

# Law on Registered Pledges

(Adopted by the National Assembly on 8 November 1996; published in the Darjaven Vestnik, issue 100 of 22 November 1996; amended, issue 86 of 1997; issue 42 of 1999; issue 19 of 2003, issue 58 of 2003, effective as of 1 January 2004; amended, issues 34 and 43 of 2005; issues 30 and 34 of 2006; issues 59 and 108 of 2007, issue 100 of 2008; amended, issue 24 of 2009, effective as of 31 March 2009)

## *Chapter One*

### **General Provisions**

#### **Subject**

**Article 1.** (1) This Law shall govern pledges established without delivery of the pledged property.

(2) There shall be a register for pledges governed by this Law.

(3) (repealed; Darjaven Vestnik, issue 42 of 1999)

#### **Form of Contract**

**Article 2.** The pledge contract shall be executed in writing.

#### **Pledgor**

**Article 3.** (amended; Darjaven Vestnik, issue 42 of 1999) (1) The pledgor shall be a trader or a person under Article 2 of the Law on Commerce.

(2) (new; Darjaven Vestnik, issue 42 of 1999) The restriction under paragraph 1 shall not apply to a spouse of a sole proprietor and the person under Article 2 of the Law on Commerce, respectively.

(3) (new; Darjaven Vestnik, issue 42 of 1999; amended, Darjaven Vestnik, issue 19 of 2003) The restriction under paragraph 1 shall not apply to the pledge of book-entry securities, equity shares in general and limited partnerships, limited partnerships with shares and limited liability companies, as well as of rights to patents for inventions, utility models, registered brands, industrial designs, topologies of integrated circuits and certificates for plant sorts and animal breeds.

(4) (new; Darjaven Vestnik, issue 34 of 2005) The restriction under paragraph 1 shall not apply to municipalities which secure municipal debt assumed under the terms and according to the procedure of the Municipal Debt Law.

### **Property to Be Pledged**

**Article 4.** (1) The following may be pledged pursuant to the procedures and under the terms and conditions of this Law:

1. receivables, book-entry securities and chattels with the exception of ships and aircraft;

2. equity shares in general and limited partnerships, limited partnerships with shares or limited liability companies;

3. (amended; Darjaven Vestnik, issue 42 of 1999) groups of accounts receivable, of machines and equipment, of goods or materials and of book-entry securities;

4. (new; Darjaven Vestnik, issue 19 of 2003) rights to patents for inventions, utility models, registered brands, industrial designs, topologies of integrated circuits and certificates for plant sorts and animal breeds.

5. (former item 4; Darjaven Vestnik, issue 19 of 2003) commercial corporations.

(2) The pledged property may be defined in generic terms or to be future property. Future crops may be pledged from either the current, or the following season.

(3) The security rights granted shall also extend to the interest earned on a pledged account receivable.

(4) Where pledged chattels are processed or become part of other chattels, the security rights granted shall attach to the newly formed chattel.

### **Secured Receivable**

**Article 5.** (1) A secured receivable may be defined in specific or generic terms, as well as a contingent or future receivable.

(2) The pledge shall secure the receivable and all interest and penalties emanating from the secured receivable.

### **Pledging the Secured Receivable**

**Article 6.** The pledge established under this Law shall continue to secure the secured receivable in cases where the secured receivable itself is used as pledged property.

### **Lapse of a Pledge**

**Article 7.** (amended; Darjaven Vestnik, issue 42 of 1999) A pledge shall lapse where a third party acquires, through a transaction executed by the pledgee within the scope of his ordinary activities conducted in the line of business, rights to the pledged property, which are incompatible with the pledge law.

## Chapter Two

### Rights and Responsibilities of the Parties

#### Pledgor's Rights

**Article 8.** (1) The pledgor shall have the right to retain possession of the pledged property.

(2) A pledgor who retains possession of the pledged property shall have the rights:

1. to use the pledged property in his activity in accordance with its intended use;
2. (amended; Darjaven Vestnik, issue 42 of 1999) to dispose of the pledged property through legal transactions. Where book-entry securities or chattels and rights which fall beyond the scope of the ordinary activity conducted by the pledgor in the line of business are subject of the disposal transactions, consent of the pledgee shall be required.

#### Pledgor's Responsibilities

**Article 9.** (1) A pledgor who retains possession of the pledged property shall be obliged to keep it with the care of a good trader and shall:

1. insure the pledged property at his own expense against the common risks accepted in the commercial exchange in a manner that enables the pledgee to benefit from any insurance indemnification;

2. inform the pledgee of any damage to or encroachments upon the pledged property;

3. inform the pledgee of all proceedings affecting the pledged property;

4. inform the pledgee in writing of all actions, in law or in fact, that may cause the transfer of title to, or the establishment of third party rights to, or a change in the identity of the pledged property, as well as provide him with a copy of the documents certifying such transfer of title or establishment of third party rights;

5. inform any third parties acquiring rights to the pledged property of the rights of the pledgee;

6. sell the pledged property in case of potential spoiling thereof, after notifying the pledgee, and deposit the proceeds of the sale in a bank account as a security for the pledgee.

