



ASSOCIATION OF LATVIAN COMMERCIAL BANKS

# **SEPA Implementation Plan in the Banking Sector of Latvia**

VERSION 1.0

Riga, April 2008

**SEPA Implementation plan in the banking sector of Latvia**  
**Version 1.0**

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## Summary

The Single Euro Payments Area (SEPA) is the supporting element for the efficiency of the European Internal market in the field of customer payments. SEPA provides the opportunity for all the businesses and consumers throughout Europe to make cashless euro payments according to the same basic conditions. SEPA provides for uniformity of payment instruments – SEPA credit transfers, SEPA card payments and SEPA direct debit payments – throughout Europe determining that the national and cross-border Euro payments are executed in an equally quick, safe and easy way. SEPA is the project promoted by the European banks that significantly contributes to realisation of the Lisbon agenda.

The SEPA Implementation plan reflects the activities in the Latvian banking sector by indicating a development scenario for each SEPA component: the above-mentioned SEPA payment instruments and their settlement infrastructures. The plan comprises the already accomplished and still outstanding tasks set to achieve compliance of the Latvian banks toward the SEPA requirements.

By publishing the plan the Latvian banks emphasise their support of the SEPA project in Europe and the most important information communicated by the plan is as follows:

- The Money and Payment System working group of the National Euro Changeover Steering Committee of Latvia is responsible for practical implementation of SEPA in Latvia;
- Latvian banking system undertakes to agree on alignment of the legal, technical and commercial framework of national and cross-border payments in euro by the end of 2010 that complies with the SEPA project timeline in Europe. The possible changes of payments environment in lats would be initiated according to the market needs and by evaluation of the project time line and cost-benefit analysis;
- The main change regarding SEPA payment instruments and the respective SEPA infrastructures is introduction of UNIFI ISO 20022 standard / XML message format that *inter alia* envisages extended payment information;
- In respect of the enhanced SEPA value-added services: e-invoicing and e-reconciliation, the Latvian banks support these initiatives and plan to implement them after development of the European banks' structured invoice requirements;
- The Latvian banks undertake to inform their customers about the SEPA products and urge all the customer groups to support the SEPA products by using them extensively.

## Introduction

Introduction of SEPA (*Single Euro Payments Area*) is a continuation of the single European currency project. By using SEPA instruments, the cashless payment instruments are aligned throughout Europe. The European banks have agreed on the components of SEPA and each country informs of them the market participants in their SEPA implementation plans. This document provides the information on the SEPA implementation activities planned in Latvia and it has been developed by the Latvian banking sector represented by the Association of Latvian Commercial Banks (ALCB) in cooperation with the Bank of Latvia.

The introductory part of the SEPA plan contains the information on the organisational structure of the SEPA project in Latvia, the main decision-making bodies involved and the customer payment products supply and demand. The plan outlines the scenarios regarding the SEPA infrastructures and the issues of standardisation and legal framework, and the major decisions of the banking sector are included therein together with appropriate implementation schedules. The plan provides a detailed description of SEPA payment instruments introduction process in Latvia – the use of SEPA credit transfers, SEPA card payments and SEPA direct debit in the banking sector if Latvia. These solutions will be described in more detail in the following versions of the SEPA plan. Additionally, information is given on the future prospects of the SEPA project including the SEPA value-added services. Finally, the responsibility of the banking sector for promotion of SEPA products and information of the customers is explained and an appeal expressed to all the customer groups to support and use SEPA payment instruments.

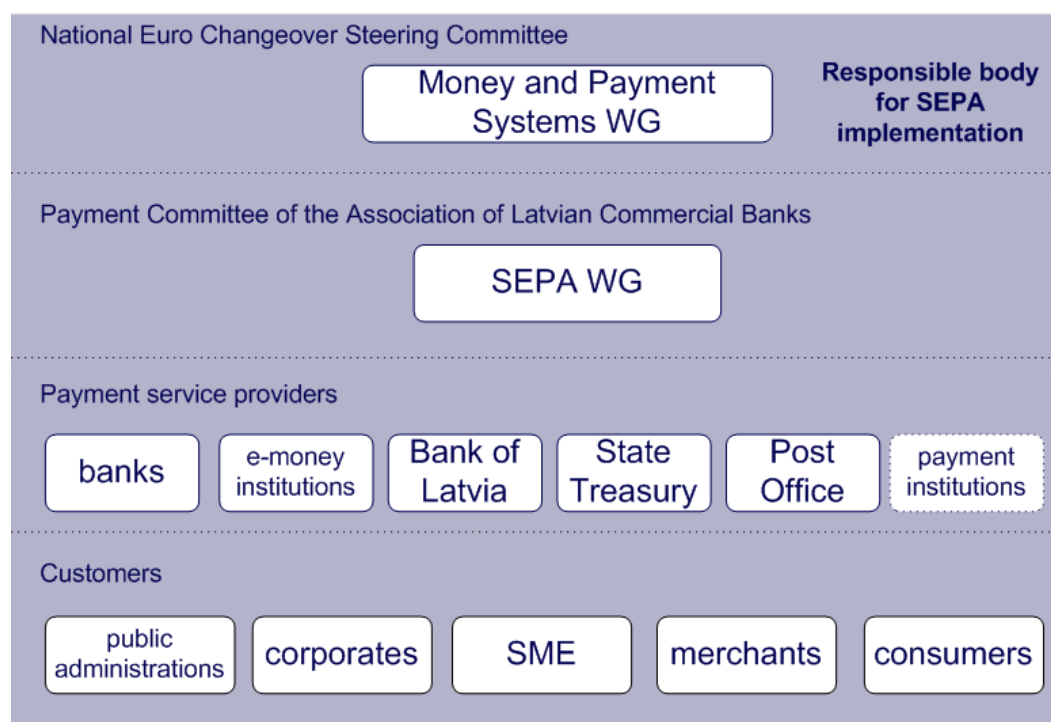
The SEPA Implementation plan in the banking sector will be used also for drafting of the National SEPA Implementation plan in Latvia.

## 1 SEPA project organisational structure in Latvia

For implementation of the SEPA project objectives in Latvia, working groups have been established with the representatives of the national payment system (see Chart 1).

The leading SEPA project working group is The Money and Payment Systems Working Group (MPSWG) reporting to the Latvian National Euro Changeover Steering Committee. The MPSWG is responsible for practical implementation of the SEPA project in Latvia. The banking sector in the SEPA project is represented by the SEPA Working Group established by the Payment Committee of the ALCB. Since 2007 the Bank of Latvia has been taking part in the work of this group.

Within the framework of the SEPA project the ALCB since 1 September 2007 has been functioning as the SEPA National Adherence Support Organisation (NASO)<sup>1</sup> in Latvia. The main task of the NASO is to provide the necessary information and coordinate adherence of banks to the SEPA Credit Transfer Scheme and SEPA Direct Debit Scheme. The NASO is also responsible for the review of the adherence agreements submitted by the banks and their forwarding to the European Payments Council (EPC).



