

Latvia

Law on Commercial Pledge

(adopted on 11 November 1998; entered into force on 1 March 1999, subsequently amended)

An initial English translation of this law was generously provided by the Latvian Translation and Terminology Centre, and was since amended.

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Article 1 - Terms used in this Law.

The following terms shall be used for the purposes of this Law:

1. Commercial Pledge Register – a database on commercial pledges;
2. Holder of the Commercial Pledge Register – the Enterprise Register of the Republic of Latvia which shall maintain the Commercial Pledge Register and shall ensure its accessibility to the public;
3. Movable items subject to registration – land transport vehicles, aircraft and animals and herds to be registered with the national unified animal and herd register.
4. Holder of the register of movable items (register of title) – an institution which shall perform the function of registering movable items which are subject to registration.

Article 2 - Commercial Pledge

1. The commercial pledge shall be the pledge right which has been registered with the Pledge Register in accordance with the procedure prescribed by this Law.
2. *Excluded according to the law of 20.12.99 effective as of 24.01.2000.*
3. General provisions on the pledge right prescribed by the Civil Code shall apply to the commercial pledge if not provided otherwise by the present Law.

Article 3 - Object of the Commercial Pledge

1. The object of the commercial pledge may be:
 - 1) a movable tangible or intangible thing which belongs to a legal person engaged in business ("enterprise" or "business company");
 - 2) a pool of things mentioned in Item 1;
 - 3) the complete assets of an enterprise.
2. Movable items subject to registration as well as an enterprise as a pool of things; capital shares of an enterprise; shares, stocks of a closed issue; and bonds of a closed issue may be the object of the commercial pledge irrespective of the ownership of the above things.
3. The commercial pledge where the object is a pool of things shall include the existing as well as future parts of the pool if it is not explicitly clear that the intent of the pledgor of the commercial pledge has been to pledge only the part of the pool of things as it was at the moment of creating the pledge right.
4. Property that may constitute the object of commercial pledge may not be pledged under the regulations for other types of pledge. An agreement concluded contrary to the present restriction shall be deemed void.

Article 4 - Items which shall not be Subjects of a Commercial Pledge

1. Neither a vessel, nor a publicly traded financial instrument, nor a claim arising from a cheque or a bill of exchange shall be the object of a commercial pledge.
2. If the complete assets of an enterprise or a pool of things has been pledged, the claims listed in Part 1 of this Article, as well as the real estate, vessels and publicly traded financial instruments, shall be considered excluded from the pledged property.

Article 5 - Commercial Pledgor

The pledgor shall be a person granting the pledge right.

Article 6 - Commercial Pledgee

The pledgee shall be a person accepting the commercial pledge to secure his/her/its claim .

Article 7 - Claim secured by a Commercial Pledge

1. A commercial pledge may be used to secure any claim, either existing, or contingent on the basis of an existing liability (outstanding loan to a debtor). If not explicitly agreed otherwise, the commercial pledge shall secure not only the principal claim but also auxiliary claims.
2. Parties to an agreement on commercial pledge shall determine the maximum amount claim to be secured by the pledge ("pledge liability"). Part of the claim in excess of the agreed maximum amount of the commercial pledge liability shall be deemed an unsecured claim.
3. If the commercial pledgor and the commercial pledgee agree to increase the amount of the pledge liability or the volume of the pledged property, the increase shall treated as a new pledge which shall be created and registered in accordance with the requirements prescribed by this Law.

Article 8 - Right of Commercial Pledge and Insurance Payment

If the object of the commercial pledge is insured the commercial pledge shall include also the right of claim to an insurance payment.

Chapter II - Creation and Registration of a Commercial Pledge

Article 9 - Creation of a Commercial Pledge

1. A commercial pledge shall be created on the basis of an agreement or court judgment and registered with the Commercial Pledge Register in accordance with the provisions of this Law.
2. If the parties enter into an agreement on the creation of a commercial pledge but the commercial pledge has not been registered, the commercial pledgee shall not be able to exercise his/her/its right and the commercial pledge shall not be effective against third parties, however, the agreement on the commercial pledge shall not become ineffective. The commercial pledgee shall have the right to institute a personal claim against the commercial pledgor. The basis of the claim shall be the right to register the pledge and neither of the parties shall have the right to

default the commitment without the consent of the other party on the grounds of the failure to have the commercial pledge duly registered. The priority right for such a commercial pledge shall be determined as of the moment of its registration.

3. A commercial pledge may be established on the basis of a court judgment whereby there has been a certain amount in cash adjudged from the debtor in favour of the claimant or there has been a indisputable enforcement allowed if the bailiff when effecting the collection of the property of the debtor has failed to obtain funds sufficient for full coverage of the claimant's claim and has identified that the debtor's movable property has been pledged under the commercial pledge regulations and the debtor has no other property for the collection. The object of the commercial pledge in this case is the property of the debtor on which there has already been a commercial pledge registered and the pledge liability then shall be the collectable amount.

