CSM?

☐ Yes      ☐ No      Comments:

2) Are you compliant with the relevant PEACH/CSM Framework?

☐ Yes      ☐ No      Comments:

3) Are you compliant with the relevant SCT Rulebook?

☐ Yes      ☐ No      Comments:

4) Are you compliant with the relevant SDD Rulebook(s), i.e. core service and, if and when adopted, Business-to-Business service and e-mandate service?

☐ Yes      ☐ No      Comments:

5) Are you complying with the relevant guidelines that require the use of the UNIFI (ISO 20022) XML message standard?

☐ Yes      ☐ No      Comments:

6) Are you able to deliver all mandatory payment information (from the so-called yellow data fields) in full and without alteration between the involved scheme participants?

☐ Yes      ☐ No      Comments:

a. Please provide information on your ability to process the full SEPA-subset of the ISO 20022 XML messages (i.e. the yellow and white data fields)?

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<sup>31</sup> *Terms of reference for the SEPA-compliance of infrastructures*, 25 April 2008. [cited 8 October 2009]. Available: <http://www.ecb.int/paym/sepa/timeline/compliance/html/tor.en.html>.

☐ Yes      ☐ No      Comments:

- 7) If you provide conversion services between XML and legacy formats (and/or v.v.), do you ensure that no payment data is lost?

☐ Yes      ☐ No      Comments:

- 8) Have you adequately tested your processing procedures?

☐ Yes      ☐ No      Comments:

- a. Please describe the framework, the organisation, the scope (national or cross-border) and the reach (CSM-bank, bank-CSM-bank, end-to-end) of the testing).

Comments:

2. Interoperability: To promote the SEPA-compliance of infrastructures, infrastructures are asked to adopt interoperability rules, i.e. interface specifications and business procedures for the exchange of SEPA credit transfers and SEPA direct debit payment orders between credit institutions and infrastructures, and between infrastructures, that are preferably mutually agreed upon by the relevant CSMs, and undertake to establish a link with any other infrastructure upon request, based on the principle that the cost for establishing the link is borne by the requesting infrastructure.

- 1) Have you adopted interoperability rules, i.e. interface specifications and business procedures for the exchange of SEPA credit transfers and SEPA direct debit payment orders between credit institutions and infrastructures, and between infrastructures?

☐ Yes      ☐ No      Comments:

- a. If yes, are the interoperability rules you are using mutually agreed upon by the relevant CSMs?

Comments:

- b. please describe, especially where you are not using mutually agreed interoperability rules, the relevant elements for interoperability (message formats, cut-off times, clearing and settlement procedures, reconciliation and control procedures);

Comments:

- c. are you compliant with other relevant rules, guidelines or practises which aim at ensuring interoperability (e.g. the "CSM Market Practises")?

☐ Yes      ☐ No      Comments:

- 2) Would you undertake to establish a link with any other infrastructure upon request?

☐ Yes      ☐ No      Comments:

- a. Have one or several links been established? If yes, please provide the names of the participating infrastructures;

☐ Yes      ☐ No      Comments:

- b. a link would ideally be created on the basis of a mutually beneficial business case. In absence of such a business case, the requesting infrastructure provider would have to bear the costs of the requested link (setting up and maintenance thereof). Who bears the costs of the established link(s)?

Comments:

- c. have you considered, either on your own initiative or upon request, changing the internal processing procedures in order to increase the efficiency of a link? Have any such changes been carried out?

Comments:

- d. how are the transfers between CSMs settled?

Comments:

3. Reachability: To promote the SEPA-compliance of infrastructures, infrastructures are asked to be able to send or receive euro payments to and from all credit institutions in the euro area, either directly or indirectly through intermediary credit institutions, or through links between infrastructures (in other words, to provide full reachability).

- 1) Are you able to send euro payments from your participants and receive euro payments for your participants, to and from all SEPA scheme participating credit institutions in the euro area, either directly or indirectly through intermediary banks, or through links between infrastructures?

☐ Yes      ☐ No      Comments:

- a. Please describe how many SEPA scheme participating credit institutions you can reach (directly or indirectly) on the basis of contractual arrangements?