**Chart 1. SEPA Latvia organisational structure**

The SEPA project organisational structure also includes the payment market stakeholders. On the supply side, the main participants are the banks, followed by payment service providers with a smaller market share. On the demand side, SEPA product users are customers, starting with those who produce the payment critical mass, such as public administration and corporates.

<sup>1</sup> List of NASO available at European payment council. Last visited on 13 February 2008.  
[http://www.europeanpaymentscouncil.eu/sepa\\_sai.cfm](http://www.europeanpaymentscouncil.eu/sepa_sai.cfm)

## 2 Commitment to SEPA in Latvia

EPC Charter<sup>2</sup> establishing the leading role and obligations of the European banks within the SEPA project at the same time promotes realisation of the EC Lisbon Agenda<sup>3</sup>. The latter to a great extent associates the development of the EU Member States with the use of information and communication technologies (ICT) in every industry in order to make the single European market more effective and based on innovations and knowledge. Along with the large value payment system projects it is possible to optimise the retail payment market and the SEPA project is one of the major components of this task. The EPC, the EC and the European Central Bank (ECB)<sup>4</sup> attribute the SEPA project not only to the euro area countries, but also to the other EU member states, Iceland, Lichtenstein, Norway and Switzerland.

**SEPA is defined as "an area in which consumers, companies and other economic actors will be able to make and receive payments in euro, whether between or within the national boundaries under the same basic conditions, rights and obligations, regardless of their location."**<sup>5</sup>

The chief goals of the SEPA project are to promote a single European retail payment market that would be as effective and profitable as the current national payment practices. In the EU member states the SEPA was launched on 28 January 2008 by implementation of SEPA credit transfers. The EU banks during the year 2008 have to implement SEPA requirements regarding the reachability of customers for the receiving of euro payments<sup>6</sup>, as well as insure compliance with some conditions regarding the card payments<sup>7</sup>. Concerning payments in national currencies the EU member states reserve rights to apply SEPA provisions proportionally with the market requirements. Since 5 December 2007 the EU Law has been supplemented with the Payment Services Directive No. 2007/64/EC<sup>8</sup>. After incorporation of the provisions of this Directive into the national laws of the EU member states the legal framework of the SEPA project will largely be realised.

The SEPA project continues to pursue the objectives of introduction of the single European currency – the euro. The beginning of this process dates back to 1 January 1999 when the rate of the single EU currency was fixed in 11 member states. The project was refreshed on 23 and 24 March 2000 by the strategy adopted in Lisbon setting the goals for the global

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<sup>2</sup> Charter of the European Payments Council (EPC) coordinated version including amendments to be approved by the Plenary on 19 June 2007. Doc EPC098/07 replacing EPC632/04. Last visited on 4 December 2007. [http://www.europeanpaymentscouncil.eu/documents/EPC098\\_07\\_v3.0%20ENG%20EPC%20Charter.pdf](http://www.europeanpaymentscouncil.eu/documents/EPC098_07_v3.0%20ENG%20EPC%20Charter.pdf), p.19.

<sup>3</sup> The Lisbon Special European Council (March 2000): Towards a Europe of Innovation and Knowledge. Last visited on 11 December 2007. <http://europa.eu/scadplus/leg/en/cha/c10241.htm>  
[http://eur-lex.europa.eu/en/dossier/dossier\\_13.htm](http://eur-lex.europa.eu/en/dossier/dossier_13.htm)

<sup>4</sup> Single Euro Payments Area (SEPA): Integrated retail payments market. ECB, 13.11.2006. Last visited on 4 December 2007. [http://www.ecb.int/pub/pdf/other/sepa\\_brochure\\_2006en.pdf](http://www.ecb.int/pub/pdf/other/sepa_brochure_2006en.pdf), p.6.

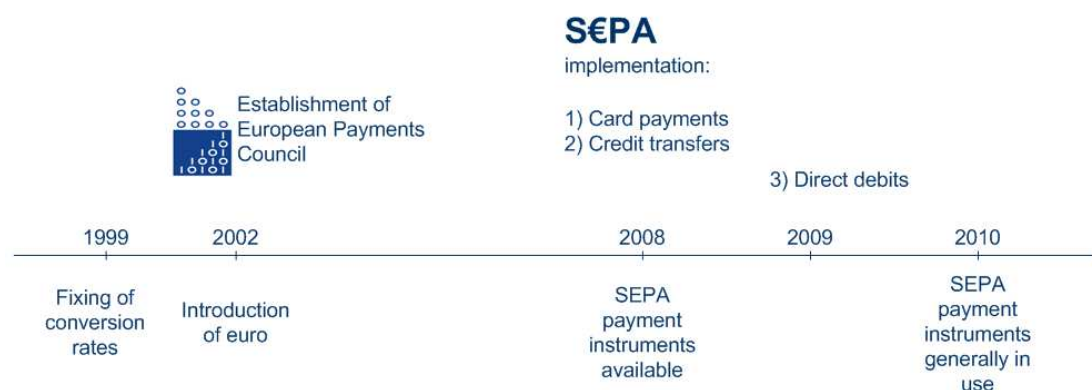
<sup>5</sup> Ibid, p.7.

<sup>6</sup> Both as a beneficiary bank in case of credit transfers, including execution of R-transactions and a beneficiary bank of direct debit mandate, i.e., the payer bank. *Open Letter to Banks planning to adhere to the the SEPA Credit Transfer and SEPA Direct Debit Schemes*, 08.10.2007. Last visited on 4 February 2008. [http://www.europeanpaymentscouncil.eu/documents/Letter\\_EPC050\\_07\\_Open%20Letter%20to%20SEPA%20banks%2007.pdf](http://www.europeanpaymentscouncil.eu/documents/Letter_EPC050_07_Open%20Letter%20to%20SEPA%20banks%2007.pdf)

<sup>7</sup> Liability shift rule, p. 7. SEPA Cards Framework. Version 2.0, 8 March 2006. Last visited on 5 February 2008. [http://www.europeanpaymentscouncil.eu/documents/SEPA%20Cardsframework\\_027\\_05\\_Version%2007.pdf](http://www.europeanpaymentscouncil.eu/documents/SEPA%20Cardsframework_027_05_Version%2007.pdf)

<sup>8</sup> OJ L 319, 5.12.2007, p. 1.

competitiveness of the EU. Later, in response to the implementation of the Regulation on cross-border payments in euro No. 2560/2001<sup>9</sup>, the EPC was established, that over the years developed a self-regulating framework for the single European payments market (see Chart 2). In 2008 SEPA was launched as the European banks joined the SEPA Credit Transfer Scheme and ensured issuance of payment cards in compliance with the SEPA Cards Framework. The year 2009 will see the implementation of SEPA direct debit. By general everyday use of SEPA payment instruments by the end of 2010, implementation of the main components of SEPA is to be completed.



**Chart 2. SEPA project implementation in euro area countries**

Latvia as an EU member state must fulfil its obligations under the EU Treaty<sup>10</sup>, determining its progress towards the European Monetary Union and accession to the euro area. Consequently, in the future the lats will be replaced with the single EU currency euro. Until that time national retail payments will be executed in the national currency. According to the statistical data in the 2 half of 2007 payments in lats accounted for 94.3%. Euro payments slightly exceeded payments in other currencies accounting respectively – 3.0% and 2.7%.