Article 10 - Content of a Commercial Pledge Registration Application

1. The commercial pledge registration application (hereinafter – also the "registration application") shall contain the following data:
 - 1) the name, legal address and registration data of the commercial pledgor;;
 - 2) the debtor (if it is not the commercial pledgor);
 - 3) and the commercial pledgee (for natural persons – the given name, family name, place of residence and identity code and, in the absence of the identity code, data of a personal identity document);
 - 4) description and features of the pledged item according to the form of the application;
 - 5) the amount in Lats covered by the pledge liability;
 - 6) a list of the documents attached.
2. The application shall provide also the following data if the respective provisions have been stipulated by the agreement:
 - 1) identity data on the steward of the commercial pledge;
 - 2) the pledgee's right to sell the pledged item without an auction;
 - 3) the prohibition to take the pledged land transport vehicle or its trailer outside Latvia;
 - 4) the prohibition to pledge the object of the commercial pledge repeatedly;
 - 5) who of the commercial pledgors or commercial pledgees (if there are several) will receive the registration deed for the commercial pledge.
3. If in pledging the entire property of an enterprise (Business Company) or a pool of things the property includes movable items which are subject to registration, it [the movable items which are subject to registration] shall be listed separately in the application. If one of the above items is not included in the application, it shall be deemed not pledged.
4. The application may provide other additional information.

Article 11 - Form of the Commercial Pledge Registration Application

1. The application shall be filed on a special form.

2. The sample form for the application and the procedure for filling it in shall be approved by the Cabinet. Different categories of items may be assigned different types of forms.

Article 12 - Signature of the Commercial Pledge Registration Application

1. The registration application shall be signed by the pledgor and the pledgee. If the application is filed on the grounds of a court judgement (Article 9 Parts 2 and 3) it shall be signed only by the commercial pledgee.
2. The signature on the application shall be verified by a notary.
3. If pledging a co-owned item, the registration application shall be signed by all co-owners or their authorised representative in compliance with the provisions of the present Article.

Article 13 - Documents to be attached to the Commercial Pledge Registration Application

1. The following shall be attached to the registration application:
 - 1) three copies of the agreement on the commercial pledge;
 - 2) three copies of the document establishing the secured claim;
 - 3) a document on the payment of the filing fee.
2. If the commercial pledge is registered on the grounds of a court judgement (Article 9 Part 2), three copies of the court judgement, respectively verified, shall be attached to the application.
3. When a commercial pledge is established on the basis of a court judgment (Article 9 Part 3), instead of the commercial pledge agreement the commercial pledge application is to be accompanied by a transcript of the court judgment (in two copies) and a document attesting to the conditions precedent for registering the commercial pledge as listed under Article 9 Part 3 of this law.

Article 14 - Submission of the Registration Application

1. The registration application shall be submitted by the commercial pledgor, the commercial pledgee or their representatives or delivered by mail in a registered letter.
2. Parties may revoke the registration application until the moment the holder of the Commercial Pledge Register makes a decision concerning the application. In such case the filing fee is reimbursable.

Article 15 - Review of the Registration Application

1. The holder of the Commercial Pledge Register shall record the applications received in a special journal according to their submission sequence, indicating the date of receipt and the sequence number assigned to it.
2. The holder of the Commercial Pledge Register shall review the application within five workdays, exclusive of the submission day. If several registration applications are received from one pledgor, the application, which has been received at the earliest date, shall be examined

first. Registration applications, which have been sent by post or submitted on one and the same day, shall be deemed to have been received at the same time.

3. Upon the review of the application the holder of the Commercial Pledge Register shall examine only that:
 - 1) the application has been filed in accordance with the provisions of this Law;
 - 2) the commercial pledgor has not been declared insolvent;
 - 3) documents justifying the application do not contain any obvious illegality;
 - 4) the information included on the application complies with the data included in the Enterprise Register and the registers of movable items;
 - 5) the filing fee has been paid.
4. Upon examining the submitted documents in order to detect if they do not contain any obvious illegality the holder of the Commercial Pledge Register shall determine if:
 - 1) the date of the signature of the agreement has been stated and if there are signatures of the parties;
 - 2) if the intent of the parties to enter into an agreement has been clearly stated;
 - 3) the object of the commercial pledge has been clearly stated .
5. The holder of the Commercial Pledge Register shall bear no responsibility for the internal inconsistencies of the transactions.

