

Supply side: self-assessment template for banks and payment institutions

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

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

15.11.2010. [State JSC "Mortgage and Land Bank of Latvia" (Mortgage Bank)]

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);¹

Yes No Comments: By signing Adherence Agreement at the beginning of 2008 Mortgage Bank became the member of SEPA SCT Schemes. According to the above mentioned agreement Mortgage Bank has committed itself to observing SEPA SCT Scheme Rulebook's terms. At the start of 2008 Mortgage Bank opted for its correspondent bank - "Deutsche Bank" AG as SEPA agent for processing of SEPA Credit transfers. Before taking the decision Mortgage Bank examined thoroughly different offers proposed by correspondent banks. Since then "Deutsche Bank" AG ensures sending SEPA payments (by converting from FIN into XML standards) and receiving of them (by converting them from XML to FIN standards). As of the 9th of November, 2010 when EUR EKS (local clearing) system, which is supported and maintained by the Central Bank of Latvia (Latvijas Banka), became SEPA compliant, Mortgage Bank as the direct member of EUR EKS system has started sending and receiving SEPA payments (up to 50000.00 EUR (including)) in XML format without conversion. Mortgage Bank keeps sending/receiving the rest of SEPA payments through its SEPA agent - Deutsche Bank AG where conversion services are utilized.

- 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);²

¹ 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.

Yes No Comments: For the present Mortgage Bank is not a member of SEPA Direct Debit Scheme, but joining this Scheme in future is not excluded.

- c. listing all operational BIC8 or BIC11³ used for payment services in at least one CSM directory that provides full SEPA reachability;

Yes No Comments: At the beginning of 2008 Mortgage Bank has announced its BIC/SWIFT code as SEPA accessible.

- 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: Up to now Mortgage Bank has partly introduced SEPA standards in "bank-customer" and "customer-bank" levels and continues to adjust its business processes and IT so that they conformed with other conditions stipulated in EPC rulebook.

- e. offering the use of SEPA standards in the customer-to-bank and bank-to-customer field⁴ (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: Up to now Mortgage Bank has partly introduced SEPA standards in "bank-customer" and "customer-bank" levels, by offering the customers a new optional field "EndToEndId". Mortgage Bank keeps adapting its business processes and IT so that they conformed with other conditions stipulated in EPC rulebook.

- 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: As of the 9th of November, 2010 when EUR EKS (local clearing) system, which is supported and maintained by the Central Bank of Latvia (Latvijas Banka), became SEPA compliant, Mortgage Bank as the direct member of EUR EKS system has started to send and receive SEPA payments (up to 50000.00 EUR

² 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).

³ BIC11 is only necessary if payments addressed to the generic BIC8 plus any branch code – including "XXX" – cannot be processed.

⁴ It is assumed that the same standards will be recommended for communication by payment institutions.

(including)) in XML format without conversion. Mortgage Bank keeps sending/receiving the rest of SEPA payments through its SEPA agent - Deutsche Bank AG where conversion services are utilized.

2. offers SEPA instruments to users that correspond to instruments already offered in the form of legacy euro payment instruments.⁵ The SEPA instruments are available for sending and receiving domestic and cross-border payments within SEPA.

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

Yes No Comments:

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

A. make the SEPA instruments attractive to customers by:

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

Yes No Comments:

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

Yes No Comments:

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

Yes No Comments: By indicating in a payment order solely beneficiary's IBAN without beneficiary's bank's BIC/SWIFT code, it's possible to initiate internal payment only (within Mortgage Bank).

- 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 inform customers about SEPA by:

⁵ 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.

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

Yes No Comments: There is an information section on SEPA in the homepage of Mortgage Bank, where besides SEPA advantages the reference to SEPA home page - www.sepalatvija.lv is also made. Also answers to frequently asked questions about SEPA are provided on the Bank's homepage.

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

Yes No Comments: There is an information section on SEPA in the homepage of Mortgage Bank, where besides SEPA advantages the reference to SEPA home page - www.sepalatvija.lv is also made. Also answers to frequently asked questions about SEPA are provided on the Bank's homepage.

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

Yes No Comments: Mortgage Bank ensures availability of this information to customers in the following ways: via account statements, in the internetbank application and by providing the explanatory information on the Bank's home page.

C. observe the Eurosystem's SEPA policy by:

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

Yes No Comments:

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

Yes No Comments: As Mortgage Bank doesn't maintain clearing/settlements' infrastructure, the answer will not be provided to this question.

If you have any questions with regard to this template, please contact us at: info@sepalatvija.lv .
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