By adhering to the SEPA payment schemes the Latvian banks undertake to receive and send appropriately formatted SEPA payments<sup>11</sup>. Despite the small share of euro payments in Latvia, the customers need to address the opportunities of a gradual transfer to the new standards also in the payments in lats. Processing of payments in several parallel standards unnecessarily increases the costs of the SEPA implementation project, therefore, a prompt changeover to SEPA payment standards could help customers substantially minimise costs<sup>12</sup>. Latvia is challenged not only to align the euro payment standards but also to adjust the lat payment infrastructure to the SEPA standards.

**Introduction of the SEPA implementation plan in Latvia will enable the consumers, businesses and other stakeholders to send and receive euro payments in line with uniform standards and other major conditions.**

<sup>9</sup> Regulation 2560/2001 on cross-border payments in euro. OJ L 344, 28.12.2001, p.13

<sup>10</sup> TEU, Art.121(2).

<sup>11</sup> Participants of the SEPA schemes may have several categories envisaging only receipt of payments and executing returned payments. *Open Letter to Banks planning to adhere to the SEPA Credit Transfer and SEPA Direct Debit Schemes, 08.10.2007*. Last visited on 4 February 2008.

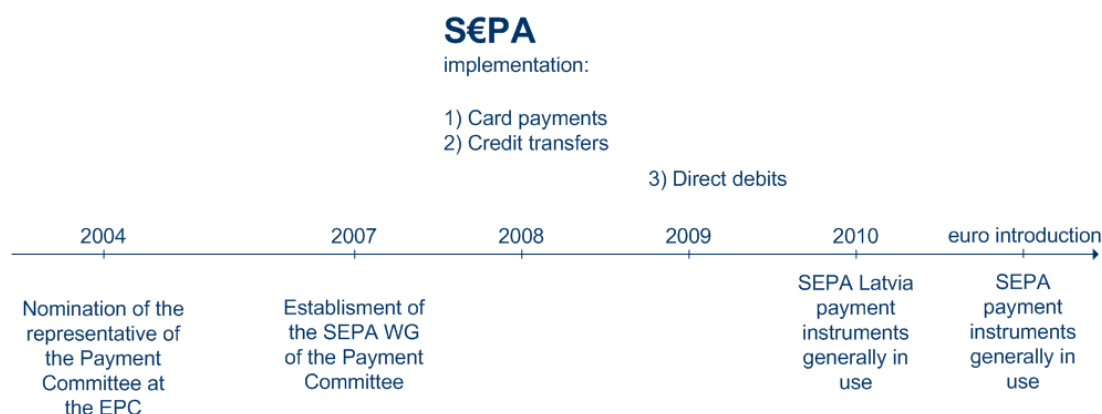
[http://www.europeanpaymentscouncil.eu/documents/Letter\\_EPC050\\_07\\_Open%20Letter%20to%20SEPA%20banks%2007.pdf](http://www.europeanpaymentscouncil.eu/documents/Letter_EPC050_07_Open%20Letter%20to%20SEPA%20banks%2007.pdf)

<sup>12</sup> *SEPA Big Time* scenario. European Commission: SEPA Potential Benefits at Stake. SEPA Study carried out by Capgemini Consulting, 28.01.2008. Last visited on 4 February 2008.

[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)

The critical mass of SEPA payments can be achieved not only by the banks' readiness to provide SEPA payment instruments, but also by active use of the respective SEPA products by all the payment market participants: public administration, corporates, small and medium-sized enterprises and consumers. **The critical mass of payments in Latvia will be achieved when 80% of banks offer SEPA products and 90% of all the executed payments comply with the SEPA payment requirements.** A positive factor facilitating implementation of SEPA in Latvia is the customer account IBAN standard applied in all the national and cross-border payments already from 1 January 2005. In card payments an important feature is compliance of the card infrastructure with the SEPA payment card framework<sup>13</sup>. The SEPA standards must be met not only by the banks issuing and accepting payment cards, but also by the card processors and merchants. **The critical mass of card payments in Latvia will be reached when 90% of the infrastructure elements – cards, ATMs, POS terminals – are adjusted to SEPA requirements and 90% card payments are executed according to the SEPA card framework.**

In September 2004 the ACBL Payment Committee appointed its representative for work in the EPC. In 2007 the SEPA Working Group of the Payment Committee commenced its activities. Considering the history of the SEPA project and the anticipated implementation phases in the euro area countries, further SEPA project activities in Latvia will be focussed on introduction of SEPA euro cross-border payments, by consecutive alignment of national euro and, possibly, lat payment standards with the SEPA requirements, and accession to the euro area thus completing the main part of the SEPA project.



**Chart 3. SEPA project implementation in Latvia**

The Latvian banks anticipate full accomplishment of the project in accordance with the written definition with introduction of euro in Latvia (see Chart 3). However, according to teleological interpretation approach or the main goal of the SEPA project – an integrated and efficient payments market – **the Latvian banking system undertakes to agree upon alignment of the national and cross-border legal, technological and commercial framework until the end of 2010 which is in line with the SEPA project schedule for Europe. The eventual changes in the lat payment environment will be made in accordance with the market need and evaluation of the project time line and cost-benefit analysis.** The individual progress of each payment instrument is described in the next Chapter "Core SEPA products in Latvia".

<sup>13</sup> SEPA Cards framework, Version 2.0, 8 March 2006. Last visited on 17 January 2008.  
[http://www.europeanpaymentscouncil.eu/documents/SEPA%20Cardsframework\\_027\\_05\\_Version2%200.pdf](http://www.europeanpaymentscouncil.eu/documents/SEPA%20Cardsframework_027_05_Version2%200.pdf)

SEPA payment instruments are credit transfers<sup>14</sup>, card payments and direct debit payments<sup>15</sup>. Other payment instruments in the SEPA project are considered as less viable.

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<sup>14</sup> In the Latvian banking practice often referred to as payments, money orders, etc.

<sup>15</sup> In the Latvian banking practice often referred to as fast payments, automatic payments, etc.

### 3 Core SEPA products in Latvia

In Latvia the prevailing payment instruments are credit transfers, direct debits and card payments. In 2007 their share was 99.6% of all payments executed in the Latvian banks. The customers use cheques in rare cases (in 2007 – 0.02%) and the recently introduced e-money payment instruments (in 2007 – 0.36%). Cheques generally are not considered an effective payment instrument, whereas the advantages of e-money are obvious in the micro-payment segment. Nevertheless, in general e-money as a payment instrument has not gained sufficient popularity in the EU states (0.53% of all EU payments in 2003<sup>16</sup>) in order to be taken into account in the context of the single European payment market lying at the basis of the SEPA project.

#### 3.1 SEPA credit transfers

SEPA credit transfer is a payment instrument complying with the requirements of EPC SEPA Credit Transfer Scheme<sup>17</sup>, i.e., the conditions of executing an euro credit transfer from the originator's bank to the beneficiary's bank. When the scheme was introduced on 28 January 2008, 14 banks in Latvia joined SEPA Credit Transfer Scheme<sup>18</sup>, while the other banks still have the opportunity to join it until the end of 2008, by sending the adherence agreement endorsed by the NASO to the EPC<sup>19</sup>.

