The Development of and Prospects for Commercial Law in Latvia since Accession to the European Union

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This paper discusses the development of commercial law in Latvia since the country's accession to the European Union. Commercial law existed in Latvia in advance of World War II, but since the restoration of independence it has achieved a new level of development with the adoption of the Commercial Law. Latvia's desire to join the EU was an important stimulus for establishing commercial law, and the accession in 2004 is, therefore, a good point of reference in evaluating the development of such law. European Union law continues to have a substantial influence on Latvian commercial law. The author also has reviewed prospects for the future of commercial law in Latvia.

Keywords: Commercial law, European Union, merchants, companies, commercial transactions, improvements to commercial law.

Contents

Introduction

Commercial law in the current sense of the concept emerged in Latvia during the two decades of independence which followed the establishment of the state in 1918. The doctrine of commercial law which was developed during the period of independence in the 1920s and 1930s has been of significant importance in the development of commercial law in Latvia today. At the same time, however, commercial law in Latvia has also been influenced by European Union law and the national commercial laws of individual European Union member states, particularly Germany. The Commercial Law of Latvia (*Komerclikums* or *KCL* in Latvian) was

drafted not only to establish legal regulations related to this area of law, but also to deal with the fact that the law related to entrepreneurship which were approved during the first half of the 1990s were not in line with the legal norms of the European Communities. In 1995, when concluding an association agreement with the European Communities and their member states, Latvia promised to gradually ensure that its laws, including those which apply to business and company law, become compatible with the law of the communities. Plans for accession to the EU helped to stimulate the drafting and approval of the Commercial Law.

When Latvia joined the EU on May 1, 2004, harmonisation of commercial law with EU law was almost complete. By 2004, an implementation practice of the Commercial Law had been established, and there was a significant set of theoretical ideas in relation to commercial law. Latvia joined the EU only two years after the Commercial Law was adopted, and this market out the conclusion of the establishment of modern commercial law in our country. May 1, 2004, can also be seen as a certain starting point for the further development of commercial law here. The aim of this paper is to evaluate the development of commercial law in Latvia since the country's accession to the European Union, as well as to sketch out prospects for further improvements to this branch of law.

1 Improvements to commercial law since Latvia's accession to the EU

Since Latvia's accession to the European Union, the Parliament (*Saeima*) has gradually amended and supplemented normative regulations so as to improve and modernise commercial law in our country.

1.1 Amendments to the Commercial Law and other laws

Most of the changes to commercial law regulations since 2004 have related to company law. Quite a few of the amendments to the Commercial Law in terms of commercial companies were implemented to satisfy the directives of the EU. A major supplement to the Commercial Law was the adoption of provisions related to commercial transactions. The aim of several of these changes was to enshrine administrative procedures that are binding to entrepreneurs. Some aspects of commercial law have been regulated by amending not the Commercial Law, but other laws. Parliament adopted several special laws to regulate the rules which are enshrined in EU regulations vis-a-vis commercial companies which have a cross-border element in their operations.

When Latvia joined the European Union, country's commercial law was almost completely harmonised with the requirements of the EU, but several directives related to company law remained outside of the purview of the Latvian legislature. These mostly had to do with the protection of third parties.[1] Latvia had not implemented certain requirements of the Third Council Directive concerning mergers of public limited liability companies (78/855/EEC)[2] and the Sixth Council Directive on the division of public limited liability companies (82/891/EEC).[3] These requirements related to the publication of rules concerning the merger or division of public limited liability companies. The directives say that each company that is involved in a merger or division must publish draft terms for the process at least one month in advance of the general meeting at which the relevant decision is to be taken. Prior to 2005, Article 343[5] of the KCL only said that each company that is involved in reorganisation

must submit an announcement of the process to the commercial register institution, also adding a copy of the relevant agreement. Latvia's Parliament supplemented the law on June 2005 to say that the date of registration of the draft agreement or any amendments to it must be published in the official newspaper *Latvijas Vēstnesis*, along with the commercial register case number of the draft agreement.[4]

It can be said that this supplementation in the context of norms from Article 273 of the KCL about the procedure and schedule for convening shareholder meetings ensures the implementation of requirements from the EU directives about the disclosure of information about the merger or division of public limited liability companies.