Article 16 - Registration of the Commercial Pledge

1. The holder of the Commercial Pledge Register shall register the commercial pledge, making a respective entry in the Commercial Pledge Register and assigning a registration number to it. The commercial pledge registration deed shall be drawn up immediately after the registration but not later than during the same work day, making an entry on the agreement on the commercial pledge and the document supporting the secured claim or on the transcript of the court judgment (Article 9 Part 3), indicating the registration number of the commercial pledge and the registration date. The above documents shall be signed and sealed.
2. All data provided in the application shall be entered into the Commercial Pledge Register. The Commercial Pledge Register and the application shall indicate the registration number and registration date of the commercial pledge as well as the sequence number of the commercial pledgee if an object of the commercial pledge is pledged repeatedly.
3. All documents related to the commercial pledge shall be kept by the holder of the Commercial Pledge Register in a paper or electronic form. These shall have equal legal power.

Article 17 - Declining the Registration of a Commercial Pledge

1. The registration of a commercial pledge shall be declined in the event of legal obstacles for its registration if:
 - 1) the commercial pledgor has been declared insolvent, except the case when the pledge is granted by the administrator;
 - 2) the Commercial Pledge Register contains an entry on the prohibition of a repeated pledging;

- 3) not all required documents have been submitted or they do not comply with the provisions of this Law.
2. The holder of the Commercial Pledge Register shall notify the commercial pledgor and the commercial pledgee about the refusal to register the commercial pledge in writing, issuing or furnishing a copy of the document attached to the application to each of the parties. In such case the filing fee shall not be reimbursable.

Article 18 - Additional Provisions for the Registration of a Commercial Pledge if the Pledgeable Item is a Movable Item Subject to Registration

1. If the object of the commercial pledge is a movable item subject to registration, the registration application shall be accompanied by a document testifying to the payment of the defined charge for the registration of the commercial pledge entry with the register of title.
2. Upon receiving a commercial pledge application regarding a movable item subject to registration, the holder of the Commercial Pledge Register shall deliver a transcript, extract or copy of the registration application to the holder of the respective register of title for registering a commercial pledge entry, provided that there are no legal obstacles for registration.
3. The holder of the register of title shall register the commercial pledge entry in respect of each item mentioned in the application on transcript, extract or copy of the registration application within two days
4. The holder of the register of title shall refuse to make a commercial pledge entry if there are legal obstacles for registration.
5. When pledging a land transport vehicle and if the commercial pledgor was prohibited to drive or take the vehicle outside Latvia, the prohibition shall also be recorded with the register of title.
6. The holder of the register of title shall notify the holder of the Commercial Pledge Register about the pledge entry or the refusal to make the entry without delay.
7. The holder of the Commercial Pledge Register shall register the commercial pledge subsequent to the receipt of the respective notice. If a notice about the refusal to make the entry on the pledge is received by the holder of the Commercial Pledge Register, it shall register the commercial pledge; however, the item for which the entry has been declined shall be excluded from the pledged property. The fact that the item has been excluded from the pledged property shall be recorded in the registration application and the commercial pledgor and the commercial pledgee shall be duly notified.
8. If the whole property or a pool of things of an enterprise (business company) is pledged, including also future things, and if the commercial pledgor acquires in his/her/its possession an item or adds it to the pledged pool of things which should be specified in the commercial pledge registration application under Article 10 of this Law, the commercial pledgee shall notify the holder of the Commercial Pledge Register about the amendment to the registration application within five days' time from the time of acquiring the item. If there is a failure to comply with this provision the commercial pledgee shall be entitled to request the registration of the amendment through court.

9. The exchange of information between the holder of the Commercial Pledge Register and the holder of the register of title prescribed by the present Article may be effected with the help of electronic documents.

Article 19 - Commercial Pledge Registration Deed

1. The Commercial pledge registration deed shall be a document issued by the holder of the Commercial Register which shall contain the information recorded in the Commercial Pledge Register. The Commercial pledge registration deed shall be signed and sealed.
2. Pursuant to the registration the commercial pledgor and the commercial pledgee shall receive the commercial pledge registration deed, the agreement on the commercial pledge and the document supporting the secured claim (one copy to each party). The holder of the Commercial Pledge Register shall send the above documents by registered mail. Parties may receive the above documents in person at their request.
3. When a commercial pledge is established on the basis of a court judgment (Article 9 Part 3), according to the procedure specified under part 2 of this article subsequent to the registration the pledgee shall receive the commercial pledge registration deed and a transcript of the court judgment. The holder of the Commercial Pledge Register shall send a notification thereon to the debtor and other commercial pledgees.

