

F.Y.R. Macedonia
Law on Contractual Pledge
(adopted on 31 January 2003)

Important Disclaimer

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Chapter I - General Provisions

Article 1

This Law regulates the manner, conditions and procedure for creation, existence, realization and termination of the contractual pledge right over moveable property, securities, claims and other rights (pledge on movables) and immovables (mortgage) (in the further text: pledge, right on pledge).

Article 2

The pledge serves as a security for monetary and other types of claims, whose value is measurable in monetary terms, that the creditor has with respect to his/hers debtor from certain obligatory relation.

For the claims secured by pledge, in case they are not collected within their maturity, the pledgee, can obtain satisfaction from the value of the subject of the pledge, or under conditions and manner prescribed by this Law obtain right on ownership of the subject of the pledge (*lex commissaria*).

The claims described in paragraph 1 are considered as sufficiently identified in case their carrier, debtor, legal basis and the amount, i.e., the type of the claims, are known.

Article 3

The pledge on movables can be established by transfer of the subject into possession (possessory pledge) or without its transfer into possession (non-possessory pledge), while the mortgage can only be established as non-possessory.

Article 4

Subject of pledge on movables can be any moveable property, security, certain ownership claim or other right, while subject of mortgage can only be certain immovable property or subject expressed as a immoveable property, with this or other law.

Article 5

Pledge can encumber the whole pledged property or just an ideal part thereof, as well as multiple property.

Article 6

Property on which pledge has already been established, can be pledged.

Article 7

Pledge can be extended to future property.

Article 8

Pledge can be extended for future or conditioned obligation and over-pledge can be established on it.

Article 9

The provisions for pledge are applied respectfully in cases when subject of the pledge are securities, certain obligatory claims or other rights, if not otherwise regulated by this or other Law.

Article 10

Only property that is owned by the pledgor and is in the legal operation can be subject of pledge.

As an exception from paragraph 1 of this Article, subject of pledge can be property that is not owned by the pledgor, if the pledgor has obtained right on pledge over the property at the moment of the establishment of the pledge (over-pledge).

Article 11

In case the subject of pledge is in co-ownership or joint ownership, and the right on pledge encumbers the whole property, on demand of the pledgee, the pledgor is obligated to provide written approval from the other co-owner or the joint owner, signed by a notary, or other authorized body, in case the approval is given abroad, and by that they become co-pledgor.

In case the pledgor fails to provide the necessary approval in accordance with paragraph 1 of this article, and the pledge is established, it will be regarded that the pledge covers the ideal part of the property, in the amount of property portion of pledgor, or in the amount of the part that belongs to pledgor in the joint ownership.

Article 12

When subject of the pledge is immovable property of a trade company or other legal entity, it includes its annexes, unless otherwise agreed or regulated by law. When the whole trade company or the whole legal entity is subject of pledge, the pledge covers all immovables, movables and non-material rights.

If a pledge/mortgage is established, in accordance with paragraph 1 and 2 of this article, regardless of the number of pledges/mortgages, in that case the pledgor/mortgagor is obligated to publish it in the "Official Gazette of the RM", within 15 days of the establishment of the pledge/mortgage, or it shall not have legal effect. This also pertains to cases when the pledgor/mortgagor has burdened the movable and immovable property with several individual contracts.

Article 13

Pledgor can be any physical or legal entity that has certain monetary debt or debt that can be expressed in monetary terms, with relation to a pledgee of some obligatory or other legal relation, as well as a third party that has no debt of its own and agrees to be responsible for debt of another by pledging its own subject of pledge.

Pledgee can be any physical or legal entity that has certain monetary claim or claim that can be expressed in monetary terms with relation to its debtor, who agrees to establishing pledge on its own property or agrees for third person, that has no debt of its own, to pledge its own property on behalf of the debtor.

Article 14

The non-possessory pledge is established by signing a pledge contract, making inventory of the subject of the pledge and registration of the pledge in the Register of pledges.

The right on possessory pledge is established by signing a pledge contract and transfer of the subject of the pledge into possession of the pledgee.

Article 15

The right on non-possessory pledge over security is established by signing a pledge contract, making inventory of the pledged security and registration of the pledge in the register of pledges.

The right on possessory pledge over security is established by signing a pledge contract and transfer of the security into possession of the pledgee.

Article 16

The right on non-possessory pledge over claim or other type of right (intellectual rights and other related rights), is established by signing a pledge contract, making inventory and description of the pledged claim or the other right and registration of the pledge in the register of pledges.

The right on possessory pledge over claim or other right is established by signing a pledge contract and transfer of the claim or other type of right.

The debtor on whose obligation the pledge is established needs to be notified in writing about the pledge right described in paragraphs 1 and 2 from this article, otherwise, the pledge shall have no legal effect.