(2) The pledgor shall be obligated to provide the pledgee with opportunities to examine the condition of the pledged property.

(3) (amended; Darjaven Vestnik, issue 42 of 1999) In the cases under paragraph 1, item 4, the pledgor shall immediately require the recording in the appropriate register of any changes in the rights to or in the identity of the pledged property.

(4) The pledgor, after receiving a notification under Article 33, paragraph 1 may not dispose of the pledged property.

(5) The pledgor shall be obliged, upon lapse of the pledge, to satisfy the pledgee with the proceeds received from the transfer of the property.

### **Pledgee's Rights**

**Article 10.** (1) (former Article 10; Darjaven Vestnik, issue 19 of 2003) The pledgee shall have the right to satisfy his claim from:

1. the price of the pledged property or from any compensation obtained therefor;
2. the proceeds received from the transfer of the pledged property;
3. the equivalent of the property under item 1 or 2, provided this property cannot be separated from the other property of the pledgor.

(2) (new; Darjaven Vestnik, issue 19 of 2003) The pledgee, based on a statement from the register of a recorded security interest, shall have the right to be provided by the government authorities and the third parties, holding, safeguarding or having on their books the pledged property with the information concerning this property accessible to the pledgor.

### **Early Call of the Debt**

**Article 11.** Should the pledgor fails to fulfill his obligations under the pledge contract, the pledgee may demand performance before the debt matures, as well as satisfy his claim from the pledged property.

## *Chapter Three*

### **Effect of Pledge as to Third Parties**

#### **Perfection of Rights**

**Article 12.** (1) (amended; Darjaven Vestnik, issue 42 of 1999) The pledge established pursuant to the procedures and under the terms and conditions of this Law shall be perfected as to third parties, only if it is recorded in the pledgor's record at the Central Pledges Register.

(2) (amended; Darjaven Vestnik, issue 42 of 1999) Neither a pledge of accounts receivable, a contract for sale with retention of title until payment of the purchase price, a lease contract, nor an attachment of property, shall be perfected against a creditor who has received a security interest pursuant to this Law in accounts receivable, sold, leased or attached items, unless it is recorded in the pledgor's record at the Central Pledges Register.

(3) In the cases where this Law provides for recording in another register, perfection shall be accomplished by recording the pledge in this other register.

#### **Acquisition of Rights to the Pledged Property**

**Article 13.** (1) Any person against whom the pledge has been perfected shall acquire rights to the pledged property, encumbered by the pledge, and shall assume

the same position as the pledgor.

(2) The person under paragraph 1 shall be obligated to inform the pledgee in writing about the rights he has acquired.

### **Priority of Registered Pledges**

**Article 14.** The priority of registered pledges in the same pledged property shall be determined by the sequential order of recording in the register.

### **Priority of a Pledge on a Group**

**Article 15.** (1) (amended; Darjaven Vestnik, issue 19 of 2003) The seller of an individual item of property or of a right, who has received a pledge on the same property or right as security for his receivable for the purchase price of the property or right, shall be satisfied from the price of that property or right before a creditor who has at an earlier moment recorded a pledge on the group of which the property or right had become a part. Same rights shall have also the person to whom a pledge on chattels or a right to secure a loan extended by him for the purposes of acquisition the item or the right.

(2) The rights of a seller who has retained title until payment of the purchase price, and the rights of a lessor, are perfected to the rights of a pledgee who has at an earlier moment recorded a pledge on a group.

(3) The right of priority in satisfaction under paragraph 1 and the perfection of the rights under paragraph 2, shall lapse if the pledge, sale or lease are not recorded within fourteen days after execution.

### **Priority of a Receivable Secured by a Registered Pledge**

**Article 16.** (1) (amended; Darjaven Vestnik, issue 42 of 1999; amended, issue 24 of 2009, effective as of 31 March 2009) A receivable secured by a registered pledge shall be satisfied in the order provided in Article 136, paragraph 1, item 3 of the Law on Obligations and Contracts, Article 722, paragraph 1, item 1 of the Law on Commerce or Article 94, paragraph 1, item 1 of the Law on Bank Bankruptcy.

(2) (amended; Darjaven Vestnik, issue 19 of 2003) The receivable secured by a registered pledge shall be satisfied from the cash amounts under Article 10, paragraph 1, items 1 and 2 in the order which would apply if these cash amounts themselves had been pledged.

(3) (amended; Darjaven Vestnik, issue 19 of 2003) A receivable secured by a registered pledge shall be satisfied up to the amount specified in Article 10, paragraph 1, item 3 from the pledgor's general assets before the receivables under Article 136, paragraph 1, item 5 of the Law on Obligations and Contracts or before the claims specified in Article 722, paragraph 1, item 3 of the Law on Commerce.

