

Estonia

“Attracting investors and Estonian Airlines’ future”

The first half of the year in Estonian M&A “stayed fairly active,” Marina Tolmatshova, Partner at Cobalt, says, though she points out that the deals closing, both in terms of value and volume, were not as many as in the previous year. The main thing that has Estonian lawyers excited is the interest expressed by investors, primarily from Scandinavian countries and Poland.

In terms of recent legislation, the new Commercial Code amendments were passed earlier in the year and came into effect on July 1, bringing increased flexibility (e.g., convertible bonds and different classes of shares are now possible for private limited companies) and transparency for potential investors, particularly in the start-up scene, according to Tolmatshova. The Cobalt Partner explains that the general hope is that these changes will make the jurisdiction substantially more attractive.

At the same time, Tolmatshova says, the Estonian legal community is buzzing over the “extensive work going into establishing and developing a new Investment Act meant to increase investment attractiveness – essentially driven by the Alternative Investment Fund Directive’s implementation.” Tolmatshova explains that this primarily aims to introduce new and more flexible types of investment funds and collective investment structures – such as those common in Luxembourg or the Netherlands.

The last noteworthy point on the agenda has a bit of a political flavor. Specifically, the National Airline of Estonia is “undergoing difficulties” and is expecting a final decision from the EU as to whether the loans and equity injections from the state constitute unfair state aid. The future of the airline has been discussed for the last three years, but now that an EU decision is expected in early fall, it has once again been pushed up the agenda.



Lithuania

“Trending in Lithuania”

While there have not been any major legislative updates in Lithuania in the last couple of months, according to Zilvinas Zinkevicius, Partner with Valiunas Ellex, several interesting trends have started to surface in the country. The first identified by Zinkevicius exists in the M&A market, where more and more investments are done using collective investment undertakings. “There are several likely reasons for this, Zinkevicius explains, “but it basically comes down to it being a good instrument to raise funds.”

The other trend relates to litigation, in which more and more cases have appeared that involve professional liability issues for auditors, construction designers, and fund managers. While the source of the trend is unclear in Zinkevicius’ view, clients, he says, do seem to be increasingly aware of professional advisors’ duties.

Also in the litigation world, another trend relates to cases involving piercing of the corporate veil. The Valiunas Ellex Partner explains that while many companies in Lithuania are limited liability companies, some claimants are trying to employ this strategy because in many cases there are simply not enough assets to be recovered otherwise.

In terms of the legal market itself, the recent Ellex/Cobalt alliance reshuffling remains the major talking point in Lithuania and the region. Apart from that, Zinkevicius points to the relatively old trend of the claims by the Big Four that they are strengthening their legal teams in Lithuania. Aside from tax advisory, Zinkevicius feels that this remains more at the level of declarations than anything else.

Latvia

“No pinch felt in Latvia”

The geopolitical issues of Ukraine and Greece are at the top of the list in terms of discussion points in Latvia, but Filip Klavins, Managing Partner of Klavins Ellex, reports that the country has yet to feel a significant pinch from either. Last year, he explains, Latvian business took a hit because of Ukraine, but the impact is felt considerably less now (with the small exception of some local producers who were focused on Russian exports and are now re-orienting towards Western clients).

At the same time, Latvia seems determined to get up to speed in terms of its NATO obligations with regards to GDP percentage dedicated to military spending, which will likely create more defense contract work in the country – something that Klavins says is reflected across the Baltics. “Even if it will come down to simple hardware purchases, it’s going to be good work next year,” he says.

Klavins also points towards projected market consolidations in some key industries such as timber and food product as well as new procurement work as a pipeline of work that has the market excited at the moment.

One last hot topic among lawyers in Latvia that the Klavins Ellex Managing Partner identifies are the ongoing discussions related to the actual legal form of law firms. He explains that Latvian firms are “not exactly a limited partnership or a limited liability company,” but rather a peculiar form created by special law. There is a concrete movement for a modernizing “mini-revolution” within the Bar, Klavins claims, and it has stirred a heated debate over potentially allowing firms to become LLPs and/or LLCs. The timeline and likelihood of this is still uncertain, as well as how taxing the profession will work as a result, but discussions are progressing gradually within the Latvian Bar Association, with the Ministry of Justice and tax revenue service being eager to push them along.