Article 20 - Renewal of a Commercial Pledge and Amendments to the Provisions of a Commercial Pledge

1. If the creditors are changed upon the renewal of the pledge, an application from the commercial pledgee, the commercial pledgor and the new creditor, filed in accordance with the procedure prescribed by Article 12, shall be required for the entry of the renewal in the Commercial Pledge Register.
2. The application concerning other amendments to the entry in the Commercial Pledge Register shall be submitted by the commercial pledgor and the commercial pledgee if not provided otherwise by this Law.
3. The application for amending the entry in the Commercial Pledge Register shall be filed and submitted in accordance with the procedure prescribed by Articles 12, 14 and 18 of this Law.
4. The holder of the Commercial Pledge Register shall review the application on the renewal of the commercial pledge or other amendments in accordance with the procedure prescribed by this Law. If the application is accepted, the holder of the Commercial Pledge Register shall make amendments to the entry in the Commercial Pledge Register and shall issue the Commercial pledge registration deed to the involved parties.

Article 21 - Public Accessibility of the Commercial Pledge Register

The Commercial Pledge Register shall be public and any person shall have the right to have access to the entries in the Commercial Pledge Register, commercial pledge registration applications submitted and to receive extracts from them.

Article 22 - Corrections to an Entry

1. If a typographical error or a discrepancy between the Commercial Pledge Register entries and the registration application is detected, the error shall be corrected at the initiative of the holder of the Commercial Pledge Register or the involved party. The Commercial Pledge Register shall notify the commercial pledgor and all commercial pledgees about the detected error and shall specify the term for the submission of a comment.
2. After the expiration of such term the holder of the Commercial Pledge Register shall make the decision on correcting the entry. Failure to respond or an opposing comment shall not be an obstacle for the correction of the error. Obvious errors may be corrected without requesting a comment.
3. The decision on correcting the error shall not affect the rights of other commercial pledgees, acquired prior to making the correction in the Commercial Pledge Register.

Article 23 - State Fee ("Filing Fee")

1. A state fee (filing fee) shall be payable for the registration of the creation, renewal and deletion of a commercial pledge; the right to have access to the Commercial Pledge Register entries; the receipt of written information from the Commercial Pledge Register, as well as amendments to provisions of the commercial pledge and the assignment of the pledge liability.
2. The amount of the state fee shall be established by the Cabinet. The Cabinet may also determine the scope of persons, fully or partially exempt from the payment of the state fee.

Chapter III - Consequences of a Commercial Pledge

Article 24 - Rights of a Commercial Pledgor

Pledging shall not terminate the title of the commercial pledgor to the pledged item. If the parties have not agreed otherwise the pledgor may administer and use the pledged item as well as consume it for his/her needs within the limits of the universally recognised norms until the commercial pledgor transfers it to the possession of the commercial pledgee out of good will or he/she is obliged to do it through court intervention.

Article 25 - Rights and Duties of a Commercial Pledgee if the object of the commercial pledge has been delivered under his/her/its possession

1. The commercial pledgee shall maintain the pledged item during the whole period of his/her/its possession as a careful owner. The pledged item shall be deemed to be in the possession of the commercial pledgee if the possession has been established according to parts 1, 3, 4, 5, or 6 of Article 883 of the Civil Law.
2. If the pledged item is damaged or perishes through the fault of the commercial pledgee (as a result of insufficient care, gross negligence or an evil intent) the commercial pledgee shall reimburse the losses incurred by the commercial pledgor.

3. If the pledged item is damaged or perishes as result of a criminal offence or force majeure the commercial pledgee shall bear no responsibility for it and the losses shall be incurred to the owner of the item.
4. The commercial pledgee shall have no right to use the pledged item if the parties have not agreed otherwise.
5. If the commercial pledgee uses the pledge item, damaging or destroying it, the commercial pledgee shall bear liability for the incurred loss also if it has arisen through accident or force majeure.
6. If the commercial pledgee's claim covered or his/her/its commercial pledge right expire in some other manner, the commercial pledgee shall return the pledged item to the commercial pledgor without delay, provided the commercial pledgee does not have the right to keep the item or if he/she/it has not become its owner and is in a position to prove it.
7. The commercial pledgee may keep the object of the commercial pledge also for all other (including personal) claims against the commercial pledgor; however, he/she shall possess this right only against the commercial pledgor himself/herself and his/her heirs but not against third parties. In addition the right to keep the item shall not include the right to sell it for the coverage of some other claim.
8. If an interest-bearing item is pledged and delivered into the commercial pledgee's possession, provisions on the utilisation pledge shall apply, unless the parties have agreed otherwise.

Article 26 - Consequences of Pledging an Un-owned Item

1. The commercial pledge right shall remain valid if someone accepts in good faith as a commercial pledge for securing his/her claim a movable item which the owner has entrusted to the pledgor voluntarily.
2. If pledging an item acquired in a criminal manner the commercial pledge right shall remain valid until the item is claimed back by its owner. If the item is claimed back, the commercial pledge right shall expire and the commercial pledgee may institute his/her claim as well as demand the recovery of expenses and losses only against the commercial pledgor.

