PAPAPOLITIS / PAPAPOLITIS

EST 1898

ON THE SPOTLIGHT

Banking & Finance

MARCH, 2025

Banking & Finance

The Modernization of the Legal Framework for the Establishment of Shares Pledge Under New Law

* This article was published in the Business Law Insights 2025 special edition, by Kathimerini in collaboration with NOMIKI BIBLIOTHIKI

Law 5123/2024 introduces the Single Electronic Pledges Registry, aiming to simplify and modernize the procedure of pledges establishment on shares and other corporate holdings.

The modernization of the pledges establishment procedure on registered shares and other corporate holdings, being a primary means of credit security, is pursued to be achieved through the new law 5123/2024. This law actually comes into force with the issuance of the decision of the Hellenic Cadastre concerning the operational launch of the "Single Electronic Pledges Registry" introduced by this law, which is anticipated to be made, after extension, no later than the 30th of June 2025.

Key Innovations for Pledges on Non-Listed Company Shares

For pledges over registered shares of non-listed companies, the legislative aim appears to have been achieved to a satisfactory degree. A key innovation introduced by the new law in respect of the establishment procedure, is the mandatory registration of the pledges in the "Single Electronic Pledges Registry", a digital platform to be maintained and operated by the Hellenic Cadastre on a 24-hour basis. Moreover, the law provides that the pledge may be established by electronic document, which in combination with the use of a modern electronic registry, significantly enhance procedural efficiency and bring the procedure into closer alignment with international best practices.

Simplification of the Pledge Establishment Process

The pledges establishment procedure is further simplified, as the completion requirement of having a certified date document — which entails procedural delays as this is made by service of the pledge agreement — may be now satisfied through the execution of the pledge agreement by electronic document.

Pending Regulatory Clarifications

We are certainly expecting to see in the pending regulatory decision to be issued by the Hellenic Cadastre, which is responsible for the operation of this electronic registry, how the specific issues related to its operation will be dealt with. It is hoped that the process will be simple, non-bureaucratic and, in any case that there will be provisions for foreign parties (pledgees or/and pledgors) not holding a Greek tax identification number, as well as for pledge agreements drafted and executed in a language other than Greek.

Substantive Legal Reforms: Moving Beyond Paper Certificates

Beyond procedural reforms, the new law also seeks to modernize the legal framework on merits of substance by decoupling the pledge right from the paper-based character of the share certificates and addressing it as a security interest over the shareholding right rather than over the physical share document. To that end, the delivery of physical share certificates is no longer required for the pledge creation, and a pledge may now be established over shares for which no physical certificates are issued. This legislative approach is further confirmed by other provisions of the new law, such as those related to the enforcement of pledges over registered shares, which may be initiated irrespective of the pledgee holding or not the share certificates and, in alignment with the regime applicable to other movable assets, over shares which are not incorporated into share certificates.

Expansion to Other Corporate Holdings

Among the positive legislative reforms introduced by the new law are the provisions for the establishment of pledges over other forms of holdings in legal entities, which include units of limited liability companies (EPEs) and private companies (IKEs), as well as participations of parties in joint ventures with commercial activity and in partnerships. The establishment of pledge over these corporate holdings is now made in a similar procedural model as the one provided for registered shares, thereby introducing a harmonized and coherent framework for pledges.

Concerns Over Registration Fees

Concerns are raised by the imposition of proportional registration fees if applicable, rather than solely low fixed charges, for the registration of the pledges in the Electronic Pledge Registry as this may render the establishment of such security unattractive or even prohibitive in the context of financings not exempted from proportional fees.

AUTHOR

Maria Karabella
Partner, Banking & Finance
mkarabella@papapolitis.com

PAPAPOLITIS / PAPAPOLITIS
EST 1898

ATHENS 268, Kifisias Ave., Chalandri, 15232, Greece
LONDON 111 Park Street, Mayfair, London W1K7JL, UK

info@papapolitis.com
www.papapolitis.com
Papapolitis & Papapolitis