**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 (sender's bank), which moves the funds to the payee's bank (receiver's bank).**<sup>20</sup>

The main features of the SEPA Credit Transfer Scheme:

- 1) Any customer can be reached;
- 2) Payment executed for full amount (no commission deducted from the payment amount);
- 3) There is no limit on the value of the payment;
- 4) The maximum settlement time is three business days;
- 5) The scheme is separated from the processing infrastructure;
- 6) IBAN and BIC are used as account identifiers;
- 7) There is a comprehensive set of rules for rejected and returned payments;
- 8) UNIFI (ISO 20022) standard / XML message format *inter alia* providing extended payment information, e.g., the sender's reference.

<sup>16</sup> Payment and securities settlement systems in the European Union and in the acceding countries (Blue Book) <http://www.ecb.int/pub/pdf/other/bluebook200612addenden.pdf>

<sup>17</sup> SEPA Credit Transfer Scheme Rulebook v2.3 Approved 19.06.2007. Last visited on 5 February 2008. [http://www.europeanpaymentscouncil.eu/documents/EPC125\\_05%20ECT%20RB%20v2.3%20Approved.pdf](http://www.europeanpaymentscouncil.eu/documents/EPC125_05%20ECT%20RB%20v2.3%20Approved.pdf)

<sup>18</sup> SCT Participants Register, 14.01.2008. CB.Net. pp.130.-131. Last visited on 17 January 2008. [http://epc.cbnet.info/docs/SCT\\_Participants\\_Register.pdf](http://epc.cbnet.info/docs/SCT_Participants_Register.pdf)

<sup>19</sup> SEPA Credit Transfer Scheme Adherence Agreement. Last visited on 8 February 2008. [http://www.europeanpaymentscouncil.eu/documents/EPC125\\_07%20SCT%20%20V1%201%20extract%20adherence%20agreement.doc](http://www.europeanpaymentscouncil.eu/documents/EPC125_07%20SCT%20%20V1%201%20extract%20adherence%20agreement.doc)

<sup>20</sup> Single Euro Payments Area (SEPA): Integrated retail payments market, ECB, November 2006, p.20. Last visited on 5 February 2008. [http://www.ecb.int/pub/pdf/other/sepa\\_brochure\\_2006lv.pdf](http://www.ecb.int/pub/pdf/other/sepa_brochure_2006lv.pdf)

In parallel with the progress in the organisation of the EU internal market<sup>21</sup> the SEPA project allows the customer to maintain a single account for making SEPA payments in Europe. In practice it means that any customer may open an account at any bank in Europe. The European banks provide the same SEPA products, therefore the competition in the banking sector for offering better services to the customers is expected to increase. Among the biggest winners in this situation will be small and medium-sized companies improving their account management and reducing settlement costs. In addition to the account optimisation the public administration institutions will enjoy the advantages of using SEPA direct debit instrument.

The Latvian banks in 2007 executed 87.5 million of customer credit transfers for the total amount of LVL 421.1 billion (the average amount of customer credit transfer in the banks was 4,815 lats). The statistics of payments for the 2<sup>nd</sup> half of 2007 show that 92.3% of the retail credit transfers were made in lats, 4.2% – in euros and 3.5% – in other currencies. Therefore, payments in lats are a benchmark of the Latvian bank customer payment habits regarding the credit transfers.

**Evaluation of the credit transfer practice in the Latvian banks according to the above-mentioned criteria of the SEPA credit transfer scheme shows that those Latvian banks that have adhered to the scheme are already meeting all the requirements, i.e., they ensure reachability of all customers, execute payments for the full amount, do not limit the payment amount, credit the customer's account within three business days, use IBAN and BIC for identification of the customers' accounts, observe the requirements regarding the rejected and returned payments. The main task that must be accomplished in the near future is transfer to the XML format, without applying conversion.**

The Latvian banks until the end of 2010 are planning to complete alignment of the euro credit transfers both in national and cross-border retail payments. In respect of the credit transfers in lats a gradual transition is being performed evaluating the costs and benefit analysis of various scenarios. Application of similar requirements for national and cross-border credit transfers in lats and euros would improve processing of payments and consequently reduce the costs for all the stakeholders.

**Table 1. Introduction of SEPA credit transfer in Latvia**

<b>Payments</b>	<b>End of 2007</b>	<b>End of 2010</b>	<b>After introduction of euro in Latvia</b>
<b>LVL</b>	<b>SHA/OUR/BEN D+1 IBAN/BIC</b>	<b>SHA D+1 IBAN/BIC</b>	–
<b>EUR</b>	<b>SHA/OUR/BEN D+3 (max) IBAN/BIC</b>	<b>SHA D+3 IBAN/BIC</b>	<b>SHA D+1 IBAN/BIC</b>

In the nearest future there will be progress achieved in the execution time requirements for credit transfers. At present the execution of the credit transfer according to the legal requirements<sup>22</sup> is set upon the funds credited to the beneficiary's bank. The execution time of

<sup>21</sup> Commission of the European Communities. Initiatives in the area of retail financial services, Brussels, 20.11.2007. COM 2007/724. Last visited on 11 February 2008. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0724:FIN:EN:PDF>

<sup>22</sup> Directive 97/5/EC on cross-border euro. OJ L 043, 14.2.97, p.25

a cross-border credit transfer is five days unless otherwise provided in the agreements with customers. In the future, pursuant to the Payment Services Directive, execution of the credit transfer will be guaranteed upon the funds credited to the beneficiary's account. By the year 2012 the banks must ensure funds transfer to the beneficiary within three business days from initiation of the credit transfer by the originator's bank, whereas after 2012 the banks will have to guarantee funds transfer to the beneficiary within one business day from initiation of the credit transfer by the originator's bank.

### **3.2 SEPA card payments**

SEPA card payment is a payment instrument complying with the requirements of EPC SEPA Cards Framework for card issuers, acquirers and card infrastructures.<sup>23</sup> SEPA Cards Framework applies to card payments in euros and cash withdrawals by card from the customer's bank account. Since 1 January 2008 the euro area banks have been offering their customers SEPA cards. 16 banks in Latvia have already started to issue payment cards complying with the SEPA standards while the other 4 banks issuing cards are planning to begin issuing of SEPA cards in course of 2008.

**Of the numerous types of payment cards that are available to cardholders, two main types can be identified:**

- ✓ **Debit cards, which allow the cardholder to charge purchases directly and individually to an account;**
- ✓ **Credit cards, which allow the cardholder to make purchases within a certain credit limit.**<sup>24</sup>

The main features of SEPA card payments:

- 1) The cardholder can make purchases and withdraw cash with one card all over the euro area;
- 2) Cardholders and merchants may make and receive card payments in euros in a common and consistent manner;
- 3) The rules of free competition apply to the card processors.