Comments:

- b. how do you ensure that you are able to route a payment to each credit institution in the euro area that is participating in the SEPA scheme(s)?

Comments:

- c. please describe how you obtain the necessary routing information. If you use your own routing database, how do you update it, i.e. how do you obtain the latest information from all SEPA scheme participating credit institutions in the euro

area? How do you address possibly conflicting information if a SEPA scheme participating credit institution is reachable via several payment channels? How is routing decided where there are several possibilities for reaching a SEPA scheme participating credit institution?

Comments:

- d. how much time (in days) do you need to reach every SEPA scheme participating credit institution, respectively be reached by every credit institution in the euro area that is participating in the SEPA scheme(s)? Will you be able to reach every SEPA scheme participating credit institution within one business day at the latest by 2012?

Comments:

- e. if you currently do not offer full reachability to your participants, do you intend to offer it at a later point in time? If so, how will you achieve this and by when?

☐ Yes

☐ No

Comments:

4. Choice for credit institutions: To promote the SEPA-compliance of infrastructures, infrastructures are asked to enable financial institutions to make infrastructure choices based on service and price, and therefore not to apply undue access restrictions, nor to set obligations for users to process certain types of payment in a specific infrastructure, or via specific proprietary standards, nor to impose participation obligations on users of other infrastructures, and to ensure full transparency of services and pricing.

- 1) Have you made your retail payments clearing service offerings and your fee structure (including information (and amounts) about all types of applicable fees, such as admission fees, periodical fees, transaction fees or package fees) publicly available?

Comments:

- 2) Do you refrain from applying different access conditions depending on the type of applicant, its location or other kind of considerations?

Comments:

- 3) Do you refrain from obliging your participants to process certain SEPA payments in a specific infrastructure?

☐ Yes

☐ No

Comments:

- 4) Do you refrain from obliging your participants to use specific proprietary standards for SEPA payments?

☐ Yes

☐ No

Comments:

- a. If no, please describe the proprietary standards for SEPA payments that you oblige your participants to use.

Comments:

- 5) Do you refrain from imposing participation obligations on the users of other infrastructures when another CSM is requesting a link?

☐ Yes

☐ No

Comments:

**Demand side: self-assessment template for credit institutions, central banks and payment institutions**

Credit institutions and payment institutions play a crucial role in the SEPA process. Not only do they contribute to the policy-setting process, they are providers of the resulting SEPA payment instruments too. Since credit institutions and payment institutions expect other users to adopt SEPA payment instruments, the Eurosystem also expects<sup>32</sup> credit institutions and payment institutions to lead by example in order to be consistent. Therefore, credit institutions and payment institutions should:

[name of the credit institution, central bank or payment institution]

1. include a reference to the SEPA criteria of the European Payments Council (EPC) and the Eurosystem's expectations in the text of their invitations to tender for payment processing?

☐ Yes                      ☐ No                      Comments:

2. use SEPA payment instruments (instead of legacy euro payment instruments) and use a provider (i.e. for payments which are not "on-us" payments) which observes the EPC's and the Eurosystem's SEPA rules and expectations, and which does not necessarily need to be located within the same country, in order to:

☐ Yes                      ☐ No                      Comments:

- a. pay their suppliers. If unavailable, the Eurosystem expects credit institutions and payment institutions to actively request the necessary SEPA identifiers from their suppliers;

☐ Yes                      ☐ No                      Comments:

- b. effect salary payments. The Eurosystem expects employees to provide their IBANs and BICs;

☐ Yes                      ☐ No                      Comments:

3. use IBANs instead of account numbers, if the payments mentioned under 2.a and 2.b are effected in-house (i.e. "on-us payments").

☐ Yes                      ☐ No                      Comments:

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<sup>32</sup> Eurosystem's SEPA expectations, 27 March 2009, p. 10 [cited 8 October 2009]. Available: <http://www.ecb.int/pub/pdf/other/eurosystemsepaexpectations200903en.pdf>.