## Chapter Four

### Special Types of Pledges

#### Pledge of an Account Receivable

**Article 17.** (1) The pledge of an account receivable shall be effective against the debtor under the pledged receivable only after the debtor has been informed.

(2) The notice may be given by either the pledgor or the pledgee, and shall contain:

1. a statement that the account receivable has been pledged;
2. a description of the account receivable and of the part thereof that has been pledged;
3. the data contained in the register regarding the pledge.

(3) The pledgor shall collect the account receivable and its yields until the receipt of a notice from the pledgor pursuant to Article 33, paragraph 1.

#### Pledge of a Book-entry Security

**Article 18.** (1) All circumstances regarding the pledge of book-entry securities subject to entry under this Law shall be recorded in the Central Depository.

(2) Pledges of book-entry shares and bonds must be recorded in the issuing company's book of book-entry shares or bonds.

(3) (new; Darjaven Vestnik, issue 42 of 1999) All circumstances regarding the pledge of securities subject to entry under this Law, shall be recorded in the registers of government securities.

#### Pledge of an Equity Share in a Commercial Corporation

**Article 19.** (1) Agreements for a pledge of equity shares in commercial corporations shall be executed in writing and all signatures shall be notarized.

(2) All circumstances regarding the pledge of equity shares subject to entry under this Law shall be recorded in the issuing company's record in the Commercial Register.

#### Pledge of Industrial Property

**Article 19a.** (new; Darjaven Vestnik, issue 19 of 2003) All circumstances regarding the pledge of property subject to entry under Article 4, paragraph 1, item 4, shall be recorded in the register of the Patent Agency of the Republic of Bulgaria.

#### Pledge of a Group

**Article 20.** (amended; Darjaven Vestnik, issue 42 of 1999) (1) The pledge of a group shall attach to each one of its components until the component has been separated from the group.

(2) (new; Darjaven Vestnik, issue 42 of 1999) The pledge of a group shall be transferred to its components as of the time of receipt of the notification under Article 33, paragraph 1.

### **Pledge of a Commercial Enterprise**

**Article 21.** (1) Contracts for a pledge of a commercial enterprise shall be executed in writing and all signatures shall be notarized.

(2) (amended; Darjaven Vestnik, issue 34 of 2006) All circumstances subject to entry under this Law regarding the pledge of a commercial enterprise shall be recorded in the pledgor's record in the Commercial Register.

(3) (amended; Darjaven Vestnik, issue 42 of 1999) A contract for a pledge of a commercial enterprise shall be perfected as against third parties who have acquired rights to individual assets of the pledged commercial enterprise only if the pledge agreement has been also recorded in the appropriate register. If the agreement for a pledge of a commercial enterprise lists individual assets, the pledge shall remain attached to them even after they have been separated from the enterprise.

(4) (new; Darjaven Vestnik, issue 42 of 1999; amended; Darjaven Vestnik, issue 58 of 2003) In case of a transformation of the pledgor by splitting and spinning off and by a change of the legal form, the pledge of the company shall be also attached to the enterprises of all newly established companies.

(5) (new; Darjaven Vestnik, issue 58 of 2003) In case of a transformation of the pledgor by take-over, merger, splitting by acquisition, spinning off by acquisition and by transfer of property onto the sole owner, the pledge of the company shall attach only onto the set of items which used to belong to the pledgor. Within the period of separate management, the pledge creditor may request execution or security according to its rights. If the request is not satisfied within one month, the creditor may sell the set of items which used to belong to the pledgor as a company following the procedure provided for in this Law. With the expiry of the time period of separate management, the pledge shall be redeemed.

(6) (new; Darjaven Vestnik, issue 58 of 2003; amended; Darjaven Vestnik, issue 34 of 2006) Along with the registration of the transformation, the Registry Agency shall enter it in the files of the transforming companies and in that of the sole proprietor in the case of a transfer of property onto a sole owner, and in the event of a transfer of the pledge of the company onto the respective legal successor.

(7) (former paragraph 4; Darjaven Vestnik, issue 42 of 1999; former paragraph 5, issue 58 of 2003) The rules governing the pledge of a group shall also apply to the pledge of a commercial enterprise.

## Chapter Five

### Central Pledge Register

#### Institutional Structure

**Article 22.** (1) (amended; Darjaven Vestnik, issue 100 of 2008) A Central Register of Pledges shall be established as a legal entity financed from the budget with a head office based in Sofia.

(2) (new; Darjaven Vestnik, issue 100 of 2008) The Central Register shall be a secondary budget credit unit to the Minister of Justice.

(3) (previous paragraph 2; Darjaven Vestnik, issue 100 of 2008) The Central Register shall be administered by a director appointed by the Minister of Justice.

#### Rules

**Article 23.** (amended; Darjaven Vestnik, issue 42 of 1999) The Minister of Justice shall issue rules to govern the structure and the activity of the Central Pledge Register.