At the beginning of 2008 the progress of implementation of the SEPA card framework was largely affected by migration of the three components: cards, ATMs and POS terminals to the SEPA Card Framework standards. Standardisation of the SEPA project for card products is the main condition in comprising four phases: 1) card-to-terminal (the above-mentioned three components); 2) terminal-to-acquirer; 3) acquirer-to-issuer and 4) certification and types of approval. Each phase requires a number of standards, of which at the beginning of 2008 only the requirements for the first phase were specified. Development of the standards and specification is to be fully completed by February 2010.

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In the national legislation: Bank of Latvia Council Decision No. 96/4 (11.06.2002.) " The Rules of Credit Transfer ". Amendments in Bank of Latvia Council Decision No. 96/4 (15.05.2003.).

[http://www.bank.lv/lat/main/all/noract/mak\\_sist/kredparvednoteikumi/](http://www.bank.lv/lat/main/all/noract/mak_sist/kredparvednoteikumi/)

<sup>23</sup> SEPA Cards Framework v2.0 Approved 08.03.2006. Last visited on 5 February 2008.

[http://www.europeanpaymentscouncil.eu/documents/SEPA%20Cardsframework\\_027\\_05\\_Version2%200.pdf](http://www.europeanpaymentscouncil.eu/documents/SEPA%20Cardsframework_027_05_Version2%200.pdf)

<sup>24</sup> Single Euro Payments Area (SEPA): Integrated retail payments market, ECB, November 2006, p.22. Last visited 5 February 2008. [http://www.ecb.int/pub/pdf/other/sepa\\_brochure\\_2006en.pdf](http://www.ecb.int/pub/pdf/other/sepa_brochure_2006en.pdf)

Currently in Europe the card schemes of the international payment card organisations VISA and MasterCard are considered compliant with the SEPA card framework. Both four-party schemes (cardholder, merchant, acquirer and issuer) continue to operate by adapting their organisational structure and rules to the SEPA requirements. The ECB is actively promoting the idea of the European debit card scheme.<sup>25</sup> American Express and other three-party (cardholder, card organisation and merchant) schemes at present are not considered as compliant with the SEPA Card Framework. In the EPC Card Working Group there is an ongoing debate about integration of the three-party card schemes in the SEPA Card Framework in such a way that these cards should not create unjustified threat of competition for the schemes compliant with the SEPA Card Framework.

The Latvian banks by the end of 2007 had issued 2,367.4 thousand cards or on average one card per capita. In the profile of the cards issued by the banks there prevailed the payment cards with debit function – 77.5% of all the cards issued until the end of 2007. Cards with credit function and deferred debit function accounted respectively for 20.4% and 2.1%. The volume of card payments mostly depends on the payments with the prevalent cards with debit function (85.2% of all payments with cards in 2007).

**In Latvia all the issued payment cards are co-branded with the international card organisations VISA and MasterCard, respectively, 67.7% and 27.7% by the end of 2007. American Express cards accounted for 4.6% of the Latvian payment card market. Therefore, one of the most crucial issues in the SEPA Card Framework transition phase regarding the migration of the local card systems to the SEPA requirements in Latvia does not need to be addressed.**

In Latvia there are more than 20 thousand POS terminals in the sales outlets, including 3.3 thousand cashier systems, that in 2007 serviced 16.5% of the total retail turnover domestically. Statistically, in the sales outlets in Latvia there are nine terminals per 1,000 of the population. At all terminals in the sales outlets the international VISA, VISA Electron, MasterCard and Maestro cards are accepted. The merchants have an option to choose freely and independently which cards to accept for payment for goods and services, depending on their economic considerations. In the result of competition, almost every merchant has chosen to accept all the most widespread international payment cards. In 2007 on average with one card 16 purchases for 15 lats were made and 12 times cash was withdrawn in the average amount of 69 lats. By the end of 2007 the banks serviced 1,147 ATMs.

**Table 2. Introduction of SEPA card payments in Latvia**

<b>Phases</b>	<b>End of 2007</b>	<b>End of 2010</b>	<b>After introduction of euro in Latvia</b>
<b>Card – terminal</b>	<b>cards: 88.6%</b> <b>POS: 87.8%</b> <b>of which cashier systems : 0%</b> <b>ATM: 51.0%</b>	<b>cards: 100%</b> <b>POS: 90%</b> <b>of which cashier systems : 30%</b> <b>ATM: 100%</b>	<b>cards: 100%</b> <b>POS: 100%</b> <b>Of which cashier systems: 99%</b> <b>ATM: 100%</b>

In the migration phase card-terminal by the end of 2007 about 88.6% of all cards already corresponded to the EMV standard<sup>26</sup>, and the POS terminal migration is at approximately the

<sup>25</sup> SEPA goes live by Gertrude Tumpel-Gugerell, ECB. 28.01.2008. Last visited on 5 February 2008. <http://www.ecb.int/press/key/date/2008/html/sp080128.en.html>

<sup>26</sup> The so-called combination of smart card and PIN standarts agreed upon by Europay, MasterCard and Visa. Last visited on 9 April 2008. <http://www.emvco.com/>

same level. There is a significant delay in the ATM migration; by the end of 2007 only slightly more than half of all ATMs were adopted which is mostly due to the amortisation periods of the respective machines. At present the migration of cashier systems terminals to the EMV standard is considered to be critical. Usually merchants who have more than three cash desks use cashier systems to process card payments. Only a small number of merchants choose in parallel to the cashier system terminal to install a POS terminal. At present only one "cashier system-PIN entry device" combination is certified according to the EMV standard, i.e. it complies with the SEPA requirements. As the cashier systems in Latvia are a property of the merchants, it is difficult for the banks to persuade the merchants to change over to cashier systems compliant with the EMV standard.

One of the SEPA card framework requirements is that if counterfeit fraud transaction takes place then the party which is not EMV-enabled is liable for the fraudulent transaction<sup>27</sup>. For example, if the bank has issued a card that complies with the SEPA requirements, but the merchant has not changed over to servicing of such a card, the liability in case of fraud lies with the acquirer.

The Latvian banks forecast that migration of 90% of all the elements in the phase card-to-terminal already by the end of 2008. Thus, the critical mass in the migration of the cards would be achieved. The Latvian banks plan to accomplish full changeover in phase one by the end of 2010, with the exception regarding the changeover of the cashier systems.

There are ongoing discussions about the phase terminal-to-acquirer (merchant). At the EPC the use of EMV and PCI DSS (Payment Card Industry Data Security Standard) is addressed for development of a single SEPA terminal and terminal-to-acquirer specification and standard. For successful migration of this phase it is important to promote cooperation with the merchants.

The phase acquirer-to-issuer in Latvia is represented by Ltd "First Data Latvia" (FDL). Processing of interbank card payments issued in the country, providing also a clearing, is based on an interbank agreement to which, in accordance with the free access principle, any bank in Latvia may accede, issuing or acquiring VISA, VISA Electron, MasterCard or Maestro cards. The operational questions of clearing for cards issued in the country are decided unanimously, and the interbank agreement sets out certain loss-sharing principles in case of settlement problems. For international payments VISA and MasterCard systems are used. Interbank commissions for domestic card payments are charged in accordance with the interbank agreement while fees for international payments – in accordance with the interbank tariffs approved by VISA and MasterCard organisations.