Article 27 - Priority Right of Commercial Pledgees

1. The commercial pledgor may grant more than one commercial pledge on the same object of a commercial pledge if there is not a prohibition of against repeated pledging set forth in the agreements of a previously registered commercial pledge.
2. The priority right of commercial pledges shall be determined in accordance with their registration sequence in the Commercial Pledge Register.
3. The priority right may be changed upon a written agreement among commercial pledgees.
4. The Commercial Pledge Register shall register the change of the priority right. The application for registration shall be signed by a person authorised by the agreement, upon an attached

consent, verified by a notary, of all those commercial pledgees whose commercial pledge priority right is changed or whose interests are affected.

Article 28 - Litigation and Deficiencies

If an item which the commercial pledgee has received as a commercial pledge in good faith is awarded by court to a third party or if such material deficiencies are found in the item which reduce its value to the extent that it does not cover the amount of the secured claim the commercial pledgee shall have right to claim the compensation for all losses thus incurred from the commercial pledgor.

Chapter IV - Steward of a Commercial Pledge

Article 29 - Steward of a Commercial Pledge

1. The commercial pledgee may at any moment appoint a steward for a registered commercial pledge. A steward of a commercial pledge may be a natural person as well as a legal person.
2. The steward of a commercial pledge shall act as a proxy of the commercial pledgee in compliance with provisions on authorisation prescribed by the Civil Code in so far as this Law does not provide otherwise.

Article 30 - Appointment of a Steward of a Commercial Pledge

1. The appointment of the steward of the commercial pledge shall be recorded with the Commercial Pledge Register. If the appointment of the steward of the commercial pledge is recorded simultaneously with the creation of the commercial pledge, the data on the steward shall be included in the application for the registration of the commercial pledge. If the steward of the commercial pledge is registered later, it shall be recorded on the basis of a written application submitted by the commercial pledgee. In this event, prior to the registration of the appointment of the steward of the commercial pledge, the commercial pledgee shall inform the commercial pledgor in writing. If the same object of the commercial pledge is pledged to several commercial pledgees of different priorities the steward of the commercial pledge may be appointed or removed by the commercial pledgee holding the highest priority. If the pledgee does not want to exercise the given right he/she may assign the given right to another commercial pledgee, taking into account the priority right of commercial pledgees.
2. If the same object of the commercial pledge has been pledged to several commercial pledgees of the same priority the steward of the commercial pledge may be appointed, removed or the right to appoint the steward of the commercial pledge waived in favour of another commercial pledgee only upon mutual agreement.

Article 31 - Authority of a Steward of a Commercial Pledge

1. The steward of a commercial pledge shall have the right to act on behalf of the commercial pledgee in all matters arising from the law and the agreement on commercial pledge; however, the steward of the commercial pledge shall be allowed to make renewals, to waive some rights or to exercise the commercial pledge right only if it has been specified in the authorisation. Other restrictions of authority shall be effective against third parties only if the parties have known or they should have known about such restrictions.

2. If a person is registered as a steward of the commercial pledge in accordance with the provisions of this Law, any action of the person shall be binding for the commercial pledgee within the scope of the granted authority.
3. If the secured claim is assigned by the commercial pledgee to another party, the authority of the steward of the commercial pledge shall be retained and the steward of the commercial pledge shall act on behalf of the new commercial pledgee provided the parties have not agreed otherwise. Also if the commercial pledgee dies – a natural person –or the existence of the commercial pledgee is terminated– a legal person- the authority of the steward of the commercial pledge shall not cease. It shall remain effective and upon the transfer of the pledged property to the new possessor actions undertaken by the steward of the commercial pledge shall become binding for the new possessor.

Article 32 - Removal of the Steward of a Commercial Pledge and Termination of his/her Authority

1. The authority of a steward of a commercial pledge shall cease upon the expiry of the commercial pledge right.
2. The commercial pledgee may remove the appointed steward of the commercial pledge at any moment.
3. The steward of a commercial pledge, if he/she has justified grounds, may refuse to perform the duties of a steward of a commercial pledge with a two months' prior notice to the commercial pledgee. Parties may stipulate also a shorter period of time for notification in the agreement on commercial pledge.
4. The expiry of the authority of the steward of a commercial pledge shall be recorded by the Commercial Pledge Register upon a written application submitted by the commercial pledgee. Prior to the expiry of the authority of the steward of a commercial pledge the commercial pledgee shall notify the commercial pledgor about it in writing.