Latvian laws in 2004 only partly satisfied the requirements of the European Communities' First Company Law Directive (68/151/EEC)[5] related to the publication of the annual reports of commercial companies. The Saeima implemented the relevant requirements into the country's laws only four years after Latvia's accession to the EU. Provisions of the Annual Reports Law regulating the disclosure of annual reports of commercial companies were deficient until 2008. Article 66 paragraph 5 of this law stated that copies of annual reports filed with the Register of Enterprises must be kept by the registration and made available to anyone who pays a fee for the right to view them.[6] In violation of Article 4 of the First Company Law Directive, the law did not state that the annual report or information about its contents must be published in the official newspaper of the country. The legislature amended Article 66 of the Annual Reports Law to address this issue. Articles 66 paragraph 4 and 66 paragraph 5 of the KCL now state that the Register of Enterprises must ensure the public availability of annual reports and documents related to their confirmation, not least in terms of publishing an announcement in the official newspaper *Latvijas Vēstnesis* to the effect that the information is available at the Register of Enterprises.[7]

The Saeima approved major amendments to the Commercial Law in April 2008.[8] One reason for this was the need to implement a requirement from Directive 2003/58/EC of the European Parliament and Council[9] to say that as of January 1, 2007, member states had to ensure the ability of companies to submit documents to a register institution electronically, as well as to release information and documents in the same way. The legislature amended Article 7 paragraph 2 of the KCL to say that upon written request and payment of a fee, any person may receive information about records in the Commercial Register, as well as printed or electronic copies of the relevant documents. Article 9 paragraph 1 of the KCL was amended to state that documents can be submitted to the commercial register institution (which is the Register of Enterprises of the Republic of Latvia) on paper or electronically.

The legislature also implemented a requirement found in Article 2(b) of the Second Council Directive of the Council of the European Communities (77/91/EEC)[10] – that the statutes or founding documents of public limited liability companies must include information about the goal of the relevant company. This refers to the main areas of operations of the company. In the English version of the directive, the phrase that is utilised is "the objects of the company," while in German it reads "Gegenstand des Unternehmens." In accordance with the directive, Article 144 paragraph 2 of the KCL was supplemented with the requirement that public limited liability companies state their main areas of commercial activities in their statutes. Initially the law said that the statutes of any limited company must state the areas of commercial activity, but the norm was stricken from the Commercial Law in April

2004. While the norm was still in effect, scholars argued that the listing or limitation of areas of activity in company statutes would not apply to third parties.[11] The same applies to the current regulation adopted in 2008. When public limited liability companies state their main areas of commercial operations in their statutes, this is only of an informational nature when it comes to the protection of third parties. Article 144 paragraph 2 of the KCL does not exempt the company or any third party from obligations in relation to the concluded transaction, even if the transaction is beyound the scope of main areas of commercial activity.

In amending the Commercial Law, the Saeima also supplemented Article 75 paragraph 1 of the KCL, declaring that individuals must register themselves as individual merchants in the Commercial Register if their economic activities relate to those of a commercial agent or broker. This was mostly necessary so as to ensure that real estate brokers would be registered in the Commercial Register, thus facilitating legal protection of their clients.[12]

Several of the amendments to the Commercial Law that were implemented in April 2008 deal with the competence of the boards of public limited liability companies. Article 249 of the KCL was supplemented to say that public limited liability companies, in their statutes, can authorise the board to increase equity capital for a period of up to five years, doing so in accordance with the sum determined in the statutes or by a shareholder meeting, but never to a larger extent than 30 per cent of the company's equity capital at the time when the authorisation is given. Previously equity capital could only be increased by a meeting of shareholders. The Commercial Law also included new Articles 310^1, 310^2, and 310^3 on the nullification of a board decision on increasing equity capital.

