



The Civil Code of the Republic of Azerbaijan

(Approved by the Law of the Republic of Azerbaijan No. 779-IG of December 28, 1999)

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General

Section one. Introduction

Chapter 1. Legislation in the Area of Civil Law

Article 1. Purpose and Goals of the Civil Code of the Republic of Azerbaijan

1.1. The purpose of this Code is to secure the freedom of civil relationships based upon the equality of the parties without prejudice to affecting the rights of other persons.

1.2. The goals of this Code are to:

- regulate the property and personal non-property relationships of the subjects of civil law legislation;
- protect the rights and lawful interests of the subjects of civil law legislation;
- protect the honor, dignity, business reputation, private and *family life*, personal security of natural persons;
- secure civil relationships;
- support entrepreneurial activity;
- establish conditions for the development of a free market economy. (20)

Article 2. Civil Law of the Republic of Azerbaijan

2.1. The civil law of the Republic of Azerbaijan is based upon the Constitution of the Republic of Azerbaijan and consists of this Code, other laws and the legal acts adopted on the basis of such laws and containing the norms of civil law.

2.2. Civil law legislation determines the legal status of the subjects of civil legal relationships, the basis for establishment and the manner of exercising rights of ownership and other property rights, and regulates contractual and other obligatory relationships as well as other the property and related personal non-property rights related to them.

2.3. Family, labor relationships, relationships concerning the use of natural resources and environmental protection, and copyright and related rights are regulated by civil law and

other legal acts, except as otherwise provided stipulated by family, labor, land, environmental, copyright and other special legislation.

2.4. Relationships concerning the exercise and protection of inalienable human rights and freedoms and other intangible privileges are regulated by civil law and other legal acts, provided that the essence of such relationships does not require otherwise.

2.5. Civil law and other legal acts do not apply to property relationships based upon administrative or any other power-based subordination of one party to another, as well as tax, financial and administrative relationships, except as otherwise provided stipulated by law.

2.6. Legal acts adopted in furtherance of laws regulate civil relationships only where to the extent that they comply with the provisions of this Code and are not contradictory to them.

Article 3. Civil Legislation and International Legal Acts

3.1. The international state treaties of the Republic of Azerbaijan apply directly to the civil legal relationships regulated by this Code (except where the international treaty requires adoption of a domestic legal act for the application thereof).

3.2. Where international treaties of the Republic of Azerbaijan establish norms, which are different from the norms established by this Code, the provisions of the international treaty apply.

Article 4. Objects of Civil Legal Relationships

Material and non-material goods which have a property or non-property value and are not excluded from the scope of civil legal relationships may be objects of civil legal relationships.

Article 5. Subjects of Civil Legal Relationships

5.1. Any natural person or legal entity, whether or not involved in entrepreneurial activity, may be the subject of civil legal relationships.

5.2. Except as otherwise provided by law, the civil legal relationships of state authorities and bodies of local self—administration with other persons and entities are also regulated by civil law.

5.3. The subjects of civil legal relationships shall to exercise their rights and fulfil their obligations in good faith.

Article 6. Principles of Civil Law

6.1. The following are the principles of civil law:

6.1.1. the equality of the subjects of civil law;

6.1.2. the free will of the subjects of civil law;

- 6.1.3. the independence of the participants of civil relationships with respect to their property;
- 6.1.4. the inviolability of property;
- 6.1.5. freedom of contract;
- 6.1.6. the prohibition inadmissibility of unauthorized interference into a person's private *and family* life;
- 6.1.7. the establishment of conditions for the unrestricted exercise of civil rights;
- 6.1.8. the securing of the restoration of breached rights;
- 6.1.9. the protection of civil rights by the courts.

6.2. Natural persons and legal entities acquire and exercise their civil rights by their own will and for their own interest. They are free to establish rights and obligations by contract and to determine the terms and conditions of the contract, provided that such terms and conditions are not contrary to law.

6.3. Civil rights may be restricted by law only where necessary for the protection of state and public security, civil order, the health and morals of society, rights and freedoms, and the dignity and good name of other persons.

6.4. Goods, services and money freely circulate on the territory of the Republic of Azerbaijan. The circulation of goods and services may be restricted by the law, where it is necessary to provide security, protect the lives and health of people, and protect nature and cultural values.(20)

Article 7. Application of Civil Law in Time

7.1. The provisions of civil law, except those provided in Article 149, Chapter VII of the Constitution of the Republic of Azerbaijan, do not have retroactive effect and only apply to relationships created after the enactment of such law.

7.2. Civil law may not have retroactive effect also in cases specifically provided by the law.

7.3. Civil law may not have retroactive effect where it causes harm to subjects of the civil law or worsens their position.

Article 8. Territorial Application of Civil Law

8.1. Civil law is effective throughout the territory of the Republic of Azerbaijan without exception.

8.2. Rights specified by civil law are freely exercised and obligatorily shall be protected throughout the territory of the Republic of Azerbaijan.

Article 9. Application of Civil Law to Groups of Persons

9.1. Civil law applies to all natural persons and legal entities, which carry out activities on the territory of the Republic of Azerbaijan.

9.2. Except as otherwise provided by law, the rules established by civil law apply to relationships with foreign natural persons, stateless persons and foreign legal entities.

9.3. Ignorance or misunderstanding of the law is not a ground for not applying the law or for relief from a specified liability.

Article 10. Customs of Business Activity

10.1. Any rule of behavior not specified by law, which is established and widely applied in an area of entrepreneurial activity shall be treated as a custom of business activity, not dependent on its inclusion into any act.

10.2. Customs of business activity which are contrary to law or contract shall not be applied.

Article 11. Application to Civil Law by Analogy

11.1. Where civil legal relationships are not specifically regulated by civil law or by agreement of the parties and no applicable custom of business behavior exists, the norms of civil law regulating similar relationships shall apply, provided, however, that it does not contradict the essence of such relationships (legal analogy).

11.2. In the absence of any norm of civil law regulating a similar type of relationship, the rights and obligations of the parties shall be regulated by under the principles of civil law (legal analogy). Where a legal analogy is applied, the requirements of fairness, good faith and morals shall be taken into consideration.

~~11.3. The use by analogy of the norms of civil law, which restrict civil rights or impose liability, is prohibited.~~

11.4. The provisions of civil law, which regulate special relationships (exceptional norms) may not be applied by analogy.

11.5. The absence or the lack of clarity of a legal norm regulating a civil legal relationship may not serve as the basis for a court to refuse to consider a civil case. (12)

Article 12. Independence of Civil from Political Rights

12.1. The exercise of civil rights shall not depend upon political rights established by the Constitution or other laws of the Republic of Azerbaijan.

12.2. the subjects of civil legal relationships may take actions, which are not prohibited by law and actions which are not specifically provided for by law.

Article 13. Entrepreneurial Activity

Entrepreneurial activity is a person's activity conducted independently and ~~at his own risk~~ for the main purpose of receiving obtaining profit (*income from private*

entrepreneurs) from the use of property, the sale of goods, and the performance of works or provision of services. (12, 50)

Chapter 2. Civil Rights and Obligations and Their Protection

Article 14. Creation Occurrence of Civil Rights and Obligations

14.1. Civil rights and obligations are created occurred on the basis specified by civil law as well as the actions of natural persons and legal entities not specified by law which, by virtue of the principles of civil law, give rise to civil rights and obligations.

14.2. The following constitute the basis for the creation occurrence of civil rights and obligations:

14.2.1. Contracts and other transactions specified by law as well as contracts and other transactions not specified by law, but in contradiction with it which do not contradict to the provisions of the former;

14.2.2. Decisions of state authorities and bodies of local self-administration specified by law as a basis for the creation occurrence of civil rights and obligations;

14.2.3. Court decisions establishing civil rights and obligations;

14.2.4. The acquisition of property on the terms specified by law;

14.2.5. The creation of works of science, literature, culture, art, inventions and other intellectual property/products of intellectual activity;

14.2.6. Causing harm to another person;

14.2.7. Unjustified enrichment;

14.2.8. Other actions of natural persons and legal entities;

14.2.9. An event, which by law causes civil legal consequences.

14.3. Rights of ownership, which are subject to *state registration, unless otherwise is stipulated under legislation on formation of civil rights*, arise from the moment of registration.(12)

Article 15. Exercise of Civil Rights

~~15.1. Natural persons and legal entities at their discretion exercise their civil rights including the right to protect their civil rights.~~

15.2. *The failure to exercise civil rights* by natural persons and legal entities does not terminate such rights except as provided stipulated by law.(12)

Article 16. Restriction on the Exercise of Civil Rights

16.1. Acts of natural persons and legal entities committed exclusively for the purpose of causing harm to another person or to violate any other right are prohibited.

~~16.2. The exercise of civil rights for the purpose of restricting competition or to abuse of a dominant market position is prohibited. (12)~~

Article 17. Protection of Civil Rights

17.1. All state authorities, bodies of local self-administration, political parties, public associations, trade unions, and natural persons and legal entities are obligated to respect civil rights and provide assistance in the course of their protection.

~~17.2. The protection of civil rights by the courts within the jurisdiction courts established by the provisions of the Civil Procedure Code of the Republic of Azerbaijan are performed by general jurisdiction courts and economic courts. A contract may provide for dispute resolution between parties prior to resort application to a court.~~

~~17.3. Administrative procedures for the protection of civil rights shall be used only in cases specified stipulated by law. The decision made under administrative procedure decision may be appealed to a court. (12)~~

Article 18. Manner Ways of Protection of Civil Rights

Civil rights are protected in accordance with the procedure specified by legislation law in a manner, which does not violate the law, public order and morals.

Article 19. Declaration Recognition of Act of State Authority or Body of Local Self-Administration as Invalid.

An act of a state authority or body of local administration of a non-normative nature, not in compliance with civil legislation, which violates the rights and interests of natural persons and legal entities protected by law, may be declared invalid by a court.

Article 20. Self-Protection of Civil Rights

~~20.1. A person has the right to protect his rights by all methods not prohibited by law.~~

~~20.2. The methods of protecting civil rights shall correspond to the violation of civil law and shall not exceed the actions required to prevent such violation. (12)~~

Article 21. Recovery Compensation of Damages [\(CC4\)](#)

21.1. *The person holding the right to claim the compensation for damage* may claim full recovery compensation of damages, provided that the amount of damages recoverable is not limited to a lesser amount by law or contract.

21.2. Damages are the expenses, incurred or to be incurred by which a person, whose right has been violated, incurred or will incur to restore the violated right or damage to his property (tangible loss) as well as profits, which the person would have earned under ordinary conditions of civil relationships, if his rights have not been breached (lost profits).

21.3. *In determination of the volume of claim on compensation of losses, shall be taken into consideration the extend of influence of the party causing loss, his employees and any third parties, to its occurrence and increase.* (12)

~~Article 22. Recovery Compensation of Damages Losses Caused by State Authorities and Bodies of Local Self-Administration~~

~~Losses caused to natural persons or legal entities as a result of the unlawful actions (or failure to act) of state authorities, bodies of local self-administration or officials of such authorities and bodies, including the adoption of an act of state authority or body of local administration, which is contrary to law is recoverable from the Republic of Azerbaijan or relevant municipality.~~ (12)

Article 23. Protection of Honor, Dignity and Business Reputation [\(CC4\)](#)

23.1. A natural person is entitled in a court order to require to disclaim a judicial declaration as untrue information, which discredits his honor, dignity or business reputation, discloses a secret of his private *and family life* or his personal *or family* immunity, provided that the person who disseminated such information fails to prove that such information was true. The same rule shall also apply to cases of incomplete publication of factual data if, as a result, the honor, dignity or business reputation of person is violated. Upon the request of an interested person, the honor and dignity of a natural person may be similarly protected after his death.

23.2. If information harming the honor, dignity or business reputation or disclosing a secret of private *and family life* of a natural person was disseminated in the mass media, the information shall be declared as untrue in the same mass media. If such information is contained in an official document, such document shall be amended and interested persons shall be notified of such amendment. In other cases, the declaration procedure shall be determined by a court.

23.3. Where the mass media published information, which violates a natural person's rights and interests protected by law, such person has the right to publish his reply in the same mass media.

23.4. Where information harming the honor, dignity or business reputation of a natural person is disseminated, such person has the right to disclaiming of information along with recovery of losses caused by such dissemination and obtain a declaration that the information is untrue.

23.5. Where it is impossible to identify the person who disseminated information harming the honor, dignity or business reputation of a natural person, the person whose honor, dignity or business reputation is harmed is entitled to seek a judicial require recognition of such information as declaration that the information so disseminated was untrue.

23.6. The rules of this article related to protection of the business reputation of natural persons also applies apply to the protection of the business reputation of legal entities.
(20)

Section two. Persons

Chapter 3. Natural Persons

Article 24. Definition of Natural Person

24.1. A natural person is an individual participating in legal relationships on his own behalf.

24.2. All citizens of the Republic of Azerbaijan, citizens of foreign countries and stateless persons who permanently live or temporarily reside on the territory of the Republic of Azerbaijan are natural persons in the Republic of Azerbaijan.

Article 25. Civil Legal Capacity of a Natural Person

25.1. The civil legal capacity of a natural person is the ability of a person to possess civil rights and be liable for civil obligations. Civil legal capacity is recognized equally for all natural persons.

25.2. Legal capacity for a natural person arises from the moment of birth and ceases to exist upon the moment of death. The moment of death is the moment of termination of brain activity.

25.3. The right to inherit arises from the moment of conception; however, the exercise of this right is possible only after a natural person's upon birth.

25.4. A natural person may not be deprived of his legal capacity.

Article 26. Right to a Name

26.1. Every natural person has the right to a name consisting of a first name, middle name and last name and patronymic name.

26.2. An individual acquires and exercises rights and obligations in under his own name.

26.3. A natural person may use a pseudonym (fictitious name) where and in accordance with the procedure provided by law.

26.4. A natural person is entitled to change his name in accordance with the procedure established by law. A name change by natural person does not terminate or change of his rights and obligations acquired under a previous name. A natural person is obligated to notify his debtors and creditors of a change of his name and bears the risk for the consequences of the failure to provide information about a name change to such parties. Upon a name change, a natural person is entitled to amend documents legalized in his previous name, at his own expense.

26.5. The name given to an individual at birth and a name change are subject to registration under the procedure specified for the registry of civil status acts.

26.6. The acquisition of rights and obligations under the name of another natural person is not permitted.

26.7. Damage Losses caused to a natural person as a result of the illegal use of his name may be recovered in accordance with this Code.

26.8. In incorrect use or misuse of the name of the person in ways or form which affect his honor, dignity or business reputation. The provisions of Article 23 of this Code apply to the misuse or use of a name in accordance with the procedures for remedying damage to honor, dignity or business reputation.

Article 27. Residence of a Natural Person

27.1. The residence of an individual is the place where such natural person usually lives. A person may have several places of residence.

27.2. The residence of natural person under the age of 14 is the residence of his parents, provided that they have not been deprived of parental rights, in which case the place of residence of a natural person under guardianship is the residence of the guardian.

27.3. A residence is not terminated if a natural person leaves such place for a definite period of time.

Article 28. Civil Legal Capacity of a Natural Person

28.1. The civil legal capacity of a natural person is the ability to obtain and exercise civil rights and to establish and perform civil obligations by his own actions.

28.2. The full civil legal capacity of a natural person begins in its full upon his reaching the adult age of majority, i.e., upon reaching the age of 18.

28.3. Minors under the age of 7 (infants) do not have legal capacity. Minors between the ages of 7 and 18 have limited legal capacity.

28.4. A minor who has reached the age of 16 may have full legal capacity if he works under a labor agreement or, with the consent of his parents, adoptive parents or *trustees*, is engaged in entrepreneurial activity. A minor may be declared as having full civil legal capacity (emancipation) by decision of a body of guardianship and trusteeship following consent of both parents, adoptive parents or a *guardians*, and where there is no such consent, by court order.

28.5. Parents, adoptive parents and trustees are not liable for the obligations liabilities of a minor who has been declared as having full legal capacity, including liabilities for having caused damages.

28.6. Where the law permits marriage before the age of 18, a natural person under the age of 18 acquires full legal capacity upon marriage. Legal capacity acquired upon entering into marriage continues in full even if divorce occurs before the age of 18.

28.7. Where a marriage is declared invalid, a court may terminate the full legal capacity of a minor husband (or wife)spouse effective from the moment of the court's order.

28.8. A court may also declare natural persons who suffer from mental retardation or mental disease as not having legal capacity and are, therefore, unable to understand the meaning of their actions or to manage such actions. A guardianship shall be established for such persons. Transactions on behalf of a natural person who has been declared as not having legal capacity are performed by a guardian. *Deals made by person considered incapable can be considered valid only in the event of future consent of guardian.*

28.9. Upon recovery or substantial improvement of the health of a person previously declared as not having legal capacity, a court shall declare such person as having legal capacity. The guardianship established for such person shall be terminated by court order. (12)

Article 29. Legal Capacity of Minors Under the Age of 14

29.1. Only parents, adoptive parents or guardians are entitled to engage in transactions on behalf of minors under the age of 14, except for transactions specified by Article 29.2 of this Code. *Deal made by such non-adult shall be considered valid if approved by his parents, adopted parents or guardians.*

29.2. A person between the ages of 7 and 14 has the right to independently engage in the following transactions:

29.2.1. insubstantial everyday transactions;

29.2.2. for -profit transactions which do not require notary approval or state registration of the rights which arise following such transactions;

29.2.3. using funds provided by a legal representative or, upon the consent of the latter, provided by any third party for a particular purpose or free use.

29.3. Parents, adoptive parents or guardians are not liable for the transactions of minors under the age of 14, including transactions concluded independently by minors, if they are not able to prove establish that the obligation was breached through no fault of their own. As provided by law, such persons are also liable for damages caused by minors. (12)

Article 30. Legal Capacity of Minors Between the Age of 14 and 18

30.1. Except transactions specified in Article 30.2 of this Code, minors between the age of 14 and 18 conclude transactions upon the written consent of their lawful representatives — parents, adoptive parents or *trustees*. A transaction concluded by such a minor is also valid where when it is later approved ~~in writing~~ by his parents, adoptive parents or *trustees*.

30.2. Minors between the age of 14 and 18 have the right to conclude independently the following transactions without the consent of parents, adoptive parents or *trustees*:

30.2.1. transactions disposing of their earnings, stipends scholarships or other income;

30.2.2. exercising author's rights for works of science, literature or culture, or an invention or any other product of intellectual activity protected by law;

~~30.2.3. in accordance with the law, making deposits with credit institutions and disposing of such deposits;~~

30.2.4. performing insubstantial small everyday transactions and other transactions specified by Article 29.2 of this Code. Upon reaching the age of 16, minors are also entitled to be members of cooperatives.

30.3. Minors between the ages of 14 and 18 are independently liable for transactions concluded in accordance with Articles 30.1 and 30.2 of this Code. Minors between the ages of 14 and 18 are liable for damages caused by them in accordance with this Code.

