

COMMON PRINCIPLES OF PRIVATE PERSONS' CURRENT ACCOUNT SWITCHING

(COMMON PRINCIPLES)

1. PREAMBLE

These Common Principles have been derived from the Common Principles on Bank Account Switching developed by the European Banking Industry Committee. The aim of the Common Principles is to ensure that current account switching is not complicated for consumers, not hampered by unnecessary delay or insufficient support from the banks, and to raise the customers' awareness of the account switching services.

2. DEFINITIONS

The bank means the former bank or the new bank that adheres to the Common Principles.

The 'former' bank means a bank registered in the Republic of Latvia or a Latvian branch of a bank registered in another country, in which the Customer has opened a current account.

The 'new' bank' means a bank registered in the Republic of Latvia or a Latvian branch of a bank registered in another country, to which the Customer wishes to move his/her current account.

The Customer means a private person who has a current account with the 'former' bank and who wishes to transfer his/her payments to another bank (the 'new' bank).

Payments relationship means maintenance of a current account on which the Customer makes and receives payments and maintenance of recurrent direct debits and/or standing orders.

The current account means an account opened by a private person with the bank for making and receiving payments.

Standing orders means regular transfers of funds to a specified creditor according to the Customer's orders to the bank.

Recurrent direct debits means a legal relationship established between the bank and the Customer whereby the Customer orders the bank to make payments according to the creditor's orders.

3. IMPLEMENTATION OF THE COMMON PRINCIPLES

3.1. The Common Principles are applied when the Customer in Latvia wishes to switch his/her payments relationship from the 'former' bank to the 'new' bank.

3.2. Switching of the payments relationship takes place by opening an account in the 'new' bank and using the option A+B or only the option B (see the next table).

Option	D	Proscriptive factors
<p>A closing of the current account in the 'former' bank</p>	<p>1) The Customer's current account in the 'former' bank is closed</p> <p>2) All agreements on recurrent direct debits and standing orders with the 'former' bank are cancelled and</p> <p>3) the current account balance is transferred to the customer's current account with the 'new' bank</p>	<p>A loan or other credit agreement is signed with the 'former' bank and the current account is used for settlement of payments arising from the credit agreement.</p> <p>A securities account is connected to the current account in the 'former' bank</p> <p>The current account in the 'former' bank is used for accumulation of the currency and the balance in it is insufficient to pay for the services related to forex operations</p> <p>A term deposit, a savings deposit or other type of deposit or a deposit product is connected to the current account in the 'former' bank</p> <p>The Customer has an outstanding debt in the 'former' bank (e.g. commissions for a service)</p> <p>The funds in the current account are arrested and/or subject to collection or the Customer's rights to handle the funds in the current account are otherwise restricted by the law</p>
<p>B Switching of recurrent direct debits or standing orders</p>	<p>At the Customer's discretion the recurrent direct debits or standing orders are cancelled in the 'former' bank and new agreements on recurrent direct debits and standing orders are concluded with the 'new' bank.</p>	<p>A loan or other credit agreement is signed with the 'former' bank stipulating that the customer's salary must be paid on this account or this account must be used for settlement of daily payments.</p> <p>The funds in the current account are arrested and/or subject to collection or the Customer's rights to handle the funds in the current account are otherwise restricted by the law</p> <p>The 'new' bank has not concluded agreements with the creditors of the recurrent direct debits operating at the 'former' bank and the Customer wishes to continue this arrangement.</p>

3.3. There may be other, previously unmentioned factors that can be considered proscriptive if the current account in the 'former' bank is tied to other products or services whose terms forbid switching of the account, or other important reasons.

3.4. If the aforementioned proscriptive factors do exist, switching of the account may not be implemented.

4. INFORMATION ON SWITCHING OF PAYMENTS RELATIONSHIP

4.1. The banks will provide clear and complete information (hereinafter - the Customer Information) to the Customers wishing to switch their payments relationship.

4.2. The Customer Information shall include:

4.2.1. Description and options of switching of the payments relationship;

4.2.2. The activity framework of the banks and the Customer:

- the duties of the 'former' bank;
- the duties of the 'new' bank;
- the Customer's duties;
- the timescale of the process as indicated in Item 5.6 of the Common Principles;
- fees, if applicable.