Article 17

The right on mortgage is acquired by signing a mortgage contract and registration of the mortgage in a public book in manner and under conditions prescribed by law.

Public book, as defined by this Law, is the book that serves for registration of ownership rights over immovables and other real rights over those immovables, as well as the book that serves for registration of ownership rights and other real rights over property that is regarded as equal to immovables in accordance with this and other laws.

Article 18

The provisions of this Law for establishment of the right on pledge shall also be applied respectfully for changes and termination of the right on pledge.

Article 19

Upon registration of the pledge right, its change or termination, the body authorized for administration of the register of pledges or the public book that serves for registration, changes or termination of the pledge, shall enter ex officio, via electronic mail or other applicable ways all relevant legal data related to the pledge into the Central database (further in the text: The Central Register).

The entering of the data described in paragraph 1 of this article in the Central Register is done in a manner and under the conditions as described in the Law on central register.

Article 20

Upon the establishment of the possessory pledge, in consent with the pledgee and the pledgor, this type of pledge can also be registered in register of pledges and all relevant legal data entered into the Central Register.

Article 21

The pledge contract is prepared in writing, except the contract for possessory pledge. The pledge contract that is not in writing does not result into legal action.

Article 22

The pledgee and the pledgor can give the pledge contract status of executive document prior or after the performed registration in the register of pledges or the mortgage into the public book.

The pledge contract gains a status of executive document by verification of the signatures of the contractual parties by a notary and by giving their statement in front of a notary giving consent that their contract gains a status of executive document at the time of verification of their signatures.

In case the pledge contract gains status of executive document prior to the registration in the register of pledges or the public book, and the registration is not executed, the contract is no longer deemed as executive document.

The contract for possessory pledge concluded in written form regardless of whether it is entered in the pledge register or not, shall acquire the executable status in accordance with the paragraph 2 of this article.

Article 23

The pledge contract, inter alia, contains:

- Information on the contractual parties (name and surname, residence or address, or name of the company and seat), and their ID numbers or registration numbers;
- Description of the subject of the pledge with enough detail to identify it;
- Legal basis for the claim that is being secured with the pledge and the amount;
- Due date of the claim;
- Time and place of signing of the contract;
- Consent of the pledgee that the pledgor requires registration of the right on pledge or mortgage in the register of pledges in the pledge register or the public book (*clausula intabulandi*);
- Identification of the debtor if he/she is not pledgor or mortgagor;
- Any other relevant data, including any restriction of the right on transfer of the pledge or the right of usage or sale of the subject of the pledge;
- The right of the pledgee, in case of default of the pledgor to undertake protective measures in order to keep, maintain or increase the sale value of the subject of the pledge, but not to gain ownership over it with the invested resources;
- Clause in accordance to which, if the pledgor has not fulfilled his/her obligation the pledgee has the right to, in case of default by the pledgor, to take possession of the subject of the pledge in order keep, maintain or transfer it, in case when the pledge is based on a contract that is deemed as an executive document;

Beside the elements of paragraph 1 of this article, the pledge contract may also contain a clause for sale of the subject of the pledge in any commercial way (direct negotiation, public bid, through a real-estate agency, stock exchange, etc.), as well as a clause for choice of one of the authorized entities that will execute the realization of the pledge (notary, court, real estate agency, stock-exchange, etc.).

Article 24

In the settlement from the value of the subject of the pledge, the pledgee shall be given priority before other claimants.

When over the same subject there are several pledges, the priority in the settlement is determined in accordance with the time of establishment of the pledge.

Chapter II - Rights and Obligations of the Contractual Parties

Article 25

The pledgee whose claim is secured by right on pledge may, based on the existing

pledge, within the limits of its claim on that pledge, establish a pledge to the benefit of third party (over-pledge) even without the consent of the pledgor.

The provisions of this Law that relate to establishment of pledge are applied for the establishment of over-pledge.

When the pledgor is notified that over the subject of the pledge, over-pledge has been established in behalf of over-pledgee, the debtor can settle the debt toward the pledgee only upon a consent of the over-pledgee or can register the debt in court or at a notary, otherwise the subject of the pledge remains pledged for the over-pledgee.

The provisions of this Law that relate to pledge are respectfully applied for over-pledge, unless otherwise regulated by the legal nature of the over-pledge.

Article 26

In case the pledgor decreases the value of the subject of the pledge or in any other way deteriorates its condition, the pledgee can require from the pledgor to reinstate, in a reasonable time frame, the subject of the pledge in its original state.