**Demand side: self-assessment template for companies and public administrations**

The Eurosystem recommends<sup>33</sup> that large users (such as companies and public administrations) wishing to achieve a more harmonised treatment of national and cross-border payments.

[name of the company or public administration]

1. include a reference to the SEPA criteria of the European Payments Council (EPC) and the Eurosystem's expectations in the text of their invitations to tender for payment processing services;

☐ Yes ☐ No Comments:

2. use a provider which observes the EPC's and the Eurosystem's SEPA rules and expectations. This provider does not necessarily need to be located within the same country. The Eurosystem expects users to consult with this chosen SEPA provider and the user's (business) software provider on how to achieve technical readiness for SEPA and how to benefit from SEPA;

☐ Yes ☐ No Comments:

3. effect the necessary changes in and additions to their internal systems and databases (e.g. by updating credit institution codes and account numbers to BICs and IBANs), their ERP software and the underlying processes (e.g. reconciliation, cash management) in order to be able to originate and process SEPA credit transfers;

☐ Yes ☐ No Comments:

4. effect the changes necessary for SEPA direct debits (once available), for instance regarding the handling of mandates or – if not solved by the legislator in the PSD transposition – the migration of legacy mandates;

☐ Yes ☐ No Comments:

5. realise the potential benefits from using XML standards in the customer-to-bank and bank-to-customer space, including standards for reporting and reconciliation (if and when available) – these benefits could include the use of structured remittance information and a higher flexibility to change credit institution relationships;

☐ Yes ☐ No Comments:

6. consider the planning of necessary investment in order to have it included in the next budget period;

☐ Yes ☐ No Comments:

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<sup>33</sup> Eurosystem's SEPA expectations, 27 March 2009, p. 9-10 [cited 8 October 2009]. Available: <http://www.ecb.int/pub/pdf/other/eurosystemsepaexpectations200903en.pdf>.



## 7. support the general adoption of SEPA products by:

- a. printing the IBAN and the BIC on all invoices (not only on cross-border invoices as currently requested by the EC Regulation 924/2009) in a more obvious place than the legacy identifiers to further support the adoption of SEPA. In addition, national SEPA migration committees could discuss and agree on the approach of printing SEPA identifiers only;

☐ Yes      ☐ No      Comments:

- b. making them easily available on their websites, if they already have legacy identifiers published on their website too;

☐ Yes      ☐ No      Comments:

- c. ascertaining and using IBANs and BICs for their own purchases;

☐ Yes      ☐ No      Comments:

- d. not putting any restrictions on the location of a payer's (e.g. a debtor in the case of a direct debit) or payee's bank (e.g. for salary payments for employees) within SEPA;

☐ Yes      ☐ No      Comments:

- e. paving the way for payers to use SEPA instruments, e.g. by using IBANs and BICs instead of legacy identifiers if customers are provided with online or paper forms.

☐ Yes      ☐ No      Comments:

**Demand side: self-assessment template for merchants**

In addition to the characteristic payments related to a company, merchants typically have a contractual relationship with card acquirers and offer their clients one or more card schemes for effecting payments. When doing so, the Eurosystem expects<sup>34</sup> merchants to consider:

[name of the merchant]

1. accepting cards offered by card schemes which observe the Terms of Reference (ToR) for card schemes and that follow the SEPA cards framework;

☐ Yes                      ☐ No                      Comments:

2. making contracts with acquirers which have aligned their card business with the provisions of the Eurosystem's ToR for card schemes;

☐ Yes                      ☐ No                      Comments:

3. migrating towards EMV-certified terminals and to systems using SEPA standards (once available);

☐ Yes                      ☐ No                      Comments:

4. accepting additional (European) card scheme(s) once available (if this is a viable commercial decision);

☐ Yes                      ☐ No                      Comments:

5. promoting the usage of efficient card schemes at the point of sale or at least not discouraging their use in comparison with cash (e.g. by exclusively offering discounts for cash payment).

☐ Yes                      ☐ No                      Comments:

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<sup>34</sup> Eurosystem's SEPA expectations, 27 March 2009, p. 10-11 [cited 8 October 2009]. Available: <http://www.ecb.int/pub/pdf/other/eurosystemsepaexpectations200903en.pdf>.