The card processing infrastructure in Latvia complies with ISO 8583 standard ensuring that merchants may freely choose the most convenient acquiring bank, considering that the POS terminals of any bank accept the cards issued by any other bank. The EPC is working on development of uniform specifications both for connections and terminals. As FDL, merchants and other market participants implement the necessary requirements, the technical boundaries of the markets will vanish for this phase too.

The last phase that concerns certification similarly with the second phase is under development at the EPC. To date, the guidelines of certification have been worked out.

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<sup>27</sup> SEPA Cards Framework v2.0 Approved 08.03.2006,p. 7, effective from 01.01.2008. Last visited on 5 February 2008.  
[http://www.europeanpaymentscouncil.eu/documents/SEPA%20Cardsframework\\_027\\_05\\_Version2%200.pdf](http://www.europeanpaymentscouncil.eu/documents/SEPA%20Cardsframework_027_05_Version2%200.pdf)

### 3.3 SEPA direct debit payments

SEPA direct debit is a payment instrument complying with the requirements of the EPC SEPA Direct Debit Scheme<sup>28</sup>. The European banks are planning to launch SEPA direct debit payments after transposing of the Payment Services Directive into the national laws of the EU member states, i.e. from November 2009. Accession procedure to the SEPA Direct Debit Scheme is the same as for SEPA credit transfer, i.e., by signing a separate agreement<sup>29</sup>.

**Direct debit is a transfer initiated by the payee (the receiver) via the payee's bank after agreement between the payee and payer (the sender). Direct debits are often used for recurring payments (such as utility bills) with a pre-authorised agreement being put in place with the payer. Direct debits are also used for one-off payments.**<sup>30</sup>

The main features of SEPA direct debit scheme:

- 1) Direct debit can be made to any receiver;
- 2) It covers both recurrent and one-off payments<sup>31</sup>;
- 3) Maximum settlement time complies with SEPA credit transfer execution time<sup>32</sup>;
- 4) The scheme is separated from the processing infrastructure;
- 5) IBAN and BIC are used as account identifiers;
- 6) There is a comprehensive set of rules for rejected and returned payments;
- 7) UNIFI (ISO 20022) standard / XML message format *inter alia* providing extended payment information, e.g., the sender's reference.

SEPA Direct Debit Scheme provides for the creditor's mandate flow. It is sufficient for the customer to sign an agreement with the service provider, e.g. a telecommunications operator, who forwards this agreement to its bank (creditor's bank) for initiation of a direct debit payment. At the first payment of the bill the creditor's bank requests authorisation, which is accepted as the conclusion of the three-party direct debit agreement between the customer, the service provider and the bank. The original of the agreement is held by the creditor's bank.

The EPC has developed framework conditions of an e-mandate to provide the EU states who already have the debtor's mandate flow practice, i.e., the agreement is held by the debtor's bank, with the opportunity to introduce SEPA Direct Debit Scheme without amending the direct debit agreements. The main feature of the e-mandate framework is the sending of an electronic copy of the agreement to the debtor's bank.

<sup>28</sup> SEPA Direct Debit Scheme Rulebook v2.3 Approved 19.06.2007. Last visited on 8 February 2008.

<sup>29</sup> In Annex 1 – a draft agreement. SEPA Direct Debit Scheme Rulebook v2.3 Approved 19.06.2007. Last visited on 8 February 2008. <http://www.europeanpaymentscouncil.eu/documents/EPC016-06%20DD%20RB%20v.2.3%20Approved.pdf>

<sup>30</sup> Single Euro Payments Area (SEPA): Integrated retail payments market, ECB, November 2006, p.21. Last visited on 5 February 2008. [http://www.ecb.int/pub/pdf/other/sepa\\_brochure\\_2006en.pdf](http://www.ecb.int/pub/pdf/other/sepa_brochure_2006en.pdf)

<sup>31</sup> Single direct debit payments are payments where authorisation is given for only one direct debit payment and cannot be used for subsequent transactions. P. 13, SEPA Direct Debit Scheme Rulebook v2.3 Approved 19.06.2007. Last visited on 8 February 2008. <http://www.europeanpaymentscouncil.eu/documents/EPC016-06%20DD%20RB%20v.2.3%20Approved.pdf>

<sup>32</sup> Article 69, Directive 2007/64/EC on payment services in the internal market. OJ L 319, 5.12.2007, p. 1.

In Europe introduction of SEPA Direct Debit Scheme is expected to raise efficiency of the corporates and public administration that will be able to optimise their invoice and tax management by moving from the manual processing of bills<sup>33</sup> to e-invoices and e-reconciliation. E-reconciliation is electronic matching of bills with the received payments and automatical updating of the data in the company's accounting system. Initially the companies have to be prepared for certain investments in enterprise resource planning and management information systems. However, the economic effect of automatization of all payment value chain and introduction of the e-invoicing in Europe would result in a cumulated amount of EUR 362 billion in the period from 2006 to 2012<sup>34</sup>.

In the Latvian banks in 2007 4,041.1 thousand direct debit payments were handled for the total amount of LVL 161.5 million (the average direct debit payment was LVL 40.0). Similarly to the customer credit transfers, the direct debit payments were mainly made in lats. The data on direct debits for the 2nd half of 2007 show that 91.9% of all direct debit payments were made in lats, 8.0% – in euros and 0.1% – in other currencies. The share of direct debit payments in the total structure of the retail payment instruments was 2.4%.

In the direct debit payment practice at the Latvian banks both intrabank payments (debtor and creditor at the same bank) and intrabank payments are performed. The direct debit payment mandates are registered and held by the debtor's bank while the customers can submit the direct debit payment mandates either at their own banks (debtor's bank), or to the service providers (the direct debit payment beneficiaries). The service providers deliver the direct debit payment mandates to JSC "Itella Information", who forward them to the debtor's bank. JSC "Itella Information" also ensures exchange of information related to direct debit payment execution among the debtor's bank and the service provider.

**Table 3. Implementation of SEPA direct debit in Latvia**

<b>Payments</b>	<b>End of 2007</b>	<b>End of 2010</b>	<b>After introduction of euro in Latvia</b>
<b>LVL</b>	<b>SHA/OUR/BEN D+1 IBAN/BIC</b>	<b>SHA D+1 IBAN/BIC</b>	–
<b>EUR</b>	<b>– no business case of cross-border direct debit – national practice complies with the practice in lats</b>	<b>SHA D+3 IBAN/BIC</b>	<b>SHA D+1 IBAN/BIC</b>

Similarly to other European banks, the Latvian banks will launch SEPA direct debit payments when the provisions of the Payment Services Directive are transposed in the laws of the Republic of Latvia. In the Latvian banking practice of direct debit payments for a long time already e-invoices, e-archives and other electronic payment services have been available (see Chapter 4 "e-SEPA"). Therefore the customers of the Latvian banks will hardly need additional adaptation in order to use SEPA value-added services.

<sup>33</sup> Processing of one paper-based invoice is estimated to cost from EUR1.13 to EUR 1.65 . Aberdeen Group. Electronic Invoicing Solution Selection Report: Leading an Accounts Payable Extreme Make Over, December 2005.