Chapter V -Third parties

Article 33 - Binding Character of Entries in the Commercial Pledge Register

1. Entries in the Commercial Pledge Register shall be binding on third parties and the failure to know them shall not be used as a valid excuse.
2. Entries of the Commercial Pledge Register with respect to third parties shall be deemed correct and third parties shall be under no obligation to examine the compliance of the entries in the Commercial Pledge Register with the law.

Article 34 - Right of a Commercial Pledgor to Alienate the Pledged Item

1. The commercial pledgor shall have the right to alienate the pledged item only with the written consent of the commercial pledgee (permitted alienation). In the absence of any other agreement with the purchaser of the object of the commercial pledge the commercial pledge to the alienated item shall expire. If the alienation results in changes in the information included in the Commercial Pledge Register, the commercial pledgor and the commercial pledgee shall notify

the Commercial Pledge Register on these amendments according to the procedure prescribed under Article 20 of this law.

2. If alienating movable items, shares, stocks of closed issues, bonds of closed issues; or if an enterprise (business company) alienating an item which clearly is not an item of his/her/its regular manufacture or sale; or if alienating items of regular manufacture or trade in unusually large volumes, the purchaser shall check if the items have not been pledged and if so, if the alienation has been permitted.
3. If the commercial pledgor alienates the pledged item without the permission of the commercial pledgee (prohibited alienation), the commercial pledge on the alienated item:
 - shall be transferred to the new possessor within the amount of the alienated item's value if he/she/it has known or should have known in accordance with Part 2 of the present Article that the item has been pledged and the alienation is not permitted (malicious acquisition);
 - shall cease if the new possessor has acquired it in good faith.

Article 35 - Assignment of a Secured Claim

1. Upon the assignment of a secured claim all the rights of the commercial pledgee shall be transferred to the assignee unless the assignor and the assignee have agreed otherwise.
2. The holder of the Commercial Pledge Register shall make an entry about the assignment of an agreement based upon the written notification submitted by the commercial pledgee.

Chapter VI - Exercise of the Commercial Pledge Right and its Expiry

Article 36 - Exercise of the commercial pledge right

1. If there is a default under the claim secured by a commercial pledge in due term, the performance of the claim being divided into several terms, the commercial pledgee shall have the right to take over the pledged item into his/her/its possession (unless the pledged item has already been under his/her/its possession) if one of the above terms has been delayed, and to sell the pledged item.
2. If the commercial pledgee does not take the pledged item into his/her/its possession the commercial pledgee may request the indisputable enforcement of the execution of liabilities in accordance with the procedure prescribed by law, while, if the commercial pledge is established on the basis of a court judgment (Article 9 Part 3) – request the enforcement of the judgment.
3. If the commercial pledgee delays the sale of the object of the commercial pledge without any justifiable reason creditors who have claimed collections on the surplus may request the court to determine the time for the sale of the object of the commercial pledge by the commercial pledgee.
4. If the commercial pledgor is declared insolvent the right of the commercial pledgee to exercise the commercial pledge right may be restricted in accordance with the procedure prescribed by the Law on Insolvency of Enterprises and Business Companies.

5. When the commercial pledge right is exercised by the pledgee while other pledgees have priority in respect of this pledgee, the pledged item may only be sold if its sales price exceeds the aggregate of the prioritised claims and expenses to be covered prior to settling the creditor claim.

Article 37 - Sale of the Pledged Item at an Auction

1. If the commercial pledgor fails to grant the commercial pledgee the right to sell the pledged item without an auction, the pledged property shall be sold at an auction in compliance with Article 2073 and subsequent Articles of the Civil Law.
2. The commercial pledgee shall advertise the auction of the item in the official newspaper "Latvijas Vestnesis" and at least in one more newspaper not later than a month prior to the auction date.
3. The advertisement shall provide:
 - 1) the name and location (legal address) of the commercial pledgor and the commercial pledgee and their registration data; in respect of natural persons – the given name, surname.
 - 2) a brief description of the item to be sold and its location;
 - 3) the place where information concerning the terms of auction and the starting price can be received;
 - 4) the time, place of the sale as well as the auctioneer if the sale has been entrusted to a third party;
 - 5) other terms of the auction considered necessary by the commercial pledgee.

Article 38 - Right to Sell the Pledged Item without an Auction

1. The commercial pledgee may sell the pledged item without an auction if the respective right has been granted by the commercial pledgor and it has been registered with the Pledge Register. The right may be revoked only by mutual agreement of the commercial pledgor and the commercial pledgee.
2. If the commercial pledge to the same object of the commercial pledge has been granted to several commercial pledgees, the right to sell the pledged item without an auction may be granted only to all commercial pledgees. If such a right has been granted upon the creation of the first commercial pledge it shall be deemed that the right is granted also to all future commercial pledgees. The right may be revoked upon the creation of the second commercial pledge only by a mutual agreement between the commercial pledgor and all commercial pledgees.