**Demand side: self-assessment template for retail customers (consumers)**

There is a common understanding that retail customers are not very likely to actively request SEPA payment instruments, since the benefits may not be that obvious to them. However, retail customers will be affected by a phasing-out of the legacy instruments too. Formulating expectations for retail customers can easily be misconceived as putting an additional burden on consumers. In combination with consumers' reluctance to change payment behaviour, this might easily contribute to a SEPA-averse attitude. Therefore, it is worth emphasizing that the measures listed in this section are not actions that the Eurosystem "expects"<sup>35</sup> from every consumer, rather the Eurosystem "expects" that the migration to SEPA will be facilitated if a lot of consumers take these steps.

A retail customer can:

1. inform himself/herself about the SEPA indicators – IBAN or his/her account and the corresponding BIC of his/her credit institution;

☐ Yes                      ☐ No                      Comments:

2. use IBANs and BICs (if the latter is requested at all) instead of national identifiers of a credit institution whenever indicated on the invoice;

☐ Yes                      ☐ No                      Comments:

3. use SEPA credit transfers and SEPA direct debits (when available) instead of the corresponding legacy products;

☐ Yes                      ☐ No                      Comments:

4. use card payments at the point of sale, instead of less efficient means of payment (e.g. cheques), at a domestic as well as a SEPA level;

☐ Yes                      ☐ No                      Comments:

5. compare the services offered by credit institutions in several SEPA countries, when establishing a new credit institution relationship.

☐ Yes                      ☐ No                      Comments:

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<sup>35</sup> Eurosystem's SEPA expectations, 27 March 2009, p. 11 [cited 8 October 2009]. Available: <http://www.ecb.int/pub/pdf/other/eurosystemsepaexpectations200903en.pdf>.

## Appendix 2. SEPA direct debit schemes mandates

### SEPA Core Direct Debit Scheme mandate

#### Latvian for Latvia

**Circulation:** Public use

**Restricted:** No

<b>Language:</b> Latvian	<b>Approved for (countries):</b> Latvia
<b>Header texts:</b>	
SEPA Direct Debit Mandate	SEPA tiešā debeta mandāts
Mandate reference – to be completed by the creditor	Mandāta reference (aizpilda saņēmējs)
CREDITOR'S NAME & LOGO	SAŅĒMĒJA NOSAUKUMS UN LOGO
<b>Authorisation statement:</b>	
By signing this mandate form, you authorise (A) {NAME OF CREDITOR} to send instructions to your bank to debit your account and (B) your bank to debit your account in accordance with the instructions from {NAME OF CREDITOR}.	Parakstot šo mandātu, jūs pilnvarojat (A) {SAŅĒMĒJA NOSAUKUMS} nosūtīt rīkojumu jūsu bankai debitēt jūsu kontu un (B) jūsu banku debitēt jūsu kontu saskaņā ar {SAŅĒMĒJA NOSAUKUMS} rīkojumu.
As part of your rights, you are entitled to a refund from your bank under the terms and conditions of your agreement with your bank. A refund must be claimed within 8 weeks starting from the date on which your account was debited. Your rights are explained in a statement that you can obtain from your bank.	Jums ir tiesības pieprasīt naudas līdzekļu atmaksu no jūsu bankas saskaņā ar jūsu bankas konta apkalpošanas līguma nosacījumiem. Naudas līdzekļu atmaksu jāpieprasa 8 nedēļu laikā sākot ar jūsu konta debitēšanas datumu. Jūsu tiesības ir izskaidrotas Jūsu bankas vispārējos darījumu noteikumos.
Please complete all the fields marked *.	Lūdzam aizpildīt visus ar * atzīmētos laukus.

