Title I
General Provisions

Article 1
This Law shall govern the manner, the terms and conditions and the procedure to pledge movable property and rights (hereinafter: pledge) on the basis of a contract.

A pledge shall secure a claim of a pledgee so that the pledgee may, on priority basis over other creditors, obtain satisfaction from the value of the collateral or obtain a property right on the collateral, should the obligation not be paid when due.

Article 2
Based on a pledge contract a debtor or a third party (hereinafter: the pledgor) shall assume an obligation toward the creditor (hereinafter: the pledgee) to pledge a movable property or a right.

A movable property (hereinafter: property) subject to a pledge pursuant to Paragraph 1 of this Article may remain in the possession of the pledgor (non-possessory pledge) or be vested to the pledgee (possessory pledge).

The right pursuant to Paragraph 1 of this Article may remain in possession of the pledgor or be assigned or transferred to the pledgee.

Article 3
A pledgor or a pledgee may be any natural or legal person according to their legal and working capabilities.

Article 4
One or more objects of property or one or more rights may be encumbered with a pledge. The property or the right pursuant to Paragraph 1 of this Article shall be subject to legal transactions.

Only property owned by the pledgor and right belonging to him/her may be pledged.

Property or rights already pledged with another person may be pledged again.

Upon request from the pledgee, the pledgor shall submit a written consent from the owner,
i.e., the joint owner of the collateral.

Future property or rights may also be pledged as collateral.

The pledged property or rights pertaining to Paragraphs 1 through 4 of this Article shall be determined or determinable.

Article 5
When the collateral is processed or is combined with other movable property, or where a new property has been created, the collateral pledged shall be the processed or combined property or the newly created property.

In the case of Paragraph 1 of this Article, the processed or combined property or the newly created property shall be pledged, and the order of priority shall be governed by Article 23 of this Law.

Article 6
A future obligation or an obligation subject to condition may be secured by a pledge.

A pledge that secures performance of an obligation may also be extended to contractual obligations that arise between a pledgor and a pledgee after entering into a pledge contract, due for payment before the obligation secured by the pledge has been paid, unless otherwise agreed.

Article 7
The non-possessory pledge is registered in the Collateral Registry (registered pledge), whereas the possessory pledge is not registered in the Collateral Registry (non-registered pledge).

Article 8
A contract with a registered pledge must be executed in writing.

A contract with a non-registered pledge may be executed in any form.

The contract from Paragraph 1 of this Article may be prepared by a notary in the form of a notarial act, in which, with consent from the contracting parties, the notary may include a clause giving the document executive title status.

The contract from Paragraph 1 of this Article, as created by the contracting parties,
shall constitute an executive title when the signatures of the contracting parties are notarized and they shall make a statement that they accept the notarial act as executive title.

Upon request from either party pursuant to Paragraphs 2 and 3 of this Article, the notary shall record the contract in the Collateral Registry.

Article 9
There shall be a Registry for Pledges on Movable Property and Rights (hereinafter: Collateral Registry) on the territory of the Republic of Macedonia, without a quality of a legal person in the Central Registry, determined in the Law on keeping registers in the R.Macedonia ("Official Gazette of the R.Macedonia" numb. 28/98).

Article 10
All matters that are not governed by this Law shall be governed by the general rules of the civil code [of Macedonia].

Title II
Acquisition and Termination of a Pledge
Section 1
Acquisition of a Pledge on Property

Article 11
A non-possessory pledge shall be acquired by entering into a pledge contract and by inventorying the pledged property, without vesting the property to the pledgee.

The collateral pertaining to Paragraph 1 of this Article shall be inventoried by the contracting parties and the inventory list shall be certified by a notary.

The pledge pertaining Paragraph 1 of this Article shall be recorded in the Collateral Registry.

If the collateral pertaining to Paragraph 1 of this Article is not recorded in the Collateral registry, the pledge shall not have the character of a registered pledge.
Article 12
A non-registered pledge on property shall be acquired by entering into a contract between the pledgor and the pledgee and by vesting the property to the pledgee.

Article 13
A pledge contract shall in particular contain the following information:
- information about the contracting parties (first and last name, permanent or temporary domicile, or title/name and seat of the company);
- description of the collateral with enough specifications as to be possible to identify it;
- the legal basis of the claim or the obligation and cash amounts;
- the time when the claim shall be due, and
- the place and date when the contract is executed.

Article 14
A claim secured by a pledge shall have priority over other claims, unless otherwise provided by law.

If there are both registered and non-registered pledges on the same property, the claim secured by the registered pledge shall have priority against the value of the collateral.

Section 2
Rights and Obligations of Contracting Parties

Article 15
In case of a registered pledge a pledgor shall have the right to make use of the collateral as if it was his/her own property, or as a reasonable businessman or reasonable expert would use the property.