Section C of the Commercial Law, "Reorganisation of Commercial Companies," was supplemented in April 2008 with rules related to the cross-border merger of limited liability companies, as dictated in EU Directive 2005/56/EC.[13] Article $335.^1$ paragraph 1 of the KCL states that cross-border mergers involve the merger of two or more limited liability companies among which at least one has been registered in Latvia, while the others have been established in accordance with the laws of other EU member states. Special norms on the cross-border merger of limited liability companies are included in Subsection XIX of Section C, "Special Regulations on Cross-Border Mergers." The legislature thus implemented a mechanism which ensures that a Latvian-registered limited liability company can merge with a company registered in another EU member state without unnecessary legal or administrative difficulties.[14]

The most important reform to the Commercial Law since Latvia's accession to the EU, it must be said, involves norms related to commercial transactions. Section D of the Commercial Law, "Commercial Transactions", was adopted by the Saeima on December 18, 2008, and took effect on January 1, 2010.[15] Regulations concerning commercial transactions were also included in a draft Commercial Law which Parliament approved on first reading in 1999. However, the initial version did not correspond to the essence of commercial law as a special branch of private law. The draft commercial transactions section addressed numerous issues already regulated by the Civil Law of Latvia, e. g. conclusion and execution of transactions. The legislature postponed the adoption of the section on commercial transactions, and it was drafted anew. In 2005, the Cabinet of Ministers approved a conceptual document on the legal regulation of commercial transactions.[16] The document said that the Commercial Law must be supplemented with a section of commercial transactions

in accordance with Latvia's existing system of private law. The regulations would be seen as special norms in relation to the rules of the Civil Law. This was done by creating Section D to the Commercial Law, including general rules on commercial transactions, as well as special rules for specific types of commercial operations. Section D includes 93 Articles, namely Articles 388–480 of the KCL.

Article 388 of the KCL declares that commercial transactions are merchant's legal transactions which relate to commercial operations. Thus a legal transaction must be classified as a commercial transaction in accordance with the subjective system that is at the foundation of the Commercial Law. The point is that commercial law applies when the participant of the specific legal relationship is a merchant.[17] General rules concerning commercial transactions also regulate the importance of commercial customs in the interpretation of commercial transactions and the legal consequences of a merchants's silence. They instruct merchants to observe a duty of care, create prerequisites for a joint and several liability, speak to the remuneration principle and the duty to pay interest, regulate the time and kind of performance, regulate the merchant's right of retention, regulate the right to statutory possessory pledge and the acquisition of movable property in good-faith, and set the prescription period for the claims following from commercial transactions. The general rules also cover norms related to securities that are of importance to the conclusion and implementation of commercial transactions – bills of lading, consignment note and warehouse warrant. These provisions are quite short-spoken and comparatively few in number.

The special rules in the section on commercial transactions refer to contracts of commercial sale, commercial commission, freight forwarder, commercial bailment, leasing, factoring and franchising. With good reason, the legislature believed that these contracts, which are of major economic importance, require special regulations in the Commercial Law. The list of is not exhaustive. For instance, the Commercial Law does not directly regulate legal transactions such as carriage or construction agreements. These, however, are commercial transactions if they satisfy the requirements referred to in Article 388 and subsequent articles of the KCL in terms of what a commercial transaction is.[18] Regulations concerning commercial transactions can be seen as successful, even though they do have a few small shortcomings. For instance, freight forwarding agreements are regulated in excessive detail, stepping back from the laconic and concrete style of most of the regulations in the section on commercial transactions. The version that took effect on January 1, 2010, wrongly defined the most important commercial transactions of all – a contract of commercial sale. The first sentence of Article 407 paragraph 1 of the KCL said that a contract of commercial sale is one under the auspices of which the seller undertakes to sell goods and the buyer undertakes to buy it and to pay the relevant price. The second sentence in the same article, however, says that goods is a movable object which is meant to be sold and can be legally sold. This suggests that a contract must be seen as a commercial sale on the basis of the objective criterion of the characteristics of the thing that is to be sold. The problem was addressed by the legislature in April 2010, when it supplemented the Article 407 of the KCL with the statement that at least one of the parties in the transaction must be a merchant.[19]