30.4. Upon establishing a satisfactory strong basis, upon an application motion of parents, adoptive parents or a *trustees* or a body of guardianship or trusteeship, a court may restrict or deprive a minor between the ages of 14 and 18 of the right to dispose freely of his earnings, stipends scholarships or any other income, (provided that such a minor has not acquired full legal capacity). (12)

Article 31. Prohibition on the Deprivation and Limitation Restriction of Legal Capacity and Capability of a Natural Person

31.1. A natural person may not be deprived of his legal capacity in any circumstances. A natural person's legal capacity and capability may be limited only in those cases and in accordance with the procedures provided by law.

31.2. Failure to observe provisions of law on the conditions and procedure for restricting a natural person's legal capacity of or the right to be engaged in entrepreneurial or any other activity invalidates the act of the state or any other body which imposed such restriction.

31.3. The full or partial refusal by a natural person with from legal capacity and capability and other transactions directed at restrictions of capacity and capability are null and void.

Article 32. Restriction Limitation of Legal Capacity of an Individual

32.1. A natural person who, due to alcohol, *narcotic drugs or substances abuse* or addiction for gambling, imposes material hardship on his family, may be restricted limited by court in his right to exercise legal capacity. A trusteeship shall be established for such person. He shall have the right to perform insubstantial small everyday transactions. He may perform other types of transactions and receive and dispose of earnings, pensions and other income only upon the consent of a trustee. However, such person is shall bear property liability for transactions performed by him and damages caused. *In the event, when the consent of trustee of natural person with limited capability is required, deals entered into without such consent, can be considered valid provided future written approval of the trustee.*

32.2. Where the basis on which a natural person's legal capacity was restricted limited, ceases to exist, a court shall revoke the limitation on capacity. On the basis of court decisions, the court shall terminate the trusteeship of such person. (12, 22)

Article 33. Guardianship and Trusteeship

33.1. Guardianships and trusteeships are established for the purpose of protecting the rights and interests of persons who do not have legal capacity or who are not fully legally capable. Guardianships and trusteeships over minors are also established for the purpose of their upbringing. The rights and obligations of guardians and trustees are established by the Family Code of the Republic of Azerbaijan.

33.2. Guardians and trustees shall protect the rights and interests of persons under their guardianship in relationships with any person, including in court, without special authorization.

33.3. Guardianships and trusteeships over minors are established where there are no parents or adoptive parents, where the parents have been deprived of their parental rights by a court and, in cases where such natural persons are deprived of parent care for other reasons in particular where parents neglect their upbringing child care responsibilities or dodge to and obligations to protect the rights and interests of their child.

33.4. Guardianship is established for minors under the age of 14 and for natural persons who are declared by a court as not having legal capacity due to mental illness.

33.5. Guardians are lawful representatives of persons under the guardianship and act implement on their behalf and in their interest for all necessary transactions.

33.6. Trusteeship is established for minors between the ages of 14 and 18, as well as for individuals who are declared by a court as having limited legal capacity due to alcohol, *narcotic drugs or substances abuse* or a gambling addiction.

33.7. Trustees consent to transactions, which natural persons under trusteeship are not entitled to conclude independently. Trustees render assistance to persons under trusteeship in exercise of their rights and performance of their obligations, and protect them from misuse by third parties. (22)

Article 34. State Bodies of Guardianship and Trusteeship Authorities

34.1. State Bodies of Guardianship and trusteeship authorities are established by law.

34.2. Within three days from the date of the decision declaring a person as not having legal capacity or having limited legal capacity, a court is obligated to inform the state body on guardianship and trusteeship authority for such person's residence about such decision to establish guardianship or trusteeship over such person.

34.3. The state body of guardianship and trusteeship authority at for the residence of persons under guardianship supervises the activity of state guardians and trustees thereof.

Article 35. Guardians and Trustees

35.1. A guardian or trustee is appointed by a body of guardianship or trusteeship authority at the place of residence of person in need of guardianship or trusteeship within three months from the moment when such authority body became aware of necessity of establishment of guardianship or trusteeship over a natural person. Prior to appointment of a guardian or trustee, the duties of the latter shall be performed by the body of guardianship or trusteeship authority. Appointment of a guardian or trustee may be challenged in court by relevant parties.

35.2. Adult natural persons who have civil legal capacity may be appointed guardians and trustees. Natural persons who are deprived of their parental rights may not be appointed as guardians or trustees.

35.3. A guardian or trustee is appointed upon his consent and consideration of his moral and other personal characteristics, ability to carry out responsibilities tasks of a guardian or trustee, the relationship between him and the person requiring guardianship or trusteeship and, when applicable, the wishes of the person under guardianship or trusteeship.

35.4. An appropriate educational or treatment institution, social security agencies body for the social protection of the populace or other similar authorities may be guardians and trustees of natural persons requiring guardianship or trusteeship.

35.5. Guardians and trustees are uncompensated except as provided by law.

35.6. Guardians and trustees of minors shall live with the persons under their guardianship or trusteeship. A trustee and a person under trusteeship who has reached the age of 16 may live separately upon the consent of the body of guardianship and trusteeship authority, provided that this will not have any adverse effect on upbringing and protection of rights and interests of a person under trusteeship. Guardians and trustees are obligated to notify the body of guardianship and trusteeship authority about change of residence.

35.7. Guardians and trustees are obligated to care for persons under their guardianship and trusteeship, to provide for their treatment and to look after them, their education and upbringing, and to protect their rights and interests.

35.8. The obligations specified in Article 35.7 of this Code may not be transferred to trustees of adult natural persons who have reached the age, of majority and whose legal capacity has been limited by a court.

35.9. Where the basis for the declaration of a natural person as not having civil capacity or having a limited civil capacity ceases to exist, the guardian or trustee is obligated to apply to a court for a declaration that the person under the guardianship or trusteeship is legally capable and terminating the guardianship or trusteeship.

Article 36. Disposition of the Property of the Person Under Guardianship or Trusteeship

36.1. The income of a natural person under guardianship or trusteeship, including income due to such person from the management of his property, with exception of income which such person can dispose of independently shall be used by guardian or trustee exclusively in the interest of the person under guardianship and trusteeship and with the preliminary permission of the body for guardianship and trusteeship authority. Without the preliminary consent of the body for guardianship and trusteeship authority, a guardian or trustee has the right to incur such expenses necessary for maintenance of the person under guardianship or trusteeship from funds the money due to the latter as income.

36.2. Without the preliminary consent of the body for guardianship and trusteeship authority, a guardian does not have the right to conclude, and trustee does not have a right to grant a permission to enter conclude, for transactions related to the alienation of property of the person under guardianship or trusteeship, including its exchange, transfer as a gift, lease, grant for gratuitous use or pawn, renunciation of rights of the person under guardianship or trusteeship, division of the latter's property or the transfer of interests in it, as well as any other transactions causing a reduction of property of the

person under guardianship or trusteeship. The procedure for management of the property of the person under guardianship or trusteeship is stipulated determined by legislation.

36.3. Guardians, trustees, their spouses and close relatives may not enter into transactions with the person under guardianship or trusteeship, with exception of to granting a gift or gratuitous use of property or to represent the person under guardianship and trusteeship in transactions or court proceedings between the person under guardianship or trusteeship and guardians' or trustee's spouse and close relatives.

Article 37. Trust Management of the Property of the Person Under Guardianship or Trusteeship

37.1. Where necessary to exercise permanent management over the immovable and valuable movable property of a person under guardianship or trusteeship, the body for guardianship and trusteeship authority shall enter into a trust management agreement with an administrator to be determined by such authority. In such case, the guardian or trustee retains its authority with regard to that portion of the property which is not transferred into trust management. The rules specified by Articles 36.2 and 36.3 of the Code apply to actions of an administrator in the course of exercising authority of trust management of the property of the person under guardianship or trusteeship.

37.2. Trust management of the property of a person under guardianship or trusteeship terminates on the grounds specified by law, on termination of the agreement on trust management of the property, and upon termination of the guardianship and trusteeship.

Article 38. Relieving and Dismissing Guardians and Trustees from Execution of Their Duties; Termination of Guardianship and Trusteeship

38.1. The body for guardianship and trusteeship authority shall relieve a guardian or trustee from execution of his duties upon the return of a minor to his parents or upon his adoption.

38.2. Upon the placement of a person under guardianship into an educational or medical treatment facility, or social security institution for the social protection of the populace or any other similar institution, the body for guardianship and trusteeship authority shall release the previously appointed guardian or trustee from execution of his duties provided that such action is not contrary to interests of the person under guardianship or trusteeship.

38.3. For good reasons (sickness, change of material status, lack of mutual understanding between him and a person under guardianship, etc.), a guardian or trustee may be relieved released from execution of his duties upon his own request.

38.4. In cases of a guardian's or a trustee's improper performance of his responsibilities, including the guardian's or trustee's self-dealing or failure to properly supervise or assist a person under guardianship, the body for guardianship and trusteeship authority may dismiss the guardian or trustee and pursue remedies against the guardian provided by law.

38.5. Upon the petition of a guardian, trustee or the body of guardianship and trusteeship authority, the guardianship or trusteeship terminates upon a court decision declaring the

person under guardianship or trusteeship as having legal capacity or terminating the restrictions on his legal capacity.

38.6. The guardianship of a minor under guardianship terminates upon his reaching the age of 14 and the natural person who exercised the duties of the guardian shall become a trustee of the minor without any additional decision.

38.7. The trusteeship of a minor terminates without any special decision upon his reaching the age of 18, in the event of marriage or where full legal capacity is otherwise acquired prior to the age of majority.

Article 39. Patronage over a Person with Legal Capacity

39.1. At the request of an adult having legal capacity, who, due to health conditions, cannot independently exercise and protect his rights and perform obligations, patronage may be established over such person. The establishment of patronage does not restrict limit the rights of a natural person.

39.2. A patron (assistant) of an adult having legal capacity is appointed by the body of guardianship and trusteeship authority upon the consent of such natural person.

39.3. The disposition of property of an adult having legal capacity is carried out by the patron (assistant) under a contract of commission or trust management signed with such adult. The performance of everyday and other transactions which are directed to maintenance support and satisfaction of living needs are carried out by the patron (assistant) with the consent of the adult.

39.4. Patronage of an adult having legal capacity, established according to Article 39.1 of this Code, terminates on the request of the adult under patronage. The patron (assistant) of a natural person under patronage is released from the fulfillment of his duties in cases specified under Article 38 of this Code.

Article 40. Declaration of a Natural Person as Missing

40.1. Upon the application of a relevant person, a court may declare a natural person as missing if his whereabouts are unknown or he has not appeared at his place of residence for two years.

40.2. Where it is impossible to establish the date of last information on missing persons, on which the period for declaring a person as missing commences, the start date for counting of the missing shall be on the first day of the month following the month when the last information on missing person was received, and where it is impossible to determine such month — on the first day of January of the following year.

40.3. Upon the effectiveness of a judicial declaration of a person as missing, the successors of such person have the authority to manage the property of the missing person in trust and are entitled to receive revenues therefrom. Out of such property, an allowance shall be allocated for the maintenance support of persons who have been dependent on the missing person and for the payment of debts.

40.4. Where the permanent management of a missing person's property is necessary and where such person has no successor, such property shall, by court order, be transferred to

a person chosen by the body for guardianship and trusteeship authority who shall act pursuant to a trust management contract signed by such person and the body for guardianship and trusteeship authority. The administrator of the property of the missing person shall, on the account of property of the missing person, pay the debts of such person, manage property in the interest of such person, provide an allowances for the support of persons, who have been dependent on the missing person. Where, within three years from the date of appointment of the administrator, a court decision on declaring a person as missing has not been rescinded and no application is made to the court to state the person's death, the body for guardianship and trusteeship authority shall apply for a judicial declaration that the person is deceased.

40.5. If the missing person appears or his location is discovered, the court shall cancel the judicial declaration of such person as missing as well as the decision on management of his property.

Article 41. Declaration of a Natural Person as Deceased

41.1. A court may declare a natural person as deceased where, for five years, there has been no information at his residence regarding his whereabouts and where such person disappeared under circumstances which posed danger of death or provided grounds for concluding that he may have died as a result of an accident and there has been no information about such person for six months.

41.2. A court may declare military serviceman or other person who disappeared in connection with military operations may as deceased not earlier than two years after the date of the end of the military operations.

41.3. The date of entry into force of a judicial declaration of a person as deceased shall be deemed as the date of death of such person.

41.4. In cases specified by Articles 41.1 and 41.2 of this Code, a court may deem the date of his assumed demise as the date of his death.

Article 42. Consequences of the Appearance of a Person Declared as Deceased

42.1. If a person declared as deceased appears or his whereabouts are discovered, the court shall cancel its declaration that the person is deceased.

42.2. Without regard to the time of appearance, a person is entitled to demand the remaining part of his property which, following the declaration of his death, was gratuitously transferred to another person upon declaration of his death.

42.3. A person who acquired the property of the person declared as deceased from compensatory transactions, is obligated to return the property if it is proven evidenced that he at the time of purchasing of the property he was aware that the person declared as deceased was alive.

42.4. If the property of the person declared as deceased has been transferred to the state ownership and sold, the proceeds from the sale shall be returned to such person upon rescinding the declaration of such person as deceased.

Chapter 4. Legal Entities

§1. General Provisions

Article 43. Definition and Types of Legal Entities

43.1. A legal entity is a specially established organization, which has completed state registration as provided by law, owns its own property, bears liability for its obligations to the extent of its property, has the right to acquire and exercise property and personal non—property rights on its own behalf, is liable for its obligations, and acts as a plaintiff or defendant in court. A legal entity has its own balance sheet.

43.2. A legal entity may be established by one natural person or legal entity, or a group of natural persons and legal entities, may be based upon membership, may or may not depend on the existence of members, and may or may not be engaged in entrepreneurial activity.

43.3. The Republic of Azerbaijan participates in civil relationships in the same manner as other legal entities. In such cases, the power of the Republic of Azerbaijan is exercised by its bodies authorities which are not legal entities.

43.4. Municipalities participate in civil relationships in the same manner as other legal entities. In such cases, the power of a municipality is exercised by its authorities which are not legal entities.

43.5. A legal entity may be an organization which pursues as its main purpose profit generation (commercial legal entities) or an organization, which does not have the purpose of generating profit and does not distribute the received profits among participants (non-commercial legal entities), *as well as engaged in the activities of the national and (or) social significance (legal entities of public law)*.

43.6. A non-commercial legal entity may be established in the form of public associations, funds, unions of legal entities and in other forms stipulated by law. A non-commercial legal entity may engage in entrepreneurial activity only in furtherance of its primary purpose for which it was established and where such activity corresponds to such purpose. A non-commercial legal entity may establish economic companies or participate in such companies to conduct entrepreneurial activity.

43.7. The activity of legal entities of public law is governed by this Code and the Law of the Republic of Azerbaijan "On Legal Entities of Public Law". (61, 72)

Article 44. Legal Capacity of a Legal Entity

44.1. A legal entity has civil rights and bears civil liability from the moment of state registration. The legal capacity of a legal entity terminates upon liquidation.

44.2. A commercial legal entity has civil rights and bears civil liability required for the performance of any kind of activities not prohibited by the law. A legal entity may engage in certain activities the list of which is specified by law, only with special permission (license), the list of which is specified by law.

44.3. The rights of a legal entity may be restricted limited only in cases and in accordance with procedures the manner specified by law. A legal entity may appeal a decision of limitation of restricting its rights to a court.

44.4. The right of a legal entity to engage in a type of activity requiring special permission (license) arises from the moment of obtaining such license or at the time indicated in the license and, unless otherwise provided by law, terminates upon the expiry of the term of the license.

Article 45. Establishment of a Legal Entity

45.1. A legal entity is established through its incorporation and the preparation development of its charter.

45.2. Where a legal entity is established by several founders, the founders shall conclude enter into an agreement where they approve the charter of the legal entity, the procedure for joint activities with regard to its establishment and the conditions for the transfer of their property and participation in its operations.

Article 46. Liability of the Founders of a Legal Entity

The founders of a legal entity are jointly liable for obligations related to its establishment, which arise prior to state registration.

Article 47. The Charter of a Legal Entity

47.1. The charter of a legal entity, approved by its founders, is the foundation document of the legal entity. A legal entity established by one founder operates on the basis of a charter approved by the founder.

47.2. The charter of a legal entity shall specify the name of the legal entity, its address, the procedure for the management of its activities, and the procedure for its liquidation. The charter of a non-commercial legal entity shall specify the scope and purposes of its activities. *It is not allowed to stipulate the assignment of powers of public bodies and local authorities, as well as the functions of state control and inspection in the charters of non-governmental organizations.*

47.3. Amendments to a charter become effective for into legal force as to third parties from the moment of their state registration. However, legal entities and their founders (participants) do not have the right to refer to the lack of registration of such amendments in relationships with the third parties, who have acted reliance on such amendments.(38)

Article 48. State Registration of a Legal Entity

48.1. A legal entity is subject to state registration with the relevant executive authority. Data on state registration, including the firm trade name for a non-commercial legal entity, shall be entered into the state register of legal entities, such register being available to the public.

48.2. *The state registration of the legal entity may be rejected only in cases stipulated by the Law of the Republic of Azerbaijan «On state registration and state register of the legal entities».* ~~State registration may not be rejected because the establishment of the legal entity is not deemed necessary.~~ The denial rejection of state registration, or the failure to perform subtraction of state registration, may be appealed to a court.

48.3. A legal entity is subject to re-registration only as provided by law. (10)

Article 49. Bodies of a Legal Entity

49.1. A legal entity acquires civil rights and undertakes civil obligations through its bodies, which act in accordance with law and the charter. The procedure for the election or appointment of a legal entity's bodies is specified by the charter.

49.2. A legal entity may acquire civil rights and undertake obligations through its participants and representatives.

49.3. A persons acting on behalf of a legal entity, including any person being represented in management bodies (supervisory (directors) board, executive body) of a legal entity, shall, when executing his duties for the benefit of the legal entity he represents, be obliged to act faithfully, in a professional manner and logically, be loyal to interests of the legal entity and all of its participants, consider the interests of the legal entity over his own interests, and be careful, and also fair and impartial in the course of decision-making. Such a person shall be responsible for execution of these duties in compliance with the legal entity's interests. In the event that this person violated his duties, he must, at the request of participant (participants) of the legal entity, possessing a stake (shares) in the amount of not less than 5 percent of the authorized capital, compensate the damages caused as a result of such violations.

49.4. A person, acting on behalf of a legal entity that does not perform or improperly perform the duties, established by this Code in the interests of a legal entity, including any person represented in the management bodies (supervisory board, board of directors, executive body) of a legal entity, is liable for damage caused to a legal entity or shareholder (shareholder), in the following cases:

49.4.1. payment of bonuses to members of the management bodies of a legal entity if the legal entity acts with damage or if these bonuses are disproportionate to the profits of the legal entity;

49.4.2. alienation or transfer into use of the property of a legal entity on terms and at a price that are significantly lower than market conditions;

49.4.3. conclusion of contracts with affiliated persons of a legal entity that violate the requirements of the law or create a danger to the interests of a legal entity;

49.4.4. purchase by a legal entity of goods (works, services) on the basis of concluded contracts at a price much higher than their real value;

49.4.5. misappropriation or embezzlement of the property of a legal entity with the aim of providing for themselves, affiliated persons of a legal entity or other persons with tangible and intangible property values and rights to such property;

49.4.6. conclusion of unfair deals with shareholders (shareholders).