<b>Upper field texts:</b>		
1	Your name * Name of the debtor(s)	Jūsu vārds, uzvārds / nosaukums * Maksātāja(-u) vārds, uzvārds / nosaukums
2	Your address Street name and number	Jūsu adrese Ielas nosaukums, mājas un dzīvokļa numurs
3	Postal code City	Pasta indekss Pilsēta
4	Country	Valsts
5	Your account number * Account number - IBAN	Jūsu konta numurs * Konta numurs – IBAN
6	SWIFT BIC	SWIFT BIC
7	Creditor's name ** Creditor name	Saņēmēja nosaukums ** Saņēmēja nosaukums
8	** Creditor identifier	** Saņēmēja identifikators
9	** Street name and number	** Ielas nosaukums, mājas un dzīvokļa numurs
10	** Postal code	** Pasta indekss

	** City	** Pilsēta
11	** Country	** Valsts
12	Type of payment: * Recurrent payment or One-off payment	Maksājuma veids: * Atkārtots maksājums vai vienreizējs maksājums
13	City or town in which you are signing Location * Date	Pilsēta, kurā jūs parakstīties: Vieta * Datums
<b>Signature texts:</b>		
Signature(s) * Please sign here		Paraksts(-i) * Lūdzam parakstīt šeit
Note: Your rights regarding the above mandate are explained in a statement that you can obtain from your bank.		Uzmanību: Jūsu tiesības saistībā ar minēto mandātu ir izskaidrotas Jūsu bankas vispārējos darījumu noteikumos.
<b>Lower field texts:</b>		
Details regarding the underlying relationship between the Creditor and the Debtor – for information purposes only.		Ziņas par līgumattiecībām starp saņēmēju un maksātāju – tikai informācijai.
14	Debtor identification code Write any code number here which you wish to have quoted by your bank	Maksātāja identifikācijas kods Norādiet jebkādu kodu, kuru vēlaties, lai lieto jūsu banka
15	Person on whose behalf payment is made	Persona, kuras uzdevumā tiek veikts maksājums
	Name of the Debtor Reference Party: If you are making a payment in respect of an arrangement between {NAME OF CREDITOR} and another person (e.g. where you are paying the other person's bill) please write the other person's name here.	Patiesā maksātāja vārds, uzvārds/nosaukums. Ja maksājumu veicat citas personas, kurai noslēgta vienošanās ar {SAŅĒMĒJA NOSAUKUMS}, uzdevumā (piemēram, jūs apmaksājat citas personas rēķinu), lūdzam norādīt šīs personas vārdu, uzvārdu / nosaukumu.
16	Identification code of the Debtor Reference Party	Patiesā maksātāja identifikācijas kods
17	Name of the Creditor Reference Party: Creditor must complete this section if collecting payment on behalf of another party.	Patiesā saņēmēja vārds, uzvārds/nosaukums. Saņēmējam jāaizpilda šī sadaļa, ja tiek saņemti maksājumi citas puses vārdā.
18	Identification code of the Creditor Reference Party	Patiesā saņēmēja identifikācijas kods
19	In respect of the contract: Identification number of the underlying contract	Saistībā ar līgumu: Līguma numurs
20	Description of contract	Līguma apraksts
<b>Information texts:</b>		
Please return to		Lūdzu nosūtīt šo mandātu
Creditor's use only		Aizpilda tikai saņēmējs