In June 2011, in turn, the Saeima amended the Commercial Law to regulate the reorganisation of commercial companies.[20] The aim was to adapt the law to Directive 2009/109/EC, which sets out requirements related to reports and documentation in the merger and dividing of companies.[21] The purpose of the amendments was to

simplify the reorganisation of companies by reducing the relevant administrative burdens.[22] Mandatory reporting requirements were eased up. The legislature first added Article 343[1] to the Commercial Law with respect to the availability of documents related to a reorganisation. Article 343 of the KCL says that the draft reorganisation agreement, the relevant prospectus, auditor reports, the annual reports of the companies that are involved in the process for the past three years, as well as reports on their economic operations, must be available at the legal address of each company that is involved in the reorganisation so that shareholders can examine them. Article 343[1], for its part, says that a company does not have to provide access to the aforementioned documents at its legal address if they are available on the company's Internet page.

The Commercial Law was also supplemented with Articles 354[1] to 354[5]. These include special rules on taking over a company if the firm that is doing so owns at least 90 per cent of the public shares in that company. The takeover process must be simpler in such cases, because the economic effects of the reorganisation on shareholders and creditors are negligible if the company that is conducting the takeover has largely controlled the target company even before the reorganisation. These special rules say that the decision on the reorganisation must be approved by the boards of both companies. True, shareholders in the company which is conducting the takeover who represent no less than one-twentieth of the company's equity capital have the right to demand a meeting of shareholders to decide on the reorganisation. The right of the board to decide on a reorganisation is an exception in relation Article 343 of the KCL, which says that the decision on reorganisation must be taken by a meeting of shareholders at each company which is involved in the process. Protection of the interests of the company that is being taken over is addressed in Article 354[5], which says that a shareholder who owns no more than 10 per cent of shares in the relevant company has the right to demand during the course of two months after the reorganisation is in place that the company which is taking over buy back his shares.

Very stable in comparison to the Commercial Law has been the Groups of Companies Law (*Koncernu likums* in Latvian) that is a part of Latvia's commercial law system. It regulates mutual influence and dependency among commercial companies. Parliament adopted the Groups of Companies Law on February 23, 2000, or three weeks before approval of the Commercial Law. The Groups of Companies Law took effect on April 27, 2000, and it has been amended only once and to a small degree in March 2006.[23] The amendments replaced several out-of-date concepts from entrepreneurship laws adopted in the 1990s with terminology from the Commercial Law. This applied to issues such as meetings of shareholders, and in place of the concept of a "corporate enterprise," the legislature implemented the term "commercial company"

1.2 Implementation of EU regulations concerning cross-border companies

A country's right to adopt laws which regulate commercial operations is an element of sovereignty, and such laws are justified and necessary. Commercial operations ensure profits for the owners of the relevant companies, but they must also serve the interests of the country and its people. Countries define the meaning of a merchant and the way in which merchants are registered. At the same time, however, business operations have long since moved past the borders of individual countries, and internationalism is a one commercial law principles.[24]

The 27 European Union member states have different levels of economic development, but they also have much in common, starting with the existence of EU treaties. In geographic terms, they are all in the same part of the world. They all belong to Western civilisation and have democratic political systems and market economies. Efforts by entrepreneurs in EU member states to consolidate their economic potential and to launch operations in other member states are logical and understandable. To facilitate such operations in the EU's common market, the Council of the European Union has issued regulations to create a legal framework for cross-border companies. Latvia's legislature has approved special laws on the operations of such companies in Latvia.