Article 39 - Utilisation of a Commercial Pledge if the Subject of the Commercial Pledge is the Entire Property of an Enterprise (Business Company)

If the entire property of an enterprise (business company) been pledged and the enterprise has not ceased to operate, the enterprise shall be sold as a whole, functioning enterprise, provided parties have not agreed otherwise.

Article 40 - Commercial Pledge and Right of Detention

If any person possess the right of detention towards the subject of the commercial pledge in accordance with Articles 1734, 1735, 1736, 1737, 1738, 1739 and 1740 of the Civil Law the persons shall not be in a position to exercise its detention right towards the commercial pledgee and the detained item shall be returned to the commercial pledgee without delay after the submission of the notification about the exercise of the commercial pledge right to the Pledge Register.

Article 41 - Exercise of the Commercial Pledge Right Prior to Maturity

1. The commercial pledgee shall have the right to exercise the commercial pledge right prior to maturity and to satisfy his/her/its secured claim, provided:
 - 1) the pledged item is divided;
 - 2) commercial activities of the commercial pledgor have been suspended or terminated or the court resolution on initiating bankruptcy proceedings against the commercial pledgor has become effective;
 - 3) the pledged item is alienated without the permission of the commercial pledgee;
 - 4) the largest portion of the pledged property has perished or its value has significantly decreased as a result of actions undertaken by the commercial pledgor;
 - 5) the pledged item is abandoned.
2. Parties may also stipulate to other situations when the commercial pledge right may be exercised prior to maturity.

Article 42 - Notice on Exercise of the Commercial Pledge Right

1. If the pledged item is sold without court intervention, the commercial pledgee shall submit a notice of the exercise of the commercial pledge right (hereinafter – "the notice") to the Commercial Pledge Register prior to the exercise of the commercial pledge right. A copy of the notice, prior to its submission to the Commercial Pledge Register, shall be delivered by the commercial pledgee to the commercial pledgor.
2. The notice shall indicate:
 - 1) the name, legal address and registration data of the commercial pledgor and the commercial pledgee (for natural persons – the given name, surname, place of permanent residence and the identity code, in the absence of an identity code – data of a personal identity document);
 - 2) a description of the pledged item;
 - 3) the date and number of the commercial pledge registration;
 - 4) the legal basis by which the commercial pledge right is being exercised;
 - 5) the provision under which the commercial pledgee is entitled to exercise the commercial pledge right.
3. If there are several commercial pledgees, the holder of the Commercial Pledge Register shall deliver a copy of the notice to each of them.
4. The pledgee may appeal the notice of exercise of the commercial pledge right.

Article 43 - Alienation of a Pledged Item

1. The pledged item may be sold without court intervention after the expiry of 30 days from the submission of the notice to the holder of the Commercial Pledge Register if it has not received a court judgment prohibiting the pledgee to exercise the commercial pledge right due to the claim by the commercial pledgor.
2. The sale of the commercial item may be undertaken by the commercial pledgee himself/herself/itself/ or it may be entrusted to a third party.
3. The commercial pledgee shall sell the pledged item at the highest price possible during the sale and shall not delay its sale. If the pledged item is sold without an auction and the commercial pledgor disputes the determined price the commercial pledgee shall justify the set price. The dispute concerning the price shall not suspend the sale of the pledged item.
4. The sale of the pledged item shall be conducted at the expense of the commercial pledgor.

Article 44 - Revenue Depository

1. If the pledged item is sold without court intervention and several commercial pledges have been created on the item, the commercial pledgee who exercises the commercial pledge right, prior to the sale of the pledged item shall name the person who will sell the pledged item and receive the proceeds from the sale – the revenues depository.
2. The revenues depository may be a commercial bank, a sworn auditor, a sworn notary or a sworn attorney, as well as one of the commercial pledgees with the consent of all commercial pledgees.
3. The commercial pledgor shall not be the revenues depository.

Article 45 - Payment for the Purchase of the Pledged Item If there are Several Commercial Pledgees

1. The proceeds obtained from the sale of the pledged item shall be deposited in a separate account with a commercial bank.
2. The seller of the pledged item shall make a list on the basis of the data in the Commercial Pledge Register, stating:
 - 1) commercial pledgees having the right to the proceeds of the sale according to their priority right of claim;
 - 2) the amount to which each commercial pledgee is entitled to.
3. Upon the completion of the list the compiler shall deliver a copy of the list to the commercial pledgor and all commercial pledgees recorded with the Commercial Pledge Register who have the commercial pledge right to the item to be sold.
4. If the commercial pledgor or the commercial pledgee do not agree with the list that has been compiled the commercial pledgor or the commercial pledgee may inform the compiler about

his/her/its objections within the period of five workdays from the date of the delivery of the list. In the given case it shall be the duty of the compiler of the list to deliver an amended list to all the persons mentioned in it or a notification that objections have been taken into consideration; however, the list is to remain unchanged.