If the belonging of all proceeds from the collateral is not determined, the pledgor shall keep the proceeds as his/her property, unless otherwise agreed by the contracting parties.
Article 16
In case of a registered pledge a pledgee shall have the right to control and supervise the state of the collateral.

A pledgee may exercise the right pursuant to Paragraph 1 of this Article at any time, except at undue time.

Article 17
In case of a non-registered pledge a pledgor must deliver the agreed collateral to the pledgee or a third party.
The contracting parties may agree to jointly take care of the collateral.

Article 18
In case of a non-registered pledge the pledgee shall be obliged to take care of the collateral as if it was his/her own property, or as a reasonable businessman or reasonable expert would use the property.

A pledgee is obliged to return the collateral as soon as his/her claim is paid.

Article 19
In case of a non-registered pledge the pledgee is not entitled to use the collateral or to transfer the collateral to another for use, or to sub-pledge it, unless agreed by the pledgor.

A pledgee who uses the collateral, 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 20
The pledgee in a non-registered pledge may keep all proceeds from the collateral, unless it is provided to whom the proceeds will belong after they are separated from the collateral.

Article 21
In case of a non-registered 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 pursuant to Article 18, Paragraph 1 of this Law, 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.

Expenses incurred due to the reasons stated in Paragraph 1 of this Article shall
be covered by the pledgee.

**Article 22**

In case it is determined that the collateral has a legal or physical defect, so that
it is not sufficient to secure the transaction, in the case of both registered and non-
registered pledges the pledgee shall be entitled to request the pledgor to provide
another appropriate collateral.

Where the pledgor is at fault for the destruction of a collateral, he/she shall be
obliged to give another appropriate collateral.

**Article 23**

Where a property is pledged with several pledges, the order of satisfaction of
their claims from the value of the collateral shall be determined according to the date
of entering the record into the Collateral Registry.

Where on one object of property several pledges have been recorded on the
same date, the order of satisfaction shall be determined according to the hour when
the registration form was filed in the Collateral Registry.

Registration forms filed in the same moment (same day and at the same hour)
shall have equal treatment in respect to satisfaction of claims.

**Section 3**

**Creation of Pledge on Securities**

**Article 24**

A non-possessory pledge on securities shall be created by executing a pledge
contract and by making an inventory of the pledged securities, without transferring
the security and the rights arising therefrom, as collateral, to the possession of the
pledgee.

The collateral pertaining to Paragraph 1 of this Article shall be inventoried by
the contracting parties and the inventory list shall be certified.
The pledge from Paragraph 1 of this Article shall be recorded in the Collateral Registry.

If the collateral pertaining to Paragraph 1 of this Article is not recorded in the Collateral Registry, the pledge shall not have a character of registered pledge.

Article 25

A possessory pledge over securities shall be acquired by executing a contract between a pledgor and a pledgee and by transferring the security and the rights arising therefrom, as collateral to the pledgee.

A pledgee accepting a security, as provided in Paragraph 1 of this Article, that has been transferred to him/her as “transfer of collateral,” may exercise all rights arising from the security, but the security may be transferred to another only by a transfer of power of attorney.

Article 26

A pledge contract on securities shall include, in addition to the elements pertaining to Article 13 of this Law, the following information:
- Indication of the type of security that is being pledged; and
- The amount and the value of the security taken into consideration upon entering into the pledge contract.

Should a security be transferred to a pledgee, the pledge contract shall also have a “collateral value” clause.

Article 27

A pledgee shall have a pledge over a claim written on a bearer security when the security is delivered to him/her by the pledgor.

A pledge over order securities and name securities shall be done by endorsement stating that the securities have been pledged.
Section 4
Creation of Pledge on Claims and Other Rights

Article 28
A registered pledge over claims shall be created by entering into a pledge contract and by inventorying the pledged claims, without assigning or transferring the claim, as collateral, to the pledgee.

The collateral pertaining to Paragraph 1 of this Article shall be inventoried by the contracting parties and the inventory list shall be certified by a notary.

For pledges on claims pertaining to Paragraph 1 of this Article, the pledgor’s debtor shall be informed in writing that such a pledge contract has been entered into.

The pledge pertaining to Paragraph 1 of this Article shall be recorded in the Collateral Registry.

If the collateral pertaining to Paragraph 1 of this Article is not recorded in the Collateral registry, the pledge shall not have a character of registered pledge.

Article 29
A non-registered pledge on a claim or other rights shall be created by entering into a pledge contract.

For the purpose of acquiring a pledge on a claim, pursuant to Paragraph 1 of this Article, it shall be necessary to notify in writing the debtor of the pledgor of the executed contract.

The pledgor shall be obliged to deliver to the pledgee a document for the pledged claim, as well as other instruments for securing the pledged claim, if there are any.

Article 30
In case of a non-registered pledge a pledgee shall be obliged to take all necessary measures to preserve the pledged claim.

