

Europe's Low Capital Bank Licences: Innovation or Risk?

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Interviews



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Christmas tests the limits of trust in EU finance. (Image: John Christmas)

Latvia and Lithuania's recent moves to introduce low capital banking licences have electrified parts of the fintech and online gambling communities, but they are also raising fresh warnings about transparency and risk in European finance.

This year, Latvia joined Lithuania in offering a specialised bank licence requiring just €1 million in capital, rather than the €5 million typically expected for full European Union

banking licences. That lower threshold is designed to help innovative fintech firms and specialised payment service providers launch banking operations within the Single Euro Payments Area, with access to euro clearing and the EU market.

But for former Riga based banker and whistleblower John Christmas, the promise of easier licence access also highlights deeper concerns about who controls these new banks, and whether regulators are prepared to enforce transparency at all levels. Despite sounding like a plot from a James Bond movie Christmas' book KGB Banker is an essential read for players, land based and online casino operators.

A New Licence with Old Questions

In an interview on the casinos.com podcast, Christmas outlined how the “specialised bank licence” ecosystem works across the EU.

“The Bank of Lithuania introduced the possibility of having a specialised bank licence, not a universal bank licence, where the amount of capital that the investor had to put up was one million euros, as opposed to five million euros, which is the norm for the European Union,” he said.

“Now, this year... Latvia has also announced the same programme where they also have a specialised banking licence where the required minimum capital is one million euros.”

Listen to the Casinos.com Podcast here:



Under EU law now mirrored in Lithuania's banking framework, both traditional and specialised licences still involve licensing by the national central bank and a final decision by the European Central Bank, but the specialised licence is meant to reduce barriers for newcomers.

For new entrants, including fintechs and companies that serve the iGaming sector, lower capital thresholds mean it's easier to obtain a licence that allows direct access to euro payment systems without intermediary e money firms.

Trust on Trial

Christmas didn't mince words about why transparency matters in bank ownership.

"A huge issue in banking is the transparency of the owners or the people who control the bank," he said.

"A bank regulator needs to look at who the shareholders of a bank are and to vet those people to make sure that they're suitable... you don't want people who are criminals to own shares in a bank."

He described schemes, common in financial crime typologies, where capital is “fake” because it was loaned by the bank itself, or where front owners mask the true beneficiaries.

That emphasis on vetting and beneficial ownership aligns with broader EU policy goals. The European Union has recently established a central Authority for Anti Money Laundering and Countering the Financing of Terrorism (AMLA), intended to harmonise supervision of money laundering controls across member states. The agency, headquartered in Frankfurt and operational as of 2025, will coordinate national regulators and strengthen consistent enforcement across the EU.

Making Due Diligence Work

Christmas pointed out that relying on licence status alone tells only part of the story for businesses assessing financial partners.

“In theory... if you have an EU licence, either an e money licence or a banking licence from any EU member state, this is supposed to be something that you can rely on and trust,” he said.

“But... if the stated owner of an important stake... is not acting for themselves, how would an operator necessarily know that?”

That disconnect between regulatory intent and enforcement reality is a core tension in EU financial markets. Many EU regulators have worked to tighten anti money laundering controls following past banking scandals, including highly publicised failures and fines against well known fintech banks for AML control issues.

Legacy Scandals and the Call for Accountability

Christmas referenced past episodes involving Latvia and Lithuania where he says authorities covered up embezzlement linked to politically connected clients, though those specifics could not be independently verified from public sources. Public records do show broader Western law enforcement scrutiny of wealthy Russians acting as “straw owners” of luxury assets, including yachts allegedly linked to Kremlin insiders,

underscoring the challenges regulators face in tracing ultimate beneficial owners in complex offshore arrangements.

He criticises what he sees as reluctance by some EU states to pursue prosecutions vigorously.

“What I see in the EU is not a desire to come clean about bad things which have been going on and which are still going on, but rather a hope that if they wait for enough years to go by, that things sort of go better by themselves,” he said.

Winners, Losers, and Broader Impacts

The debate over EU fintech regulation has real economic stakes. For online gaming operators and other businesses reliant on fast, cross border payment partners, access to licensed banks can reduce costs and improve customer experience. But if licences are granted without robust checks on capital quality and ownership, those same operators and their customers could carry risk unknowingly.

“Suppose you make a deposit into a bank, and then the bank does not pay the deposit back,” Christmas said.

“Then Latvia even does it in some cases where the government doesn’t take the money... but actually the oligarchs behind the bank get to keep the money.”

Whether or how EU agencies such as AMLA and member state supervisors will strengthen scrutiny of new specialised banks remains a live policy question.

Meet The Author

Alan Evans

News Writer

2 Years
Experience

Most of my career was spent in teaching including at one of the UK's top private schools. I left London in 2000 and set up home in Wales raising four beautiful children. I enrolled at University where I studied Photography and film and gained a Degree and subsequently a Masters Degree. In 2014 I helped launch a new local newspaper and managed to get front and back page as well as 6 filler pages on a weekly basis. I saw that journalism was changing and was a pioneer of hyperlocal news in Wales. In 2017 I started one of the first 24/7 free independent news sites for Wales. Having taken that to a successful business model I was keen for a new challenge. Joining the company is exciting for me especially as it is a new role in Europe. I am keen to establish myself and help others to do the same.

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