If the pledgor does not act in accordance with paragraph 1 of this article, the pledgee can require the court to order the pledgor to restrain from such actions, and if he/she fails to do it, the pledgee can require collection of the claim secured by the pledge even prior to the due date, in accordance with the provisions of this Law that relate to realization of pledge.

Article 27

The pledgor is obligated to use the subject of the pledge with attention of a reasonable businessman and to keep it and maintain secured from all risks for that kind of property.

In case the subject of the pledge has proceeds, the pledgor can retain the proceeds after the separation, if not otherwise regulated by the contract.

Article 28

The pledgee has the right to supervise the state of the subject of the pledge.

The right pursuant to paragraph 1 of this article can be exercised at any time, except at undue time.

Article 29

In case of possessory pledge the pledgor is obligated to deliver to the pledgee or a third party the subject of the pledge that has been agreed upon.

The contractual parties may agree upon joint custody over the subject of the pledge.

In case of possessory pledge, the pledgee is obligated to take care of the subject of the

pledge with attention of a reasonable businessman.

In case of possessory pledge, the pledgee is obligated to return the subject of the pledge after the settlement of the debt.

Article 30

In case of possessory pledge, the pledgee is not entitled to use the subject of the pledge or to transfer it to a third party for use, or to sub-pledge it, unless agreed by the pledgor.

A pledgee who uses the subject of the pledge, or transfers the collateral to another for use or sub-pledges it without permission from the pledgor, shall be liable for any resulting accidental deterioration or damage to the collateral.

Article 31

In case of a possessory pledge a court may order, upon request from a pledgor, that the collateral be taken away from a pledgee and delivered to a third party to hold it on his/her behalf, if the pledgee does not take care of the collateral with due care, uses the collateral or delivers the collateral to another for use without permission from the pledgor, or sub-pledges it, or uses the collateral in violation of the permission granted, or if in general the pledgee treats the collateral contrary to the contract or the law.

The pledgee shall cover expenses incurred due to the reasons stated in Paragraph 1 of this Article.

Article 32

In case it is proven that the subject of the pledge has legal or material defect, the pledgor, upon request of the pledgee, is obligated within reasonable time frame to remedy the defects on the subject of the pledge, otherwise he/she has an obligation, within a dead line defined by the pledgee to allow registration of another pledge in the register of pledges, or in the public book, in accordance with the provisions of this Law.

In case the defect is not remedied or the subject of pledge is not replaced by another which is free of defects, the pledgee can require the court to order remedy of the defect or replacement of the subject of the pledge with another which is free of defects.

In case the pledge contract has status of executive document, the request pursuant to paragraph 2 of this article is submitted to the court that performs its execution.

Aside from the rights pursuant to paragraphs 1, 2 and 3 of this article, the pledgee is also entitled, in case of existence of any of the stated conditions above, to require settlement of his/her claim from the value of the subject of the pledge prior to the due date.

Article 33

If a pledgor undertakes actions or omits to take actions that poses a threat or obviously decrease the value of the subject of the pledge, the pledgee is entitled to require from the pledgor to, without further delay, stop such actions, and if the pledgor fails to restrain from such actions, the pledgee is entitled to require enforced settlement from the value of the subject of the pledge prior to the due date, in accordance with the provisions of this law.

In case the pledgor estranges the subject of the pledge after the due date of the claim, such estrangement does not have any legal effects.

Article 34

The pledgee is entitled to place any requests that are deemed necessary for protection of his/her right on pledge.

All provisions that are related to protection of ownership right shall be applied to the requests placed by the pledgee for the purpose of accomplishing the right on pledge over the subject of the pledge.

Article 35

The provisions of this law shall be applied respectfully for the right on mortgage over boats and other floating vessels as well as airplanes, if not otherwise regulated by other law.

Article 36

Where a property is pledged with pledges of several pledgees, the priority of settlement of their claims from the value of the subject of the pledge is determined in accordance with the registration date in the register of pledges, or the public book, and if the date of establishment is the same, the priority in the settlement is determined in accordance with the time of receipt of the request for registration in the register of pledges, or the public book.

Requests that are submitted on the same date and time have equal treatment with respect to the settlement.

In cases where there are both non-possessory and possessory pledges over the same property, priority is given to the pledge that was established first.

Article 37

The person that acquires the right on ownership over pledged property, acquires that property encumbered with a pledge right, except in cases where the pledgor transfers the subject of the pledge within his/her business activities, and in cases when ownership is acquired over securities traded on the stock exchange.

The person that acquires the right on ownership over pledged property becomes owner of the property by purchasing it from the pledgor that has put it in trade within his/her business activities, without the encumbrance over the property, while the pledge right extends to the newly created objects, and if there are none, over the revenues from those objects, as well as over the revenues from the securities.