5. If the finalisation of the list is for some reason delayed a temporary list may drawn up with sufficient provision for any uncertain or challenged amounts.

Article 46 - Distribution of the Proceeds from the Sale

1. Proceeds from the sale shall be distributed within a period of thirty days from the date of the sale.
2. If there are several commercial pledgees the initial sales proceeds distribution may be performed on the basis of the temporary list compiled in accordance with Article 44.
3. Proceeds from the sale shall be distributed according to the following sequence:
 - 1) remuneration for the revenues depository if it has been stipulated by the agreement;
 - 2) sales expenditures;
 - 3) expenses incurred by the storage of the commercial pledge and the steward;
 - 4) claims of commercial pledgees in accordance with their priority right;
 - 5) unsecured claims associated with the commercial pledge (claims exceeding the agreed amount of the secured claim).
4. The residue shall be paid to the commercial pledgor.
5. Proceeds shall be calculated and paid in Lats.
6. If, upon the sale of the pledged item, proceeds thus gained are not enough for the full satisfaction of the claims of commercial pledgees they shall have the right to claim the outstanding debt amount from the debtor.
7. The commercial pledgee who has exercised his/her/its right of commercial pledge shall transmit the final settlement to the commercial pledgor after the proceeds of the sale have been distributed and paid out.

Article 47 - Responsibility of the Commercial Pledgee for the Sale of the Pledged Item

The commercial pledgee, selling the pledged item without court intervention, shall bear responsibility for the sale of the pledged item as a proxy and he/she/it shall reimburse to the commercial pledgor for all the losses incurred through negligence. If there is a failure to prevent an evil intent during the sale and the purchaser participating in the evil intent of the commercial pledgee, the commercial pledgor shall have the right to claim the return of the sold item, reimbursing the purchaser the amount of the purchase with an interest.

Article 48 - Expiration of a Commercial Pledge Right

1. The commercial pledge shall expire if:

- 1) the commercial pledgor and the commercial pledgee come to an agreement and file it in writing;
 - 2) the commercial pledgee waives the commercial pledge right in writing;
 - 3) the secured claim has been satisfied or otherwise ceases to exist.
 - 4) the secured claim is assigned without the assignment of the commercial pledge right;
 - 5) a revoking provision has become effective or the commercial pledge right has matured which has been created under a provision or for a specific period of time;
 - 6) the pledged item has been consumed, perished or otherwise ceased to exist and the item has not been insured or no insurance is payable due to other reasons;
 - 7) a third party has acquired ownership of the object of the commercial pledge as free from any pledge (Articles 34 and 36);
 - 8) the ownership of the pledged item has been acquired by the commercial pledgee.
2. The termination of the secured claim of the commercial pledge shall not be sufficient; the commercial pledge must be deleted from the Commercial Pledge Register. The commercial pledge shall be deleted provided there is one of the following prerequisites:
 - 1) the commercial pledgee has submitted a respective application filed in accordance with the procedure prescribed by Article 12 of this Law;
 - 2) a court judgement been received;
 - 3) five years have passed since the commercial pledge registration date and no written notification has been received from the commercial pledgee about the extension of the term of the commercial pledge right indicating the term of its extension.
 3. It shall be the duty of the commercial pledgee to submit an application to the holder of the Commercial Pledge Register within five days from the expiry date of the commercial pledge, requesting the deletion of the commercial pledge.
 4. When deleting a commercial pledge in respect of movable items subject to registration, the holder of the Commercial Pledge Register shall notify thereon the holder of the respective register of title for the deletion of the commercial pledge entry. Such notification shall indicate the registration number, information on the pledged item and the basis for the deletion of the commercial pledge.

Transitional provisions

1. Commercial pledges registered by the date of this law taking effect shall remain effective and shall be governed by the regulations effective at the time of their registration.
2. By 1 April 2000, the Road Traffic Safety Directorate, State Technical Supervision Inspectorate of the Ministry of Agriculture, and the Civil Aircraft Register of the Ministry of Communications shall register amendments, novations, assignments and deletions in respect of all commercial pledges registered with these institutions by 1 March 1999. The documents required on these commercial pledges shall be transferred to the holder of the Commercial Pledge Register by 1 April 2000.
3. Subsequent to 1 April 2000, amendments, novations, assignments and deletions in respect of the commercial pledges specified under point 2 of these transitional provisions shall be registered by the holder of the Commercial Pledge Register.

4. Provisions of Article 3 Part 4 of the law shall not be applicable to pledges established prior to this norm taking effect.

The law was adopted by Saeima on 20 December 1999.