#### Public Access

**Article 24.** (amended; Darjaven Vestnik, issue 100 of 2008) (1) The Register shall be accessible to the public. Any person may request a reference or issue of a certificate on existence or absence of a recorded circumstance and on the documents on which the record is made.

(2) The Central Register shall ensure references to be issued via remote access along with references and certificates issued and submitted in electronic form.

(3) Any person shall have the right to free access to the Register and to electronic documents on which records and deletions are made.

#### State Fees

**Article 25.** (1) State fees shall be charged for each recording in the register, each search for records and each certificate issued.

(2) The size of the state fees shall be determined by a tariff approved by the Council of Ministers.

(3) (new; Darjaven Vestnik, issue 42 of 1999) Where the relevant register is not kept by a government body, the fees shall be collected by the person who keeps the register for actions effected and at rates determined for state fees.

**Article 25a.** (new; Darjaven Vestnik, issue 100 of 2008) (1) Twenty-five per cent of the fees collected under this Law shall be included in the Register budget as own revenue.

(2) The funds under paragraph 1 shall be used only for:

1 developing the equipment, including information and technology equipment, raising qualification and stimulating Register employees to the amount of 90 per

cent of the funds under paragraph 1, according to the conditions and under the procedure set in an ordinance of the Minister of Justice;

1. incentive schemes for Ministry of Justice central administration employees directly supporting Register activities to the amount of 10 per cent of the funds under paragraph 1, according to the conditions and under the procedure set by the Minister of Justice.

## Chapter Six

### Recording

#### Circumstances To Be Recorded

**Article 26.** (1) The following circumstances shall be recorded in the Register:

1. (amended; Darjaven Vestnik, issue 42 of 1999) the name, the personal identity number (PIN) and address or, as may be appropriate, the company name, the registered address, and the numbers of filing and of the record in the relevant register of:

- a) the debtor;
- b) the pledgor who secures the debt of another party;
- c) the pledgee;
- d) the buyer and seller under a contract for sale with retention of title until payment of the purchase price;
- e) the lessee and lessor under a lease contract;
- f) the person authorized to receive performance under the pledged account receivable prior to commencement of foreclosure;

2. a description of the secured debt or the cash amount for which the pledge has been established;

3. (amended; Darjaven Vestnik, issue 42 of 1999) a description of the property that has been pledged, sold with retention of title until payment of the price or leased and its value, if stated;

4. (amended; Darjaven Vestnik, issue 42 of 1999) the term of the pledge;

5. (amended; Darjaven Vestnik, issue 42 of 1999) the terms and conditions of the pledge;

(2) The following circumstances shall be also recorded in the Register as well:

1. any assignment of rights to the secured receivable or any of the rights of the seller or lessor;

2. any subrogation of rights to the secured receivable or any of the rights of the seller or the lessor to the secured property;

3. any innovation or substitution of the debtor under the secured debt.

4. any acquisition of rights to the pledged property;

5. (amended; Darjaven Vestnik, issue 42 of 1999) other changes in the recorded circumstances;

6. (repealed; Darjaven Vestnik, issue 42 of 1999)
7. (repealed; Darjaven Vestnik, issue 42 of 1999)
- (3) A recording shall be also done of:
  1. attachment of any property under Article 4;
  2. attachment of the secured receivable;
  3. (new; Darjaven Vestnik, issue 42 of 1999) any renewal of the recording;
  4. (amended; Darjaven Vestnik, issue 42 of 1999; former item 3) any commencement of foreclosure;
  5. (amended; Darjaven Vestnik, issue 42 of 1999; former item 4) any abandonment of foreclosure;
  6. (amended; Darjaven Vestnik, issue 42 of 1999; former item 5) name, personal identity number and address of the depository;
  7. (amended; Darjaven Vestnik, issue 42 of 1999; former item 6) name, personal identity number, and address of the enterprise manager;
  8. (amended; Darjaven Vestnik, issue 42 of 1999; former item 7) any request from the trader to the pledgee, for the appointment of an enterprise manager;
  9. (amended; Darjaven Vestnik, issue 42 of 1999; former item 8) court decision for the commencement of bankruptcy proceedings;
  10. (amended; Darjaven Vestnik, issue 42 of 1999; former item 9) the decision for declaration of bankruptcy;
  11. (new; Darjaven Vestnik, issue 108 of 2007, effective as of 19 December 2007) the distraint and interdict imposed under the procedure of the Tax Insurance Procedure Code;
  12. (new; Darjaven Vestnik, issue 108 of 2007, effective as of 19 December 2007) the announcement of voluntary execution under the procedure of the Tax Insurance Procedure Code;
  13. (new; Darjaven Vestnik, issue 108 of 2007, effective as of 19 December 2007) the order for terminating enforcement under the procedure of the Tax Insurance Procedure Code;

### **Request for Recording and Deleting**

(amended; Darjaven Vestnik, issue 42 of 1999)

**Article 27.** (1) (amended; Darjaven Vestnik, issue 42 of 1999) Recording and deleting shall be made upon request of the interested party.