The most important cross-border company in the EU is the so-called European Company (*Societas Europaea, or SE*). On October 8, 2011, the Council of the European Union approved Regulation 2157/2001 on the statutes of an SE.[25] It is a public limited liability company that is registered in a member state, has equity capital of at least EUR 120,000, and has a legal address which can freely be transferred to another member state without suspending operations or establishing a new company in another member states. The legal address of a European company must be in the same member state as its main headquarters. Although the terms of regulations are to be implemented directly in member states, this one is more like a directive in that it leaves a number of relevant issues up to member states.[26] On March 10, 2005, Latvia's parliament approved a European Companies Law, and it took effect on April 7 of the same year. Article 2 paragraph 1 says that European companies must accept normative acts which relate to public limited liability companies and Commercial Register insofar as Regulation 2157/2001 or the law on European companies does not state otherwise.

In comparison to the structure of public limited liability companies that are regulated by the Commercial Law in Latvia, the specific nature of the European company is that in addition to a meeting of shareholders, it can have a management system at two levels or even just one level. Article 12 paragraph 1 of the Law on European Companies says that a two-level management system can involve a board to run operations and a council to oversee them. Article 13 paragraph 1, however, permits a one-level management system with only a board. Another innovation is that Regulation 2157/2001 and the law on the European company both require employees to be involved in the taking of decisions at the relevant enterprise. Here it must be noted that on January 21, 2010, Parliament approved a law on involving employees in the taking of decisions at the European company, the European cooperative society, and the cross-border merger of limited liability companies.

Regulation 2157/2001 and the related European Companies Law make the establishment of a *Societas Europaea* in Latvia quite complex.[27] Obstacles include substantial amounts of equity capital and the demand to involve employees in the taking of decisions at the relevant company – something that is atypical in Latvia. More advantageous in expanding cross-border commercial operations is not the establishment of a European company, but instead the cross-border merger of commercial companies. As of April 2012, the Latvian Register of Enterprises had registered only five European companies.[28] In the EU as such, the number of *Societas Europaea* enterprises has increased quite slowly, though the process has gradually sped up from year to year. In 2010, the European Commission reported on approximately 650 registered companies.[29]

Of lesser importance in commercial operations are European co-operative societies (*Societas Cooperativa Europae*) and the European Economic Interest Grouping. On July 22, 2003, the Council of the European Union approved Regulation 1435/2003 on the statutes of a European co-operative society (SCE).[30] The main goal of an SCE is not to earn profits, but instead to support the economic and social needs of its members. To introduce the regulation into Latvian law, the legislature voted on October 26, 2006, to accept a Law on European Co-operative Societies. Founders must come from at least two EU member states, and equity capital must amount to at least EUR 30,000. The legal address of an SCE can be transferred to another member state without its liquidation or the establishment of a new society.

The legal framework for the European Economic Interest Grouping, in turn, is Regulation 2137/85 from the Council of the European Union (July 25, 1985) on that subject. Latvia's Parliament adopted the relevant law on April 17, 2004, and it took effect on July 21 of the same year. The goal of the EEIG is to facilitate partnerships among small and medium companies in various EU member states, doing so under the auspices of the common market. From the perspective of company law, an EEIG is a general partnership with a management structure that is similar to the board of a private limited liability company. An EEIG is subject to the law but is not a legal entity. It is essentially an organisation which helps its members in that its goal, again, is to support the economic activities of members, as opposed to earning a profit for itself.

2 Commercial law and the economic crisis

The duty for commercial law is to simplify and speed up economic activity, and that is of equal importance during periods of economic growth and during a crisis. Latvia experienced economic decline in late 2008, and due to unfavourable circumstances, the crisis proved to be worse in Latvia than in most other countries of the EU. It turned out that our commercial law fulfilled their functions at a good level during the new economic situation. Economic difficulties spurred the legislature to amend the Commercial Law in ways that perhaps would not have occurred if the crisis had not begun. For that reason, it is worth evaluating these changes separately, separating them from amendments that have been made as the Commercial Law has evolved over the course of time. In 2010, Parliament amended Commercial Law provisions on the equity capital of private limited liability companies, and in 2011 the law was supplemented with new regulations on the disclosure of the true beneficiary of limited liability companies.