The revenues pursuant to paragraph 2 of this article can only be used for repayment of the debt, which is secured by the pledge, and are deposited on a separate account, and the debt is due for payment immediately.

Article 38

The pledgee that has pledge over an object that is treated equal as immovable property, with respect to the pledge right over it, has authorizations and obligations, as if the subject of the pledge was immovable property, unless otherwise regulated by law.

Article 39

The mortgagee has the right to require from the owner of the subject of the mortgage to undertake and bear the right on mortgage as encumbrance over the subject, to bear the execution of the authorizations of the mortgagee, as well as to restrain to take actions over the subject of the mortgage that he/she would be entitled to do if the subject were not pledged.

Also, the mortgagee is entitled to ask any other person to restrain from any actions that disable or disrupt the execution of his/her right on mortgage based on pledged immovable.

The right pursuant to paragraphs 1 and 2 of this article belongs to any mortgagee that has own right on mortgage over same subject of mortgage.

The right pursuant to paragraphs 1 and 2 of this article does not grow old.

The mortgagee, in order to enforce his/her right pursuant to Paragraph 1 and 2 of this Article, in front of court or other authorized body, must prove his/her right on mortgage and the actions of the defendant that prevent the mortgagee in exercising his/her right on mortgage.

Article 40

In case anybody injures the right on mortgage over the subject of the mortgage through a non-valid registration in the pledge register or the public book, the mortgagee is entitled to protect against the injury through legal means foreseen for protection of rights that are being registered in the pledge register, or the public book.

Chapter III – Termination of Pledge Right

Article 41

Reasons for termination of pledge right are:

- Loss of the possession of the subject of the pledge in case of non-registered pledge, in case the loss occurred in a legal manner;
- Fulfillment of the obligation by the pledgor (termination of the claim);
- Waiver of the subject of the pledge;
- Merger of the pledgee and the pledgor into one entity;
- Destruction of the subject of the pledge due to force majeure unless the subject of the pledge is insured;
- Sale of the subject of the pledge for the purpose of realization of the pledge right;
- Termination of the legal entity which is the pledgee, and which has no legal successor;
- Unilateral termination of the pledge contract under conditions provided by Law;
- Agreed upon termination of the pledge contract;
- Lapse of the time limit, except in a case of mortgage, and

In other cases determined by law.

Article 42

The pledge is terminated by its deletion from the pledge register, or the public book. Deletion of the pledge may be requested by the pledgee or the pledgor.

Article 43

The right on pledge is terminated upon valid waiver of the mortgagee.

The waiver is valid in case the pledgee has submitted a written statement, authorized by a notary, for deletion of the pledge from the register of pledges or the public book. In case the pledgee is composed of several entities, the waiver of the pledge is valid if it is agreed upon by all entities.

In case of several pledgees, each pledgee can individually waive his/her right on pledge and it is terminated on his/her behalf, but it remains unchanged with respect to the remaining pledgees.

Article 44

The right on pledge that is limited in time or by termination condition is terminated upon the lapse of the time period or fulfilment of the condition.

Article 45

The right on pledge is terminated when the claim secured by the pledge is fully settled or is terminated with all auxiliary claims (interest, costs, etc.) and is deleted from the pledge register, or the public book.

Until the right on mortgage is deleted, the owner of the subject of the pledge may, based on a written confirmation from the pledgee or other type of document that serves as a proof for the termination of the claim secured by the pledge, transfer the subject of the pledge on a new claim equal with the previous claim.

If there is an older pledge over certain object, the new one registered with a priority in settlement over the older one, may cause legal action only if the older pledge is deleted or upon consent of the contractual parties transferred to the new pledge.

In case an older pledge relates to several objects as joint (simultaneous), the new pledge may cause legal action only if the older pledge is deleted from all objects that it encumbers.

The provisions of this article shall also be applied respectfully in cases a new claim replaces two or more claims secured by pledge that are sequential with respect to the priority of settlement.

Article 46

The right on mortgage is terminated when the legal entity - mortgagee is terminated and there are no legal successors.

Article 47

The right on mortgage is terminated with a realization of the claim of the mortgagee from the subject of the mortgage under conditions prescribed by this Law.

Article 48

In case of possessory pledge, the claims of the pledgor towards the pledgee for damage compensation because of worsening of the condition of the pledged object, and the claims of the pledgee towards the pledgor for compensation of expenses for improvement of the pledged object shall expire in deadlines determined for damage compensation.

Article 49

When the subject of pledged deteriorates by fault of the pledgor, the pledgor is obligated to put a pledge on another appropriate property.

Chapter IV – Register of Pledges

Article 50

The Register of Pledges is one of the main registers within the Central Register, without status of legal entity, in which the non-possessory pledge on a movable property has to be entered.