(2) Written consent for the recording with a notarized signature of the pledgor, the buyer with deferred payment of the price, or the lessee shall be attached to the request for recording circumstances under Article 26, paragraph 1. A notarized signature shall not be required if the signature is executed before an officer in charge of the register, who witnesses the execution thereof.

(3) The written consent for recording of the person against whom rights may be asserted based on the recording shall be attached to the request for recording cir-

cumstances under Article 26, paragraph 2.

(4) (new; Darjaven Vestnik, issue 42 of 1999) The written consent for deleting with a notarized signatures of the pledgee, the seller with deferred payment of the price or the lessor shall be attached to the request for deleting the record. A notarized signature shall not be required if the signature is executed before an officer in charge of the register, who witnesses the execution thereof.

(5) (new; Darjaven Vestnik, issue 100 of 2008) The Register shall provide opportunity for requests on recording and deleting to be accepted in electronic form and by electronic means under the Law on Electronic Document and Electronic Signature. Where a notarized signature on documents is requested, their electronic version shall be attached to the request.

### **Recording Procedure**

**Article 28.** (1) Each request to record circumstances shall be considered immediately. A request for recording may be denied only if it does not have the required contents or the applicable state fee has not been paid. The applicant shall be informed of the denial.

(2) A notice of denial shall indicate all defects of the request.

(3) The applicant may remedy the defects in the request and file a new request. The new request shall be recorded according to the order in which it has been received by the Register.

### **Appeal of a Denial**

**Article 29.** (1) (amended; Darjaven Vestnik, issue 30 of 2006) The denial of a request for recording may be appealed before the Minister of Justice in accordance with the rules for administrative appeals. A denial by the Minister of Justice may be appealed pursuant to the Administrative Procedure Code.

(2) In the event a denial of a request to record circumstances listed in Article 26, paragraphs 1 and 3 is appealed, the request shall be recorded in the Register according to the order in which the appeal is received and the case file shall be forwarded to the competent body. If the denial of the request for recording is affirmed, the record shall be deleted *ex officio*.

(3) In the event a denial of a request for recording circumstances listed in Article 26, paragraph 2 is appealed, the case file shall be forwarded to the competent body. If the denial of the request for recording is reversed, the recording shall be made *ex officio*.

### **Effect of Recording**

**Article 30.** (1) Recorded circumstances shall be deemed to be known by third parties acting in good faith from the date of recording.

(2) (amended; Darjaven Vestnik, issue 42 of 1999) A record shall be effective

for five years from the date of the original recording of the circumstances under Article 26, paragraph 1 and paragraph 3, item 1. A record may continue to be in effect if it is extended before the expiry of the term.

### **Applicability of the Rules Related to the Public Access of the Register and the Register Procedure**

**Article 31.** The rules regulating the public access to the Register and the recording procedures shall correspondingly apply to recordings under this Law made in other registers.

## *Chapter Seven*

### **Foreclosure on Pledged Property**

#### **Initiation of Foreclosure**

**Article 32.** (1) In case of default on a debt secured by a pledge under this Law, the pledgee may start foreclosure on the pledged property.

(2) Foreclosure on securities which have been pledged by delivery thereof shall be governed by this Law.

(3) The pledgee shall request recording of the commencement of foreclosure in the Register and shall notify the pledgor of the commencement of foreclosure. The pledgee shall have the same notification obligations in case he abandons foreclosure.

(4) (amended; Darjaven Vestnik, issue 19 of 2003) With the recording of the commencement of foreclosure the pledged property shall be transferred into disposition of the pledgee. He shall have the right to take measures for its preservation and to sell it.

(5) (new; Darjaven Vestnik, issue 108 of 2007, effective as of 19 December 2007, amended; Darjaven Vestnik, issue 100 of 2008) Until commencement of the public sale, the pledgee who has started foreclosure may require from the bailiff or the public executing officer to deliver the pledged property based on a certificate of a recorded foreclosure. Until distribution is prepared by the bailiff or the public executing officer, the secured creditor may join on the basis of a statement on a recorded pledge.

#### **Notification of the Pledgor**

**Article 33.** (1) The notification to the pledgor of the commencement of foreclosure shall be in writing and shall contain:

1. a statement of starting the foreclosure which contains the data on recording this circumstance in the Register;
2. a description of the claim and the part thereof that is being collected;
3. a description of the pledged property;

4. a statement of the choice of a foreclosure method in the case of a commercial enterprise.

(2) The notification that a foreclosure has been abandoned shall be in writing and shall contain:

1. a statement of abandoned foreclosure which contains the data on recording this circumstance in the Register;
2. a description of the claim and the part thereof that has been collected;
3. a description of the pledged property.