49.5. For damage caused to a legal entity, any person who acts on behalf of a legal entity is represented in the management bodies (supervisory board, board of directors, executive body) of a legal entity may be removed from the position held by him at the decision of the general meeting of the legal entity. Involvement of a person who acts on

behalf of a legal entity, is represented in the management bodies (supervisory board, board of directors, executive body) of a legal entity, to administrative or criminal liability for damage caused to a legal entity does not relieve its obligation to compensate for the damage.

49.6. In the event of circumstances provided for in Article 49.4 of this Code, or if there are substantial suspicions regarding the occurrence of such circumstances, the participant (participants) holding a stake (shares) in the amount of not less than 5 percent of the authorized capital of a legal entity shall have the right to demand from a person who acts from the name of the legal entity, including any person who is represented in the management bodies (supervisory board, board of directors, executive body) of the legal entity, all documents or information that are available in the legal entity and are related with these circumstances (without specifying a specific document), in order to view these documents (information). In such a case the person is obliged to ensure the demand of this participant within 5 (five) business days. If the participant wishes to receive a copy of this document (information), the person to whom he was referred should present certified copies of this document (information). The participant is obliged to protect the confidentiality of information that became known to him and was received during the reviewing, and, except for the cases established by law, do not transfer this information to third parties. ([29](#), [80](#))

Article 49-1. The procedure for conclusion of transactions by the legal entity with related parties

49-1.1. Any transaction, agreement or set of related transactions, concluded between the legal entity and related party of this legal entity are to be defined as related party transactions. The following are included as related parties to a legal entity:

49-1.1.1. the head and members of the board of directors (supervisory board) and executive body of a legal entity;

49-1.1.2. the head of the business unit (branch, representative office, administration, etc.) of a legal entity;

49-1.1.3. relatives of the persons referred to in articles 49-1.1.1 and 49-1.1.2 of this Code (the husband (wife), parents, including the parents of the husband, wife, grandparents, children, adoptive parents (adopted), brothers and sisters);

49-1.1.4. anyone directly or indirectly possessing shares of at least 10% or more in the share capital of a legal entity;

49-1.1.5. legal entities, in which directly or indirectly are participating persons indicated in clauses 49-1.1.1, 49-1.1.2 and 49-1.1.4 of this Code;

49-1.1.6. legal entity holding at least 20% of the shares in the share capital of the legal entity;

49-1.1.7. anyone possessing at least 20% of the shares in the legal entities indicated in clauses 49-1.1.4 and 49-1.1.6 of this Code;

49-1.1.8. the heads of the board of directors (supervisory board) and executive bodies of legal entities indicated in clauses 49-1.1.4 and 49-1.1.6 of this Code.

49-1.2. If the value of the transaction, which is expected to conclude with a related party, is 5 percent or more of the assets of a legal entity, this transaction must be subject to the independent auditor's opinion, involved by the legal entity, and approved by a simple majority vote at the general meeting of the legal entity's member. The participant, which is a related party with respect to this transaction, has no right to participate in voting on this issue.

49-1.3. If the value of the transaction, which is expected to conclude with a related party, is less than 5 percent of the assets of a legal entity, this transaction is concluded in accordance with the charter of the legal entity, by the general meeting of its members, by the Board of Directors (Supervisory Board) or the executive body. In this case, the participant (member), being a related party, has no right to participate in the vote at the general meeting of participants, at the meetings of the Board of Directors (Supervisory Board) and the collegial executive body. If the head of the sole executive body of the legal entity, as well as persons referred to in Articles 49-1.1.3 and 49-1.1.5 of this Code, act as a related parties, then any transaction between them and the legal entity is subject to the decision of the Board of Directors (Supervisory Board), or in its absence - the decision of the general meeting of the legal entity.

49-1.4. Persons found guilty of causing damage to a legal entity as a result of the transaction concluded in violation of the requirements of Articles 49-1.2 and 49-1.3 of this Code, shall be responsible. If the other party of the transaction became to know that the transaction has been concluded in violation of Articles 49-1.2 and 49-1.3 of this Code, a legal entity or any his participant may dispute this transaction in accordance with Article 337.1 and 339 of this Code.

49-1.5. The head or the members of the board of directors (supervisory board) of a legal entity shall present the written information to the participants of the legal entity that they, as well as persons referred to in articles 49-1.1.3 and 49-1.1.5 of this Code, act as a related party in respect of the transaction, and also about the nature of (arising, amount and so on) of their interests in connection with this transaction.

49-1.6. The head or members of the executive body of the legal entity shall submit to the Board of Directors (Supervisory Board) of the legal entity, and in its absence, to the members of the legal entity, the written information that they, as well as the persons mentioned in articles and 49-1.1 49-1.1.3. 5 of this Code, act as a related party in respect of the transaction, and also about the nature of (arising, amount and so on) of their interests in connection with this transaction.

49-1.7. Except for the head or the members of the board of directors (supervisory board) and executive body of the legal entity, the other persons must submit to the Board of Directors (Supervisory Board) of the legal entity, and in its absence - to the executive body of the legal entity, the written information that they, as well as persons referred to in Articles 49-1.1.3 and 49-1.1.5 of this Code, act as an affiliate in respect of the bargain, and the nature of (the appearance, size and so on) of their interests in connection with this transaction. (56, 73)

Article 50. Name of a Legal Entity

50.1. A legal entity shall have its own name which shall contain its legal organizational form. The name of a non-commercial organization shall contain an indication of the nature of its activity.

50.1-1. In the name of a non-governmental organizations can not be used the names of public bodies of the Republic of Azerbaijan, as well as the names of famous persons of Azerbaijan (without the consent of their close relatives or heirs).

50.2. A legal entity which is a commercial organization may shall have a trade name. A legal entity with a trade name registered in accordance with the procedure specified by law has the exclusive right to use such name. The procedure for the registration and use of a trade name is established by law.

50.3. Rights and obligations may not be acquired under the trade name of another legal entity. A person who illegally uses the registered trade name of another, upon demand from the owner of the right to the trade name, shall cease such use and compensate for any damages caused. (38)

Article 51. Location of a Legal Entity

The location of a legal entity is the location of its permanent managing body, *the headquarters of the political party governing bodies.* (48)

Article 52. Liability of a Legal Entity

52.1. A legal entity is liable for its obligations with all its property.

52.2. Except where provided by this Code law or the corporate charter, a founder (participant) of a legal entity is not liable for the obligations of the legal entity and a legal entity is not liable for obligations of a founder (participant).

Article 53. Representative Offices and Branches

53.1. A representative office is a subdivision of a legal entity located somewhere other than the legal entity's location, which represents the interests of the legal entity and protects such interests.

53.2. A branch is a separate subdivision of the legal entity located somewhere other than the legal entity's location, which performs all of its functions or a part thereof, including representation.

53.3. Representative offices and branches are not legal entities and act on the basis of regulations approved by legal entities. The heads of representative offices and branches are appointed by legal entities and act on the basis of a power of attorney. *Deputy heads of branches or representative offices of non-governmental organizations, founded by foreigners or foreign legal entities must be citizens of the Republic of Azerbaijan.* (38)

Article 54. Institutions

54.1. An institution is an organization established by a legal entity for the purpose of performing managerial, socio-cultural and other non-commercial functions.

54.2. An institution is not a legal entity and acts on the basis of regulations approved by the legal entity.

54.3. With respect to property allocated to it, an institution exercises rights of possession, use and disposal as provided by law and in accordance with purposes of its activity, the instructions of the legal entity and nature of the property.

54.4. A legal entity which has established an institution is liable for the obligations of the institution.

54.5. The specific legal features of the legal status of certain types of state and other institutions are established by law.

Article 55. Reorganization of a Legal Entity

55.1. The reorganization of a legal entity (consolidation, merger, division, separation, transformation) may be performed pursuant to a decision of the founders (participants) or a body of the legal entity authorized by the corporate charter.

55.2. Where provided by law, reorganization of a legal entity through division or separation of one or more legal entities therefrom is done pursuant to court decision.

55.3. A court may appoint an external manager of a legal entity and instruct assign him to reorganize such legal entity. Effective from the moment of appointment, the manager is vested with powers to manage the affairs of the legal entity. The external manager acts on behalf of the legal entity in court, prepares a statement of division and submits such statement to the court together with the charters of the legal entities emerged as a result of the reorganization. *The valid court resolution, complying with legislation requirements*, constitute the basis for state registration of newly emerged legal entities.

55.4. Except for transformation through merger, a legal entity is deemed reorganized from the moment of the state registration of newly emerged legal entities.

55.5. In the reorganization of a legal entity through the merger with another legal entity, the former is deemed reorganized from the moment of its entry in the state register of legal entities of the notation of the termination of activities of the merged legal entity.(10)

Article 56. Legal Succession upon Reorganization of Legal Entities

56.1. Upon consolidation of legal entities, the rights and obligations of each are transferred to the newly emerged legal entity pursuant to an act of transfer.

56.2. Upon the acquisition of one legal entity by another legal entity, the rights and obligations of the former are transferred to the latter pursuant to an act of transfer.

56.3. Upon the division of a legal entity, its rights and obligations are transferred to the newly emerged legal entities pursuant to an balance act of division.

56.4. Upon the separation from a legal entity of one or more legal entities, each of them receives the rights and obligations of the reorganized entity pursuant to a balance act of division.

56.5. Upon transformation of legal entity of one type into the legal entity of another type (change of legal organizational form), the rights and obligations of the reorganized legal entity are transferred to the newly emerged legal entity pursuant to an act of transfer.

Article 57. Act of Transfer and Statement Balance of Division

57.1. An act of transfer and a balance statement of division shall contain provisions on legal succession for all obligations of the reorganized legal entity with respect to all of its creditors and debtors, including obligations which the parties contest.

57.2. An act of transfer and a statement balance of division are approved by the founders (participants) of the legal entity or the authority body of the legal entity so authorized by the charter which have adopted a decision on the reorganization of the legal entities, which decision is submitted together with the charters for state registration of the newly emerged legal entities or amendments to the charters of the existing legal entities.

57.3. A failure to submit an act of transfer or a statement balance of division together with a charter, or the absence therein of the provisions on legal succession to the rights and obligations of the reorganized legal entity shall react form basis for rejection in the denial of state registration of the newly emerged legal entities.

Article 58. Guarantees of the Rights of Creditors of a Legal Entity upon Reorganization

58.1. The founders (participants) of a legal entity making decision on its reorganization, or the legal entity's body authorized by the charter, adopting a decision on the legal entity's reorganization or, and, in the cases specified in Article 55.3 of this Code, the external manager must notify the legal entity's creditors in writing about its reorganization.

58.2. A creditor of a reorganized legal entity is entitled to demand require termination or early performance of obligations where the reorganized legal entity is a debtor and to recover losses.

58.3. If a statement balance of division does not specify the legal successor of the reorganized legal entity, the newly emerged legal entities are jointly liable for the obligations of the reorganized legal entity with respect to its creditors.

Article 59. Liquidation of a Legal Entity

59.1. The liquidation of legal entity is the termination of its existence and activities without the transfer of its rights and obligations through succession to other persons.

59.2. A legal entity may be liquidated in the following cases:

59.2.1. upon by a decision of its founders (participants) or a body of the legal entity so authorized by the charter, including expiry of the effective term of the legal entity's existence or the achievement of the purpose for which the legal entity was created;

59.2.2. upon a judicial declaration of the legal entity' is registration as invalid as a result of violations of law, which occurred at the time of the establishment of the entity;

59.2.3. upon a judicial determination that it engaged in activities without a required special permit (license), activities prohibited by law, activities involving repeated or gross major violations of law or, in the case of public associations or

funds, regularly engaged in activities contrary to their statutory purposes, and in other cases and as provided by this Code.

59.2-1. Participant or the body of the legal entity authorized by the charter proposing the initiative of liquidation of the legal entity on grounds referred to in Article 59.2.1 of the present Law shall require executive authority exercising the management of current activity of the legal entity, adoption of official declaration (on state of assets and liabilities) confirming the payment ability for satisfaction of requirements of all creditors of the legal entity within the period of 12 months. Executive authority of the legal entity shall adopt that declaration or notify on impossibility of adoption of such decision not later than 20 days until the decision on liquidation. If the executive authority notifies on the impossibility of adoption of such decision, general meeting of participants may invite independent auditor with the purpose of confirmation of existence or absence of payment ability for satisfaction of requirements of all creditors of the legal entity within the period of 12 months. If the independent auditor confirms the payment ability of the legal entity by his/her opinion, such opinion shall be equal to the declaration defined by the present Article.

59.3. A request to liquidate a legal entity pursuant to the provisions of Articles 59.2 and 59.3 of this Code may be submitted to a court by a state authority or ~~body of local self-administration~~ authorized by law to submit such requests. Pursuant to a court order, the founders (participants) of a legal entity or a body authorized by the legal entity's charter may be compelled to liquidate the legal entity.

59.4. A legal entity may also be liquidated through due to bankruptcy.

59.5. Where the value of property of the liquidated legal entity is not sufficient to satisfy creditor claims, such legal entity may only be liquidated through due to bankruptcy.

59.6. General period of liquidation process shall not exceed one year from the moment of inclusion of information on liquidation of the legal entity to the state register of legal entities. Exceeding of that period shall entail repeated liquidation process.

59.7. The rules established for the liquidation of legal entities by the present Code and the Law of Republic of Azerbaijan «On state registration and state register of legal entities» shall apply to liquidation of branches or representative offices of foreign legal entities. (52, 54)

Article 60. Decision on liquidation of the legal entity

60.1. Following to the decision of the legal entity, liquidation commission (liquidator) shall be appointed, procedure and terms of liquidation shall be defined in accordance with the present Code and liquidation process shall start.

60.2. Full legal capacity of the legal entity shall be retained within the period of liquidation process.

60.3. Participants of the legal entity who have adopted decision on liquidation or its body empowered to do so by the charter shall act from the moment of adoption of the decision on liquidation only within the framework of liquidation process. Liquidation commission (liquidator) shall act on behalf of the legal entity to be liquidated.

60.4. Powers for management of affairs of the legal entity shall be transferred to the liquidation commission (liquidator) from the moment of appointment. Liquidation commission shall continue the work of the legal entity of economically rational, beneficial and at the same time quick sale of property of the legal entity for clearing off the debts and retention of residual income, partition of the property remained after clearing off the debts. In the course of liquidation of non-commercial organization, the legal destiny of the property remained after clearing off its debts shall be settled in accordance with Articles 114.3, 116.3 and 117.7 of the present Code.

60.5. Within the period of their activity, members of the liquidation commission (liquidator) shall comply with the requirements of Article 49.3 of the present Code.

60.6. Members of the liquidation commission (liquidator) may be withdrawn or replaced by other persons under procedure according to which they were appointed. (52)

Article 61. Procedure for Liquidation of the Legal Entity

61.1. Within the period of 10 days from the moment of appointment, the liquidation commission shall publish initial information on liquidation of the legal entity and on procedure and terms of submission of demands by the creditors in printing media in which the information on state registration of the legal entity in the Republic of Azerbaijan is published. That information shall be published under the same procedure two times with the interval of 15-20 days. Term of submission of demands may not be less than 60 days from the moment of publication of initial information on liquidation.

61.2. Within the period of 15 days from the moment of appointment, liquidation commission shall be obliged to submit a decision on liquidation to the relevant authority of executive power exercising the state registration of legal entities, decision on liquidation, official declaration certifying the payment ability, document certifying the publication of initial information and seal referred to in Articles 59.2-1 and 61.1 of the present Law. Relevant authority of executive power exercising the state registration of legal entities, within the period of 5 days from the moment of receipt of submitted information, shall enter it to the state register in accordance with the Law of the Republic of Azerbaijan «On state registration and state register of legal entities». After that legal entity shall use the seal with note «in the process of liquidation» while drafting the document and all documents shall bear the words «in the process of liquidation» after its name.

61.3. Liquidation commission (liquidator) shall take measures for detection of creditors and clearing off the payable debts as well as shall communicate the notification on liquidation of legal entity to all known creditors on the day of publication of announcement in connection with liquidation in the mass media, shall address relevant authority of executive power for reveal of debts under mandatory payments to the state budget and dues for compulsory state social insurance to the off-budget state fund.

61.4. If liquidation commission (liquidator) does not agree with the requirements submitted by any creditor, such creditor shall be entitled to raise a claim in the court. Funds required for the satisfaction of the claim shall be retained until the moment of adoption of the decision on the claim by the court.

61.5. Within the period of 10 days from the moment of expiry of the term of submission of claims by creditors, liquidation commission (liquidator) shall draft and approve interim

liquidation balance and communicate it to participants of the legal entity. At least the information on composition of property of liquidated legal entity, list of claims of creditors and payable debts shall be included into the interim liquidation balance. Participant, which or who does not agree with the interim liquidation balance and possesses not less than 10 percent of chartered capital of legal entity, shall be entitled to require the convocation of general meeting within the period of 7 days from the moment of receipt of such balance. In that case, the interim liquidation balance shall be approved by the general meeting of participants.

61.6. If liquidation commission (liquidator) reveals insufficiency of property belonging to the legal entity for satisfaction of claims of creditors, it shall immediately initiate the process of bankruptcy.

61.7. Monetary funds shall be paid to creditors of liquidated legal entity by the liquidation commission (liquidator) in accordance with the interim liquidation balance from the day of its approval in the order of arrival of payment claims.

61.8. After completion of settlement of accounts with all known creditors, liquidation commission (liquidator), within the period of 5 days, shall draft a report reflecting the liquidation balance and plan of partition (use in accordance with Articles 114.3, 116.3 and 117.7 of the present Code in case of non-commercial organization) of residual property between participants. Mentioned balance and report shall be approved by participants or body of legal entity empowered by the charter not later than 45 days from the moment of their drafting.

61.9. Creditors may submit their claims prior to approval of liquidation balance.

61.10. Within the period of 10 days upon the approval of liquidation balance, liquidation commission (liquidator) shall ensure the submission of residual property to participants of the legal entity in accordance with approved plan of partition and in accordance with approved plan of use pursuant to Articles 114.3, 116.3 and 117.7 of the present Code in case of non-commercial organization. Partition of the property shall be conducted proportionally to the share of participant. In case of absence of participant or heir of participant of the legal entity, residual property shall be transferred to the state. That property shall be accepted by the relevant authority of executive power on behalf of the state.