<sup>34</sup> European Commission: SEPA Potential Benefits at Stake. SEPA Study carried out by Capgemini Consulting, 28.01.2008. P.29. Last visited on 4 February 2008. [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)

### 3.4 Other payment instruments

As the market of SEPA core products develops, widespread use of other payment instruments is not anticipated. Apart from the three payment instruments described earlier, in Latvia the customers are also offered e-money payments and cheques.

#### E-money

In the Latvian payment instruments market since the beginning of 2005 new category of credit institutions have started their operations. They are e-money institutions<sup>35</sup> offering to the Latvian consumers' e-money via other data storages, such as the Internet. In Latvia by the end of 2007 no e-money smartcards had been issued. In 2007 the e-money institutions in Latvia processed 600.9 thousand of payments for the total amount of 6.8 million lats.

#### Cheques

Cheques are mostly used in transactions where personal cheques, bank cheques, traveller's cheques and pension cheques are involved. The use of this payment instrument in Latvia has declined over the last years, and the customers of the Latvian banks use them for payments outside Europe. In 2007 the Latvian banks handled 31.5 thousand cheques for the total amount of 20.2 million lats accounting respectively for 0.019% and 0.005% of the total turnover of payment instruments handled by the banks.

### 3.5 SEPA infrastructures

The SEPA infrastructure is a mechanism for data exchange and calculation of settlement positions required for handling SEPA payments – SEPA credit transfers and SEPA direct debits<sup>36</sup>. The EPC maintains a register of infrastructures that support processing of SEPA payments<sup>37</sup>.

#### What is clearing?

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

#### What is settlement?

**Settlement is the transfer of funds between the payer and the payee (and between the payer's bank and the payee's bank).**<sup>38</sup>

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<sup>35</sup> Second Banking Directive, OJ L 275, 27.10.2000, p.37

<sup>36</sup> Framework for the evolution of the clearing and settlement of payments in SEPA – including principles for SEPA scheme compliance and re-statement of the PE-ACH concept v1.1 Approved 5 January 2007. Last visited on 11 February 2008.

[http://www.europeanpaymentscouncil.eu/documents/EPC170\\_05\\_CSM%20Framework%20v1.1%20Approved.pdf](http://www.europeanpaymentscouncil.eu/documents/EPC170_05_CSM%20Framework%20v1.1%20Approved.pdf)

<sup>37</sup> SEPA Scheme-compliant CSM, 14 CSM as of 28 January 2008. Last visited on 11 February 2008.

[http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa\\_scheme-compliant\\_csms](http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_scheme-compliant_csms)

<sup>38</sup> Single Euro Payments Area (SEPA): Integrated retail payments market, ECB, November 2006, p.24. Last visited on 5 February 2008. [http://www.ecb.int/pub/pdf/other/sepa\\_brochure\\_2006en.pdf](http://www.ecb.int/pub/pdf/other/sepa_brochure_2006en.pdf)

The EPC has defined eight core requirements for a SEPA-compliant infrastructure and the ECB has supplemented them with four basic criteria<sup>39</sup>.

The main requirements of the EPC to the SEPA infrastructure owners are as follows:

- 1) Ensuring of the delivery of full payment information among the participants of the SEPA scheme;
- 2) Payments must be executed in a definite time;
- 3) Observation of the direct application of commissions, i.e., commissions may not be deducted from the payments or the indirect participants of the scheme, but only on the direct participants of the scheme;
- 4) Observation of the technical formats of the SEPA schemes;
- 5) Ensuring that additional optional services (if any) do not affect the exchange of the core information regarding SEPA payments;
- 6) Ensuring public access to the infrastructure operational rules;
- 7) Observation of the ECB oversight standards<sup>40</sup>;
- 8) Observation of uniform system access criteria, system functionality requirements and governance principles.

The main criteria of the ECB for the SEPA infrastructure operators are as follows:

- 1) Compliance with of the EPC requirements;
- 2) Ensuring interoperability of the infrastructure with other SEPA infrastructures;
- 3) Ensuring receipt and sending (reachability) of SEPA payments;
- 4) Ensuring equal access and service conditions for all the participants, including transparency of prices, services and access principles.

At the beginning of 2007 the Latvian banks agreed upon the necessity to establish credit transfers infrastructure in euro in Latvia whose operations as well as the customers' credit transfers in lats would be handled by the Bank of Latvia. In January 2008 the Bank of Latvia launched processing of euro payments of the Latvian banks' customers in the Electronic clearing systems (EKS) system. In the future there are plans to transform the EKS to meet the SEPA infrastructure requirements. The most important task in the period of changeover to the SEPA-compliant infrastructures is introduction of a XML message format and observation of infrastructures interoperability.

In order to maintain the integrity of the EKS, processing of payments in lats and in euros is planned to comply with the same principles and standards for both currencies. The cost-benefit analysis of EKS as a SEPA-compliant infrastructure will be performed in 2008. If the functionality of the system is found to be suitable for the needs of the Latvian banks, and the economy of Latvia, development of the EKS as a SEPA-compliant infrastructure will start on 1 January 2009. By processing payments in lats and in euros according to the same standards, the costs of processing of one transaction could be reduced and an economically effective solution achieved. The assessment of the project and the selected scenario will be included in the next version of the SEPA plan.

Regarding the SEPA direct debit infrastructure, JSC "Itella Information" is planning to offer to process both SEPA direct debits and the value-added services of e-invoicing and e-reconciliation. Similarly to the SEPA credit transfer infrastructure, the main tasks in

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<sup>39</sup> Single Euro Payments Area: from concept to reality, ECB, July 2007, page 18. Last visited on 11 February 2008. <http://www.ecb.int/pub/pdf/other/singleeuropaymentsarea200707en.pdf>

<sup>40</sup> ECB. Oversight standards for euro retail payment systems. <http://www.ecb.int/pub/pdf/other/retailpoversightstandardsen.pdf> Last visited on 18 December 2007.

implementation of the SEPA direct debit infrastructure are related to the issues of the new standards and the infrastructures interoperability. JSC "Itella Information" can also be expected to provide such additional services as processing of e-mandates, receipt of invoice information from companies and advising the companies on the executed payments.

In the changeover period a system could be offered that could simultaneously support the existing direct debit scheme and the operation of SEPA direct debit standards. Besides, JSC "Itella Information" is planning to continue processing of giro payments for which the customer, instead of the company's (beneficiary's) name, registration number, bank name and bank account number, indicates only the company's giro number.

### 3.6 Standardisation

The EPC has developed standards allowing for automatic straight through processing of the customers' payments. The European banks have agreed upon the standards regarding "bank-to-bank" domain. Wider application of standards at the stage "bank-to-customer" is desirable as it complies with the main goal of the SEPA project – a single and efficient payment market. Full standardisation of the payment information exchange would ensure not only convenient handling of payments but also reduction of processing costs per transactions. For the Latvian banks the change of standards is the biggest challenge in the context of the SEPA project.

**Standards are rules that govern technology behaviour and interactions. Technical standards are necessary to allow interaction and interoperability between IT systems and to foster automation of the payment process.**<sup>41</sup>

Regarding the standards, the EPC has defined three parts or levels:

- 1) Uniform business requirements;
- 2) The level of logical data elements;
- 3) The physical data structure or payment message formats.