### **Measures for the Protection of Pledged Property**

**Article 34.** The pledgee shall be entitled to:

1. take possession of the pledged property;
2. notify the account debtor of the commencement of foreclosure if foreclosure is directed at an account receivable of the pledgor;
3. (new; Darjaven Vestnik, issue 19 of 2003) to request from the state authorities having the pledged property on their books to record its transfer into disposition of the pledgee.
4. (former item 3; Darjaven Vestnik, issue 19 of 2003) take measures for:
  - a) preserving, maintaining and insuring the pledged property;
  - b) generating returns on the pledged property;
  - c) maximizing the selling price or minimizing the expenses associated with the sale.

### **Enforceable measures**

**Article 35.** (1) (amended; Darjaven Vestnik, issue 43 of 2005; issue 59 of 2007, effective as of 1 March 2008) Where the pledgor does not duly assist in the foreclosure on the pledged property or its preservation, the pledgee, on the basis of a statement from the register of a recorded security and a recorded statement for commencement of foreclosure, may request an order for immediate execution to be issued pursuant to Article 418 of the Civil Procedure Code. The pledged property shall be transferred pursuant to Article 521 of the Civil Procedure Code.

(2) (amended; Darjaven Vestnik, issue 43 of 2005; issue 59 of 2007, effective as of 1 March 2008) The monetary equivalent of the pledged property shall be collected only in the event the pledged property or a part thereof is not found with the pledgor. In such a case, the bailiff shall distribute the proceeds according to the prescriptions of the Civil Procedure Code.

(3) (amended; Darjaven Vestnik, issue 19 of 2003) Where a joint creditor disputes the receipt of compensation for the pledged property, or the receipt of value against appropriation, the pledgee shall be required to establish its rights in court pursuant to Article 10, paragraph 1 of this Law. In such a case the pledgee shall bear the burden of proving the receipt of compensation or, as appropriate, the receipt of value against appropriation.

(4) (amended; Darjaven Vestnik, issue 19 of 2003) Where a joint creditor disputes that the value of the compensation received for the pledged property or the value received against appropriation is equal to the value of the pledged property, or claims that such compensation or value can be separated from the pledgor's general assets, the joint creditor shall be obliged to defeat the pledgee's rights pursuant to Article 10, paragraph 1, item 3 in court. In such a case the joint creditor shall bear the burden of proving that the compensation or the value received against appropriation is not equivalent to the pledged property, or can be separated from the pledgor's general assets.

### Disputes

**Article 36.** (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008) In the foreclosure procedure the pledgor may challenge the claim or the security right under the procedure of Article 439 of the Civil Procedure Code.

### Sale of Pledged Property

**Article 37.** (1) (amended; Darjaven Vestnik, issue 19 of 2003) The pledgee shall be entitled to sell the pledged property in his name and on the pledgor's account two weeks after the statement for commencement of foreclosure has been recorded. If a sale is not completed within six months, any other creditor who has recorded a commencement of foreclosure may sell the pledged property.

(2) A sale is concluded only for a full cash payment of the price to the depository.

(3) The pledgee shall carry out the sale with the care of a good trader.

(4) (amended; Darjaven Vestnik; issue 59 of 2007, effective as of 1 March 2008) Where the sold property is not owned by the pledgor, the rules of Article 482 of the Civil Procedure Code shall apply.

### Depository

**Article 38.** The depository shall be appointed by the pledgee. The depository shall be an accountant. Neither the debtor, the pledgor himself, a creditor of the debtor or the pledgor, nor the appointed manager of the pledged enterprise may be a depository. Nor shall he be a spouse or a direct relative without limitation, a collateral relative up to the fourth degree, or an in-law up to the third degree of any of the persons listed above.

### Obligations of the Depository

**Article 39.** (1) (amended; Darjaven Vestnik, issue 100 of 2008) The depository shall make a list of the persons who have rights to the pledged property and shall provide information about the size and priority of each claim based on the data available from the relevant register under Article 12.

(2) The depository shall inform of the list under paragraph 1 the pledgor, the debtor and the persons included in the list.

(3) The depository shall accept the statements of opinion from the persons under paragraph 2, provided that these opinions have been submitted within two weeks after the announcement of the list.

(4) Having considered the statements of opinion, the depository shall make a final list which shall be presented to the persons under paragraph 2 within two weeks after the deadline for submitting the statements of opinion.

(5) The depository shall open a bank account in his own name, in which the proceeds of foreclosure sale of pledged property shall be transferred.

(6) The depository shall certify each cash payment made as a result of foreclosure and shall deposit the received amounts in the opened bank account on the same date.

(7) The depository shall prepare a plan for distribution of the amounts received thereby.

(8) The depository shall provide relevant information to the pledgor, the debtor and the persons under Article 40.

### Joining of Creditors

**Article 40.** (1) All persons who have rights to the pledged property recorded in the Register shall be deemed joint creditors by law.