61.11. Within the period of 10 days from the moment of partition or use of residual property, liquidation commission (liquidator) shall communicate the approved liquidation balance, report reflecting the plan of partition (use) of residual property, document certifying submission of that property to participants (use in accordance with Articles 114.3, 116.3 and 117.7 of the present Code in case of non-commercial organization) and other documents referred to in Article 16.2 of the Law of the Republic of Azerbaijan «On state registration and state register of legal entities» to the relevant authority of executive power exercising the state registration of legal entities.

61.12. Liquidation of legal entity shall be deemed completed and the legal entity shall be deemed ceased to exist from the moment of entry of record thereof into the state register of legal entities.

61.13. In case of emergence of property upon the completion of liquidation of the legal entity, the court may recommence the process of liquidation on the basis of application of

interested person and appoint new liquidation commission (liquidator). The only task of that liquidation commission (liquidator) shall be immediate transformation of that property into the monetary funds with the subsequent partition between participants (use in accordance with Articles 114.3, 116.3 and 117.7 of the present Code in case of non-commercial organization). Emergence of new obligations upon the exclusion of the legal entity from the state register of legal entities shall not entail the recommencement of the process of liquidation. (52)

Article 62. Satisfaction of Creditor Claims

~~62.1. Upon liquidation of a legal entity, claims of its creditors shall be satisfied in the following order of priority:~~

~~62.1.1. creditor claims with respect to obligations secured by a pledge of property of the liquidating liquidated legal entity have first priority;~~

~~62.1.2. claims of natural persons against the liquidating liquidated legal entity for damage to life or health have second priority by way of capitalization of the relevant periodic payments;~~

~~62.1.3. payments of severance payments and compensation to persons working under labor employment agreements and payments under copyright agreements have third priority;~~

~~62.1.4. debts for overdue mandatory payments to the budget and also mandatory state social insurance contributions to the off-budget state fund have fourth priority;~~

~~62.1.5. settlements with other creditors have fifth priority.~~

~~62.1. 2. Order of satisfaction of claims of creditors of the insurer shall be defined by the Law of the Republic of Azerbaijan «On insurance activity»;~~

~~62.2. Claims of each priority shall be satisfied only after full satisfaction of all claims of higher priority.~~

~~62.3. If the liquidation commission denies rejects a creditor's claim or refuses to consider such claim, the creditor is entitled, prior to the approval of the legal entity's liquidation balance sheet, to apply to a court for review of claim against the liquidation commission.~~

~~62.4. A creditor claims filed after expiry of the deadline set by the liquidation commission for filing such claims shall be satisfied from the liquidating liquidated legal entity's assets remaining after satisfaction of timely filed creditor claims.~~

~~62.5. The claims of creditors of the liquidating liquidated legal entity, which are not accepted by the liquidation commission and for which the creditor fails to take action in court, as well as claims rejected by the court decision, shall be deemed as satisfied. (16, 51, 52)~~

Article 63. Bankruptcy of Legal Entity

63.1. Where a legal entity is unable to satisfy creditor claims, such legal entity may be declared bankrupt by judicial decision.

63.2. The grounds and procedures for a declaration of a legal entity bankrupt are established by the Civil Procedure Code of the Republic of Azerbaijan.

§2. Commercial Organizations

Article 64. Business Partnerships and Companies Associations

64.1. Business partnerships and companies associations are commercial organizations with charter (statutory) capital is divided into shares of the founders (participants) thereof. The property contributed by the founders (participants) and property produced and acquired from the activities of the business partnership or company belong thereto by right of ownership. In the cases specified by this Code, a business partnership may be established by one person.

64.2. BA business partnerships may be established as a general partnership or a limited partnership.

64.3. A business company association may be established as a limited or additional liability company or a joint stock company.

64.4. Only individual entrepreneurs and (or) commercial organizations may be participants in general partnerships and general partners in limited partnerships..

64.5. Natural persons and legal entities may be participants in business companies and limited partners in limited partnerships.

64.6. State authorities and bodies of local self-administration may not be participants in business partnerships and companies.

64.7. Business partnerships and companies may be founders (participants) of other business partnerships and companies, except for cases specified by this Code.

64.8. A contribution to the property of a business partnership or company may be made in money, securities, other assets or property rights, or other rights having a monetary value.

64.9. A monetary evaluation of a contribution by a participant in a business company shall be carried out by agreement among the founders (participants) of the company and is subject to independent expert examination (audit).

Article 65. Rights and Obligations of Participants of a Business Partnership or Company

65.1. Participants in a business partnership or company association are entitled to:

65.1.1. participate in the management of the affairs of the partnership or company, except as specified by this Code;

65.1.2. receive information on activities of the partnership or company association and have access to its books and other documentation specified by the charter;

65.1.3. participate in the distribution of profits;

65.1.4. in the case of the liquidation of the partnership or company, receive a portion of the property remaining after settlement with creditors or the value thereof.

65.2. Participants in a business partnership or company association may have other rights as specified by this Code and the charter of the partnership or company.

65.3. Participants in business partnerships or companies are obliged to:

65.3.1. make contributions under the procedure, in the amount, by the means and within the time periods specified by the charter;

65.3.2. not disclose confidential information on activities of the partnership or association;

65.3.3. carry out other obligations stipulated by the charter thereof.

Article 66. Reorganization of Business Partnerships or Companies

66.1. Business partnerships and companies may be reorganized transformed into business partnerships and companies associations of a different form by a resolution of the general meeting of participants under the procedure specified by this Code.

66.2. In the case of the transformation reorganization of a partnership into a company, each general partner becoming a participant (shareholder) in the company bears vicarious liability to the extent of all its property for two years for obligations, which passed to the company association from the partnership. Alienation by a former partner of its participation interest (shares) shall not relieve him from such liability.

Article 67. Subsidiary

67.1. A business company association is considered a subsidiary if another (parent) business partnership or company, due to the advantageous positions in terms of participation in the charter capital thereof or in accordance with an agreement by and between them, has the power to control decisions passed by such company.

67.2. A subsidiary is not liable for the debts of its parent partnership or association.

67.3. A parent partnership or company which has the right to give issue mandatory instructions to a subsidiary shall bear joint and several liability with the subsidiary for transactions concluded made by the subsidiary in the performance of such instructions. The parent partnership or company has the right to give mandatory instructions to the subsidiary only if such right is provided by an agreement with the subsidiary.

67.4. The participants (shareholders) in a subsidiary are entitled to recover the compensation by the parent partnership or company of losses incurred due to the fault of the parent partnership or company. Losses are considered as caused due to the fault of the parent partnership or company only when such losses occurred as a result of performance by the subsidiary of mandatory instructions issued by the parent partnership or company.

67.5. In the case of a bankruptcy of a subsidiary which has occurred due to the fault of the parent partnership or company, the latter shall bear secondary liability for the debts of the former. Bankruptcy shall be deemed as having occurred due to the fault of the parent partnership or company only where such bankruptcy occurred as a result of performance by the subsidiary of mandatory instructions of the parent partnership or company.

67.6. *A subsidiary is not entitled to redeem shares (stakes) of the parent company. (73)*

Article 68. Dependent Business Company

68.1. A business company association is dependent where more than twenty percent of the charter capital of a limited liability company or more than twenty percent of voting shares of a joint stock company belong to another (dominant, participating) partnership or company.

68.2. A business partnership or company association which acquired more than twenty percent of the charter capital of a limited liability company or more than twenty percent of the voting shares of a joint stock company shall immediately publish information of such acquisition.

68.3. *A dependent company is not entitled to redeem shares (stakes) of the parent company. (73)*

Article 69. General Partnership

69.1. A partnership is a general partnership where the participants in such partnership (general partners) in accordance with the charter are engaged in entrepreneurial activities on behalf of the partnership and are liable for obligations of the partnership to the extent of their property.

69.2. A person may be a participant in only one general partnership.

69.3. The firm trade name of general partnership shall contain names of all participants therein and the words «general partnership», or name of one or more participants with the words «and partners» and «general partnership».

Article 70. Charter of a General Partnership

A charter of a general partnership shall, in addition to information specified by Article 47.2 of this Code, contain the limits on the volume and composition of the statutory charter capital of the partnership; on the volume and the procedure for change of the share of each participant in the statutory charter capital; on the composition contributions thereof and the procedure for making contributions; and on the liability of the participants for breach of obligations on making contributions.

Article 71. Management of a General Partnership

71.1. The activities of general partnership are managed by the mutual consent of all participants therein. A charter of the general partnership may stipulate cases when resolutions are adopted by a majority vote of the participants.

71.2. Each participant in the general partnership has one vote unless the charter provides stipulates for another procedure for determination of the number of votes of the participants therein.

71.3. Irrespective of whether he is authorized to manage the affairs of the partnership, each participant in the partnership has access to all documentation concerning the management of such affairs. A waiver or limitation of such right, including a waiver and limitation on the agreement of the participants in the partnership, is void.

Article 72. Administration of the Affairs of a General Partnership

72.1. Each participant in a general partnership is entitled to act on behalf of the partnership unless the charter of the partnership stipulates that the affairs thereof are administered jointly by all the participants or that administration of the affairs is to be commissioned to certain participants.

72.2. Where affairs of the partnership are administered jointly by its participants, the consent of all the participants in the partnership is required to conclude make each transaction.

72.3. Where the participants of a partnership commission the administration of the affairs of the partnership to one or more of its participants, the other participants shall, in order to conclude make transactions on behalf of the partnership, have a power of attorney issued by the participant (participants) commissioned to administer the affairs of the partnership.

72.4. In relations with third parties, the partnership may not refer to the provisions of the charter restricting the authority of its participants, except for cases when the partnership proves that, at the moment of concluding making the transaction, such third party knew or should have known that the participant in the partnership had no right to act on behalf of the partnership.

72.5. The authority to administer the affairs of the partnership conferred upon one or several participants may be terminated by a court upon the request of one or several of the other participants of the partnership if there are sufficient grounds including gross violation by the authorized official (officials) of his (their) responsibilities or an acquired incapacity to reasonably administer its affairs. On the basis of a court order, relevant changes shall be made to the partnership's charter.

Article 73. Obligations of a Participant in a General Partnership

73.1. A participant in general partnership is obligated to participate in the activities of the partnership in accordance with the provisions of the charter.

73.2. A participant in general partnership is obligated to make his contribution to the statutory charter capital prior to the registration of the partnership.

73.3. A participant in a general partnership may not, without prior consent of the other participants, conclude make transactions on his own behalf and in his own interests or in the interests of third parties, if such transactions are similar in nature to those constituting the subject matter at the partnership's activity.

73.4. In the case of a breach violation of this rule, the partnership is entitled, at its own discretion, to claim from such participant compensation for damages incurred caused to the partnership or transfer of all revenues acquired from such transactions.

Article 74. Distribution of Profits and Losses of a General Partnership

74.1. The profits and losses of a general partnership are distributed among its participants pro rata with their shares in the statutory charter capital, except otherwise stipulated by the charter or other agreement between participants. An agreement on the dismissal of a participant in the partnership from the distribution of profits or losses is void.

74.2. Where, as a result of losses incurred by the partnership, the value of its net assets becomes less than the amount of its statutory charter capital, profits obtained by the partnership shall not be distributed among the participants until such time as the value of net assets exceeds the amount of the statutory charter capital.

Article 75. Liability of Participants in a General Partnership for its Obligations

75.1. The participants in a general partnership jointly and severally bear secondary liability by their property for the obligations of the partnership to the extent of their property.

75.2. A participant in a general partnership who is not a founder thereof is liable together with the other participants for obligations of the partnership, which arose prior to his joining the partnership.

75.3. A participant withdrawing from a partnership is liable for the obligations of the partnership which arose prior to his withdrawal together with the remaining participants for a period of two years from the date of approval of annual statement of activities of the partnership for the year during which such participant withdrew from the partnership.

75.4. An agreement among the participants to limit or waive the liability specified by this Article is void.

Article 76. Change of the Composition of Participants in a General Partnership

76.1. Where so provided by the charter of the partnership or an agreement among the remaining participants, a partnership may continue its activities after the withdrawal or death of any participant of the partnership, a declaration of one of the participants as missing, incapacitated or bankrupt, the opening of reorganization procedures with respect to one of the participants on the basis of a court order, the liquidation of a legal entity participating in the partnership, or execution levied by a participant's creditor on the latter's property corresponding to the share of such participant in the statutory charter capital.

76.2. The participants in a general partnership are entitled, by court order to exclude a participant from the partnership by an unanimous decision of the remaining participants, provided that there are sufficient grounds for doing so, in particular, as a result of a gross major violation by such participant of his obligations or discovering his inability to reasonably conduct business.

Article 77. Withdrawal of a Participant from a General Partnership

77.1. A participant in a general partnership is entitled to withdraw from a partnership by declaring his withdrawal rejection from participation in the partnership.

77.2. Withdrawal from participation in a partnership must be declared by the participant no later less than six months prior to actual withdrawal therefrom.

77.3. An agreement among the participants of a partnership to waive the right to withdraw from the partnership is void.

Article 78. Consequences of Withdrawal of a Participant from a General Partnership

78.1. A participant withdrawing from a general partnership shall be paid the value of that part of property of the partnership corresponding to share of the participant in the statutory charter capital, unless otherwise provided by the charter. Upon an agreement among the withdrawing participant and the remaining participants, the withdrawing partner may be given property in kind in lieu of its value. The portion or the value of the partnership property due to the withdrawing participant shall be determined on the basis of the balance sheet as of the date of his withdrawal, except for cases specified stipulated under Article 80 of this Code.

78.2. In case of the death of a participant in a general partnership, his heirs may join the general partnership only upon consent of other participants, except as otherwise provided by the partnership's charter. A legal entity successor to a legal entity, which participated in a general partnership may enter into the partnership upon consent of other participants, except as otherwise provided by the charter of the partnership. Settlements with an heir (legal successor), who does not join the partnership shall be carried out in accordance with Article 78.1 of this Code. The heir (legal successor) to a participant in a general partnership is liable for the obligations of the partnership with respect to third parties, for which the withdrawing participant would have been liable pursuant to Articles 75.2 and 75.3 of this Code to the extent of succeeded property of the withdrawing participant.

78.3. Where one of the participants withdraws from the partnership, the remaining participants' shares in the statutory charter capital of the partnership shall increase proportionately, except as otherwise provided by the charter or any other agreement between the participants.

Article 79. Transfer of a Participant's Share in the Compiled Charter Capital of a General Partnership

79.1. A participant in a general partnership has the right to transfer, with the consent of the other participants, his share in the statutory charter capital or any portion thereof to another participant in the partnership or a third party.

79.2. In case of the transfer of a share (or a portion thereof) to another party, such party shall receive all or the respective part of the rights of the transferor of the share (or portion thereof). The transferee is liable for obligations of the partnership in accordance with the procedure set forth in Article 75.2 of this Code.

79.3. A participant's transfer of its full share to another party terminates the participant's participation in the partnership and has the consequences specified in Articles 754.2 and 754.3 of this Code.

Article 80. Forfeiture of Share of Participant in the Compiled Charter Capital of a General Partnership

80.1. Forfeiture of share of participant in the property of a general partnership to [re]pay his debts, which are not connected to his participation in the partnership (personal debts), shall be permitted only where his other property is not sufficient for payment of the debts. Creditors of such participant may demand that the general partnership allocate a part of its property corresponding to the share of such participant in the compiled charter capital of the general partnership for the purpose of forfeiture. The part of the property of the partnership subject to allocation, or the value thereof, shall be determined as per balance sheets compiled as of the date of the creditors' demand with regard to allocation of such property.

80.2. Forfeiture of property corresponding to the share of the participant in the compiled charter capital of a general partnership terminates his participation in the partnership and has the consequences specified by Article 754.3 of this Code.

Article 81. Liquidation of a General Partnership

81.1. A general partnership shall be liquidated on the basis specified in Article 59 of this Code, as well as in case where only one participant remains in the partnership. Such participant shall be entitled to transform such partnership into a business company under the procedure specified by this Code within six months from date when he became the sole remaining participant in the partnership.

81.2. A general partnership shall also be liquidated in cases specified by Article 76.1 of this Code, unless the charter of the partnership or agreement between the remaining participants provides for continuation of the partnership activities of partnership.

Article 82. Limited Partnership

82.1. A limited partnership means a partnership which consists, along with participants conducting business activities on behalf of the partnership and being responsible for obligations of the partnership with their property (general partners), of one or more participants — limited partners (commanditaires), who bear risk of losses related to the activities of the partnership to the extent of the amount of their contributions and do not take part in the business activities of the partnership.

82.2. Legal status of general partners participating in a limited partnership and their liability for the obligations of such partnership shall be governed by the rules of this Code related to participants of a general partnership.

82.3. A person may be a general partner in one limited partnership only. A participant in a general partnership may not be a general partner in a limited partnership. A general partner in a limited partnership may not be a participant in a general partnership.

82.4. The company name of a limited partnership shall contain either names of all general partners and the words «limited partnership», or name of at least one general partner followed by the words «and partners» and «limited partnership».

82.5. Where a name of a limited partner is included into a company name of the limited partnership, such limited partner shall become a general partner.

82.6. The rules of this Code applicable to a general partnership shall apply to a limited partnership only if such rules do not contradict to the rules of this Code applicable to a limited partnership.

Article 83. A Charter of a Limited Partnership

A charter of a limited partnership shall contain, in addition to the information specified in Article 47.2 of this Code, terms and conditions with regard to an amount and composition of the compiled charter capital of the partnership; an amount of and a procedure for changing each general partners' share in the compiled charter capital; a composition of and a procedure for making thereof and their liability for breach violation of obligations on making contributions; and a cumulative amount of contributions made by companions.

Article 84. Management and Conduct of Limited Partnership Affairs

84.1. Management of a limited partnership shall be carried out by the general partners. The procedure for the management and conduct of affairs of such partnership by the general partners shall be established thereby in accordance with the rules of this Code regarding for the general partnership.

84.2. Limited partners shall not have a right to participate in the management and conduct of affairs of a limited partnership, or to act on behalf of it without a power of attorney. They shall not be entitled to contest the actions of the general partners on management and conduct of the affairs of the partnership.

Article 85. Rights and Obligations of a Limited Partner in a Limited Partnership

85.1. A limited partner in a limited partnership shall be obliged to make his contribution to the compiled charter capital. Making of contribution shall be certified by a certificate of participation issued to a limited partner by the partnership.

85.2. A limited partner in a limited partnership shall have the following rights:

85.2.1. to receive a portion of the partnership's profit corresponding to his share in the compiled charter capital in accordance with the procedure specified by the charter;

85.2.2. to have access to the annual statements and balance sheets of the partnership;

85.2.3. at the end of the fiscal year, to withdraw from the partnership and receive his share in accordance with the procedure specified by the charter;

85.2.4. to transfer his share in the compiled charter capital or a portion thereof to another partner or a third party.

85.3. Limited partners, compared to third parties, shall have a privileged enjoy a right of first refusal to purchase a share (or a portion thereof) under the terms and procedure stipulated by Article 93.3 of this Code. Transfer of the entire share of the limited partner to another person terminates such limited partner's participation in the partnership.

