

New Regulation: Management of Seized Company Shares

Ministry of Justice has drafted and submitted legislative bills to the Saeima for amendments to the Criminal Procedure Act and the Act on Execution of Seizure of Proceeds from Crime. These amendments aim to establish a framework for managing a shareholding in private limited companies or public limited companies (hereafter, the shares) seized during criminal proceedings. The need for this legal framework has been identified due to the seizure of company shares in several criminal cases, albeit a continuous lack of a clear legal framework for further handling of such shares.

The purpose of the legislative bills is to ensure management of the seized shares and prevent situations where they might forfeit their value, thereby reducing the possibility of compensating victims for damages or returning the shares to their lawful owners once the seizure is lifted. Additionally, this initiative is important in order to enable companies to continue their economic activities during the period of seizure.

The bills propose vesting powers in the prosecuting authority to decide on the need to manage the seized shares. These shares would be handed over to a state-appointed trustee, which, as currently indicated, could be SIA Publisko aktīvu pārvaldītājs Possessor. Such trustee would assume all rights of a shareholder, except for the right to dividends. The trustee's duty would be to act in a way that preserves the value of the shares.

Key benefits of the said legislative bills:

- Protection of seized shares: Preventing situations where seized assets are mismanaged or forfeit their value during prolonged legal proceedings.
- Safeguarding of victims' interests: Preserved and managed assets will facilitate more effective compensation for victims and coverage of procedural expenses.
- State and corporate interests: Companies where shares are seized will be able to continue their business operation, ensuring employment and economic stability, and contributing to the national economy.

Not all shares will qualify for trusteeship under this legal framework. For instance, trusteeship will not be applied to companies established or used for illegal purposes, companies that do not engage in genuine economic activities, companies with a share capital below the legally required minimum, or companies declared insolvent or undergoing forced liquidation.

The bills are currently under review at the Saeima, pending their first reading. However, they have already sparked heated debates, including concerns about potential risks of corporate raiding.



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