Article 31
Beside claims, other rights may also be pledged (industrial rights, intellectual
property rights, etc.).

Section 5 Termination of a Pledge

Article 32 The reasons for termination of a pledge are the following:
- In case of non-registered pledge loss of possession over the collateral, if the loss is
  in accordance with the law;
- the obligation is performed by the pledgor (termination of claim);
  - waive of collateral;
- merger of the pledgor and the pledgee into one person;
- destruction of the collateral;
  - sale of the collateral for the purpose of realization of the pledge;
  - unilateral cancellation of the pledge contract under conditions provided by
    this Law or other laws;
  - cancellation of a pledge contract by agreement;
  - novation; and
  - for expiration of the time limit.

Article 33

Claims of a pledgor against a pledgee for compensation of damage due to
deterioration of the condition of the collateral and claims of the pledgee against the
pledgor for compensation for costs incurred to improve the condition of the
collateral, shall in case of non-registered pledges, become time-barred within a year
from the date when the collateral has been returned.

Article 34

After the limitation period has expired, a pledgee may satisfy his/her claim
only from the collateral in his/her possession.

However, time-barred claims for interest and other periodic payments cannot
be satisfied from the collateral.

Title III

Collateral Registry

The provisions related to the pledge of claims shall also be applicable to
pledges on other rights.

**Article 35 - article 35 has been nullified.**

**Article 36**  All information contained in the Collateral Registry shall be public and accurate and no person may plead that he/she was not familiar with the information.

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

Any document issued by the Collateral Registry shall be considered a public record.

The form and the contents of the Collateral Registry as well as the procedure for recording and the way in which the Registry shall be administered shall be regulated by the Minister of Justice.

**Article 37**

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

The amount of the fees shall be determined with a tariff prescribed by the Government of the Republic of Macedonia.

**Article 38**

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

The registration form shall include the following information:
- information about the 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 39**

The form, the contents and the manner of filling out the registration form provided by this Law shall be prescribed by the Minister of Justice.
Article 40

The record in the Collateral Registry shall be valid for the period of up to five years, and the time period shall start to run from the moment of entry into the Registry. This period may be extended if the extension is requested six months prior to its expiration.

Extension shall be done on the basis of a request for extension to which the parties shall enclose a written consent from the pledgee, and the fees shall be paid.

Article 41

A document shall be issued for entry into the Collateral Registry, amendments and termination of pledges.

The Document pertaining to Paragraph 1 of this Article shall contain the essential elements of the pledge contract, the date and the hour of entry of the registration form into the Registry, as well as the date and time of issuing the Document.

Article 42

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

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 43

The registration form shall be rejected if it does not contain the data requested in Article 38 of this Law or if all the fees 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 prerecord shall be issued.

If the defects are remedied within the stipulated period, the registration form shall be accepted as for first time.

If the defects are not remedied within the stipulated period, the registration form shall be rejected.
Article 44

Upon request from a pledgor, a pledgee shall be obliged 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 Collateral Registry.

A special Document of Confirmation shall be issued for the deletion of the entry from the Collateral Registry.

Title IV
Realization on Collateral

Article 45

If a claim is not satisfied when due, the pledgee, in case of a registered pledge, has the right to request a court order, within a period not to exceed eight days, for the collateral to be taken away from the pledgor and vested to him/her.

Where the nature of the collateral is such that a transfer of possession is not possible or if it is in the interest of the pledgee, a court shall, upon a proposal from the pledgee, appoint an administrator who will take care of the collateral until the moment of the realization of the pledge.

A petition against the order pertaining to Paragraph 1 of this Article shall not postpone the realization.

Article 46

In case of a registered pledge where a claim of a pledgee, regardless whether in the procedure for realization of the pledge he/she obtained possession over the collateral or not, is not paid when due, the pledgee may request to the court that the collateral be sold through a public auction, or at its current price, provided the collateral has a market or stock exchange value.

If a collateral cannot be sold in the first round of a public auction, the collateral shall, upon request from the pledgee, be awarded to the pledgee at the sale price determined for the first round, that is equal to the value of the secured claim.
Where a pledgee has partially satisfied the claim, he/she shall be obliged to reimburse the positive amount to the pledgor within eight days or to deposit the amount with a court or a notary.

If a pledgee does not request that the collateral be awarded to him/her, a court must order a new auction only upon the proposal from the pledgee.

Any sale of a collateral shall be done in compliance with the provisions from the Law on Enforcement Procedures that apply to the sale of movable property, unless otherwise provided by this Law.

**Article 47**

Where the costs of the public auction are disproportionally high compared to the value of the collateral, a court may order that the pledgee sell the collateral for a price equal to the value of 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 pertaining to Paragraph 1 of this Article is in disproportion with the value of the claim, the value of the collateral shall be assessed by an expert.