85.4. The charter of a limited partnership may also provide for other rights of limited partners.

Article 86. Liquidation of a Limited Partnership

86.1. A limited partnership shall be liquidated in case of withdrawal therefrom of all limited partners. However, the general partners shall be entitled, instead of liquidation, to reorganize the limited partnership into a general partnership. A limited partnership shall also be liquidated on the basis specified for liquidation of a general partnership. However, a limited partnership shall continue to exist, provided that it has at least one general partner and one limited partner left therein.

86.2. Upon liquidation of a limited partnership, including liquidation as a result of bankruptcy, limited partners shall have, in relation to general partners, a preemptive right to receive their shares from the assets of the partnership remaining after satisfaction of creditor claims. Assets of the partnership, remaining after this, shall be distributed among the general partners in proportion of their shares in the compiled charter capital of the partnership, unless otherwise provided by the charter or an agreement between the general partners.

Article 87. Limited Liability Company

87.1. A limited liability company means company established by one or more persons (*natural persons and (or) legal entity*), the charter capital of which is divided into shares, the sizes of which are specified by the charter. Participants in a limited liability company shall not be liable for its obligations and shall bear the risk of losses associated with the activity of the company to the extent of the value of their contributions. *Company shall not bear responsibility for liabilities of its participants before third parties.*

87.2. *Company can be established via foundation of new entity in accordance with the Code hereof and re-organization (merger, joining, division and transfer) with consideration of the rules and limitations established under the Code.*

87.3. *Establishment of the Company covers implementation of the foundation meeting and making of agreement (in cases stipulated under Article 45.2 of the Code) or decision on establishment of the company (if company is founded by one person, payment (if the Company's Charter does not provide for payment of share capital within a certain period) of the charter capital and preparation of the charter.*

87.4. *During the establishment of company the foundation meeting is implemented only upon the complete formation of the charter fund by participants (if the Company's Charter does not provide for payment of share capital within a certain period). The foundation meeting shall be deemed valid only in participation of all founders or their authorized representatives (providing quorum). In the event of non-quorum meeting is held for another time. In the event of absence of quorum at the additional foundation meeting, establishment of the company is announced as failed by participating partners or their representatives and decision is communicated to all partners within the period of seven days.*

87.5. *The foundation meeting implemented during the establishment of company:*

87.5.1. approves the value of non-monetary contributions to the charter capital of company;

87.5.2. makes decision on the establishment of company and approves its charter;

87.5.3. establishes management authorities of the company stipulated under the Code hereof and company charter;

87.5.4. resolves other issues on establishment of company and start of company operations in compliance with the Code hereof, other legislative acts and contract made by and between the founders.

87.6. In the foundation meeting of the Company, decisions on foundation of the company, approval of the Charter, approval of value of the non-monetary assets paid into the Charter Capital when establishing the company, organisation of management authorities shall be accepted by the founders unanimously, and decisions on other issues - with the majority of votes.

87.7. Founders of the Company bear joint responsibility for liabilities associated with the establishment of the Company and up to its State registration.

87.8. A company name of a limited liability company shall contain the name of the company and the words «limited liability company».

87.9. The legal status of a limited liability company, as well as the rights and obligations of the participants therein shall be determined by this Code. (3, 45)

Article 88. Participants in a Limited Liability Company

88.1. The number of participants in a limited liability company shall not exceed the limit specified by the legislation. Otherwise, such enterprise shall be reorganized into a joint stock company within one year and, upon expiry of such term, it shall be liquidated by the court, unless the number of participants therein is not reduced to the limit specified by the law.

88.2. A limited liability company may not have another business company, which consists of one person, as a sole participant therein.

Article 89. Charter of Limited Liability Company

Charter of limited liability company shall contain, in addition to information specified by Article 47.2 of this Code, information with respect to the amount of the charter capital of the company; the size of a share of each participant therein; the composition of and the procedure for making contributions by the participants; the liability of the participants for breaches violation of obligations with respect to making contributions; the composition and competence of management authorities of the company and the procedure for passing resolutions [decision-making] by such authorities, including resolutions with respect to issues, which require unanimous or qualified majority vote.

Article 90. Charter Capital of Limited Liability Company

90.1. A charter capital of a limited liability company shall be composed of the value of contributions of its participants. The charter capital indicates the minimum amount of assets of the company securing interests of its creditors. The amount of the charter capital of the company may not be less than the amount, which secures interests of its creditors.

90.2. If the Charter of a limited liability company does not provide for payment of the share capital within a certain period, the founders must pay the share capital in full prior the state registration of the company. If the Charter of a limited liability company stipulates payment of the share capital within a fixed period, this period may not exceed three months.

90.3. It shall not be permitted to relieve any participant of a limited liability company from an obligation to make a contribution into the charter capital of the company, including by offsetting his claims to the company.

90.4. Charter capital of a limited liability company may be increased only after its full payment and by increasing at the expense of the Company's property pro rata the value of the participants' shares in the Charter capital and (or) by means of investing additional contributions and (or) at the expense of contributions made by newly accepted participants as specified in this Code and in the Charter of the company.

90.5. Increase in the Charter capital of a limited liability company at the expense of Company's property shall be realized by decision of the General Meeting of the Company as specified in the Charter of the company. Such a decision may be taken only on the basis of the company's accounting report data for previous year. Amount of the Charter capital increased through the Company property shall not exceed the difference between the net assets, amount of the Charter capital and reserves (funds) of the company. In case of increase in the Charter capital of the Company as specified in this Article, asset value of all participants' shares shall proportionally increase, without changing the amount of participants' shares.

90.6. Increase in the Charter capital of a limited liability company by means of additional contributions of the participants shall be realized by the General Meeting of the Company, as specified in the Charter of the company. By such a decision, total value of additional shares, as well as the ratio between the value of the participant's additional share and the increased amount of his/ her share's nominal value shall be defined. This ratio shall be defined taking into account whether the nominal value of the participant's share is increased equally to or less than his additional share. Each participant shall have the right to invest additional shares not exceeding the total value of the additional shares and proportionally to the amount of such participant's share in the Charter capital. Additional shares by participants shall be invested after the appropriate decision of the General Meeting and within the time limit determined by either the Charter or the decision of the General Meeting. Exceeding the time limit determined for investing additional share shall cause failure of increase in the Charter capital by the above mentioned means.

90.7. Decision of the General Meeting of the Company related to increase of the Charter capital of the Company as provided for by Article 90.6 hereof shall be accepted on the basis of the participant's (participants') written request on investment of additional share and/or, if not prohibited by the Charter, on the basis of an application of a third party (parties) on accepting him/her (them) to the Company and investing funds. The application shall include amount and content of the funds, rules and term of investment,

and amounts of shares in the Charter capital that the participant or a third party wishes to have. The application may also include terms on investment of funds and other terms related to entering the Company. The General Meeting of the Company shall (at the same time), on the basis of the participants' application, make decision on increase of the Charter capital and also on making amendments to the Charter in connection with the increase of Charter capital's amount and nominal value of the funds received from the participants that have presented an application. The General Meeting shall(at the same time), on the basis of the third party's application, make decision on increase of the Charter Capital and also make decision on making amendments to the Charter related to acceptance of a third party to the Company, determining nominal value of his/her share and change of value of the participants' shares. Nominal value of the shares of a third party accepted to the Company shall be equal to or less than the amount of his/her share's value. In case if the increase of the Charter Capital has failed, the Company shall within a reasonable time limit return additional funds of the participants and funds of the third parties accordingly.

90.8. Reduction of the Charter capital of a limited liability company shall be realized by means of reducing the nominal value of all participants' shares. Reduction of the Charter capital by means of reducing the nominal value of all participants' shares shall be realized with retention of the proportion of all participants' shares. Reduction of the Charter capital of the Company shall be realized according to the decision of the General Meeting. After the decision of the General Meeting on reduction of the Charter capital, the Company shall inform (send a notice to) all of its creditors of such decision within the time limit specified in the Charter or by the decision of the General Meeting. Within one month after the date of receiving the notice, the creditors of the Company shall have the right to request the Company to fulfil its appropriate liabilities before the appointed time or close down or compensate for losses incurred by themselves. (3, 45)

Article 90-1. Distribution of profits of a limited liability company

90-1.1. Distribution of the net profit received as a result of the activity of a limited liability company between its participants shall be realized on the basis of the decision accepted by the General Meeting of the Company and in the order stipulated by the Charter of the Company. By the same decision may be determined full or partial distribution of the profit.

90-1.2. Each participant of a limited liability company shall have the right to receive a profit pro rata his/her share in the Charter Capital. The net profit shall be paid within one month after the decision of the General Meeting.

90-1.3. A limited liability company may not make decision on distribution of profits in the following cases::

90-1.3.1. If the Company, when making decision as specified in Article 90-1.1 of this Code, complies with features (terms) of bankruptcy provided for by the Law, or making such decision causes occurrence of such features;

90-1.3.2 When making decision as specified in Article 90-1.1 of this Code, if value of the Company's net assets is less than its Charter Capital or it will become less than the Charter Capital as a result of making the same decision. (3, 80)

Article 91. Management in a Limited Liability Company

91.1. General meeting of participants shall be the supreme superior body of a limited liability company. *In a company, where there is one participant only, authorities of the General Meeting shall be executed by the participant. In cases specified in the Charter of the Company, as well as in socially significant structures, board of directors (or supervisory board) and (or) auditing board (auditor) of the Company shall be established.* In a limited liability company an executive body (collegial and (or) individual) shall be established, which shall deal with current management of the activities of the limited liability company and be accountable to the general meeting of the participants shall be established. *The head and members of the collegial executive body of the company or the head of the sole executive body of the company may also be elected from persons other than participants of the company.*

91.1-1. The General Meeting of participants of a limited liability company may be ordinary and extraordinary. Each participant shall have the right to participate in the General Meeting of the Company, elect (appoint) authorities of the Company, to be elected (appointed) to them and take part in an election (except in the cases provided for in Articles 49-1.2 and 49-1.3 of this Code), participate personally or to be represented through his/her representative appointed as specified in this Code, require amendments to the agenda of the general meeting and addition of the agenda with new topics for discussion. Any agreement or act limiting the same rights of the participants shall be considered ineffective. At the General Meeting of participants of the Company, each participant has votes pro rata his/her share in the Charter capital of the Company. The head of a collective executive body or its members, not being a participant of the Company, or the head of a sole executive body of the Company may participate in the General Meeting with advisory voting right. According to this Code, in addition to issues relating to the exceptional authorities of the General Meeting of participants of the Company, according to the Charter of the Company, other issues may also be attributed to the authorities of the General Meeting of participants of the Company. Regardless of whether it is defined by the Charter or not, the General Meeting may consider any issue relating the activity of the Company.

91.1-2. Ordinary General Meeting of participants of the Company shall be convened by the executive body within the period defined by the Charter, but not less than once every year. The General Meeting devoted to the results of the Company's annual activity shall be convened not later than within four month after completion of a fiscal year.

91.1-3. Extraordinary General Meeting of participants of the Company shall be convened in cases and in the order specified in the Charter. Extraordinary General Meeting shall be convened by the initiative of the executive body as well as upon request of the board of directors (supervisory board), auditing board (auditor) or the participants holding at least ten (10) percent of all votes. Extraordinary General Meeting of the Company being in the process of liquidation shall be convened by the liquidation committee.

91.1-4. In a company consisting of one participant, decisions on issues relating to the authorities of the General Meeting shall be made solely by the same participant and executed in writing.

91.2. The competence of the management bodies of the company, as well as the procedure for passing resolutions and acting on behalf of the company shall be determined in accordance with this Code and the charter of the company.

91.3. The following matters shall be within the exclusive competence of the general meeting of participants in the company:

91.3.1. making changes to the charter and the charter capital of the company;

91.3.2. establishment of the executive bodies of the company and early termination of their authorities;

91.3.3. approval of the company's annual statements and accounting balance sheets, and distribution of its profits and losses;

91.3.4. decision onto reorganization or liquidation of the company;

91.3.5. election of the *board of directors of the Company (or supervisory board) and (or) audit commission (auditor) of the company and early termination of their powers;*

91.3.6. decision on conclusion of transactions provided for in Article 49-1.2 of this Code.

91.4. For the purposes of verification of correctness of the annual financial statements of the limited liability company, such company shall annually engage an *independent* auditor, whose property interests are not associated with the company or its participants (external audit). An audit of annual financial statements may also be conducted upon demand of any of the participants. In this event the audit shall be conducted on the account of the participant demanding such audit. The procedure for conduct of audits of the limited liability company shall be determined by the legislation and the charter of the company.

91.5. Company is not required to publish information on the results of conduct of its affairs (public statement), except for the cases specified by the legislation.

Note: in articles 91.1, 91-4.1, 107.3 and 107-12.1 of this Code, "socially significant structures" mean business organizations specified in Article 2.1.9 of the Law of the Republic of Azerbaijan" On Accounting". (3. 56. 73)

Article 91-1. Board of directors (supervisory board) of a limited liability company

91-1.1. Board of directors (supervisory board) established in cases specified in Article 91.1. of this Code shall execute control over the activity of the company's executive body during the period between the general meetings. If the charter does not make provisions for election of an auditing board (appointment of auditor), the authorities of the auditing board (auditor) may be transferred to the board of directors (supervisory board)..

91-1.2. Establishment of board of directors (supervisory board) of the company and its activity as well as the order of cancellation of the authorities shall be determined by the charter.

91-1.3. Sole head of the company, head (member) of the collective executive authority, outside manager can not be a member of the board of directors (supervisory board).

91-1.4. The chairman of the Board of Directors (Supervisory Board) of the company shall convene its meetings at least once every three months and preside at the meetings. The meeting of the Board of Directors (Supervisory Board) at the request of the Audit Commission (Auditor), the executive authority, members of the company's board and other persons that may be established by the charter, is convened by the chairman of the board. The rules for holding a meeting of the board are established by the charter of the company.

91-1.5. Decisions at a meeting of the Board of Directors (Supervisory Board) of a company are taken by a simple majority of votes, based on one vote for each member. With equal distribution of votes, the vote of the chairman of the board is considered decisive.

91-1.6. At the meeting of the Board of Directors (Supervisory Board) of the company, a minutes shall be drawn up stating the place, time, participants, agenda, review of speeches, voting results and decisions. These minutes shall be signed by the Chairman and members of the board. (73)

Article 91-2. Executive authority of a limited liability company

91-2.1. Activity of an executive authority of the Company and the order of making decisions by this authority shall be determined by the Charter of the Company and its internal documents.

91-2.2. Collective executive authority of the Company shall consist only of physical persons.

91-2.3. Agreement between the Company and the independent director of the Company shall be signed by a person presiding the General Meeting of the Company's participants where this person was elected or by a person who was authorized by the decision of the General Meeting. The authorities of the independent director shall be executed by physical person, with the exception of the case specified in Article 91-2.4 hereof.

91-2.4. In case when specified in the Charter of the Company, the authorities of the executive body of the Company may, on the basis of a contract, be transferred to other physical or legal entities (outside manager). A contract signed by the outside manager and the person approved at the General Meeting and presiding the General Meeting on behalf of the Company or one of the participants who is given the authority by the General Meeting shall be concluded.

91-2.5. The outside manager shall, according to the legislation, bear responsibility for unsatisfactory management with regard to the Company as an executive body and for damages to third parties.

Article 91-3. Auditing committee (auditor) of a limited liability company

91-3.1. In cases provided for by Article 91 hereof an auditing committee (auditor) shall be elected (appointed) by the General Meeting of the Company's participants.

91-3.2. Regulations on the establishment of an auditing committee (auditor), its members and activity shall be determined by the Charter of the Company..

91-3.3. Physical persons shall be elected as (appointed to) members (as auditors) of the auditing committee of the Company. Election to members of the auditing committee (appointment of an auditor) of persons not being participants of the Company shall be allowed. Head (member) of the board of directors (supervisory board) or head (member) of the collective executive authority, an independent director or outside manager may not be elected a member (appointed an auditor) of the auditing committee.

91-3.4. The auditing committee (the auditor) of the Company shall have the right to audit financial and economic activity of the Company and with this purpose receive all documents relating to the activity of the Company. Upon the request of the auditing committee (the auditor), head of the board of directors (supervisory board) and head (members) of the collective executive authority, independent director, outside manager shall be liable to present necessary information either verbal or in writing.

91-3.5. If the Company has an auditing committee (auditor), without the opinion of this body the General Meeting of the Company's participant shall neither approve annual reports and accounting balance sheets of the Company, nor make decision on distribution of profits and losses. (3)

Article 91-4. Audit Committee of a limited liability company

91-4.1. In companies with more than fifty participants, as well as in socially significant structures, the board of directors (supervisory board) establishes an audit committee for the preparation, implementation of the internal audit policy and strategy and the organization of audit control. In the case provided by the company's charter, the audit committee is established in companies with less than fifty participants.

91-4.2. The rules for the formation of the audit committee of the company, its composition, procedure of activities are established by law and the charter of the company.

91-4.3. Members of the executive body of the company and (or) members of the company can not be a member of the audit committee. Members of the board of directors (supervisory board) of the company may be a member of the audit committee.

91-4.4. Internal audit of the company's activities is carried out on the initiative of the audit committee on the decision of the general meeting or the board of directors (supervisory board) or the requirement of the participants owning more than ten percent of the company's shares and the executive body of the company.

91-4.5. At the request of the company's audit committee, all bodies and officials of the company must provide documentation related to the financial and economic activities of the company.

91-4.6. The audit committee subordinates to the board of directors (supervisory board). (73, 80)

Article 92. Reorganization and Liquidation of a Limited Liability Company

92.1. A limited liability company may be reorganized or liquidated in the voluntary upon the unanimous decision of its participants. Other grounds for reorganization and liquidation of the company, as well as the procedure of the reorganization and liquidation thereof shall be determined by this Code.

92.2. A limited liability company may be transformed into a joint stock company.

Article 93. Transfer of a Share in the Charter Capital of a Limited Liability Company

93.1. A participant in a limited liability company shall be entitled to sell or otherwise alienate his share in the charter capital of the company or any portion thereof to one or more participants in such company.

93.2. Alienation by the participant in the company of his share (or a portion thereof) to third parties shall be permitted ~~unless otherwise provided by the charter of the company.~~

93.3. Participants in the limited liability company shall have a right of first refusal to purchase a participant's share (or portion thereof) proportionally to their own shares; ~~unless different procedure for exercising of such right is stipulated in the company's charter or an agreement between participants provides for a different procedure for exercising of such right.~~ *If a participant of the company wishes to alienate his share (part thereof), he must offer a buy-out of this share (part thereof) primarily to other members of the company.* Where the participants in the company fail to exercise their right of first refusal within a month from the date notification thereof or within other term specified by the company's charter or the agreement participants, the participant's share may be alienated in favor of a third party.

93.4. Where, pursuant to the charter of a limited liability company, alienation of a participant's share (or portion thereof) to third parties is impossible, and other participants in the company refuse to purchase this share, the company shall be obliged to acquire the participant's share.