The data contained in the Register of pledges are public and no person may plead that he/she was unfamiliar with the information.

Any person shall have access to the Register of Pledges and the right to obtain information in person or in another form (through telephone, in electronic form, etc.)

Any document issued by the Register of Pledges shall be considered a public record.

Article 51

For registration and for obtaining information from the Register of Pledges, a fee covering the real (operating) expenses shall be charged.

Article 52

Entry in the Register of Pledges shall be made with a prescribed registration form upon request of an interested party.

The registration form pursuant to paragraph 1 of this article, has to include:

- information about the contractual parties (first name and last name, permanent or temporary domicile and the identification number of the citizen, or the passport number for a foreigner, or title/name and seat of the company and the number under which the legal entity was registered);
- a description of the collateral with enough details as to identify it; and
- the date, hour and place of filing the registration form.

Article 53

The filling out the registration form in the sense of this Law shall be done under conditions and manner as prescribed by the Law on Central Registry.

Article 54

The registration is valid for up to 5 years, and the time starts to lapse from the moment of the registration in the Register of Pledges. This dead line can be extended in case it is requested 6 months prior to the lapse of the dead line.

The extension is executed based on request for extension, which has to be accompanied by written consent of the pledgee and coverage of the fee.

Article 55

A document shall be issued for entry into the Register, amendments and termination of pledge right.

The Document for entry pursuant to paragraph 1 of this article shall contain the essential elements of the pledge contract, the date and the hour of the receipt of the registration form into the Register of, as well as the date of issuing the Document.

Article 56

For each filed registration form the responsible clerk in the Pledge Register shall immediately confirm the date and time of receipt, as well as the number under which the registration form has been entered into the Register.

The registration form pursuant to Paragraph 1 of this Article shall, immediately after reception, be microfilmed, and shall be placed in a registration file that shall be maintained under the name of the pledgor, and the original registration form shall be returned to the applicant.

Article 57

If the registration form does not contain the data defined in this Law, or if the appropriate expenses for remedy of the defects are not paid, an additional time, not to exceed three days, shall be provided for the applicant to remedy the defects.

Upon expiration of the period pursuant to Paragraph 1 of this Article, a pre-record shall be issued.

If the defects are remedied within the period stipulated in the Paragraph 1 of this Article, the registration form shall be accepted as for first time.

If the defects are not remedied within the period stipulated in the Paragraph 1 of this Article, the registration form shall be rejected.

Article 58

Upon request from a pledgor, a pledgee shall be obligated to submit a written proof that the obligations have been performed.

Upon submission of a written proof that the obligation has been performed, the entry shall be deleted from the Register of Pledges.

A special Document of Confirmation shall be issued for the deletion of the entry from the Register of Pledges.

Chapter V- Realization of the Pledge

Article 59

If in the pledge contract the contractual parties have not chosen one of the commercial manner for sale of the pledge nor have they chosen authorized entity for execution of the realization of the pledge, the pledgee shall have the right to choose the authorized entity (notary, court, agency for sale of movables and immovables, stock-exchange and other subjects stipulated by this law) who will execute the realization of the pledge.

The realization of the pledge shall be executed by a notary in accordance with the provisions of this law, by the court in accordance with the provisions of the Law on Executive Procedure, by the Agency as per paragraph 1 of this article in accordance with the provisions of the law that regulates its establishment and operation, and by the other subjects in accordance with the provision of this or other law that pertains to their operation.

Article 60

If the contractual parties in the pledge contract have chosen one of the commercial manners for sale of the pledge as stipulated in this or other law and have determined the authorized entity to execute the realization, the realization of the chosen commercial manner of sale of the subject of the pledge shall be done in accordance with the procedure prescribed in the laws for the respective authorized entities that execute the realization. This also pertains to cases when the choice of the procedure for realization has been made by the pledgee.

Article 61

For start-up of the realization of the pledge in any manner and by any entity, two conditions have to be met: the pledgor is late in fulfilment of his/her obligations towards the pledgee and the pledge contract has status of executive document.

Article 62

When the pledge contract has status of executive document, and the pledgor defaults the obligations from the contract, the pledgee is entitle to require realization of the pledge within 8 days from the day of the delay. In the case described in paragraph 1 of this article, the pledgee is obligated to notify the pledgor, as well as the other registered pledgees, if any.

Upon the pledgee's notification of the persons stated in paragraph 2 of this article, the pledgee may take protective measures with respect to the pledged property, in order to protect or increase its value.