4.2.3. The Customer Information shall conform to the provisions of Annex 3 of the Common Principles.

4.2.4. The Customer Information shall be placed on the Bank's website. The Common Principles and annexes thereto are available on the website of the Commercial Banks Association of Latvia www.bankasoc.lv.

5. THE PROCESS OF SWITCHING THE PAYMENTS RELATIONSHIP

STEP I

5.1. **The Customer** approaches the 'new' bank with a request to switch the payments relationship. Upon receipt of the Customer Information the Customer submits to the 'new' bank the application on switching of his payments relationship (hereinafter: - Application No 1; Annex 1).

5.2. **The 'new' bank** will:

5.2.1. provide the Customer with the Customer Information (Annex 3.);

5.2.2. identify the Customer;

5.2.3. open a current account for the Customer if it has not been opened earlier and the Customer wishes to do it at that moment. The current account can be also opened for the Customer at a later date (see Item 5.4.4);

5.2.4. accept the Customer's Application No 1;

5.2.5. send the Customer's Application No 1 to the 'former' bank;

5.2.6. explain the Customer:

- that it is not possible to provide uninterrupted procession of standing orders and recurrent direct debits;
- if the 'new' bank can provide the Customer with a standing order and acquaints the Customer with its partners - creditors of the recurrent direct debit payments.

5.3. **The 'former' bank** will:

5.3.1. Upon receipt of the Customer's application No 1 from the 'new' bank check if there are any proscriptive factors for switching of the payments relationship;

5.3.2. If there do exist any proscriptive factors of those listed in part B, Item 3.2 of the Common Principles, the 'former' bank will:

- inform the 'new' bank that switching of the payments relationship cannot be executed unless the aforementioned factors are eliminated;
- indicate the specific factors;
- in such a case the 'former' bank does not provide the 'new' bank with information on the standing order or recurrent direct debit agreements signed with the Customer;

5.3.3. If there do exist any proscriptive factors of those listed in part A, Item 3.2 of the common Principles, the 'former' bank will:

- inform the 'new' bank of the existing proscriptive factors;
- provide the 'new' bank with information on the standing order or recurrent direct debit agreements signed with the Customer;

5.3.4. If there do not exist any proscriptive factors, the 'former' bank will provide the 'new' bank with information on the standing order or recurrent direct debit agreements signed with the Customer;

5.3.5. The information provided by the 'former' bank to the 'new' bank on the recurrent direct debit agreements must contain:

- the creditor's name, surname, identity number or the firm name and the registration number;
- payment identification data (e.g., the Customer's number with the creditor, the agreement number etc.);
- payment debiting date/period, if applicable;
- daily or monthly limit of payment (minimum and maximum), if applicable;
- expiry date of the agreement, if such has been set;

5.3.6. The information provided by the 'former' bank to the 'new' bank on the standing order agreements must contain:

- the creditor's name, surname, identity number or the firm name and the registration number;
- the creditor's current account number, name of the creditor's bank and BIC code;
- payment debiting date/period;
- payment amount or its calculation method, if such has been determined;
- payment identification data (e.g., the Customer's number with the creditor, the agreement number etc.);
- expiry date of the agreement, if such has been set.

STEP II

5.4. **The 'new' bank** will:

5.4.1. forward to the Customer the information received from the 'former' bank and suggest the option of switching the payments relationship and/or inform the Customer of the proscriptive factors proscribing switching of the payments relationship;

5.4.2. accept the Customer's Application No 2 on switching of the payments relationship (hereinafter- Application No 2, Annex 2) in duplicate;

5.4.3. send the 'former' bank one copy of the Customer's Application No 2. The Customer him-/herself submits to the 'former' bank one copy of Application No 2, if he/she has ordered the 'former' bank to close the current account and has submitted the payment order to transfer the account balance;

5.4.4. inform the 'former' bank of the Customer's decision not to switch the payments relationship;

5.4.5. conclude a new current account agreement if such has not been already signed with the Customer;

5.4.6. conclude with the Customer the standing order and recurrent direct debit agreements;

5.4.7. provide the Customer with a draft letter informing the persons making payments for the Customer's benefit.