(2) (amended; Darjaven Vestnik, issue 59 of 2007, effective as of 1 March 2008) Neither third parties claiming enforceable rights to the property appropriated pursuant to this Chapter in relation to their claims arising under Article 482 of the Civil Procedure Code, nor other creditors of the pledgor may join. These third parties or other creditors may attach the amounts received prior to or remaining after the distribution.

### Distribution

**Article 41.** (1) After the accumulation of sufficient amounts and if the final list under Article 39, paragraph 4 has been prepared, the depository shall prepare a draft plan for distribution and the pledgor, the debtor and the persons under Article 40, paragraph 1 shall be informed of this plan.

(2) (amended; Darjaven Vestnik; issue 59 of 2007; effective as of 1 March 2008) The draft plan for distribution may be appealed to the District Court at the debtor's place of residence within seven days after the parties have been informed of the draft plan. The District Court shall resolve any appeals in an open hearing. The decision of the District Court may be appealed pursuant to Article 278 of the Civil Procedure Code.

(3) The depository shall pay the creditors the amounts specified in the plan for distribution immediately after the plan takes effect.

(4) Any amounts remaining from the collected proceeds shall be paid to the pledgor, provided that the pledgor declares that he does not have any outstanding obligations to the government within seven days after he has been informed of the plan for distribution.

(5) (amended; Darjaven Vestnik, issue 43 of 2005) Where the declaration under paragraph 4 is not presented or if the remaining funds have been attached, the remaining funds shall be transferred to the account of the public or private bailiff at the place of residence of the pledgor.

(6) Where the amounts received by the depository become attached prior to the payments being made by the depository, a new plan for distribution shall be prepared. In this case any pending appeals against prior plans for distribution shall be terminated.

### **Disputes Among Creditors**

**Article 42.** (amended; Darjaven Vestnik, issue 59 of 2007; effective as of 1 March 2008) The rights of a joint creditor may be disputed by another joint creditor, as well as by persons under Article 40, paragraph 2 pursuant to the procedure of Article 464 of the Civil Procedure Code.

### **Bankruptcy**

**Article 43.** (1) The institution of bankruptcy proceedings against the pledgor shall not suspend a foreclosure commenced under Article 32.

(2) The assignee in bankruptcy shall surrender pledged property to the pledgee for purposes of foreclosure under Article 32, where he has found the existence of pledges recorded under this Law.

(3) In the event the pledged property or a part thereof is not found with the pledgor, the procedure provided for in Article 35, paras. 2 to 5 shall develop within the bankruptcy proceedings.

## *Chapter Eight*

### **Foreclosure on Securities, on Account Receivable and on Equity Shares in a Commercial Corporation**

(amended; Darjaven Vestnik, issue 42 of 1999)

#### **Foreclosure on Securities**

**Article 44.** (1) (amended; Darjaven Vestnik, issue 42 of 1999) Where securities have been pledged to the benefit of a pledgee, the latter shall have the right to transfer the securities in a manner appropriate therefor. Where the securities are transferable by endorsement, the sequence of endorsements shall be deemed uninterrupted.

(2) Where the securities are quoted at a stock exchange, they shall be sold at the price quoted by the stock exchange one day prior to the transfer.

### **Foreclosure on Account Receivable**

(new; Darjaven Vestnik, issue 42 of 1999)

**Article 44a.** (new; Darjaven Vestnik, issue 42 of 1999) (1) Where an account receivable has been pledged to the benefit of a pledgee, the latter may sell it. If the account receivable is in cash, the pledgee may collect it.

(2) An account receivable in cash shall be deemed assigned for collection to the pledgee upon recording a commencement of foreclosure.

(3) The proceeds from collection of the account receivable shall be received by the depository.

### **Foreclosure on an Equity Share in a Commercial Corporation**

**Article 45.** (1) (amended; Darjaven Vestnik, issue 42 of 1999) In case of foreclosure, a creditor who has received a pledge of an equity share in a commercial corporation shall have the right to make a statement of dissolution of the company pursuant to Article 96 of the Law on Commerce, or of termination of the pledgor's participation in the company with the pledged equity share, pursuant to Article 125, paragraph 2 of the Law on Commerce.

(2) (amended; Darjaven Vestnik, issue 42 of 1999) A statement of recording the pledge in the Register and of the commencement of foreclosure shall be attached to the statement under paragraph 1.

## *Chapter Nine*

### **Foreclosure on a Commercial Enterprise**

#### **Satisfaction from a Commercial Enterprise**

**Article 46.** (1) The pledgee shall have the choice of satisfaction from the commercial enterprise as a group of rights, liabilities and actual relations or may sell individual assets.

(2) (new; Darjaven Vestnik, issue 42 of 1999) If the pledgee chooses to satisfy his claim from individual assets of the commercial enterprise, he shall be bound to sell first these assets, the sale of which could least affect the operation of the enterprise.