Amendments approved on April 15, 2010,[31] altered previous special regulations related to the equity capital of private limited liability companies, as defined in Article 185^1 of the KCL. The law said that the equity capital of a limited liability company could be below the level of LVL 2,000 that is enshrined in Article 185 of the KCL if the company has been founded by no more than five individuals, there are no more than five individual shareholders, the board of the company has one or more members, all of whom are shareholders, and each shareholder is a shareholder in only one company which has equity capital below the level specified in Article 185. Accordingly, such a company could have equity capital of no more than LVL 1. These are known as "small" private limited liability companies, and this represents a substantial modification of the definition of such companies.[32] The aim of the law was to facilitate the establishment of new companies so as to stimulate economic

development, increase the availability of goods and services, increase employment numbers, and allow more people to earn a living.[33] It is difficult at this time to know how real and sustainable are the economic contributions of private limited liability companies with reduced equity capital, though a great many companies of this type have been registered in recent years (20,557 since May 2010, according to the Latvian Register of Enterprises).[34]

Atypical in the world of commercial law is Article 17^1 of the KCL, which regulates the duty of shareholders in limited liabilty companies to disclose the true beneficiaries of the relevant company, as well as the duty of the Register of Enterprises as the commercial register institution to store such information. These new rules were adopted in July 2011.[35] The need to disclose true beneficiaries is based only on a recommendation from the International Monetary Fund in 2006, after the IMF evaluated Latvia's legal system.[36] According to Article 17^1 paragraph 1, a shareholder in a limited liability company who is an individual is seen as the true beneficiary of the company unless someone else is seen as the true beneficiary in accordance with Latvian laws aimed at preventing money laundering and terrorism. Article 17^1 paragraph 2 of the KCL states that a shareholder who controls shares in his name, but actually on behalf of someone else, must report any acquirement of 25 per cent or more of shares to the company within 14 days' time, stating the person on whose behalf the shares are being held. Article 17^1 paragraph 3 of the KCL, in turn, says that a shareholder which is not an individual and controls at least 25 per cent of the limited liability company that has not been established in accordance with the laws of EU member states, must submit a report to the company in 14 days' time about persons who are founders or shareholders of the shareholder, and are receiving benefits from the existence of the shareholder at the time when the report is submitted. The limited liability company, in turn, is obliged by law to forward the information related to the aforementioned reports to the Commercial Register. The obvious goal here is to identify people who do not want to be identified as shareholders in companies. From the perspective of private law, fiduciary and trust relationships are legitimate civil relationships. If the legislature believes that "true beneficiaries" may have hostile intent which leads them to avoid identification, then it is not the Commercial Law, but instead the Law on Prevention of Money Laundering and Terrorism Financing that must be amended. Article 17^1 is a misplaced addition to the Commercial Law.

3 Future prospects for commercial law in Latvia

Implementation of the Commercial Law has always been successful, both because it has helped to enhance commercial activity and because its structure is optimal. It can be expected that implementation of the law will not create any major complications in future, either. It is still a fairly new law in that only 10 years have passed since its approval. Section D, which speaks to commercial transactions, is only two years old. The main focus now must be on qualitative improvements to commercial law. Inter alia, that can be achieved by developing supplementary sources such as court jurisprudence and legal research in the field of commercial law. Expansion of jurisprudence of the courts and the writing of new scholarly papers will facilitate correct understandings about how the provisions of commercial law are to be applied.

The Commercial Law consists of a complex system of legal provisions. If there is a need for amendments, then the changes must be carefully considered and truly

necessary. The Commercial Law can be improved only through gradual evolution, with care being taken not to mess up the system of the law and avoiding the adoption of norms which are atypical to commercial law. One can predict that as has been the case in the past, amendments to the Commercial Law will largely relate to commercial companies.

