

Enhancing Modernization and Transparency of Joint Stock Companies Through Commercial Law Amendments

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Effective from July 1, 2023, revisions to the Commercial Law have come into effect. These revisions encompass changes to regulations concerning shares and the payment of share capital. Additionally, they introduce new requirements for information to be included in the commercial register and the submission of related documents. The adopted amendments desire to modernize the operation of joint-stock companies, while at the same time making it more transparent. Now, not only will joint stock companies be obliged to submit their registered list of participants to the Register of Enterprises, but they must choose one type of shares held by the company. In addition, amendments also affect access to information, organization of the meeting of shareholders, circulation of documents, and other aspects of joint-stock companies.

At the onset of the COVID-19 pandemic, several modifications were implemented in the Commercial Law to introduce remote member meetings. Concurrently, there remained a set of regulations more tailored to in-person gatherings and the distribution of paper documents. To modernize the organization of member meetings, streamline the process, and reduce costs, legislators revised the Commercial Law. Firstly, the deadline for convening meetings has been shortened from the previous 30 days to the current 21 days. Secondly, the amendments significantly alter the procedure for providing meeting documents to participants, placing greater emphasis on making these documents available in electronic format. Thirdly, the detailed procedures for shareholders of listed companies to participate in shaping the meeting agenda, previously governed by the Financial Instruments Market Law, have now been integrated into the Commercial Law. Overall, these changes aim to simplify and modernize the organization and proceedings of meetings.

For many years, the Commercial Law categorized shares into two types: name shares, which required registration in the shareholder register, and bearer shares, which needed to be held in the central securities depository. Following the amendments, their nomenclature has been updated.

Name shares will now be referred to as registered shares, while bearer shares will be known as dematerialized shares. This change does not alter the existing principle regarding where these shares must be recorded or documented.

Previously, the Commercial Law stipulated a form requirement: registered shares could exist in either paper or dematerialized form, while bearer shares were limited to dematerialized form. However, recognizing that the practical reality did not always align with this legal provision, the legislature decided to eliminate this requirement. Henceforth, companies are no longer obligated to specify the form in which shares exist in their articles of association. It is essential only to indicate the type of shares in existence. Furthermore, starting with these amendments, dematerialized shares will be required to be registered in the centralized securities depository, and shareholders will have the right to transfer them to their financial instruments account. Also, before the amendments, the Commercial Law allowed joint-stock companies to issue both types of shares simultaneously. However, under the new regulations, a joint-stock company is now required to choose one type of shares, and the share accounting must be centralized. At the same time, the legislator has maintained the company's autonomy to decide which type of shares they wish to utilize, a choice that can be made during the company's formation or at a later time. In summary, unlike the previous option to convert only a portion of the shares, such a choice will henceforth result in the conversion of all shares.

Additional modifications pertain to joint-stock companies and their requirement to provide shareholder information. While limited-liability companies were required to provide their participant register to the Register of Enterprises, stock companies were previously exempt from this obligation, maintaining internal management of their shareholder list. Recognizing the transparency issues and restricted access to information inherent in this approach, lawmakers concluded



that a change was imperative. As of July 1, 2023, the submission of shareholder information to the Register of Enterprises became obligatory.

The Commercial Law grants shareholders the right to access the shareholder register. Nevertheless, shareholders have not had the right to obtain information about the holders of dematerialized shares, which has been considered a significant shortcoming in the Commercial Law. These amendments now stipulate that other shareholders will be permitted to obtain such information to exercise their collective shareholder rights. As this information may contain personal data, there are restrictions on how long it can be retained.

Source:

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