(3) (amended; Darjaven Vestnik, issue 42 of 1999; former paragraph 2) If the pledgee chooses to satisfy his claim from the commercial enterprise as a group of rights, liabilities and actual relations, he may appoint a manager of the enterprise. In this case the notice to the trader under Article 33, paragraph 1 shall contain the consent of the manager for his appointment.

(4) (amended; Darjaven Vestnik, issue 42 of 1999; former paragraph 3) After the appointment of a manager of the enterprise has been recorded in the Commercial Register, the trader shall not be permitted to exercise any rights as to the commercial enterprise.

### **Assistance Provided by the Manager**

**Article 47.** The person who has managed the commercial enterprise prior to registration of the appointed manager of the enterprise shall provide assistance to the new manager as may be necessary.

### **Management**

**Article 48.** (1) The appointed manager of the enterprise shall be authorized to take all actions related to the usual activity of the commercial enterprise. The appointed manager may not transfer title to, or encumber, the enterprise as a whole or the individual items of real estate which are part of the enterprise, assume obligations under negotiable instruments, draw loans or represent the trader in court proceedings.

(2) The trader may take the actions beyond the scope of authority of the appointed manager of the enterprise only with the consent of the pledgee.

(3) Both the trader and the pledgee may file or defend court actions related to the activity of the pledged commercial enterprise.

### **Obligations of the Appointed Manager of the Enterprise**

**Article 49.** The appointed manager of the enterprise shall:

1. take charge of the enterprise, by making a list of all assets and liabilities of the business;
2. manage the commercial enterprise and represent the trader while taking all steps to protect the trader's interests in the enterprise with the care of a good trader.

### **Termination of the Powers of the Appointed Manager of the Enterprise**

**Article 50.** The powers of the appointed manager of the enterprise shall terminate upon:

1. resignation by the appointed manager;
2. the appointment of a new manager;
3. disability or death of the appointed manager;
4. the termination of the pledge;
5. (amended; Darjaven Vestnik, issue 34 of 2006) a decision by the court in the event of violation of law.

## Restoration of Management Powers

**Article 51.** (amended; Darjaven Vestnik, issue 34 of 2006) If the pledgee fails to appoint a new manager of the commercial enterprise within two weeks after a request for such appointment has been recorded in the register, the trader's management powers shall be restored upon filing a request with the Registry Agency.

## Transitional and Final Provisions

§ 1. (1) Pledge contracts concluded under Articles 36 and 37 of the Law on Banks and Credit Activity and Article 12 of the Economic Activity of Foreign Persons and Protection of Foreign Investments Law shall remain in effect, and shall be governed by the rules of this Law.

(2) (amended; Darjaven Vestnik, issue 86 of 1997) The contracts under paragraph 1 which have become perfected as against third parties pursuant to Article 156, paragraph 2 and Article 162 of the Law on Obligations and Contracts shall remain so perfected for a period of ten months after the date of enforcement of this Law.

(3) (new; Darjaven Vestnik, issue 86 of 1997) The requirements of Article 27, paragraph 2 shall not apply to the recording of agreements under paragraph 1.

§ 2. § 1, paragraph 2 shall also apply to contracts for sale with retention of title until payment of the purchase price, which have become perfected as against third parties pursuant to Article 205 of the Law on Obligations and Contracts.

§ 3. (1) Article 15, paras. 1 and 2 shall apply to the encumbent contracts for pledge, sale with retention of title until payment of the price and lease provided that they are recorded within fourteen days from the effective date of this Law.

(2) Article 27, paragraph 2 shall not apply to the recording of the contracts under paragraph 1 provided that they have a certified date.

§ 4. The Law on Banks and Credit Activity (published; Darjaven Vestnik, issue 25 of 1992, issue 62 of 1992 – Decision No. 8 of the Constitutional Court of 1992; amended; issues 59 and 109 of 1993, issue 63 of 1994, issue 63 of 1995, issues 12, 42 and 90 of 1996) shall be hereby amended, as follows:

1. Paras. 2 and 3 of Article 36 shall be repealed.

2. Article 37 shall be amended, as follows:

“Article 37. Where a loan is not redeemed upon maturity, the bank shall be entitled to obtain a writ of execution based on a statement of account.”

§ 5. This Law comes into force on 1 April 1997.

§ 6. The Minister of Justice shall be in charge of the enactment of the Law.

**Law on Amendment  
to the Law on Registered Pledges**

(Published in the Darjaven Vestnik, issue 86 of 30 September 1997)

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**Transitional and Final Provisions**

§ 2. § 1, paragraph 3 of the Transitional and Final Provisions shall also apply to applications filed prior to the enforcement of this Law.

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**Law on Amendment  
to the Law on Registered Pledges**

(Published in the Darjaven Vestnik, issue 100 of 21 November 2008)

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**Transitional Provisions**

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§ 8. The incumbent proceedings on recording circumstances under Article 26, paragraph 3, items 11, 12 and 13 shall be terminated.

This Law is adopted by the 40th National Assembly on 6 November 2008 and is sealed with the official stamp of the National Assembly.