For each level the EPC has developed appropriate documents:

- 1) Rulebooks for SEPA Credit Transfer and Direct Debit Schemes and the SEPA Card Framework;
- 2) SEPA Data Model;
- 3) SEPA Implementation Guidelines based on UNIFI (ISO 20022) standard / XML message formats.

**Table 4. Implementation of the SEPA standards in Latvia**

<b>Payments</b>	<b>End of 2007</b>	<b>End of 2010</b>	<b>After introduction of euro in Latvia</b>
<b>LVL</b>	<b>SWIFT MT standards</b>	<b>SWIFT MT/MX/ UNIFI (ISO 20022) standards / XML message formats</b>	–
<b>EUR</b>	<b>SWIFT MT standards</b>	<b>UNIFI (ISO 20022) standards / XML message formats</b>	<b>UNIFI (ISO 20022) standards / XML message formats</b>

<sup>41</sup> Single Euro Payments Area (SEPA): Integrated retail payments market, ECB, November 2006, p.25. Last visited on 18 December 2007. [http://www.ecb.int/pub/pdf/other/sepa\\_brochure\\_2006en.pdf](http://www.ecb.int/pub/pdf/other/sepa_brochure_2006en.pdf)

### **3.7 SEPA legal framework**

The legal framework of the SEPA project consists of the EU law and the documents issued by the EPC. For successful implementation of the SEPA project it is necessary that the EU directives are properly transposed into national laws and the EPC requirements are implemented in practice.

The Payment Services Directive is one of the core elements of the SEPA project legal framework. The Directive provides for the liberalisation of the retail payment market on the supply side and consequently, increases of competition, which would mean significant advantages for the consumers. The Directive clearly determines the rights and obligations of the parties involved in execution of payments.

In parallel with the Payment Services Directive, the retail payment market is governed by the Regulation of Cross-border Payments in euro that determines uniformity of prices for national and cross-border euro payments.

The EPC as a self-regulatory body issues a number of documents regulating and aligning the conditions for the bank products supply in the retail payment market in Europe. The EPC is an international not-for-profit association<sup>42</sup>, acting under Belgian Law. Therefore, in the event of disputes between the participants of the SEPA schemes the documents drafted by the EPC must be interpreted in accordance with Belgian Law. In the processual matters each country applies its national law. The EPC has also established three out-of-court panels enabling the participants of SEPA schemes to apply in EPC conciliation, complaints or appeal panel if the case cannot be resolved at the national level.

## **4 e-SEPA**

In order to implement the SEPA project as effectively as possible, in line with implementation of SEPA core products, it is necessary to continue the initiatives that, according to the goals set in the Lisbon Agenda, move the common EU market to the value-added payment services market. The EPC works on several auxiliary projects relating to alignment of SEPA value-added products in Europe. Currently the attention is focussed on alignment of e-invoice and e-reconciliation business requirements and standards in Europe.

For the purposes of promotion of e-commerce, within SEPA *Online Payment* project a guaranteed SEPA credit transfer for settlements in the Internet is provided. Whereas, to enable the debtor's mandate flow countries to comply with the creditor's mandate flow solutions under the SEPA Direct Debit Scheme, an electronic mandate solution is offered. In SEPA Card Framework an interesting cooperation is underway with mobile operators.

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<sup>42</sup> International not-for profit association AISBL, EPC Charter. Approved on 19.06.2007. Last visited on 8 February 2007.  
[http://www.europeanpaymentscouncil.eu/documents/EPC098\\_07\\_v3.0%20ENG%20EPC%20Charter.pdf](http://www.europeanpaymentscouncil.eu/documents/EPC098_07_v3.0%20ENG%20EPC%20Charter.pdf)

For more than a decade already the Latvian banks have been providing interbank services and at the end of 2007 56.2% of accounts were accessible to the customers via the Internet. Since 2000 in the Latvian banking system all settlements are made electronically. In 2007 69.5% of the retail payments were initiated electronically. In addition, the Latvian banks offer their customers various e-invoicing and e-archive solutions. Therefore the Latvian banking sector already is innovative and busily applies cashless payment instruments.

Introduction of the SEPA innovative value-added products in Latvia will expand the range of opportunities for the customers of the Latvian banks. Alignment of the Latvian e-invoicing and e-reconciliation standards with the appropriate SEPA requirements will facilitate our further integration in the single European market.

## **5 Informing customers**

Since January 2008 a number of the Latvian banks have been offering the first SEPA products – SEPA-compliant payment cards and SEPA credit transfers. Currently SEPA requirements are applied to payments in euros. By a phased implementation of the SEPA introduction plan the possibilities will be addressed to apply the SEPA standards also to processing of payments in lats. The Latvian banks have already to a great extent implemented the SEPA product business requirements, therefore the main task now is to adjust the payment message standards to the SEPA requirements.

The convenience and potential gains for the public administration, corporates, small and medium-sized enterprises, merchants and consumers generally is an important precondition for the decisions of the Latvian banks regarding this plan (see Chapter 2 "Commitment to SEPA in Latvia"). The Latvian banks actively inform their customers about the impact of SEPA on the supply of bank products and on the changes in the rights and obligations of the customers in the SEPA context. The Latvian banks are encouraging their customers to use SEPA payment instruments with the purpose of reducing the costs of retail transactions and development of the single European market.

**By publication of "the SEPA implementation plan in the banking sector of Latvia", the Latvian banks support the SEPA project. According to its goals:**

- ✓ Vast majority of the banks in Latvia undertake during the year 2008 to adhere to the SEPA Credit Transfer Scheme,**
- ✓ Vast majority of the banks in Latvia undertake to complete alignment of payment cards and the payment card settlement infrastructure with SEPA requirements before the end of 2010,**
- ✓ Vast majority of the banks in Latvia undertake by November 2009 to adhere to the SEPA Direct Debit Scheme,**
- ✓ Vast majority of the banks in Latvia undertake during the year 2008 to implement the SEPA standards in "bank-to-bank" domain,**
- ✓ Vast majority of the banks in Latvia undertake to provide the SEPA standards in "customer-to-bank" and "bank-to-customer" domains before the end of 2010,**
- ✓ The banks of Latvia support standardisation of the structured invoice in Europe and after development are planning gradual introduction them as a SEPA value-added service,**
- ✓ The banks of Latvia undertake to inform their customers of SEPA products and invite all the client groups – public administration, corporates, small- and medium-sized enterprises, merchants and consumers – to actively use SEPA products thus promoting implementation of SEPA in Latvia.**

## Abbreviations

ECB	– European Central Bank
EPC	– European Payments Council
EU	– European Union
ICT	– Information and communication technologies
ACBL	– Association of Latvian Commercial Banks
MPSWG	– Money and Payment Systems Working Group of the Latvian National Euro Changeover Steering Committee
PCI DSS	– Payment card industry data security standard
PSD	– Payment Service Directive 2007/64/EC
SCF	– SEPA Cards Framework
SCT	– SEPA credit transfer
SDD	– SEPA direct debit
SEPA	– Single Euro Payments Area
SOP	– SEPA online payment