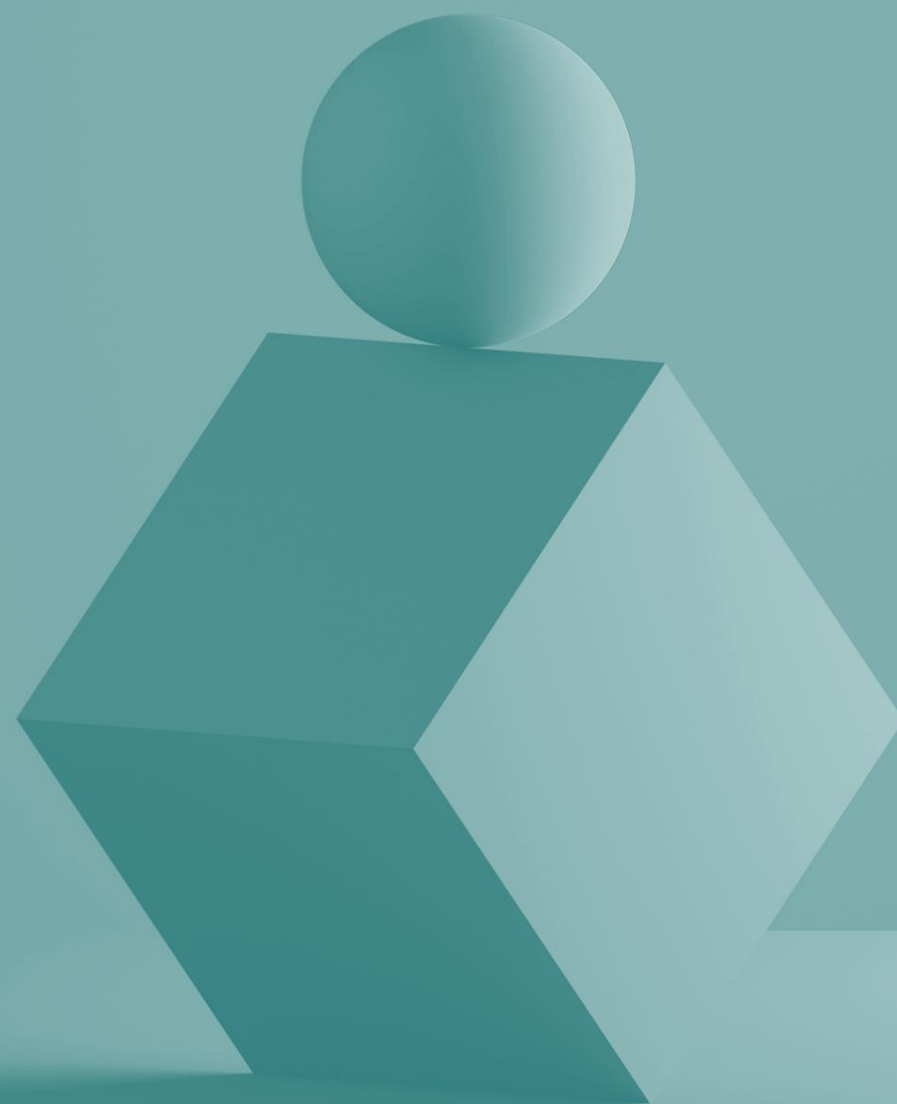


# Specialised Bank – Regulatory Framework, Expectations, and Licensing Process

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# The amendments to the Credit Institution Law of 6 January 2026

The objective – to promote the development and competitiveness of the financial market in the credit institutions sector as a whole, as well as the availability of financial services throughout the entire territory of Latvia

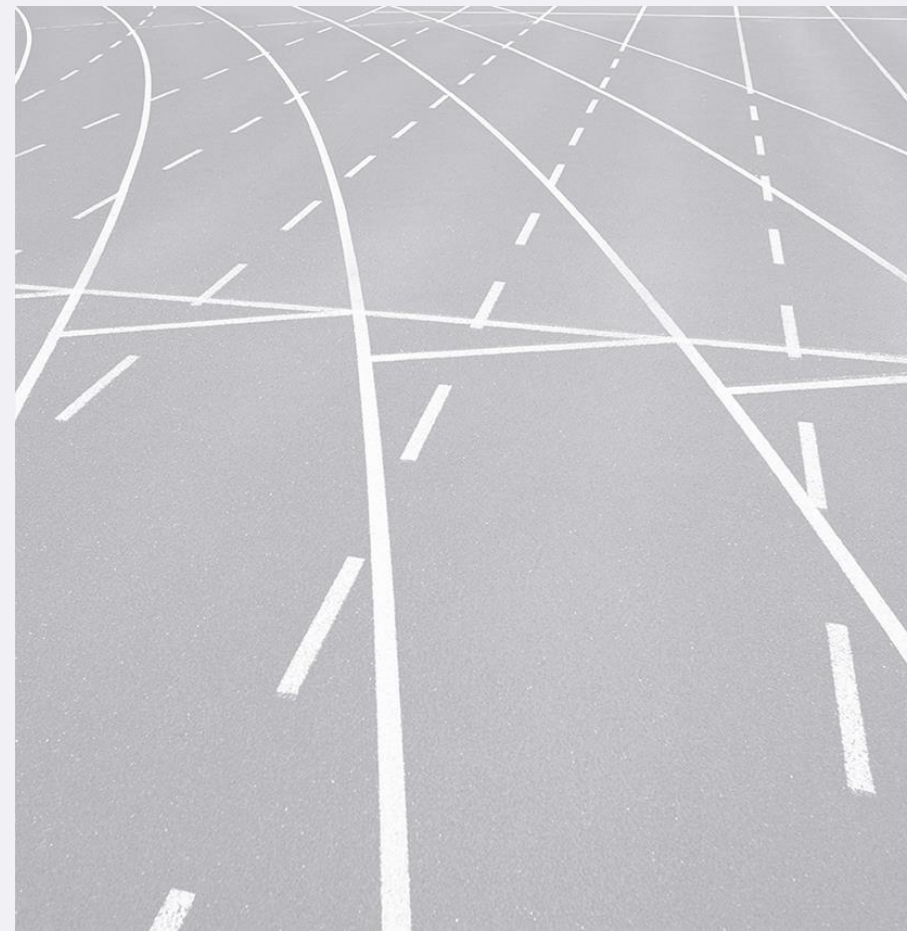
**Specialised credit institution** – a credit institution that provides financial services and meets at least one of the following criteria:

- a) a limited customer base determined based on the territorial principle, the employment principle, or the principle of community of interests within the meaning of the Law on Savings and Loan Associations;
- b) financial services are provided exclusively through digital channels;
- c) the business model foresees the provision of innovative services constituting a financial service that is new or significantly improved within the Latvian market.

Additions:

Initial capital may not be less than EUR 1 million

Exit strategy as a part of licensing documents



# Who might find it useful?



## **A specialised cooperative bank**

Focused territory or group of customers



## **A fully digital bank or neobank**

Focused group of customers, innovative digital solutions for customer relations



## **A stepping stone for the banking sector**

Smaller initial capital requirements for growing financial market players



## **Innovative services provider**

Innovative products in the Latvian financial market

# Capital adequacy

For the purpose of determining the level of capital, it is necessary to:

**A** – duly identify the risks (and related RWAs) based on the business plan and estimate **the own funds requirements** (risk-based and leverage-based) for at least three years (**same as for banks with EUR 5 million initial capital**)

**B** - add to the initial capital (EUR 1 million) the **expected cumulated losses for the first three years**

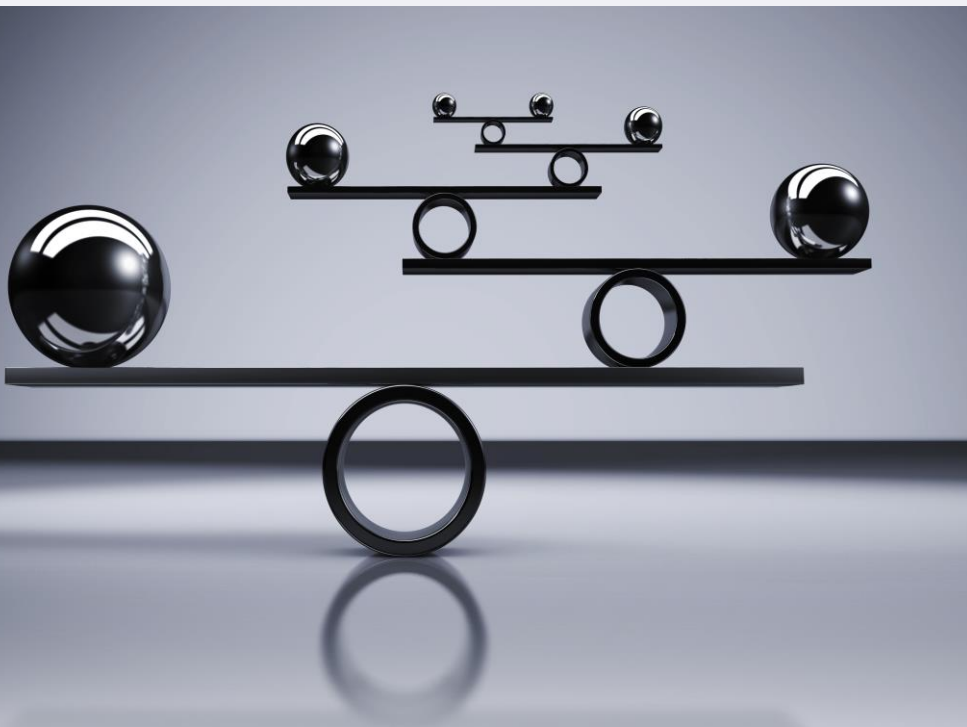
**C** - select the higher of (a) or (b)

Methodology: Section 8 of and Annex 1 to [Report GL on a common assessment methodology \(002\) - clean.pdf](#)



# Licensing process – main steps

1. Introductory meeting – discussion on the viability of the planned business
2. Pre-licensing process – assessment of the core elements (business plan, shareholders, capital, management)  
*review up to one month if all information provided*
3. Review of basic documentation together with the ECB to estimate the maturity of the file
4. Submission of the official application –  
*review up to three months but the term can be prolonged by one year*



# Typical mistakes in the licensing process

- Over-estimation of time frame (*the cooperation with the ECB not taken into account, deadlines for the set-up of a bank unrealistic*)
- Overly optimistic and unrealistic financial projections in general and specifically regarding customer acquisition, credit and deposit volumes
- Insufficient, overly optimistic estimation of the current market situation, market capacity
- Inadequate forecasts for IT structure developments and costs
- Overly optimistic exit strategy
- Risk assessment is not aligned with the business plan, especially in AML
- Policies should be developed with a focus on implementation, rather than restating the law
- Incomplete information on reputation or non-disclosure (*activities in other countries, sanctions, and other measures*)
- Wish to rely on exemptions to justify not providing the required information or documents
- Lack of F&P management
- When working on a timeline for starting up banking operations, carefully consider each and every step instead of starting as soon as possible

EVERYTHING CAN BE improved except lack of capital and reputation!



Thank you!