93.5. In case of acquisition of a participant's share (or portion thereof) by a limited liability company itself, the company shall be obliged to sell such share to other participants or third parties within a term and under the procedure specified by the company's charter, or reduce charter capital pursuant to Articles 90.4 and 90.5 of this Code.

93.6. Shares in the charter capital of the limited liability company shall be transferred to heirs of natural persons and successors of legal entities, which have been participants of the company, unless the company's charter provides that such transfer is subject to the consent of the other participants in the company. Refusal to approve such transfer of share shall entail obligation of the company to pay to heirs (legal successors) of the participant the real value of his share or give them property in kind, the value of which equals to the value of such share under such procedure and such terms and conditions as specified [stipulated] by the company's charter. (80)

Article 94. Forfeiture of a Participant's Share in the Property of a Limited Liability Company

94.1. Forfeiture of a participant's share in the property of a limited liability company to [re]pay his personal debts shall be permitted only where the participant's other property is not sufficient for payment of debts. Creditors of such participant may demand that the

limited liability company pays a part of its property, corresponding to the share of the debtor in the charter capital, or allocate such a part of the property for the purpose of forfeiture. The part of the property of the company subject to allocation, or its value thereof, shall be determined as per balance sheets compiled as of the date of submission of the creditors demand.

94.2. Forfeiture of the entire share of a participant in limited company shall terminate his participation in the company.

Article 95. Withdrawal of a Participant from a Limited Liability Company

A participant of a limited liability company shall be entitled to withdraw from the company at any time, regardless independent of whether the other participants consent thereto or not.

Article 96. Settlements upon Withdrawal of Participant from a Limited Liability Company

96.1. A participant withdrawing from limited liability company shall receive the value of a property corresponding to the share of such participant in the charter capital of the company, except otherwise provided by the charter of the company. Pursuant to an agreement between the withdrawing participant and the company, payment of the value of the property may be substituted by giving the property in-kind. A part of the property or the value thereof due to withdrawing participant shall be determined on the basis of the balance sheets compiled as of the date of the withdrawal.

96.2. Where a right of property use was contributed into the charter capital of the limited liability company, the relevant property shall be returned to a withdrawing participant. Reduction of the value of such property as a result of ordinary regular wear and tear shall not be compensated.

96.3. While a heir of the participant in the company or a legal successor of the legal entity participating therein do not enter the company, settlements therewith shall be conducted pursuant to the provisions of this Article.

Article 97. Additional Liability Company

97.1. An additional liability company means a company established by one or more persons, the charter capital of which is divided into shares of a size established by the charter. Participants of such company jointly bear a joint secondary liability for obligations of the company by their property in the amount equal for all of them and commensurate with the value of their contributions, and determined by the company's charter. Upon bankruptcy of one of the participants, his liability for obligations of the company shall be divided among remaining participants in proportion to their contributions, provided that the company's charter does not stipulate another procedure of distribution of liability.

97.2. A company name of the liability company shall contain the name of the Company and the words «additional liability company».

97.3. Rules of this Code applicable to limited liability companies shall apply to additional liability companies unless otherwise provided by this Article.

Article 98. Joint stock Company

98.1. A joint stock company means a company the charter capital of which is divided into a certain number of shares.

98.2. Only joint stock companies shall have the right to issue shares. *Property of the Company is formed as a result of investment of its shares, its financial and economic activity as well as by other resources not prohibited by the Law.*

98.3. *Joint-stock Company may be established by means of establishing a new Company according to this Code or, taking into consideration regulations and limitations provided for by this Code, by reorganization (merger, split, division, reformation) of an existing (acting) legal entity.*

98.4. Participants in a joint stock company (shareholders) shall be liable for its obligations and shall bear risk of loss associated with the company's activity to the extent of the value of their shares.

98.5. A joint stock company may be established by *one person (physical or legal entity* or consist of *one person (physical or legal entity)*, where one shareholder have purchased all of the shares of the company. Information on this shall be included into the charter of the company, be registered and published for being available to the public. A legal entity consisting of one person may not be a sole founder of a joint stock company.

98.6. A company name of a joint stock company shall contain its name as well as the words «open joint stock company» or «closed joint stock company».

98.7. The legal status of a joint stock company and the rights and obligations of shareholders shall be determined by this Code.

98.8. The particular aspects of establishment of joint stock companies upon privatization of state enterprises shall be determined by legislation on privatization of such companies.

98.9. *Establishment of joint-stock company shall cover holding of a Foundation Meeting and making agreement (in case if it is specified in Article 45.2 hereof) or making decision on establishment of joint-stock company (in case if the joint-stock company is established by one person), distribution of shares between founders and preparation (acceptance) of the Charter.*

98.10. *When establishing a joint-stock company, the Foundation Meeting shall be held within the time period stipulated by the agreement concluded between the founders, and after distribution of all shares of the Company among the founders. The Foundation Meeting shall be deemed to be legal if all founders or their representatives participate in the Meeting (i.e. quorum is secured). In cases when the quorum is not secured, second meeting shall be held. In case if at the second Meeting also the quorum was not secured, establishment of the joint-stock company shall be considered not happened according to decision of founders or their representatives participating at the meeting and this decision shall be communicated to all founders within seven days.*

98.11. *Foundation Meeting being held for establishment of a joint-stock company:*

98.11.1. shall approve value of the non-monetary property directed to the payment of shares invested when establishing the joint-stock company;

98.11.2. shall make decision on establishment of the join-stock company and approves it Charter;

98.11.3 shall organize management, control and executive authorities of the Company as specified in this Code and in the Charter of the joint-stock company;

98.11.4. shall make decisions on other issues, associated with establishment of the Company and commencement of its activity, not conflicting with this Code, other legislative acts and the agreement made between the founders.

98.12. At the Foundation Meeting of the Company, decisions on establishment of the company, approval of the Charter, approval of value of the non-monetary property directed to the payment of shares invested when establishing the joint-stock company, establishment of management, control and executive authorities shall be made unanimously and decisions on other issues- by simple majority.

98.13. When founding a joint-stock company, issue of shares and state registration shall be performed according to this Code and the Law of the Republic of Azerbaijan «On securities market».

98.14. Founders of the Company shall bear joint responsibility for liabilities relating to establishment of the Company and before its foundation. (3, 62, 68)

Article 99. Open Joint Stock Company

99.1. A joint stock company, whose participants may dispose of their shares without the consent of other shareholders is deemed an open joint stock company. Such joint stock company shall have the right to hold open subscription to shares it is issuing and their free unlimited sale [sale without limitation].

99.2. Open joint-stock company is obliged annually to publish for general familiarization the annual report and balance sheet, and also the following information:

99.2.1. financial indicators for the reporting period;

99.2.2. transactions concluded with affiliated parties and transactions of special significance;

99.2.3. attracted financial resources;

99.2.4. management bodies and officials, their main and additional places of work;

99.2.5. the structure of management;

99.2.6. development policy;

99.2.7. the return on equity and the dividend policy;

99.2.8. *payments made to each member of management bodies;*

99.2.9. *the volume and sources of investment;*

99.2.10. *the turnover and profitability of the company's securities;*

99.2.11. *public projects.*

99.3. *Transaction amounting to more than 25% of the value of the net assets of an open type joint-stock company shall be considered as being of special importance. Decision on making agreement for transaction of special importance shall be made at the General Meeting of shareholders and information about it disclosed. Rules of disclosing this information shall be stipulated by the Charter of the joint-stock company.*

~~99.4. Any transaction, agreement or collection of associated transactions between any person related to an open type joint stock company and this company shall be deemed to be a transaction with the related person. With the exception of cases provided for by the legislation, list of related persons, rules of concluding transactions between them and the company and disclosure of information about such transactions shall be determined by the relevant executive authority. (3, 29, 56, 73, 80)~~

Article 100. Closed Joint Stock Company

100.1. A joint stock company, whose shares are distributed only among its founders or other predetermined persons, is deemed a closed joint stock company. Such company may not hold public subscription to shares it is issuing or otherwise offer them for acquisition by unlimited range of persons.

100.2. The number of participants in a closed joint stock company shall not exceed the limit established by the relevant executive authority. Otherwise, such company shall within one year be transformed into an open joint stock company and upon expiry of such term it shall be liquidated by the manner of court ruling, provided that the number of shareholders has not been reduced to the limit established by the relevant executive authority.

100.3. A closed joint stock company shall be obliged to publish for being available to the public access the documents listed in article 99 of this Code.

Article 101. Transfer of Shares in a Closed Joint Stock Company to Third Party

101.1. The shareholders of a closed joint stock company have a preemptive right to acquire shares sold by other shareholders of the company. Where none of the shareholders exercises its preemptive right within the term specified in the company's charter *but within thirty days after the date of announcement of sales*, the company may purchase the shares at a price agreed with the selling shareholder *during the following thirty days*. Where the company refuses to purchase shares or where the parties cannot agree on a price for the shares, the shares may be sold to a third party. *In this case sale price of the share shall not be less than the price offered to the shareholders or to the joint-stock company. Otherwise, the joint-stock company may demand invalidation of this transaction and sale of this share at the same price to the Company through the court.*

101.2. Where shares have been pledged and the pledgee has perfected such pledge, the provisions of Article 101.1 of this Code apply.

101.3. The shares of a closed joint stock company pass to the heirs of an individual or to the legal successors of legal entities, who are shareholders in the joint stock company, unless otherwise provided in the company's charter. The provisions of Article 101.1 of this Code apply where the company refuses to consent to the transfer of shares to the heirs of an individual, or legal successors of a legal entity, who were shareholders in the company. (3)

Article 102. Charter of a Joint Stock Company

102.1 The charter of a joint stock company shall contain, in addition to information specified by Article 47.2 of this Code, information on the categories of shares to be issued, their nominal value and quantity, the amount of the company's charter capital, the rights of shareholders, the membership and powers of management bodies and their decision-making procedure, including decisions requiring a unanimous or a qualified majority vote.

102.2. *The Charter of a joint-stock company may also provide for other information not conflicting with the legislation.*

102.3. *Observance of requirements of the Company Charter shall be mandatory for all bodies of the Company, officials and shareholders.*

102.4. *A joint-stock company shall provide opportunity to its shareholders to make themselves familiar with the Charter, additions and changes to it. Upon the request of the shareholder, copy of the Charter shall be given to him/her.*

102.5. *Decision on making additions and changes to the Company Charter shall be made at the General Meeting of participants by two thirds of the votes of shareholders having voting authority (suffrage). (3)*

Article 103. Charter Capital of a Joint Stock Company

103.1. The charter capital of a joint stock company consists of the nominal value of shares acquired by shareholders of the company. *Forms of investments to the Charter Capital of the joint-stock company shall be determined by this Code and an agreement made between the founders. Investments to the Charter Capital of the Company may be in the form of monetary means, fully paid securities, other property, including property rights and other rights having cash value. When establishing a joint-stock company value of the non-cash property shall be determined by the decision of the Foundation Meeting, and after establishment of the company — by the decision of the General Meeting of the Company shareholders.*

103.2. The charter capital of a joint stock company defines the minimum amount of property of the company, which secures the rights of creditors. The amount of the charter capital may not be less than the amount specified by the relevant executive authority.

103.3. The founders of a joint stock company shall pay the charter capital in full before the joint stock company is registered. Upon the establishment of a joint stock company, all of its shares shall be distributed among its founders.

103.4. Shareholders may not be relieved of the duty to pay for their shares in the company by setting-off claims against the company or otherwise.

103.5. Where at the end of the second or any subsequent fiscal year the net value of a joint stock company's assets is less than the amount of its charter capital, the company shall reduce its charter capital and register such reduction in accordance with statutory procedure. A company is subject to liquidation where the value of its assets becomes less than the minimum amount of charter capital specified by the relevant executive authority.

103.6. A joint stock company's charter may restrict limit the number of shares, the total nominal value of shares or the maximum number of votes which one shareholder may have. (3)

Article 104. Increase of the Charter Capital of a Joint Stock Company

104.1. Pursuant to a resolution of the general meeting of shareholders, a joint stock company may increase the amount of its charter capital by increasing the nominal value of its shares or by issuing additional shares. *Rules on increasing of nominal value of shares of a joint-stock company and issue of additional shares shall be determined by the financial market supervisory authority.*

104.2. Shareholders, holding ordinary (common) or other voting shares have the preemptive right to purchase shares additionally issued by the company in the manner prescribed by the company's charter. A person wishing to buy fifty or more percents of the shares of the company shall submit the respective proposal to all shareholders in an official manner. (3, 62, 73, 80)

Article 105. Reduction of the Charter Capital of a Joint Stock Company

105.1. Pursuant to a resolution of a general meeting of shareholders, a joint stock company may reduce the amount of its charter capital by means of reduction of the nominal value of shares or redemption of a portion of the shares for the purpose of reducing the total number of shares.

105.2. Within fifteen calendar days after making decision at the General Meeting of the shareholders on reduction of Charter Capital of the joint-stock company, the company shall inform its creditors in writing of this decision. The creditors of the Company, within thirty calendar days after receiving of such information, may demand execution of the liabilities before the appointed time or cancellation of them and payment of losses incurred.

105.3. Reduction of a joint stock company's charter capital by means of redeeming and canceling a portion of the shares is permitted where the company's charter provides for such procedure.

105.4. A joint stock company, which reduces its charter capital below the minimum amount specified by the relevant executive authority, shall be liquidated. (3)

Article 105-1. Withdrawal of shares invested by joint-stock company

105-1.1. Withdrawal of shares invested by joint-stock company shall be executed upon the request of shareholders in cases specified in this Code or in the Charter of the Company .

105-1.2. With the purpose of making reduction in the amount of the Charter Capital and in the number of shares, the Company may, on the basis of the General Meeting, withdraw part of the previously invested shares. In such a case total nominal value of shares remained in turnover shall not be less than the minimum limit determined by the legislation for the Charter Capital.

105-1.3. Withdrawal of shares, with the exception of cases when withdrawal of shares is done through the stock exchange, shall be carried out by the consent of the shareholders, and at the price determined for the share at the General Meeting.

105-1.4. In the following cases decision on withdrawal of shares of the Company shall not be made:

105-1.4.1. Charter capital of the Company is not formed;

105-1.4.2. decision on the liquidation of the Company has been made;

105-1.4.3. on the basis of the shareholders request, withdrawal of their shares is not completed.

105-1.5. Withdrawn shares shall not be considered during voting and dividends not paid on them. Within one year after the shares are purchased back they shall either be re-invested or cancelled by the decision of the General Meeting. (3, 68)

Article 106. Issue of joint-stock company securities

106.1. Issue, investment, turnover and cancellation of shares, bonds and other securities shall be executed by this Code, other legislative acts accepted in compliance with this Code and according to the Charter of the Company.

106.2. A joints-stock company shall have the right to issue simple and privileged shares. Portion of the privileged shares in the total volume of the Charter Capital of the Company shall not be greater than twenty five percent. A privileged share presents to its owner privilege over other shareholders in buying the property portion remained after liquidation of the Company and other rights related to terms of issue of such shares. Except as otherwise provided for in this Code and in the Charter of the Company, privileged shares shall not give the right to their owners to participate in management of the Company activity.

106.3. Unifying, division and conversion of securities of a joint-stock company shall be executed according to Article 1078-26 of the Code. (3)

Article 106.1. Shareholders of the joint-stock company

106-1.1. Shareholder of the joint-stock company shall be a physical and (or) legal entity holding one or more shares of the Company in the order defined by this Code.

106-1.2. In case if more than one person is holding one share, they are considered as one person in relation to the joint-stock company and may execute their rights through a representative.

106-1.3. A shareholder owing a simple share of the Company shall have the following rights as specified by the legislation:

106-1.3.1. to participate in the management of the Company as specified by this Code, other legislation and the Charter of the Company as well as to elect and be elected to its management and executive authorities;

106-1.3.2. in the order determined by the legislation, to receive information about the activity of the Company, once every year become familiar with its annual report and balance sheet;

106-1.3.3. to request calling of a General Meeting of the Company shareholders;

106-1.3.4. to request making changes to the agenda of the General Meeting of the shareholders and addition new issues for discussion to the agenda;

106-1.3.5. to participate at the General Meeting of the shareholders with voting right (except in the cases provided for in Articles 49-1.2 and 49-1.3 of this Code) and request copy of the minutes of meeting;

106-1.3.6. to request auditing of the activity of the Company by the auditing committee or the auditor;

106-1.3.7. to receive dividend from the net profit of the Company;

106-1.3.8. in case of liquidation of the Company, after satisfying the requirements of the creditors, payment of calculated but not yet paid dividends as well as liquidation value of the privileged shares, to receive certain part of the remaining property of the Company;

106-1.3.8-1. demand that the executive body and members of the board of directors (supervisory board) will be brought to justice for negligence and deliberately caused harm to the joint-stock company;

106-1.3.8-2. participate in the sale of shares of the company;

106-1.3.8-3. apply to the court or other competent body regarding the harm caused to the company or shareholders as a result of the concluded transaction, and to repay the costs in connection therewith;

106-1.3.8-4. familiarize with the supplements of concluded transactions (transactions with affiliated persons and transactions of special significance).

106-1.3.9. possess other rights provided for by this Code and the Charter of the Company.

106-1.4. Rights of the shareholders holding the privileged shares of the Company shall be determined according to this Code and the Charter of the Company.

106-1.5. Owners of the privileged shares shall have votes when making decisions on issues relating to the following issues in the Charter of the joint-stock company:

106-1.5.1. re-organization of the joint-stock company;

106-1.5.2. liquidation of the joint-stock company;

106-1.5.3. making additions and changes to the Charter related to limitation of rights on the privileged type of shares owned by the shareholder.

106-1.6. The shareholder of the joint-stock company shall have the following duties:

106-1.6.1. not to disclose to third parties the information considered as a commercial classified or confidential information;

106-1.6.2. to present within ten calendar days a written notice to the Register holder on changes made to the information related to him/her in the register;

106-1.6.3. to fulfil other duties provided for by the legislation.

106-1.7. Protection of the rights of shareholders of the joint-stock company shall be ensured by this Code, other laws and legislative acts. (3, 56, 73)

Article 106-2. Register of the shareholders of a joint-stock company

106-2.1. A joint-stock company shall ensure registration of shareholders not later than within thirty days after the state registration of the company.

106-2.2. The register of shareholders of the joint-stock company shall be maintained by the central depository.

106-2.3. A shareholder may once every year request the executive authority of the Company to present him/her the Register of shareholders. In such a case, the executive authority of the joint-stock company shall within five days present the Register of shareholders to the same shareholder. (3, 57)

Article 106-3. Profits and dividends of a joint-stock company

106-3.1. Net profits of a joint-stock company are formed after the payment of taxes and other mandatory assignments, and may be directed to objectives determined by the legislation and the Charter of the Company. Distribution of the net profit on fiscal year of the joint-stock company shall be accepted by the General Meeting of the shareholders.

