Article 334. The Concept and the Grounds for the Pledge to Arise

1. By force of the law, the creditor by the obligation, guaranteed against by the pledge (the pledgee), shall have the right of priority before the other creditors of the person, to whom this property belongs (the pledger), in the case of the debtor's non-discharge of this obligation, to be satisfied from the cost of the pledged property after the deductions, established by the law.

According to the Merchant Shipping Code of the Russian Federation No. 81-FZ of April 30, 1999 claims secured by maritime mortgage shall be subject to prior satisfaction to the claims following from the liabilities secured by the registered mortgage on the ship

The pledgee shall have the right to receive, on the same principle, satisfaction from the insurance compensation for the loss or for the damage of the pledged property, regardless of the fact, in whose favour it has been insured, unless the loss or the damage has taken place for the reasons, for which the pledgee shall be answerable.

2. The pledge of the land plots, the enterprises, the buildings, the structures, the flats and of the other immovable property (the mortgage) shall be regulated by the Law on the Mortgage. The general rules on the pledge, contained in the present Code, shall be applied to the mortgage in the cases, for which no other rules have been laid down by the present Code or by the Law on the Mortgage.

3. The pledge shall arise by force of an agreement. It shall also arise on the ground of the law in the case, when the circumstances, indicated in it, occur, if the law has stipulated, what kind of the property and for securing against the discharge of what kind of obligation shall be recognised as that in pledge.

The rules of the present Code on the pledge, arising by force of an agreement, shall be correspondingly applied to the pledge, arising on the ground of the law, unless otherwise stipulated by the law.

On the pledge of agricultural products, raw materials and foodstuffs see Federal Law No. 100-FZ of July 14, 1997

Article 335. The Pledger

1. Both the debtor himself and the third person may come out in the capacity of the pledger.
2. The pledger of the thing may be its owner or the person, having with respect to it the right of economic management.

The person, to whom the thing belongs by the right of economic management, shall have the right to pawn it without the consent of the owner in the cases, stipulated by Item 2 of Article 295 of the present Code.

3. The pledger of the right may be the person, to whom the pledged right belongs.

The pledge of the right of lease or of the other right to the other person's thing shall not be admitted without the consent of its owner or of the person, to whom the right of its economic management belongs, if by the law or by the agreement the alienation of this right without the consent of the said persons has been prohibited.

**Article 336. The Object of Pledge**

1. The object of pledge shall be any property, including the things and the property rights (the claims), with the exception of the property, withdrawn from the circulation, of the claims, inseparably linked with the creditor's personality, in particular, the claims for the alimony, for the compensation for the harm, inflicted to the life or to the health, and of the other rights, whose ceding to the other persons is prohibited by the law.

2. The pledge of the individual kinds of property, in particular, of the property of the citizens, onto which no penalty shall be turned, may be prohibited or restricted by the law.

**Article 337. The Claim, Secured Against by the Pledge**

Unless otherwise stipulated by the agreement, the pledge shall secure the claim in the volume, which it possesses by the moment of its satisfaction, in particular, the interest, the forfeit, the compensation of the losses, caused by the delay in the discharge, and also the compensation of the necessary outlays, made by the pledgee for keeping the pledged thing, as well as the expenses, involved in the exaction.

**Article 338. The Pledge Without and With the Transfer of the Pledged Property to the Pledgee**

1. The pledged property shall remain in the custody of the pledger, unless otherwise stipulated by the agreement.

The property, on which the mortgage has been imposed, and also the pawned commodities, which are in circulation, shall not be transferred to the pledgee.
2. The object of pledge may be left with the pledger under the lock and seal of the pledgee. The object of pledge may be left with the pledger with putting upon it the signs, testifying to the pledge (the firm pledge).

3. The object of pledge, transferred by the pledger into a temporary possession or use to the third person, shall be regarded as left with the pledger.

4. In the pledge of the property right, certified by the security, the latter shall be transferred to the pledgee or given into the notary's deposit, unless otherwise stipulated by the agreement.

Article 339. The Contract on the Pledge, Its Form and Registration

1. Indicated in the contract on the pledge shall be the object of pledge and its estimate, substance and amount, and the term of discharging the obligation, secured against by the pledge. It shall also contain the indication, in the custody of which party the pledged property is.