For the purpose of achieving the aim pursuant to paragraph 3 of this article, the pledgee may request from the court to bring a decision, taking the pledged property from the pledgor within 8 days from the day of receipt of the application by the court, and its transfer to possession of the pledgee, and if that is not possible because of the property's nature, or if it is in the interest of the pledgee, upon pledgee's request, the court shall assign an administrator who will take care of the pledged property until the final realization of the pledge. The pledgee has to justify such request with existing reasons that jeopardize the settlement of his/her claim.

Appeal against court's decision of paragraph 4 of this article shall not postpone the execution.

After the lapse of eight days from the notification for execution by the notary, the property might be sold in the commercial manner stipulated in the contract, and if such manner is not stipulated in the contract, it is sold in accordance with the provisions of this Law.

Article 63

In cases when over the property there are several pledges of different orders, the settlement during their realization shall be done by the order of acquired priority. If the same property was used for securing claims of several pledgees that fall due in different times, when it is a due date for payment of claim of any pledgee before whom another pledgee has priority, it shall be considered that it is also due date for payment of the claim of the pledgee who has priority.

The provision of paragraph 1 of this article shall also apply in cases when the property with several pledges was bought at an auction by the pledgee of first order. In that case pledges of lower payment orders shall settle their claims from the sale price only as much as there is left over the claim of the pledgee of first order, who settled his/her claim with purchase of the property, by paying only the difference between his/her claim and the price reached with the sale.

The provision of paragraph 1 of this article will also apply in cases when the property is purchased by the second or any further pledgee, but the pledgee who has priority will first settle his/her claim of the reached price.

Article 64

In case the realization is conducted through a notary, the pledgee after the due date of the claim, shall appoint the notary that will execute the sale and the notary will notify the pledgor on the fact within 8 days.

The pledgor should, within 8 days from the day of receipt of the notification for sale and the appointment of the notary to execute the sale, set the lowest starting price for public auction under which the subject of the pledge can not be sold, as well as a statement of agreement to finance in advance the costs related to the sale.

In case the mortgagor fails to act in accordance with paragraph 2 of this article, the actions prescribed shall be executed by the mortgagee in order to realize the sale.

The lowest starting price for the public auction of the subject of the pledge can not be lower than the amount of the secured claim, increased by the costs and interest that falls due until the lapse of the dead line in which the notary should sell the subject of the pledge.

In case the pledgor gives a written statement together with the attachments described in paragraph 2 of this article, the pledgee is obligated, within 8 days of the day of the acquisition of the statement, to authorize the notary to sell the subject of the pledge in accordance with the conditions described in the statement of the pledgor.

The pledgor is obligated to undertake all activities upon request of the notary in order to facilitate access to the subject of the pledge.

In the opposite case he/she is liable for the damage that the pledgee might incur in case the subject of the pledge is not sold.

Article 65

If the pledge contract does not stipulate the manner of sale, the notary shall execute the sale through public auction at location stated in the announcement of the sale.

In the announcement of the sale, the notary states the manner of bidding, conditions, time and place, opening price and other information necessary for the sale.

The notary prepares minutes of the sale, which have to include the object and the price as important elements of the sale. The minutes are signed by the buyer and the notary, and if the auction fails, it is signed only by the notary.

In case the buyer does not pay the price in the agreed time limit, the notary will prepare new minutes stating that the sale has failed and that the minutes of the sale produce no legal action. These minutes shall also contain the fact that the guarantee of the buyer that failed to pay the price is being retained. In this case the notary issues new announcement for sale, if it is possible that the sale finishes within three months from the day of acquisition of the authorization for sale, otherwise the sale can be done with direct negotiation, if the pledgee and the pledgor agree to that. The direct negotiation is done as a notary act in which statements of consent of the pledgee and the pledgor have to be entered, unless such written statement is previously given to the notary.

In case the notary fails to sell the subject of pledge by either auction or direct negotiation within 3 months from the day of acquisition of the authorization for sale, it shall be considered that the pledgee has become owner of the pledged property for the amount equal to the amount of the secured claim increased by the costs and interest, unless the pledgee, within 15 days from the day of fulfilment of the conditions for acquiring the ownership notifies the pledgor through a notary that he/she refuses to accept the transfer of ownership right over the subject of pledge.

Ownership right shall also not be transferred to the pledgee when there is pledge right for several pledgees over the same property.

In case when the pledgee has not acquired ownership right over the pledged property, the chosen manner of sale shall be repeated until the auction succeeds. In such cases the opening price shall be determined by the authorized notary for sale of the pledged property, after prior acquisition of expert's opinion.

In case the pledgee becomes owner of the subject of the pledge, it is deemed that the secured claim is settled from the moment he/she became owner of the subject of the pledge if up till that moment the pledgee has partially settled his/her claim, he/she is obligated within 8 days from the day he/she became the owner to return any such amount from the value of the subject of the pledge to the pledgor, or to deposit any such amounts at the notary or in the court, otherwise the notary will state that the acquired ownership right is terminated.