**SEPA Business to Business Direct Debit Scheme mandate****Latvian for Latvia**

Circulation: Public use

Restricted: No

<b>Language: Latvian</b>	<b>Approved for (countries): Latvia</b>
<b>Header texts:</b>	
SEPA Business-to-Business Direct Debit Mandate	SEPA "uzņēmums–uzņēmums" tiešā debeta mandāts
Mandate reference – to be completed by the creditor	Mandāta reference (aizpilda saņēmējs)
CREDITOR'S NAME & LOGO	SAŅĒMĒJA NOSAUKUMS UN LOGO
<b>Authorisation statement:</b>	
By signing this mandate form, you authorise (A) {NAME OF CREDITOR} to send instructions to your bank to debit your account and (B) your bank to debit your account in accordance with the instructions from {NAME OF CREDITOR}.	Parakstot šo mandātu, jūs pilnvarojat (A) {SAŅĒMĒJA NOSAUKUMS} nosūtīt rīkojumu jūsu bankai debitēt jūsu kontu un (B) jūsu banku debitēt jūsu kontu saskaņā ar {SAŅĒMĒJA NOSAUKUMS} rīkojumu.
This mandate is only intended for business-to-business transactions. You are not entitled to a refund from your bank after your account has been debited, but you are entitled to request your bank not to debit your account in accordance with the instructions up until the day on which the payment is due. Please contact your bank for detailed procedures in such a case.	Šis mandāts paredzēts tikai "uzņēmums–uzņēmums" maksājumiem. Jums nav tiesību saņemt naudas līdzekļu atmaksu no jūsu bankas pēc tam, kad jūsu konts ir debitēts, bet jums ir tiesības līdz dienai, kurā maksājums ir veicams, pieprasīt jūsu bankai nedeбетēt jūsu kontu. Tādos gadījumos, lūdzu, sazinieties ar savu banku, lai precizētu procedūru.
Please complete all the fields marked *.	Lūdzam aizpildīt visus ar * atzīmētos laukus.

<b>Upper field texts:</b>		
1	Your name * Name of the debtor(s)	Jūsu nosaukums * Maksātāja(-u) nosaukums
2	Your address Street name and number	Jūsu adrese Ielas nosaukums, mājas un dzīvokļa numurs
3	Postal code City	Pasta indekss Pilsēta
4	Country	Valsts
5	Debtor identification code For business users: write any code number here which you wish to have quoted by your bank	Maksātāja identifikācijas kods Uzņēmumiem: norādiet jebkādu kodu, kuru vēlaties, lai lieto jūsu banka
6	Creditor's name ** Creditor name	Saņēmēja nosaukums ** Saņēmēja nosaukums
7	** Creditor identifier	** Saņēmēja identifikators
8	** Street name and number	** Ielas nosaukums, mājas un dzīvokļa numurs
9	** Postal code ** City	** Pasta indekss ** Pilsēta
10	** Country	** Valsts
11	Name of the Creditor reference party: Creditor	Patiesā saņēmēja vārds, uzvārds/nosaukums.

	must complete this section if collecting payment on behalf of another party	Saņēmējam jāaizpilda šī sadaļa, ja tiek saņemti maksājumi citas puses vārdā.
12	Identification code of the Creditor Reference Party	Patiesā saņēmēja identifikācijas kods
13	Your account number * Account number - IBAN	Jūsu konta numurs * Konta numurs – IBAN
14	SWIFT BIC	SWIFT BIC
15	Person on whose behalf payment is made	Persona, kuras uzdevumā tiek veikts maksājums
	Name of the Debtor Reference Party: If you are making a payment in respect of an arrangement between {NAME OF CREDITOR} and another person (e.g. where you are paying the other person's bill) please write the other person's name here	Patiesā maksātāja vārds, uzvārds/nosaukums. Ja maksājumu veicat citas personas, kurai noslēgta vienošanās ar {SAŅĒMĒJA NOSAUKUMS}, uzdevumā (piemēram, jūs apmaksājat citas personas rēķinu), lūdzam norādīt šīs personas vārdu, uzvārdu/nosaukumu.
	If you are paying on your own behalf, leave blank.	Ja veicat maksājumu savā vārdā, šī aile nav jāaizpilda.
16	Identification code of the Debtor Reference Party	Patiesā maksātāja identifikācijas kods
17	In respect of the contract: ** Identification number of the underlying contract	Saistībā ar līgumu: ** Līguma numurs
18	** Description of contract	** Līguma apraksts
19	Type of payment: * Recurrent payment or One-off payment	Maksājuma veids: * Atkārtots maksājums vai vienreizējs maksājums
20	City or town in which you are signing Location * Date	Pilsēta, kurā jūs parakstīties: Vieta * Datums
<b>Signature texts:</b>		
Signature(s) * Please sign here		Paraksts(-i) * Lūdzam parakstīt šeit
<b>Information texts:</b>		
Please return to		Lūdzu nosūtīt šo mandātu
Creditor's use only		Aizpilda tikai saņēmējs