2. The agreement on the pledge shall be made out in written form.

The agreement on the mortgage, as well as the contract on the pledge of the movable property or of the rights to this property as the security against the obligations by the contract, which shall be notarially certified, shall be subject to the notary's certification.

3. The agreement on the mortgage shall be registered in conformity with the procedure, laid down for the registration of the deals with the corresponding property.


4. The non-observance of the rules, contained in Items 2 and 3 of the present Article, shall entail the invalidity of the agreement on the pledge.

Article 340. The Property, to which the Pledgee's Rights Shall Be Extended

1. The rights of the pledgee (the right of pledge) to the thing, which is the object of pledge, shall be extended to its accessories, unless otherwise stipulated by the agreement. To the fruits, products and incomes, obtained as a result of the use of the pledged property, the right of pledge shall be extended in the law-stipulated cases.

2. In the mortgage of an enterprise or of another property complex as a whole, the right of pledge shall be extended to all the property, included into its composition, both movable and immovable, including the right of claim and the exclusive rights, among them those that have been acquired during the period of the mortgage, unless otherwise stipulated by the law or by the agreement.
3. The mortgage of a building or of a structure shall be admitted only with the simultaneous 
mortgage by the same contract of the land plot, on which this building or this structure stands, 
or of the part of this land plot, functionally providing for the mortgaged object, or of the right of 
the lease of this land plot or of the corresponding part thereof, belonging to the pledger. 
On peculiar features of mortgage of enterprises, buildings and constructions see Chapter XII of 
Federal Law No. 102-FZ of July 16, 1998

4. In the mortgage of the land plot, the right of mortgage shall not be extended to the buildings and 
the structures, which have been, or are being constructed on the given land plot by the 
mortgager, unless otherwise stipulated by the contract. 
In the absence of the relevant term in the contract, in case the penalty is turned onto the 
mortgaged land plot, the mortgager shall retain the right to a limited use (the servitude) of that 
part of the plot, which is necessary for the use of the building or of the structure in conformity 
with their intended purpose. The terms for the use of this part of the land plot shall be defined 
by the agreement, concluded between the mortgager and the mortgagee, and in case a dispute 
arises - by the court.

5. If the mortgage has been established over the land plot, where the buildings or the structures are 
situated, which belong not to the mortgager, but to another person, in case the mortgagee turns 
the penalty onto this plot and it is sold at an open auction, the rights and duties, possessed with 
respect to this person by the mortgager, shall pass to the acquirer of the land plot. 
On peculiar features of mortgage of land plots see Chapter XI of Federal Law No. 102-FZ of 
July 16, 1998

6. The contract on the pledge, and with respect to the pledge, arising on the ground of the law - the 
law, may stipulate the pledge of the things and of the property rights, which the pledger will 
acquire in the future.

**Article 341. Arising of the Right of Pledge**

1. The right of pledge shall arise from the moment of concluding the contract of pledge, and with 
respect to the pledge of the property, subject to the transfer to the pledgee - from the moment of 
the transfer of this property, unless otherwise stipulated by the contract of pledge.

2. The right of pledge for the commodities in circulation shall arise in conformity with the rules of 
Item 2 of Article 357 of the present Code.

**Article 342. The Subsequent Pledge**
1. If the property in pledge becomes the object of yet another pledge as a security against other claims (the subsequent pledge), the claims of the subsequent pledgee shall be satisfied from the cost of this property after the claims of the previous pledgees.

2. The subsequent pledge shall be admitted, unless it is prohibited by the previous contracts of pledge.

3. The pledger shall be obliged to supply information on all the existing pledges of the given property, stipulated by Item 1 of Article 339 of the present Code, to every one of the subsequent pledgees, and shall be answerable for the losses, caused to the pledgees by his non-discharge of this obligation.

Article 343. The Content and the Security of the Pledged Property

1. The pledger or the pledgee, depending on in whose custody the pledged property is (Article 338), shall be obliged, unless otherwise stipulated by the law or by the contract:
   - to insure at the expense of the pledger the pledged property in its full cost against the risks of the loss and damage, and if the full cost of the property exceeds the amount of the claim, secured against by the pledge - for the amount not less than that of the claim;
   - to take measures, necessary to guarantee the security of the pledged property, including those involved in its protection against the encroachments and claims on the part of the third persons;
   - to immediately notify the other party about the arising of a threat of the loss or the damage of the pledged property.