**Article 48**

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 collateral 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 court or a notary for the purpose of securing the pledgee’s claim.

A court-appointed person may also conduct an auction.

A court may (in case of both registered and non-registered pledges) reject the pledgee’s request for auction, if the pledgor offers to deliver to the pledgee, as a substitute for the collateral, property of same value and which does not require more effort and care than the original one.

A court shall, under the same conditions, allow the collateral to be substituted
at the request of the pledgor or in case the pledgee does not request that the collateral be sold.

**Article 49**

A court shall (in case of both registered or non-registered pledges), upon request from the pledgor, allow the collateral to be sold to a certain person for a price, that at least equals the value of the secured claim.

The sale price, or a sufficient part of it determined by the court upon granting permission for sale, shall substitute the collateral and be deposited with a court or a notary, for the purpose of securing the settlement of the claim of the pledgee.

**Article 50**

In case of a non-registered pledge, a pledgee shall be entitled, prior to other creditors of the pledgor, to satisfy his/her claim from the amount of the sale price obtained for the collateral, after the expenses for satisfying the claim and preserving the collateral have been covered, as well as any due interest.

**Article 51**

If a claim is not satisfied when due, the pledgee, in case of a non-registered pledge and registered pledge where in a procedure for realization of the pledge the pledgee has obtained possession of the collateral in accordance with Article 45 of this law, shall have the right to sell the collateral through a public auction, at a starting price equal to the value of the secured claim, after the expiration of a 30-day period following the date when the pledgee was notified that such a procedure shall be applied.

A pledgee shall timely inform the pledgor of the date and place of the sale. Where the collateral could not be sold on the first round of the auction, the pledgee may request that a court order the collateral to be awarded to him/her. Where a pledgee has partially settled his/her claim, he/she shall proceed in accordance with Article 46, Paragraph 3, of this Law.

**Article 52**

In case of pledged securities, if a pledgor that has an obligation to return a received credit or a loan does not return the credit or the loan when due, the bank as a pledgee may sell the pledged securities and satisfy its claim from the received amount.
Article 53
Where a pledged claim produces a right to interest or other periodic payments, the pledgee shall be obliged to pay them.

The obtained amounts from Paragraph 1 of this Article shall be set off against the costs for which the pledgee is entitled to compensation, against the interest owed to the pledgee and against the principal.

Article 54
When a pledged claim is due for payment the pledgee must collect it.

After a pledged claim has been settled, the pledge shall pass on to the object with which the claim has been satisfied.

Where the object of a pledged claim is money, the pledgee shall, upon request from the pledgor, be obliged to deposit the amount collected with a court or a notary; however, if 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 obliged to deliver the rest to the pledgor.

Article 55
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 obliged to deliver the surplus in money or other property to the pledgor.

Title V
Penalty Provisions

Article 56
Any responsible clerk at the Collateral Registry shall be charged with a misdemeanor 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 42, Paragraph 1).
Article 57

Any responsible clerk at the Collateral Registry shall be charged with a misdemeanor and fined from 5,000 to 25,000 denars, if he/she refuses without justified reason to give information from the Registry or if he/she gives incorrect information or if he/she hinders the access to the Registry (Article 36, Paragraph 2).

Title VI

Transitional and Concluding Provisions

Article 58

Pledges established on movable property with agreement between parties and in compliance with the Law on Enforcement Procedures shall be recorded in the Collateral Registry by the date when this Law shall come into effect.

A court shall, ex officio and within a period of 30 days following the date when the Collateral Registry starts to operate, submit all copies of the agreements pursuant to Paragraph 1 of this Article.

The person in charge of the Collateral Registry shall notify the parties of the registration in the Registry within a period of 30 days.

Article 59

The contracting parties may record in the Registry pledges on movable property established in another manner, before this Law came into effect and in accordance with the provisions of this Law.

Article 60

Sub-statutory regulations provided by this Law shall be adopted within 90 days following the date of this Law becomes effective.

Article 61

Until the Collateral Registry pursuant to Article 9 of this Law commences to operate, its duties shall be performed by an office within the Ministry of Justice.
Article 62

When this Law is effective, abrogated shall be (i) the provisions pertaining to Title XXVIII, Articles 966-996 and other provisions pertaining to pledge on movable property from the Law on Obligations (Official Gazettes of SFRJ 28/78, 39/85, 46/85 and 57/89) which, in conformity with Article 5 of the Constitutional Law on Implementation of the Constitution of Republic of Macedonia, from federal became a republic law (Official Gazette of RM no. 52/91), (ii) and the provisions of the Law on Enforcement Procedures (Official Gazette of RM 53/97) pertaining to pledge on movable property based on agreement between the parties.

Article 63

This Law is effective on the eighth day following the date of publication in the “Official Gazette of the Republic of Macedonia.”