

Country Reports

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Short country reports from Lithuania and Czech Republic



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Lithuania: Change in organisation of the profession of insolvency practitioners: Chamber of Insolvency Administrators established

As reported in the previous issue of Eurofenix,¹ a more contemporary insolvency law² finally came into force in Lithuania on 1 January 2020. One of the major changes is the introduction of a self-governing body for insolvency practitioners.

Although the Insolvency Law came into effect only at the beginning of 2020, implementation work had already started earlier. On 13 September 2019 the inaugural meeting of the Chamber of Insolvency Administrators³ (“Chamber”) took place, during which the Chamber was established, the governing bodies of the Chamber and the representatives of other institutions operating ancillary to the Chamber (members of the Court of Honour and the Audit Commission) were elected and the Statutes of the Chamber, the Code of Ethics for insolvency administrators and the Rules of the Court of Honour were approved. The Chamber was registered in the Lithuanian Register of Legal Entities at the end of October 2019. Establishing the Chamber means the creation of a self-governing body for insolvency and

restructuring administrators, two separate professions under the insolvency laws in effect until the end of 2018. With the new Insolvency Law, insolvency and restructuring administrators are united into one profession, called II Insolvency Administrator.⁴

Unlike other state-regulated professions – such as attorneys, notaries, bailiffs, judges, and auditors – insolvency and restructuring administrators had previously not been together in a professional self-governing association, but rather organised in various private organisations which, without self-governing rights, could not ensure proper representation of the profession. Mandatory membership in the Chamber aims at ensuring a higher level of competence for insolvency administrators and appropriate professional development as well as more efficient administration of insolvency proceedings.

The Insolvency Law delegates to the Chamber some of the functions of the public supervisory authority, The Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania⁵ which at the State level supervises the activities of insolvency administrators. The Chamber will organise and conduct qualifying exams for insolvency administrators, supervise training and certification, monitor

adherence to ethical principles, ensure handling of complaints about the ethics of administrators and represent administrators in drafting and amending new legislation. The Chamber will also perform a self-monitoring role, i.e. the Presidium of the Chamber will be able to impose penalties on insolvency administrators. The most severe will be the removal of a member of the Chamber which, in view of the compulsory membership of the Chamber, means an interdiction to work as an insolvency administrator.

Establishing self-government of insolvency administrators is expected not only to ensure proper representation and protection of the interests of all insolvency administrators, but also to improve the quality of insolvency procedures and prevent administrators from abusing their rights and delaying insolvency proceedings.

For INSOL Europe and its members this is a positive development, since the Chamber can be addressed as a single port of call for matters relating to IPs in Lithuania and for future cooperation. ■

Footnotes:

- 1 Please see previous report on the law by Frank Heemann and Aušra Zabulionytė, *The new corporate insolvency law*, in Eurofenix No. 77 (Autumn 2019).
- 2 Law on the Insolvency of Legal Entities (“Insolvency Law”); *Lietuvos Respublikos juridinių asmenų nemokumo įstatymas, No. XIII-2221*
- 3 *Nemokumo administratorių rūmai*.
- 4 *Nemokumo administratorius*.
- 5 *Audito, apskaitos, turto vertinimo ir nemokumo valdymo tarnyba prie Lietuvos Respublikos finansų ministerijos*. Website: <http://www.bankrotodep.lt/>