2. The pledgee and the pledger shall both have the right to check by the documents and by the fact upon the existence, the quantity, the state and the storage conditions of the pledged property, which is in the custody of the other party.

3. In case of a crude violation by the pledgee of the obligations, indicated in Item 1 of the present Article, which creates a threat of the loss or the damage of the pledged property, the pledger shall have the right to demand that the pledge be terminated in advance.

Article 344. The Consequences of the Loss or the Damage of the Pledged Property

1. The pledger shall take the risks of an accidental perish or an accidental damage of the pledged property, unless otherwise stipulated by the contract of pledge.

2. The pledgee shall be answerable for the full or the partial loss or damage of the object of pledge, transferred to him, unless he proves that he may be relieved of the responsibility in conformity
with Article 401 of the present Code. The pledgee shall be answerable for the loss of the object of pledge in the amount of its actual cost, and for its damage - in the amount of the sum, by which this cost has been reduced, regardless of the sum, by which the object of pledge was estimated at the moment of its transfer to the pledgee. If as a result of the damage of the object of pledge it has changed so much that it cannot be any more used for its intended purpose, the pledger shall have the right to reject it and to claim the compensation for its loss.

The contract may also stipulate the pledgee's obligation to recompense to the pledger the other losses, inflicted upon him by the loss or the damage of the object of pledge. The pledger, who is the debtor by the obligation, secured against by the pledge, shall have the right to offset his claim against the pledgee for the compensation of the losses, caused to him by the loss or by the damage of the object of pledge, when discharging the obligation, secured against by the pledge.

Article 345. The Replacement and Restoration of the Object of Pledge
1. The replacement of the object of pledge shall be admitted with the consent of the pledgee, unless otherwise stipulated by the law or by the contract.
2. If the object of pledge has perished or has been damaged, or if the right of ownership to it or the right of its economic management has been terminated on the grounds, established by the law, the pledger shall have the right to restore the object of pledge or to replace it with the other property of an equal value within a reasonable term, unless otherwise stipulated by the contract.

Article 346. The Use and Disposal of the Object of Pledge
1. The pledger shall have the right, unless otherwise stipulated by the contract or following from the substance of the pledge, to use the object of pledge in conformity with its intended purpose, including deriving from it the fruits and incomes.
2. Unless otherwise stipulated by the law or by the contract or following from the substance of the pledge, the pledger shall have the right to alienate the object of pledge, to give it in rent or into a gratuitous use to another person, or to dispose of it in any other way with the pledgee's consent. An agreement, restricting the pledger's right to bequeath the pledged property, shall be insignificant.
3. The pledgee shall have the right to use the object of pledge, put into his custody, only in the cases, stipulated by the contract, and shall regularly present a report on its use to the pledger. By
the contract, upon the pledgee may be imposed the duty to derive the fruits and incomes from the object of pledge for the purpose of discharging the principal obligation or in the interest of the pledger.

**Article 347. The Pledgee's Protection of His Rights to the Object of Pledge**

1. The pledgee, in whose custody the pledged property is or should have been, shall have the right to claim it from the other person's illegal possession, including from that of the pledger (Articles 301, 302 and 305).

2. In the cases, when by the terms of the contract the pledgee has been granted the right to use the object of pledge, transferred to him, he may demand from the other persons, including from the pledger, that all violations of his right be removed, even though these violations have not been connected with the deprivation of the possession (Articles 304 and 305).

**Article 348. The Grounds for Turning the Penalty onto the Pledged Property**

1. The penalty may be turned onto the pledged property in order to satisfy the pledgee's (the creditor's) claims in case of the non-discharge or of an improper discharge by the debtor of the obligation, secured against by the pledge, because of the circumstances, for which he is answerable.

2. The claim for turning the penalty onto the pledged property may be rejected, if the violation, committed by the debtor with respect to the obligation, secured against by the pledge, is utterly insignificant, and for this reason, the amount of the pledger's claims is obviously out of all proportion with the cost of the pledged property.