106-3.2. Joint-stock company may, regardless of whether it is or not determined by the Charter of the company, pay interim (quarterly, half year) dividends on shares being in turnover. Obligations for payment of dividends of the joint-stock company arise from the date of making a decision on their payment and are executed within 30 (thirty) days. The change in the composition of shareholders does not affect the execution of the decision to pay dividends in the manner and within the time limits established by this Code.

106-3.3 Dividend on a simple share is a portion of the net profit of the company distributed to the shareholders as payments calculated on each simple share.

106-3.4. Dividend on a privileged share is an amount generally paid to a shareholder, regardless of the economical activity of the company, as a constant percentage of the nominal value of the share. To ensure the payment of this amount, the joint-stock company may create a special fund using its reserves.

106-3.5. Decision on dividends and rules of their payment (in cases when it is not specified in the Charter) shall be made by the board of directors (supervisory board) of the Company or, if the same authorities have not been formed, upon the suggestion of the executive authority, by the General Meeting.

106-3.6. A joint-stock company shall carry out calculation (distribution) of dividends on simple shares after calculation (distribution) of dividends on all types of privileged shares.

106-3.7. Joint Stock Company carries out calculation (distribution) of dividends on simple shares after calculation (distribution) of dividends on all types of privileged shares

106-3.8. Dividends on privileged shares having first shifting right are distributed before dividends on other privileged shares during calculation of dividends.

106-3.9. The amount for each share will be equal on each type and nominal of shares during calculation of dividends.

If net assets value of JSC are less than amount of charter capital or will be less in result of paying the dividends, JSC can't announce and pay dividends. (3, 73)

Article 107. Management of a Joint Stock Company

107.1. The general meeting of shareholders is the highest management body authority in a joint stock company. The following issues fall within the exclusive competence of the general meeting of shareholders:

107.1.1. changes to the charter of a company or the amount of the charter capital;

107.1.2. election and dismissal of members of the board of directors or supervisory council and the audit commission or auditor;

107.1.3. establishment of the company's executive bodies and dismissing them provided that this matter is not within the competence of the board of directors (supervisory board);

107.1.4. approval of annual reports, balance sheets, profit and loss accounts and distribution of profit and compensation of losses;

107.1.5. decisions to reorganize or liquidate the company;

107.1.6. decision on conclusion of transactions provided for in Articles 49-1.2 and 99.3 of this Code.

107.2. Decisions which, pursuant to this Code, fall within the exclusive competence of the general meeting of shareholders may not be delegated to the executive bodies authorities of the company.

107.3. The board of directors or supervisory council shall be established in a company with more than 50 shareholders *as well as in socially significant structures*. Where a board of directors or supervisory council is established, the charter shall define its exclusive competence. Matters allocated by the company's charter to the exclusive competence of the board of directors or supervisory council may not be delegated to the company's executive authorities for resolution.

107.4. The company's executive body authority may be either collegiate (management board, directorate) and/or unitary (director, general director). It shall carry out the management of the day-to-day activities of the company and report to the board of directors or supervisory council and the general meeting of shareholders. All matters which, pursuant to this Code or the charter, do not fall within the exclusive competence of other management bodies authorities of the company are within the competence of the company's executive authority. Upon a resolution decision of the general meeting of shareholders, the duties of the company's executive body authority may be delegated transferred to any other commercial organization or individual entrepreneur (manager) pursuant on contractual basis to a contract.

107.5. The competence of the management bodies authorities of a joint stock company and the procedure for decision-making and acting on behalf of the company is determined in accordance with the provisions of this Code and the company's charter.

107.6. Upon publication of documents listed in Article 99 of this Code, a joint stock company is obligated to invite an *independent* auditor, who does not have any property interest in the company or its participants, to audit the annual financial report. An audit is also conducted at any time at the request of the shareholders, who holding a total of ten or more percent of the shares in the company's charter capital. The procedure for conducting the audit of a joint stock company is established by law and the company's charter. (56, 73)

Article 107-1. Convening general meetings of shareholders

107-1.1. General meeting of shareholders may be as ordinary and extraordinary.

107-1.2. Ordinary general meeting of shareholders will be convened no less than one a year. (annual general meeting)

107-1.3. Board of Directors (supervisory board) convenes annual general meeting of shareholders not later than six months after financial year is ended and shareholders are informed about this. If Board of Directors of Company (supervisory board) is absent, convening of general meeting of shareholders will be carried out by executive board of the company.

107-1.4. The information has to be given by means of mass media about convening of meeting before 45 days of convening of general meeting of shareholders (excluding convening of general meeting of shareholders of Closed Joint Stock Company) and also a written notification to be sent to shareholders and nominal holders. Nominal holder will provide conveying same notification to shareholders.

107-1.5. Followings to be stipulated in the notification about convening of general meeting of shareholders:

107-1.5.1. Name and destination of the company;

107-1.5.2. Date, hour and address of shareholders' general meeting;

107-1.5.3. Agenda of shareholders' general meeting;

107-1.5.4. The rule of getting acquainted with materials on agenda of shareholders' general meeting.

107-1.6. Extraordinary general meeting of shareholders is convened with initiative of Board of Directors (supervisory board) or by executive board of company by written requirement of shareholders having 10% of voting shares or Inspection Commission. If Board of Directors of Company (supervisory board) is absent, extraordinary general meeting of shareholders is convened with initiative of executive board.

107-1.7. When convening of extraordinary general meeting of shareholder is required, proposed questions to be specified in the agenda. Same questions have to be included to the agenda of meeting.

107-1.8. Executive board will carry out followings from the date of requirement (initiative) about convening of extraordinary general meeting of company is included to the agenda:

107-1.8.1. To fix place and date of general meeting of shareholders within 3 working days (excluding convening of general meeting of shareholders of Closed Joint Stock Company) and to make announcement to mass media about above mentioned.

107-1.8.2. The notifications about convening of shareholders' general meeting within 5 working days to be conveyed to the shareholders.

107-1.8.3. To provide holding of shareholders' general meeting not later than 45 days earlier than 30 days. (3)

Article 107-2. Quorum at general meeting of shareholders

107-2.1. General meeting is valid if holders of 60 % voting shares participate in shareholders' general meeting

107-2.2. If there is no quorum in general meeting of shareholders, the general meeting to be convened anew as stipulated in the Article 107-1.8. So, agenda of general meeting to be changed. Anew convened general meeting is valid if holders of 40 % voting shares participate in this meeting.

107-2.3. If there is no quorum in anew convened meeting, general meeting to be convened repeatedly without changing the agenda as stipulated in the Article 107-1.8. Repeatedly convened general meeting is valid if holders of 25 % voting shares participate in this meeting.

107-2.4. According to Article 107.2.3., if quorum is not secured for holding of repeatedly convened general meeting, the company may be liquidated by the decision of the court on the basis of suit of the financial market supervisory authority or by decision of general meeting not depending upon quorum informing the financial market supervisory authority. Shareholders have the right to make complaint from decision of general meeting about liquidation of the company. (3, 62)

Article 107-3. Participation rule of shareholders in the general meeting

107-3.1. Shareholder carries out participation right in the meeting directly himself or by means of his representative. Thereupon representative of shareholder will have power of attorney worked out subject to legislation.

107-3.2. Unless otherwise stipulated in the charter of company, shareholder can correspondence participate in the voting by means of written instrument unconditionally and directly expressing (in favour of, contra, abstainer) his opinion to the question on the agenda of general meeting and signature certified subject to legislation.

107-3.3. Time-limit of by default voting is determined by charter of the company

107-3.4. If the share in the jointly property of some person, voting authority in the general meeting is charged to one of his owner or general representative of them subject to legislation.

107-3.5. Voting in general meeting of shareholders is carried out by principle of «one voting share is one vote». (3)

Article 107-4. Calculation commission

107-4.1. Calculation commission the number not less than 3 will be established for determining the result of voting in the general meeting of shareholders, which the number is more than 100. Calculation commission includes members of Board of Directors (supervisory board), members of Inspection Commission, members of executive boards, and candidates to be appointed to same post.

107-4.2. The rule of establishment of Calculation Commission is determined with the charter of company

107-4.3. Minutes of Calculation Commission is added to minutes of general meeting. (3)

Article 107-5. Decision of shareholders' general meeting

107-5.1. If unless otherwise stipulated in this Code and in charter of company, the decision of shareholders' general meeting is accepted by simple majority vote of shareholders taking into consideration provisions of article 107-3.5 of this Code. With the exception of the procedure established by the Law of the Republic of Azerbaijan "On Banks", decisions about reestablishment, liquidation of company, amendments and addendums to the charter are accepted by 2/3-majority vote of shareholders having voting right in the general meeting.

107-5.2. The decision on the questions has not been included to agenda of shareholders' general meeting can't be accepted.

107-5.3. The decisions accepted by shareholders' general meeting will be informed to shareholders not later than 15 calendar days.

107-5.4. Shareholder can make complaint to the court about decision of general meeting of shareholders. (3, 19, 63)

Article 107-6. Minutes of shareholders' general meeting

107-6.1. Minutes of shareholders' general meeting is worked out in two duplicates not later than 3 working days after the meeting is ended and to be signed and sealed by chairman and secretary of the meeting.

107-6.2. Followings will be specified in minutes of general meeting of shareholders:

107-6.2.1. date and place of general meeting

107-6.2.2. agenda of general meeting

107-6.2.3. voting shares number of participants of general meeting

107-6.2.4. number of participated shareholders having the right to vote

107-6.2.5. summary of performances

107-6.2.6. result of voting on question put on the vote.

107-6.2.7. exactly and fluent expressed subject of the decision accepted by general meeting

107-6.3 By the request of shareholder, the copy of minutes to be submitted him. (3)

Article 107-7. Board of Directors of JSC (supervisory board)

107-7.1. Board of Directors of Company (supervisory board) is established subject to Article 107.3. of this Code. Board of Directors of Company (supervisory board) carries out control on general supervision and activity of company on the frame of his authority.

107-7.2. Number of members of Board of Directors of Company (supervisory board) and requirements to them is determined subject to the charter of the company. The number of members of the board of directors (supervisory board) of the company and the requirements to them can be established also by law.

107-7.3. If content of Board of Directors of Company (supervisory board) reduced to the half of number deemed in charter, new members to be elected to Board of Directors (supervisory board) convening extraordinary general meeting of the company within 30 calendar days.

107-7.4. Members of Board of Directors of Company (supervisory board) are elected for period not more than 3 years subject to this Code and charter of the company.

107-7.5. Member of Board of Directors of Company (supervisory board) must be natural person. If unless otherwise stipulated in the charter, non-shareholder of the company can

be admitted to the membership of the Board of Directors. Members of executive boards of the company can not be admitted to membership of Board of Directors.

107-7.6. Early termination to authorization of Board of Directors or its member will be carried out decision of general meeting. (3, 80)

Article 107-8. Chairman of Board of Directors of JSC (supervisory board)

Chairman of Board of Directors of JSC (supervisory board) is elected among the members of Board of Directors (supervisory board) by general meeting of shareholders. Chairman of Board of Directors (supervisory board) leads committee. (3)

Article 107-9. Meeting of Board of Directors (supervisory board) of JSC

107-9.1. Chairman of Board of Directors (supervisory board) of JSC convenes meetings not less than one a three years and presides at the meetings. The meeting of Board of Directors (supervisory board) is convened by the chairman of committee with the requirement of inspection commission, executive board, and committee members, of the company. The regulation of holding the committee meeting is subject to the charter of the company.

107-9.2. Decisions are accepted by the simple majority vote each member having one vote in the meeting of Board of Directors (supervisory board) of JSC. If the numbers of votes are distributed equally, the vote of committee chairman is deemed final for accepting and annulling of decision.

107-9.3. When the meeting of Board of Directors (supervisory board) of JSC is convened, minutes will be worked out reflecting place and date of meeting, participants, agenda, summary of performance, results of voting and decisions. Same minutes is signed by the chairman of committee. (3)

Article 107-10. Executive board of Joint Stock Company

107-10.1. Members of Board of Directors (supervisory board) can not elected to executive board of company.

107-10.2. Authority of executive board of company are included all questions not concerned to exceptional authorities of management board by this Code and the charter.

107-10.3. Number and content of collective executive board also regulations of activity is determined subject to charter of the company

107-10.4. If general meeting of company and board of directors (supervisory board) give consent, members of executive board of company may simultaneously hold post in other organization if not contradictory with the legislation.

107-10.5. If private interest of member of executive board of company is contradiction with company benefit during conclusion of any agreement, he must to inform board of directors (supervisory board) about mentioned. Conclusion of same agreement is carried out on the base of only corresponding decision of board of directors (supervisory board)

107-10.6. Member of member of executive board of company or board of directors (supervisory board) before conclusion agreement with securities in its property, must notify this information to mass media.

107-10.7. Shareholder having 20 % of shares of company can't be admitted to member of executive board of company. (3)

Article 107-11. Inspection Commission of JSC

107-11.1. Inspection Commission is elected in the general meeting for carrying out control to financial-economic activity in the company which the number of shareholders more than 50. The Inspection Commission may be elected in the companies which the number of shareholders not more than 50.

107-11.2. Forming regulations of inspection commission of company, its personnel and activity regulations are determined by charter of company.

107-11.3. Natural persons are selected to the membership of inspection commission (inspector) of the company. Member of inspection commission (inspector) cannot be shareholder of the company, member of Board of Directors (supervisory board) and of the operating agency of the company.

107-11.4. Term of office of the members of inspection commission (inspector) of the company is determined on period not more than 3 years by charter.

107-11.5. Inspection of financing-economical activity of the company conducting according to decision of general meeting or Board of Directors (supervisory board) or on request of shareholders, which possess over 10% of shares of voting of company and operating agency of company on initiative of inspection commission of company (inspector).

107-11.6. On request of the inspection commission of company (inspector) every bodies and officials of the company have to submit documents concerned with a financial-economical activity of the company. (3)

Article 107-12. Audit Committee of a joint-stock company

107-12.1. In companies with more than fifty shareholders, as well as in socially significant structures, the board of directors (supervisory board) establishes an audit committee for the preparation, implementation of the internal audit policy and strategy and the organization of audit control. In the case provided by the company's charter, the audit committee is established in companies with less than fifty shareholders.

107-12.2. The rules for the formation of the audit committee of the company, its composition, procedure of activities are established by law and the charter of the company.

107-12.3. Members of the executive body of the company and (or) members of the company can not be a member of the audit committee. Members of the board of directors (supervisory board) of the company may be a member of the audit committee.

107-12.4. Internal audit of the company's activities is carried out on the initiative of the audit committee on the decision of the general meeting or the board of directors (supervisory board) or the requirement of the shareholders owning more than ten percent of the company's shares and the executive body of the company.

107-12.5. At the request of the company's audit committee, all bodies and officials of the company must provide documentation related to the financial and economic activities of the company.

107-12.6. The audit committee subordinates to the board of directors (supervisory board). (73, 80)

Article 108. Reorganization and Liquidation of a Joint Stock Company

108.1. A joint stock company may be voluntarily reorganized or liquidated by a resolution of the general meeting of shareholders. Other grounds and the procedure for reorganization and liquidation of a joint stock company are determined by this Code.

108.2. A joint stock company may be converted into a limited liability company.

Article 109. General Provisions with Regard to Cooperatives

109.1. A cooperative is a voluntary union of individuals and legal entities on the basis of membership with the purpose of satisfying the material and other needs of participants through consolidation of the participants' material contribution.

109.2. Member of cooperative- natural person and (or) legal entity, satisfying requirements of this Code, who made the membership, mandatory and additional share payment in accordance with procedures and at volumes stipulated under charter of cooperative and accepted in the cooperative, participating in its activities and having voting rights (except in the cases provided for in Articles 49-1.2 and 49-1.3 of this Code).

109.3. Assessable (associated) member of cooperative- natural person and (or) legal entity, satisfying requirements of this Code, who made the membership and mandatory payment in accordance with procedures and at volumes stipulated under charter of cooperative and accepted in the cooperative, without right of participation in its activities, not having voting rights, with exceptions stipulated under this Code.

109.4. Property share payment - share payment made by movable and (or) immovable property, made by members in accordance with procedures and at volumes stipulated under the charter, as well as property rights evaluated in cash. Property share payment can be mandatory and additional.

109.5. Mandatory share payment- the property share contributed by the member on mandatory basis, providing the right to participate in the activities of the cooperative, to vote and receive main cooperative payments.

109.6. Additional share payment- it is a share made by the member on its own will, in addition to share stipulated in Article 109.5 of this Code and granting the right to obtain also dividends (additional cooperative payments) in addition to cooperative payments (main cooperative payments).

109.7. Membership fee- the amount paid for membership in cooperative for payment of associated costs. The member of cooperative shall be entitled to receive cooperative payments (main cooperative payments) and dividends (additional cooperative payments).

109.8. Cooperative payments (main cooperative payments)- part of cooperative profit paid to members proportional to their mandatory share payment, personal work efforts in the cooperative and other activities.

109.9. Dividend (additional cooperative payments)- portion of cooperative profit, paid only to members who hold the voting right, proportional to the additional share payment and mandatory share payments of assessable (associated) members of the cooperative.

109.10. The charter of a cooperative shall contain, in addition to information specified by Article 47.2 of this Code, information on the amount of contributions of its members, the procedure for making contributions and members' liability for breach of their obligations to make contributions, the composition and competence of the management bodies and the procedure for decision-making, including decisions requiring a unanimous or qualified majority vote, and the procedure for the member's compensating for losses the cooperative incurs, rules for document preparation (documentation for acceptance to cooperative, list of members and acceptance of share payments, development of protocols of the general meeting of cooperative members and other management authorities etc.)

109.11. Cooperative may be engaged in entrepreneur activities in accordance with legislation in any sector not prohibited by the law. By the type of activity, cooperatives may be of production, consumer, integrated (production and consumer oriented) and of other types.

109.12. Cooperative may enter with its members into agreements on sales of their produced products, works and services to the cooperative.

109.13. State authorities, municipalities, other natural persons and legal entities shall build their relations with cooperative on contractual basis. State authorities and municipalities do not interfere to economic, financial, organizational (formation of management authorities) and other activities of cooperatives, with exceptions stipulated under the legislation of the Republic of Azerbaijan.

109.14. Operations and accounting reporting of financial and economic activities, statistical reporting in the cooperative are implemented in accordance with procedures stipulated under the legislation of the Republic of Azerbaijan.

109.15. For execution of its activities the cooperative shall have the right to contract employees. Employment relations of cooperative with such employees are regulated by the labor legislation of the Republic of Azerbaijan.

109.16. Labor relations between the cooperative and its members, participating via application of the personal labor in the cooperative activities, are regulated by the labor legislation of the Republic of Azerbaijan, this Code and charter of cooperative.

109.17. Name of cooperative shall contain the main purpose of its activity and word «cooperative».

109.18. The organization and activities of agricultural cooperatives are regulated by this Code and the Law of the Republic of Azerbaijan "On Agricultural Cooperation." (2, 56, 69)

Article 109-1. Establishment of cooperative

109-1.1. Cooperative is organized by not less than five natural persons and (or) legal entities.