Back when the Commercial Law was adopted, thought was given to supplementing it with regulations for groups of companies. The legislature did not do so because, as noted above, the Groups of Companies Law was adopted before the Commercial Law. On second and third reading of the Commercial Law, sections on groups of companies and commercial pledge were removed from the draft Commercial Law. Rules about commercial pledges, indeed, are not appropriate for the Commercial Law in that commercial pledge is a collateral that is available not just to merchants, but also to other individuals. Integration of rules related to groups of companies into the Commercial Law, in turn, could be desirable from the perspective of the system of commercial law. Legal regulations of groups of companies are directly linked to commercial law, because they address situations in which a dominant company is of decisive influence in the dependent company. It can be expected that the Commercial Law will be supplemented with a new Section E on groups of companies. That will return the law to its initially intended shape. It is expected that rules in the new section will not, in general terms, be different than those which are currently in the Groups of Companies Law.

It must be added here that the Latvian legislature has never adopted a law about trade work which is harmonised with the Commercial Law. Trade work is any paid independent work done by entrepreneurs who are not merchants. Article 1 of the KCL says that commercial activity is a form of economic activity. Article 3 paragraph 4 of the KCL says that the Commercial Law does not apply to agricultural production and other trade work done by individuals and regulated by other laws, provided that the relevant individual is not registered in the Commercial Register as an individual merchant. Although the Commercial Law does not apply to non-merchants, in a broader sense it can be said that commercial law, as a branch of the law, also relates to trade work. At this time the area is still regulated by the outdated Law on Individual (Family) Enterprises, Farms and Individual Work adopted in 1992. It is out of line with the economic operations system that is addressed in the Commercial Law. There were plans during the first few years after the adoption of the Commercial Law to adopt a separate law on trade work. The government prepared a draft Law on the Economic Activities of Individuals, but nothing more was done. Adoption of such a law remains a task for the legislature in future.

Summary

Modern commercial law appeared in Latvia during the period of independence between the two world wars, and the doctrine which existed at that time was related to a successful melding of national laws with those of Western Europe and particularly Germany. The continuity of commercial law has been maintained since the restoration of the country's independence. The pre-war doctrine on commercial law continues to influence this area even today. Since the restoration of independence, commercial law has risen to a hew level of quality in terms of its development specifically because the Commercial Law was adopted in 2000. Latvia's accession to the European Union in 2004 offered a substantial stimulus and new point of reference

for improving commercial laws. Prior to access, Latvia had nearly completed harmonisation of its commercial laws with the norms of the EU.

Since 2004, the legislature has amended the Commercial Law quite often, and many of those amendments have related to commercial companies so as to satisfy the requirements of EU directives. The most substantial amendment since Latvia's accession to the EU has been the addition of Section D on commercial transactions in 2008. There have also been changes to relevant regulations outside of the Commercial Law. Parliament has approved several laws to ensure the work of cross-border commercial companies, particularly European Companies (Societas Europaea) in Latvia. The Commercial Law must be seen as a success story, but as it has been implemented, certain improvements have become evident over the course of time. It is likely that the Commercial Law will be supplemented with Section E on groups of companies. The norms related to groups of companies are in a separate law at this time. This means that the Commercial Law will return to its initially intended shape and structure.

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[7] *Latvijas Vēstnesis*, No. 90, 2008.

[8] *Latvijas Vēstnesis*, No. 74, 2008.

[9] Directive 2003/58/EC of the European Parliament and of the Council of 15 July 2003 amending Council Directive 68/151/EEC, as regards disclosure requirements in respect of certain types of companies. *Official Journal,* L 221, 4 September 2003.

[10] Second Council Directive 77/91/EEC of 13 December 1976 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent.

[11] *Strupišs, A.* Komerclikuma komentāri III. B. daļa. Komersanti. XI sadaļa. Kapitālsabiedrības (134.–184. panti) (Commentary on the Commercial Law III. Section B: Merchants. Chapter XI: Limited Liability Companies (Articles 134–184). Rīga: A. Strupišs Law Firm, 2003, Para. 87.2.