5.5. **The 'former' bank:** performs the operations indicated in the Customer's Application No 2 and fulfils the Customer's payment order, if such is given by the Customer.

5.6. Timescale¹

T = date, when the 'new' bank has received Application No 1 from the Customer;

T + 3 = the 'new' bank forwards Application No 1 to the 'former' bank;

T + 3 + 8 = The 'former' bank submits to the 'new' bank the information on the Customer's current account (depending on the indications in the Application);

T + 3 + 8 + (n days)² = (E) date, when the Customer arrives at the 'new' bank, receives the information on the possibility of switching his current account from the 'former' bank and the creditors of his recurrent direct debits at the 'new' bank. The Customer makes a decision;

E + 3 = the 'new' bank forwards to the 'former' bank the Customer's Application No 2 or the Customer personally takes it to the 'former' bank if the Application contains the order to close the current account with the 'former' bank;

E + 3 + 8 = the 'former' bank performs the actions indicated in the Customer's Application No 2. If a payment card is connected to the Customer's current account with the 'former' bank (including a debit card), the current account can be closed not earlier than 45 days following the receipt by the 'former' bank the order to terminate the current account agreement and the respective payment card agreements;

E + 3 + 8 + (n days) = the Customer concludes with the 'new' bank the standing order agreement and the recurrent direct debit agreement.

6. RESTRICTIONS

The Customer must arrive personally at the 'new' bank to sign the applications on switching of the payments relationship.

7. EXCHANGE OF INFORMATION

7.1. Exchange of all the information between the banks specified in the Common Principles shall be facilitated by the Latvian Post and the courier service. If the Latvian Post Office is used, the information must be sent by registered mail.

7.2. If the bank receiving from another bank the information referred to in the Common Principles has reasonable doubt about the authenticity of the Customer and/or the sender, the bank has the right to contact the Customer and refrain from fulfilment of the actions indicated in the applications if the Customer has not confirmed his signature under the application.

7.3. The bank is obliged to ensure that the information on the Customer's accounts and transactions acquired in the course of fulfilment of these Common Principles is used solely for the purposes determined in these Principles.

8. CHARGES

8.1. The 'former' bank may not charge a commission for closing of the current account unless the current account has been open for less than 12 months.

8.2. The Customer is provided with free of charge access to the Information on switching of the payments relationship and to the information on the existing standing orders and recurrent direct debits, if such information is available electronically at the bank and is not older than 13 months.

8.3. The banks may not charge the Customer a fee for transfer of the information on the Customer's existing standing orders and recurrent direct debits from the 'former' bank to the 'new' bank.

8.4. The banks will see to it that any charges for their services of current account switching are adequate and commensurate to the banks' costs. The banks must inform the Customers of such costs when providing them with the information on current account services.

8.5. The banks may charge the Customers the costs of the Latvian Post and/or courier mail services.

8.6. For all transfers of Latvian lats and other currencies and for all foreign exchange transactions related to switching of the payments relationship the banks may charge the Customers fees and commissions according to the relevant bank's pricelist.

9. IMPLEMENTATION OF THE COMMON PRINCIPLES

9.1. The Common Principles are binding to the banks - members of the Commercial Banks Association of Latvia.

9.2. Each bank informs the Commercial Banks Association of Latvia of implementation of the Common Principles by sending a letter signed by the chairman of the board of the bank or the manager of the foreign bank's branch. Simultaneously, the bank places on its website the Customer Information and samples of

forms (Annexes 1, 2, 3 and 4).

9.3. The Commercial Banks Association of Latvia on its website www.bankasoc.lv maintains the list of the banks that have announced their adherence to the Common Principles.

10. SUPERVISION OF COMPLIANCE WITH THE COMMON PRINCIPLES AND REVIEW OF COMPLAINTS

10.1. The Commercial Banks Association of Latvia supervises implementation of the Common principles and compliance thereto.

10.2. Complaints on application of the Common Principles are reviewed by the Ombudsman of The Commercial Banks Association of Latvia.

Annexes:

1. Customer's Application No 1 on switching of the payments relationship;
2. Customer's Application No 2 on exercising the opportunity of the payments relationship switching;
3. Information to the Customer;
4. Customer's letter on changing of the bank account information (draft).