Acquiring of ownership over the pledged property under conditions determined in this article and the moment of such acquisition are noted in the minutes, which are signed by the notary and the pledgee.

Article 66

The minutes of the sale of the pledged property by auction, the minutes for acquisition of ownership right over the pledged property under conditions determined in this law, as well as the direct negotiation for sale of the pledged property made in form of executive document, shall represent legal basis for acquiring the right on ownership.

Article 67

In case the pledgor or third parties have objections to the realization of the pledge, they can exercise their right by filing an appeal for annulment of the acts (minutes) based on which the realization of the subject of pledge was executed.

If, upon submitted appeal for annulment of the acts (minutes) for the realized pledge, the court issues a temporary measure within 15 days of the submission of the appeal, the acquisition of the right on ownership over the subject of pledge shall be delayed until the date determined by the Court in the temporary measure. If the appellant loses the cases, he/she shall cover the compensation for the damage done to the new owner.

An appeal pursuant to paragraph 1 of this Article, filed after 15 days counted from the date of the public auction on which the pledge has been sold, or from the date when the minutes based on which, the pledgee acquires the right to become owner of the pledge pursuant to article 65 paragraph 5 of this Law, or from the date of signing the minutes for direct sale agreement of the pledge, shall not result into legal action with respect to the new owner who acquired the ownership right over the pledged property.

Article 68

The notary is obligated to stop the sale upon written request of the pledgee. In that case the costs for the sale as well as reimbursement for the notary are incurred by the pledgee.

Upon written request of the pledgee, the notary shall delay the realization of the pledge.

The delay of the realization of the pledge may last *twenty* days at the most. If until the laps of this time the pledgee does not submit written request for extension of the procedure of realization of the pledge, the notary shall make minutes stating that the procedure for realization is stopped.

The notary is also obligated to stop the procedure for realization of the pledge/mortgage upon temporary court order.

Article 69

From the resources gathered from the sale, first priority in the settlement is given to the costs incurred after the issuance of the announcement for sale, and related to protection and increase of the value of the pledge; second to the costs for the sale and the reimbursement of the notary; third for the settlement of the pledgee that has first established pledge; fourth, for the rest of the pledgees in accordance to their priority, if any, and fifth the remaining resources of the sale, if any, are paid to the pledgor.

The resources received from the sale are deposited with the notary until the settlement.

If the pledgee does not manage to fully settle his/her claim through the sale of the pledged property, the pledgee can request from the pledgor to settle the remaining part of the claim.

The notary who did the sale of the pledge, when making settlement, has to have in consideration the priority right.

Article 70

When the buyer fails to pay the sale price within the time determined with this law, the minutes shall not result into legal action, and from the guarantee the expenses shall be covered that were made for the sale which failed as well as the expenses for the new sale, and if there is certain amount of remaining resources, they shall be added to the resources gained with the new sale.

If the pledged property is not transferred into ownership of the pledgee because of the failed sale, then after settling of all expenses of the procedure, the remainder of the guarantee, if any, shall be returned to the pledgor.

Article 71

In case when the direct negotiation, as one of the commercial manners for sale of the pledge, is chosen in the pledge contract, and when the auction sale failed and the pledgee and the pledgor have made an agreement that the sale is done with direct negotiation, and at the same time the subject of the direct negotiation is the sale of a whole trading company or other legal entity along with all its annexes and the

business activity or without it or all its movable property (machines, other equipment, products etc.) and immovables, no matter who executes the realization, the sale shall result in no legal action, if the sale price is lower than the amount of the secured claim, as well as when the price is not paid within 30 days from the day of the concluded direct negotiation.

The negotiation pursuant to paragraph 1 of this article results in no legal action also if the realization of the pledge is not published in the “Official gazette of the Republic of Macedonia”.

The request for the publishing has to be submitted within three days, from the day of payment of the sale price, and the publication has to be done in one of the two following issues of the “Official gazette of the Republic of Macedonia” that will be published after the submitted request for publication.

Article 72

In case of establishing pledge over a whole trading company or other legal entity, the sale by auction shall be made for the whole company or legal entity, including all annexes together with the business activities (production). But if the highest bid for sale is below 80% of the amount of the debt secured with the pledge, separate parts of the company shall be sold as an attempt to achieve higher price which will result into collection of a higher amount of the claim secured by the pledge. During the sale of separate parts of the company or the estate, there should be consideration for priority sale of those assets that will not be obstacle to the continuity of the operations of the company or the legal entity.

Article 73

Where the costs of the public auction are disproportionally high compared to the value of the pledge, the notary may, based on a written consent by the both parties, sell the collateral for a price equal to the claim secured with the collateral, or if the pledgee so wishes, that he/she may keep the collateral him/herself for the same price.

