



## **Green light for reforms in Latvia, status of insolvency practitioners yet to be changed**

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It looks that major amendments to the Insolvency Law<sup>1</sup> that have been under consideration by the Latvian Parliament for almost two years have now been given a green light prior to the final hearing expected in July, although some of the planned reforms have stuck.

The road to the final wording has been difficult and with many controversies along the way. One of them concerns the planned reform of the insolvency practitioner's profession, highly debated in Latvia. After a voluminous package of different amendments was discussed by the Parliament in two readings, the Minister of Justice Jānis Bordāns submitted an additional bill concerning the changes to the insolvency practitioner's profession in January this year. The mentioned bill came amidst several loud cases of suspected abuse of the law and, according to the Minister, the bill attempted to ensure transparency of the insolvency practitioner's profession and control over insolvency practitioners in insolvency and restructuring proceedings.

One of the main novelties proposed by the bill was to put insolvency practitioners on the same level with state officials. In this case, the rules regarding the prohibition to combine offices and the regulation of conflict of interest, pertaining to state officials, would also apply to insolvency practitioners. In addition, insolvency practitioners would be monitored by the Corruption Prevention and Combating Bureau.

Besides, the bill proposed the elimination of certain public functions currently assigned to the Association of Insolvency Practitioners – a self-governing body run by insolvency practitioners. Namely, examination and licensing (including recurrent licensing) of insolvency practitioners, as well as termination of the operation of their licenses would be handed over to the state institution Insolvency Administration. That would mean a return to an order that existed before 2009. Inability of the self-governing body to ensure impartiality in carrying out these tasks was mentioned as a cause. Additionally, recurrent examination taking place every three years was proposed, in order to keep insolvency practitioners constantly in shape.

Moreover, according to the bill, a disciplinary committee would be set up to hear disciplinary matters initiated in respect of insolvency practitioners.

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<sup>1</sup> *Inter alia* providing for lower personal bankruptcy entry criteria and a shorter discharge period, additional liability for the debtor's representatives, as well as many other changes.

The bill was removed from the final package of amendments to the Insolvency Law because it required additional discussing and scrutiny, impossible at this stage before the third hearing in the Parliament. Therefore, the legislator promised to return to this bill later.

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