¹ time is expressed in days;

² time depending on the Customer.

COMMON PRINCIPLES OF PRIVATE PERSONS'
CURRENT ACCOUNT SWITCHING

Application No 1
On switching of payments relationship

Customer: Name: _____ Surname: _____ Identity No./Date of birth _____ Address: _____ _____ Tel. _____	Recipient: Name of the 'former' bank: _____ Former account No _____	Name of the 'new' bank: _____ Name, surname, position of the contact person: _____ Tel. _____ e-mail _____ New account No.
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I hereby request you to provide the new bank and authorise the new bank in my name to receive the list with the information on the effective standing orders and direct debits (hereinafter – the payments) that are/must be made from the former account at your bank indicated above.

Please submit to the new bank the information on the circumstances prohibiting switching of the payments and/or closing of the former account.

Please submit to the new bank the information whether a payment card is/is not linked to the former account.

I hereby agree to it that the information between the former bank and the new bank is exchanged by means of a courier service or the Latvian Post. I authorise the former bank to withhold postal expenses for sending the information to the new bank from the former account.

Customer's signature: _____ Date: _____

The new bank's acknowledgement of receipt of the Application and the Customer's identification:

Application received : _____ (date)

Customer identified : _____ (date)

Date of issue and the number of the personal identity document _____ (photocopy attached)

Name, surname, position of the bank officer _____

Signature _____

COMMON PRINCIPLES OF PRIVATE PERSONS'
CURRENT ACCOUNT SWITCHING

APPLICATION No 2
on the use of the opportunity to switch payments relationship

Customer: Name: _____	Name of the former bank: _____	Name of the new bank: _____
Surname: _____	No of the former account. _____	Contact person's name, surname, position: _____
Identity No:/Date of birth _____		e-mail: _____
Address: _____		Tel. _____
Tel. _____		New account No _____

1. To the former bank**I wish to switch:**

ALL or part

of the effective standing orders and recurrent direct debits attached in the Annex to this Application

(hereinafter – the Payments), executed from the former account to my new account, and

A to close the former account

Please cancel the payments as of _____ and consider the agreements signed between me and the Bank or the payment orders void as of the above date. Please, after the above date, transfer the entire balance of the former account to my new account indicated above with the new bank, and close my former account.

If a payment card is linked to my former account, please terminate the service agreement of the payment card linked to the account. I am aware that, if a payment card (a credit or a debit card) is linked to the former account, the account will be closed no sooner than 45 days after the receipt date of this Application at the former bank.

Please withhold from my former account such fees and commissions as may be necessary for fulfilment of the above order.

B not to close the former account

Please cancel the payments as of _____ and consider the agreements signed between me and the Bank or the payment orders void as of the above date.

2. To the new bank:

If I have stated in this Application that I wish to close my former account, and my former bank has informed you that there are no sufficient funds in the account to close it, I hereby authorise the new bank, upon receipt of such information from the former bank, to transfer the necessary amount from my new account so that my former account can be closed.

Customer's signature: _____

Date: _____

New bank's note of receipt of the Application and the Customer's identification:

Application received : _____(date) Customer

identified : _____(date)

No and date of issue of the personal identity document _____(photocopy attached) Bank

officer's name, surname, position _____

signature _____

INFORMATION TO THE CUSTOMER

On switching of domestic personal current accounts

This informative material is prepared in accordance with the COMMON PRINCIPLES OF PRIVATE PERSONS' CURRENT ACCOUNT SWITCHING (COMMON PRINCIPLES) developed by the Commercial Banks Association of Latvia.

INTRODUCTION

If you have considered switching of your personal current account and payments connected to it (hereinafter – switching of payments relationship) from your bank to another bank in Latvia, we advise you to study this informative material and find out whether your present bank (hereinafter – the ‘former’ bank) and the new bank (hereinafter – the ‘new’ bank) actually provide this possibility* If both banks do provide such a service, they can give you consultations and advise you of the necessary actions in order to switch your payments relationship. Useful information can also be found in this informative material.

HOW DO THE PRINCIPLES WORK?