Where the value of the collateral pursuant to Paragraph 1 of this Article is in obvious disproportion with the value of the claim, the value of the collateral shall be assessed by an expert.

Article 74

Should a collateral deteriorate or lose its value, thus creating a risk not to be sufficient to secure the claim of pledgee, a court may, unless otherwise agreed by the parties, decide, upon request from the pledgor or the pledgee but after the other party has been questioned, that the property will be sold through a public auction or at its market or stock exchange value, after which the amount of the price or a sufficient portion of it shall be deposited with the notary or the court for the purpose of securing the pledgee's claim.

No legal remedies are allowed against the decision from paragraph 1 of this article. The public auction shall be conducted by notary appointed by the court if the parties fail to agree on one.

Article 75

A court shall, upon request from the pledgor, decide to allow the property to be sold to a certain person for a price that at least equals the value of the secured claim.

No legal remedies are allowed against the decision from paragraph 1 of this article.

The public auction shall be conducted by notary appointed by the pledgor.

The sale price, or a sufficient part of it shall be deposited with a court or a notary who performed the sale, for the purpose of securing the settlement of the claim of the pledgee.

Article 76

The buyer of the property pledged in accordance with the provision of this law, shall gain ownership over that property freed of all pledge claims, after the lapse of time for filing complaint as determined in article 67 of this law.

Article 77

If subject of pledge are securities, and pledgor does not settle his debt in due time, the pledgee may request for sale of the securities through the stock-exchange, except for those that can not be traded with through the stock exchange.

Article 78

If subject of the pledge is claim or other right, and the pledgor does not fulfill the due obligation, the pledgee is obligated to request for its collection.

In case the collateral gives right on interest or other type of occasional proceeds, the pledgor is obligated to collect them.

The resulting amounts from paragraph 2 of this article, unless determined to be kept by the pledgee, shall be set off against the costs incurred for settlement of the compensation to which the pledgee is entitled to, then against the interest owed to the pledgee and the last in order against the principal.

Article 79

When a pledged claim is due for payment the pledgee must collect it. After a pledged claim has been settled, the pledge right shall pass on to the property with which the claim has been settled.

When the property of a pledged claim is money, the pledgee shall, upon request from the pledgor, be obligated to deposit the amount collected with a notary or a court;

however, if pledgor's claim is also money and the monetary claim is due for payment, the pledgee may keep for him/herself the amount that is owed to him/her and shall be obligated to deliver the rest to the pledgor.

Article 80

Should the pledgor not perform his/her obligation when due, the pledgee shall be entitled to collect his/her claim from the pledgor's assigned claim.

After satisfying his/her claim, a pledgee shall be obligated to deliver the surplus in money or other property to the pledgor.

Article 81

The notifications that should be executed for realization of pledge according to this law shall be considered valid in case they are sent to the addresses as stated in the pledge contract, unless other address was deposited with a notary with a written statement.

Article 82

In the procedure of establishing the pledge right and realization of pledge determined in this law, in case of lack of provisions regulating the creation and sale, the provisions of the Law on executive procedure shall be applied.

Chapter VI – Penalty Provisions

Article 83

Any responsible officer at the Register of Pledges shall be charged with a misdemeanour and fined from 10.000 to 30.000 dears, if he/she does not immediately confirm the date and the time when the registration form has been received, as well as the number under which it is registered.

Article 84

Any responsible officer at the Register of Pledges shall be charged with a misdemeanour and fined from 10.000 to 30.000 dears, if he/she without any justified cause refuses to issue data from the Register or issues incorrect data, or prevents access to them.

Chapter VII – Transitional and Final Provisions

Article 85

From the date of enactment of this Law, the Law on pledges on moveable property and rights ("Official Gazette of Republic of Macedonia" No. 21/98; 48/99 and 86/2000) and the Law on contractual mortgage ("Official Gazette of Republic of Macedonia" No. 59/2000 and 86/2000) are no longer in force.

Article 86

The procedures for realization of pledge or mortgage started prior to the day of enactment of this Law shall be concluded in accordance with the current legislation.

The procedures for realization of pledge or mortgage not yet started shall be concluded in accordance with the provisions of this law.

If no actual actions have been taken as per the brought decision for execution, upon request by the pledgee, the procedure can be started and be managed in accordance with the provisions of this law.

Article 87

The existing Register of Pledges will continue its operations in accordance with the provisions of this Law.

The bylaws for its operation shall be made compliant with the provisions of this law within 90 days from the enactment of this Law.

Article 88

This Law enters into force on the eight day from its promulgation in the Official Gazette of Republic of Macedonia.