[12] See *Nikuļceva, I.* Māklera tiesiskā regulējuma problemātika (Aspects of Legal Regulations for Brokers). *Jurista Vārds*, No. 21, 22 May 2007, pp. 1–3.

[13] Directive 2005/56/EC of the European Parliament of the Council of 26 October 2005 on cross-border mergers of limited liability companies. *Official Journal*, L 310, 25 November 2005.

[14] For commentary on the amendments. Available: *http://titania.saeima.lv/LIVS/SaeimaLIVS.nsf/0/993A1EDB562F253FC225739200382E1E?OpenDocument* [last viewed 18.04.2012].

[15] *Latvijas Vēstnesis*, No. 2, 2009.

[16] *Latvijas Vēstnesis*, No. 184, 2005.

[17] *Lošmanis, A.* Jaunais Latvijas Komerclikums (The New Commercial Law of Latvia). In Tiesību transformācijas problēmas sakarā ar integrāciju Eiropas Savienībā (Problems in the Transformation of Laws in Relation to Integration Into the European Union). Rīga: University of Latvia Faculty of Law, 2002, p. 303.

[18] *Balodis, K.* Jaunais komercdarījumu regulējums un tā piemērošana (New Regulations for Commercial Transactions and Application of Same). *Jurista Vārds*, No. 21, 26 May 2009, p. 2.

[19] *Latvijas Vēstnesis*, No. 68, 2010.

[20] *Latvijas Vēstnesis*, No. 99, 2011.

[21] Directive 2009/109/EC of the European Parliament and of the Council of 16 September 2009 amending Council Directives 77/91/EEC, 78/855/EEC and 82/891/EEC and Directive 2005/56/EC as regards reporting and documentation requirements in the case of mergers and divisions.

[22] For the amendments to the Commercial Law. *Latvijas Vēstnesis*, No. 99, 2011.

[23] For the amendments, see *Latvijas Vēstnesis*, No. 53, 2006.

[24] *Lošmanis, A.* Jaunais Latvijas…, *op. cit.*, p. 34.

[25] Council Regulation 2157/2001 on the statutes for a European company (SE), 8 October 2001. *Official Journal*, L 294, 10 November 2011.

[26] *Nikuļceva, I.* Eiropas komercsabiedrība (The European Company). *Likums un Tiesības*, No. 108, 2008, p. 252.

[27] See *Balodis, K.* The Latvian Legal Framework for a European Company (Societas Europaea): Trends and Perspectives in the Development of Contemporary Civil Law. Vilnius: Justitia, 2007, p. 142. See also *Nikuļceva, I.* Eiropas..., *op. cit*., p. 255.

[28] This includes registered and re-registered companies and their branches. Available: *http://www.ur.gov.lv/statistika.html?a=1099* [last viewed 24.04.2012].

[29] Company Law: Commission Presents Report on how the European Company Statute Works for Business. European Commission press release, 19 November 2010. Available: *http://europa.eu/*

rapid/pressReleasesAction.do?reeference=AP/101531&format=HTML&aged=0&language=EN&gui Language=en [last viewed 24.04.2012].

[30] Council Regulation (EC) No. 1435/2003 of 22 July 2003 on the Statute for a European Co-operative Society (SCE). *Official Journal*, L 207, 18 August 2003.

[31] *Latvijas Vēstnesis*, No. 68, 2010.

[32] See *Bule, Z.* Mazā sabiedrība ar ierobežotu atbildību (A Small Private Limited Liability Company). *Jurista Vārds*, No. 33, 17 July 2010, p. 16.

[33] Annotation to the amendments. Available: *http://titania.saeima.lv/LIVS/SaeimaLIVS.nsf/0/DD33E D1BEB7574B2C225768900412838?OpenDocument* [last viewed 25.04.2012].

[34] For more on the registration of such limited liability companies, see *http://www.ur.gov.lv/statistika. html?a=1140* [last viewed 25.04.2012].

[35] *Latvijas Vēstnesis*, No. 107, 2011.

[36] Annotation to the amendments, *op. cit.* [Note 34].