- Account switching (hereinafter also - payments relationship switching) services concern only current accounts and are offered only to customers – private persons.
- Switching of payments relationship is possible only between the banks registered in Latvia or the Latvian branches of foreign banks adhering to the Common Principles.

Switching of the payments relationship includes:

- account switching (closing of the former account and opening of a new account at the ‘new’ bank);
- transfer of payments linked to your account - recurring direct debits (e.g. automatic payment of bills) and standing orders (regular payments to a specific creditor) – to your account with another bank.

SOME EXPLANATIONS

Current account means an account that you have opened with the bank for making and receiving payments.

Standing orders means regular transfers of funds to a specified creditor according to the Customer's orders to the bank (e.g. monthly fixed payments for goods, regular transfers to relatives etc.).

Recurrent direct debits means a legal relationship established between you and the bank whereby you request the bank to make payments according to the payment creditor's orders (e.g. automatic payment agreements on payment of bills submitted by the issuer of the bill).

* The list of banks adhering to the Common Principles is available on the website of Commercial Banks Association of Latvia

YOUR CHOICE

You can choose whether to switch to the 'new' bank:

- your entire payments relationship – to open a new account with the bank, to transfer all recurrent direct debits (automatic payment of bills), standing orders, and close your 'old' account;
- leave your account with the 'former' bank and switch to the 'new' bank only selected recurrent direct debits and standing orders.

!!! Please note:

- **in case of switching the account the current account number is changed;**
- **in respect of the account switching all the operational rules valid in the 'new' bank apply (e.g. provisions of contracts, specific product features etc.);**
- **„automatic” switching of the payments relationship from one bank to another is not possible as new agreements must be signed with the 'new' bank.**

IN WHICH CASES THE COMMON PRINCIPLES CANNOT BE APPLIED?

Closing of the account in the 'former' bank is not possible for the following reasons:

- Transactions on your account are frozen by the order of a state institution;
- A loan agreement is linked to the account (e.g., a housing loan agreement, an overdraft agreement, a credit card agreement or any other credit facility that is still outstanding);
- A securities account is linked to the current account;
- The account is used for accumulation of foreign currency and its balance is insufficient to charge fees for currency transfer services;
- A deposit agreement is linked to the current account;
- You have outstanding debts at the bank (e.g., commissions for the use of services);
- Switching of the account is not possible due to another reason stipulated in the laws and regulations;
- Switching of account is not possible due to other important reasons.

In case of switching of the payments relationship only, i.e. of recurrent direct debits and standing orders, to the account opened at the 'new' bank, the following factors may hamper the process:

- You have concluded a housing loan agreement or another credit agreement which binds you to receive your salary (or other specified sums of money) and/or maintain turnover of funds on the account opened with the 'former' bank;
- Transactions on your account are frozen by the order of a state institution.

SPECIFIC ASPECTS OF SWITCHING RECURRENT DIRECT DEBITS

If you wish to switch your recurrent direct debits to the 'new' bank, you have to consider the following information:

- Recurrent direct debit agreement can be switched to the 'new' bank only in such an event if the creditor of payments (e.g. a person for whose benefit you make payments using the automatic payment of bills) has concluded an agreement with the 'new' bank;
- the creditor, (e.g., the issuer of the bill) must know that you have signed a direct debit agreement (also known as the automatic payments agreement) with the 'new' bank at least 1 month prior to the beginning of the debiting period to be able to prepare payment orders for sending to the 'new' bank.

!!!! It is important to know that between the termination date of the recurrent direct debit agreement with the 'former' bank and entry into force of the new recurrent direct debit agreement with the 'new' bank there may be an interval within which you yourself will have to take care that your bills are paid on time because of the following:

- if your bill has not been settled on time, the outstanding amount can be added to your next bill;
- if the limit set in your automatic payments (direct debit) agreement is too small compared to the amount of the monthly payment, this limit can hamper settlement of your liabilities in the next period, too, causing unnecessary complications (accrual of penalties, interest etc.)

EXPENSES

- In the process of account switching, closing of your account with the 'former' bank is free of charge. The 'former' bank may charge you for closing of the account only if the period from opening of the account has been shorter than 12 months. In such a case you should pay a fee set by the 'former' bank in its pricelist.
- Transfer of information from the 'former' bank to the 'new' bank is free of charge. The 'former' bank may charge you for services according to its pricelist only in case of data that is older than 13 months. In such a case you should pay a fee set by the 'former' bank in its pricelist.
- For all transfers in lati and foreign currencies and all forex operations related to the account switching you will be charged a fee according to the 'former' or the 'new' bank's pricelist.
- You will have to pay the postal expenses of sending the information.

APPLICATION PROCEDURE OF THE COMMON PRINCIPLES

Step one

Choose the bank to which you wish to transfer your payments relationship and visit that bank.

Step two

The new bank will be your Primary Contact Point at which you will receive all the information on the following:

- Is switching of payments relationship possible at all?
- Are there any circumstances interfering with switching of the payments relationship?
- How much time will the switching process of payments relationship take?
- Other relevant information.

On the basis of your application the 'new' bank will send a request to the 'former' bank and find out if it is possible to switch the account as well as all the information on your recurrent direct debits and standing orders valid at the 'former' bank.

!!! You can also obtain the information from your 'former' bank and personally submit it to your 'new' bank.

Step three

The 'new' bank will inform you of the answer received and you will agree with the bank on the specific services to be switched to the 'new' bank.

The 'new' bank will inform you if switching of payments relationship to the 'new' bank is impossible for any reason. In order to eliminate the obstacles you will have to contact the 'former' bank.

Step four

If switching of your payments relationship is possible, you will be able to sign a current account agreement with your 'new' bank (if it has not been done already).

The 'new' bank will inform you of your new account number and provide other important information, as well as draft letters with which you will notify your partner (e.g., your employer or business partner making regular payments on your account) of your new current account at the 'new' bank.

Step five

The 'new' bank will help you settle your relationship with the 'former' bank:

- To cancel the payments relationship that you wish to switch to the 'new' bank (by sending an appropriate order to the 'former' bank;
- To close the account, to transfer the account balance to the 'new' bank and to cancel all payments relationship (in this case you will have to take this application to the 'former' bank personally).

TIMESCALE^{1†}

The entire process can take approximately 45 days (see below), assuming that you will take active part in it. You should remember though that the new recurrent direct debit agreements can enter into force in the 'new' bank within 1 month or at the beginning of a new calendar month.

DURATION OF THE PROCESS

T = date, when you arrive at the 'new' bank;

T + 3 = the 'new' bank forwards Application No 1 to the 'former' bank;

T + 3 + 8 = The 'former' bank submits to the 'new' bank the information on your account (depending on the indications in the Application);

T + 3 + 8 + (n days)² = (E) date, when you arrive at the 'new' bank, receive the information on the possibility of switching your current account from the 'former' bank and the creditors of your recurrent direct debits at the 'new' bank. You have to make a decision;

E + 3 = the 'new' bank forwards to the 'former' bank your Application No 2 or you personally take it to the 'former' bank if the Application contains the order to close the current account with the 'former' bank;

E + 3 + 8 = the 'former' bank performs the actions indicated in your Application No 2.

!!! If a payment card is connected to your current account with the 'former' bank, (a debit card), the current account can be closed not earlier than 45 days following the receipt by the 'former' bank of the order to terminate the current account agreement and the respective payment card agreements;

E + 3 + 8 + (n days) = you conclude with the 'new' bank the standing order agreement and the recurrent direct debit agreement.

[†] Time is expressed in days.

Time that depends on the Customer.

ADDITIONAL INFORMATION

You will find more information on the possibilities of current account switching on the website of the Commercial Banks Association of Latvia www.bankasoc.lv including the Common Principles proper and the list of banks that have announced of their adherence to the Common Principles.

Letter Addressee:

Name, surname: _____

(Identity No/Date of birth)

Address: _____

Tel _____

E-mail: _____

Re: Change of bank account details

I wish to inform you that my bank account details have changed.

Please indicate in your further payment orders (bills) the following bank account details. Please make all incoming payments to my current account as indicated below:

Payer/Payee:

(Name, surname)

(Identity No/Date of birth)

Account No _____

Bank: _____

Bank code (BIC/SWIFT code): _____

I thank you in advance.

Sincerely yours,

Signature: _____

Date: _____