109-1.2. For establishment of the cooperative natural persons and (or) legal entities shall establish the initiative group. The scope of the initiative group is:

109-1.2.1. identification of the scope of activities of the cooperative with indication of the volume of share payment funds and their sources;

109-1.2.2. preparation of the draft charter of cooperative;

109-1.2.3. acceptance from natural persons and (or) legal entities of applications membership in cooperative;

109-1.2.4. preparation and implementation of the founding meeting of the cooperative.

109-1.3. The foundation meeting of the cooperative shall make decision on foundation of cooperative and its membership; approves charter of cooperative; forms management authorities of the cooperative with consideration of provisions of Article 11 of this Code.

109-1.4. Members of cooperative shall enter into the foundation agreement in accordance with Article 45.2 of this Code.

109-1.5. The decision of the foundation meeting shall be documented by protocol. (2)

Article 109-2. Members of cooperative

109-2.1. Members of cooperative can be natural persons and (or) legal entities, who reached the age of 16, accepted the cooperative's charter and contributing in accordance with charter the membership fee and property share payment.

109-2.2. Legal entities, members of cooperative, shall be represented in cooperative via their representatives, whom they have authorized in accordance with established procedures.

109-2.3. Dependent from the type of activities of the cooperative its members may participate on not to take part in the cooperative's activities by applying their own labor.

109-2.4. Unless otherwise is stipulated by the charter of cooperative, the member of cooperative can be the member of the other cooperative.

109-2.5. No dividends shall be paid to the members of cooperative [with exception of assessable (associated) members] for their mandatory property share contributions.

109-2.6. *In the event of retirement of the member of cooperative due to poor health condition, transfer to another elected position outside of cooperative, call up for military services and other events stipulated under the charter of cooperative, he shall by the decision of the general meeting of the cooperative be transferred to business (associated) membership in the cooperative.*

109-2.7. *The value of mandatory property share contribution payment of the assessable (associated) member of cooperative and provisions of payment for share payment of dividends are established by the charter of cooperative on the basis of agreement, made between share (associated) member and cooperative. If the value of mandatory property share payment of the share (associated) member of cooperative is established in the charter of cooperative, it can be established at the amount, exceeding the value of the mandatory share payment of other members of cooperative.*

109-2.8. *The share (associated) member of cooperative does not have the voting right, with exception of introduction of changes to the charter, related to his membership in cooperative. (2)*

Article 109-3. Acceptance for membership in cooperative

Acceptance for membership in cooperative is performed in accordance with procedures established under charter on the basis of official application of the person wishing to become a member. The membership book is issued to the member of cooperative. The content of records made to the book is established under the cooperative charter. (2)

Article 109-4. Rights and responsibilities of members of cooperative

109-4.1. *Member of cooperative holds following rights:*

109-4.1.1. *enter cooperative and voluntarily withdraw from cooperative;*

109-4.1.2. *participate in the management of cooperative and its operations, to elect and be elected to the cooperative authorities;*

109-4.1.3. *receive information on cooperative's activities, review its financial and other documents;*

109-4.1.4. *make proposals for improvement of cooperative's performance, correction of deficiencies of its authorities and officials;*

109-4.1.5. *participate in distribution of profits and receive other payments;*

109-4.1.6. *during liquidation of cooperative to receive his share of property or the value of such share upon all settlements with creditors;*

109-4.1.7. *use privileges and benefits stipulated for members of cooperative;*

109-4.1.8. *practice other rights, stipulated under this Code and charter of cooperative.*

109-4.2. *Rights stipulated in Articles 109-4.1.2 and 109-4.1.7 of this Code are not applicable for assessable (associated) members of cooperative.*

109-4.3. Members of cooperative participating personally in the activities of the cooperative, shall, additionally, receive payment for its work in cash or in kind.

109-4.4. Members of cooperative shall:

109-4.4.1. In accordance with volumes and procedures stipulated under charter, he shall pay the membership fee, mandatory property share payments and implement other obligations accepted in relation with the activities of cooperative;

109-4.4.2. Comply with the charter and execute decisions of cooperative authorities;

109-4.4.3. In cases and in accordance with procedures stipulated under Article 110.4 of this Code, participate in compensation of losses occurred in cooperative.

109-4.4.4. Implement other obligations stipulated under legislation and charter.

109.4. The specific features and legal status of particular types of cooperatives, including consumer cooperatives and condominiums, and the rights and obligations of their members is determined by this Code. (2)

Article 110. Property of a Cooperative

110.1. A cooperative's property is composed of its members' shares in accordance with the cooperative's charter. Property (funds) of cooperative make its main funds, turnover assets and other valuables included in the balance. The sources for formation of cooperative property can be its own funds and attracted funds. Cooperative forms own funds from share payments stipulated under the charter; profits made from entrepreneur activities, from allocation of own assets in banks and other credit organizations, and in securities; credits; donations of natural persons and legal entities and other sources not prohibited under the law. Volume of assets attracted by the cooperative in accordance with procedures stipulated under the legislation, shall not exceed 50% of common assets (common property) of cooperative. Property of cooperative is its privately owned property. Member of cooperative is entitled to provide to cooperative its owned property for use on contractual basis. Union of cooperatives shall be entitled to provide its owned property on contractual basis for use by its member cooperative and dispose this property in any other way established in the charter.

110.2. Provided that the charter of the cooperative does not specify otherwise, each member of the cooperative shall pay its share contribution in full before the cooperative is registered.

110.3. The charter of a cooperative may specify that a certain portion of its property be composed of indivisible funds to be used for purposes specified by the charter. A decision to establish indivisible funds may be taken by a unanimous vote of the cooperative's members, unless otherwise provided by the cooperative's charter.

110.4. Members of a cooperative shall, through additional contributions, pay for losses incurred by the cooperative within two months of the date when the annual balance sheet is approved. A cooperative may be liquidated by court order at a creditor's request for

failure to do so. A cooperative's members bear joint secondary liability for its obligations to the extent of the unpaid portion of their additional contributions.

110.5. Property remaining after the liquidation of the cooperative shall be distributed among its members in accordance with the cooperative's charter. (2)

Article 110-1. Share payments of members of cooperative and share fund of cooperative

110-1.1. Property share payments made to cooperative by its members comprise the share fund of cooperative, Share fund of cooperative defines the minimum amount of the property of cooperative, guaranteeing interests of its creditors. Membership payment made during entrance into cooperative is not included into the share fund and not reimbursed in the event of withdraw of the member of cooperative.

110-1.2. Collection of personal debts via share payments of cooperative members can be implemented in cases and in accordance with procedures, stipulated under Article 112.5 of this Code.

110-1.3. The volume of the share fund of the cooperative and mandatory share payment, procedures for payment of mandatory and additional payments, procedures for evaluation of shares, paid by property (property rights) shall be determined by the charter. Persons can be invited for evaluations, involved in this sector in accordance with procedures stipulated under legislation.

110-1.4. In the event, when upon completion of second and every following period the value of net assets of cooperative will be less than the value of share fund, the general meeting of cooperative members shall announce the reduction of share fund and register such reduction in accordance with legislation.

110-1.5. By the decision of the general meeting of cooperative members the share fund can be increased or reduced. The volume of share fund shall not exceed the amount of net assets of cooperative, In the event if the size of share fund of cooperative will exceed the amount of its net assets, the share fund of cooperative shall be subject to reduction at the amount of specified difference via proportional reduction of mandatory share payments.

110-1.6. The increase of the share fund of cooperative is allowed via increase of the amount of mandatory share payments. (2)

Article 110-2. Profit of cooperative and its distribution

110-2.1. Upon the mandatory payments stipulated under the legislation of the Republic of Azerbaijan, profit of cooperative is sent in cases and in accordance with procedures stipulated under the charter to the funds of cooperative for payment settlements with creditors and other purposes established by the charter of cooperative and (or) issuance of cooperative payments and dividends.

110-2.2. Profit of cooperative shall be distributed between its members in accordance with the amount of its share (mandatory and additional) payments, as well as their personal labor and (or) other contributions to the activities of cooperative.

110-2.3. General meeting of cooperative members may limit the issuance amounts of cooperative payments and dividends on the basis of cooperative's profits. (2)

Article 110-3. Property liability of cooperative and its members

110-3.1. Cooperative shall be liable on its obligations to the extend of its property.

110-3.2. Cooperative is not liable for obligations accepted by its members in relations with the activities of cooperative and their other liabilities (debts) with exceptions stipulated under Article 112.5. of this Code.

110-3.3. The person who became the member of cooperative upon its foundation, shall be liable for obligations accepted by the cooperative before such person became the member, unless otherwise is stipulated under legislation. The person, wishing to become the member of cooperative shall be provided with all necessary information on this matter.

110-3.4. Members of cooperative shall have the subsidiary responsibility on obligations of cooperative. Subsidiary liability of members of cooperative shall occur in the event of absence of sufficient funds of cooperative to settle its obligations and shall be determined in accordance with procedures as per Article 110.4 of this Code. (2)

Article 111. Management in a Cooperative

111.1. The general meeting of members is the highest management body of the cooperative. A supervisory council exercising control over the activities of the executive bodies of the cooperative may be established in cooperatives where the number of members exceeds fifty. Members of the supervisory council are not entitled to engage in activities on behalf of the cooperative. The management board and/or chairman of a cooperative are the executive bodies of the cooperative. They carry out the day-to-day management of the cooperative's activity and report to the supervisory council and general meeting of members. Only members of the cooperative may be members of the supervisory council, members of the management council or chairman of the cooperative. Members of the supervisory board and executive bodies may not be members of similar cooperatives. A member of a cooperative may not simultaneously be a member of the supervisory board or the management council and the chairman of the cooperative.

111.2. The competence of a cooperative's management bodies and the procedure for decision-making shall be determined by the cooperative charter.

111.3. The following issues are within the exclusive competence of the general meeting of members:

111.3.1. changes to the cooperative's charter;

111.3.2. establishment of the supervisory council and dismissing its members, establishment of and dismissing the cooperative's executive bodies provided that the charter does not allocate this right to the competence of the supervisory council;

111.3.3. acceptance and dismissal of members of the cooperative;

111.3.4. approval of annual reports and balance sheet and distribution of losses;

111.3.5. decisions to reorganize or liquidate the cooperative;

111.3.5-1. decision on conclusion of transactions provided for in Article 49-1.2 of this Code.

111.3.6. A cooperative's charter may also allocate other matters to the exclusive competence of the general meeting.

111.4. Matters allocated to the exclusive competence of a cooperative's general meeting or supervisory council may not be delegated to the cooperative's executive bodies for their resolution.

111.5. A member of a cooperative has one vote when voting on resolutions at a general meeting.

111.6. In cooperatives with membership of more than 200 persons, the general meetings of members of cooperative can be implemented in accordance with charter of cooperative as a meeting of authorized representatives. The number of authorized representatives is established with consideration of members of cooperative. Authorized representatives are elected via show or secret voting in accordance with the charter including requirements for number of elected authorized representatives, term of authority of representatives, rules for their election. Authorized representatives are not entitled to transfer their authorities to other persons including members of cooperative. At the meeting of authorized representatives are distributed provisions of this Code and charter of cooperative on general meeting of cooperative members.

111.7. The general meeting of members of cooperative shall be authorized, if the participation of more than half of members (or their representatives) is provided. Meeting of authorized representative is considered the authorized if the half of the elected authorized representative participates.

111.8. The general meeting of the members of cooperative shall be called by the board (chairman) not less than once a year within terms and procedures established under the charter, but not later than within 3 months of the end of fiscal year. Extraordinary general meeting of members of cooperative shall be called by the initiative of the board (chairman), controllers board and audit commission (auditor) or by the requirement of no less than one fourth of members of voting members, and organized by the board (chairman) within fifteen days in accordance with procedures established by the charter of cooperative.

111.9. During establishment of controllers' board the number of its members and term of their authority shall be established by the general meeting of cooperative members. The meeting of controller's board is called on as required basis, but not less than once in half year. Rules for implementation of meetings of the controller's board are established by the charter of cooperative. In cases, stipulated under the charter, the general meeting of the members of cooperative can before time re-call the controllers board and dismiss some of its members before their term expiry.

111.10. Cooperative board and (or) its chairman between general meetings of members of cooperative shall manage current affairs of cooperative, perform its activities and represent the cooperative. In the event when the number of cooperative members exceeds fifty persons, the general meeting of cooperative members shall elect the board of cooperative among its members. The management of the board is performed by the chairman, elected (appointed) by the general meeting of cooperative members. The

charter of cooperative shall determine the procedure for election (appointment) of the management of cooperative and (or) its chairman, their responsibilities and term of authority, rights of the chairman of the board to manage the property of cooperative, terms of his payment, responsibilities of the chairman, as well as procedures and basis for his dismissal from position before time.

111.11. If the board is established the charter shall separately include authorities of the chairman and the board (authorities performed independently or collegial basis).

111.12. For implementation of control over financial and economic activities of cooperative the general meeting of cooperative membership elects the auditing commission (not less than three persons), if the number of members of cooperative is more than fifty persons, or auditor if the number of members is less than fifty.

111.13. Audit commission (auditor) of cooperative shall:

111.13.1. inspect the financial status of cooperative by results of fiscal and economic year;

111.13.2. by the decision of the general meeting of cooperative members, more than ten percent of controller's board membership, as well as on his own initiative shall perform the extraordinary audit of financial and economic activities of the cooperative.

111.14. By the results of audit the audit commission (auditor) of the cooperative shall submit the statement to the management authorities of cooperative. Controllers' board or management (chairman) shall review the results of audit in accordance with procedures stipulated under the charter and make relevant decisions. In the event of non-agreement with such decision the audit commission (auditor) shall be entitled to apply to the general meeting of cooperative members.

111.15. In cases stipulated under the charter, the general meeting of cooperative members shall be entitled to release the audit commission or its certain members, as well auditor before the expiry of their term of services. (2, [56](#))

Article 112. Cancellation of Membership in a Cooperative and Transfer of Shares

112.1. A member of a cooperative is entitled to withdraw from the cooperative. In this event, it shall be paid the value of its share or receive property corresponding to its share, as well as receive all other payments specified by the cooperative's charter. Payment of the value of the shares or the transfer of other property to the withdrawing member of the cooperative shall be made at the end of the financial year and after approval of the cooperative's balance sheet, unless otherwise provided by the cooperative's charter.

112.2. A member of a cooperative may be dismissed from the cooperative upon a decision of the general meeting of members in case of non-performance or improper performance of obligations conferred upon it by the cooperative's charter and in other cases as set out in the charter. A dismissed member of a cooperative is entitled to receive its share and other payments specified by Article 112.1 of this Code.

112.3. A member of a cooperative may transfer its share or a portion thereof to any other member of the cooperative provided that the cooperative's charter does not specify

otherwise. The transfer of a share (or a portion thereof) to an individual who is not a member of the cooperative shall be permitted only with the consent of the cooperative. In such case, the members of the cooperative have a preemptive right to acquire this share (or portion thereof). Where members of the cooperative do not exercise their preemptive right within the term specified by the cooperative's charter, the share may be alienated to a third party.

112.4. In event of the death of a member of a cooperative, his heirs may be accepted into membership of the cooperative, unless otherwise provided by the cooperative's charter. Otherwise, the cooperative shall pay to the heirs the value of the deceased member's share.

112.5. The personal debts of a member of a cooperative may be satisfied from his/its share in the cooperative in accordance with the procedure set out in the cooperative's charter only if his/its other property is not sufficient to satisfy such debts. Personal debts of a cooperative may not be satisfied from the indivisible funds of the cooperative.

Article 113. Reorganization and Liquidation of a Cooperative

113.1. A cooperative may be voluntarily reorganized or liquidated pursuant to a resolution of a general meeting of its members.

113.2. Other grounds for reorganization or liquidation of a cooperative are specified in this Code.

§3. Non-Commercial Organizations

Article 114. Public Associations

114.1. Property contributed to a public association by its founders (participants) is the property of the association. Such public association shall use such property for the purposes specified in its charter.

114.2. A participant does not retain ownership over property contributed to a public association, including membership fees. A participant is not liable for the obligations of a public association and a public association is not liable for the obligations of its participants.

114.3. On liquidation of a public association, its property, *remaining after payment of arrears*, shall be used for the purposes specified in such association's charter, and where this is not possible, transferred to the state budget.

114.4. Specific features and the legal status of particular types of public associations are set out in this Code and by law. [\(52\)](#)

Article 115. Funds

115.1. A fund is a non-membership organization established by individuals and/or legal entities on the basis of their ~~voluntary~~ material contributions and aimed at social, charitable, cultural, educational and other socially useful purposes.

115.1-1. The share capital of the established fund shall not be less than ten thousand manats..

115.2. Property contributed to a fund by its founders (founder) becomes the property of the fund. The fund shall use this property for the purposes specified by the fund's charter.

115.3. A fund is obligated to publish annual reports on the use of its property.

115.4. Founders are not liable for the obligations of the fund and the fund is not liable for the obligations of its founders.

115.5. The management of a fund and the procedure for forming its management bodies is determined by the fund's charter approved by its founders.

115.6. The charter of a fund shall contain, in addition to information specified by Article 47.2 of this Code, the name of the fund which shall include the word «fund», information on its objectives and details of its management bodies, including information on the board of trustees who supervise its activity, the procedure for appointment and dismissal of the fund's officers, and the procedure for disposing of the fund's property in the event of liquidation.

115.7. Specific features and legal status of particular types of funds, including charitable organizations, are set out in this Code and by law. [\(38\)](#)

Article 116. Amendments to a Charter and Liquidation of a Fund

116.1. Amendments to a charter may be introduced by the fund's bodies provided that the fund's charter provides for a procedure for amending the charter. Where keeping a charter unamended leads to consequences which were unforeseeable upon the fund's establishment and a procedure for amending the charter is not provided for or authorized officers fail to make the relevant amendments to the charter, upon the request of the fund's bodies or a body authorized to supervise the activity of the fund, a court may amend the charter.

116.2. A decision to liquidate a fund may only be made by a court upon an application by interested persons. A fund may be liquidated:

116.2.1. where the property of the fund is insufficient to achieve its objectives and no reasonable possibility exists to obtain such property;

116.2.2. where the objectives of the fund cannot be achieved and it is impossible to appropriately change the objectives of the fund;

116.2.3. where the fund deviates from the objectives of its activity as established in the charter; or

116.2.4. in other cases specified by law.

116.3. In the case of liquidation of a fund, its property, *remaining after payment of arrears*, shall be contributed in furtherance of the purposes specified in the fund's charter, and, where that is not possible, to the state budget. [\(52\)](#)

Article 117. Unions of Legal Entities

117.1. Commercial organizations may establish unions for the purpose of coordinating their business activity and *representing and protecting (including in state and international entities) of common (including property) material interests*. Where, pursuant to a decision of its members, a union is granted the right to engage in entrepreneurial activity, such union shall be transformed into a business partnership or company under the procedure specified by this Code. Alternatively, for the purpose of engaging in entrepreneurial activity, such union may establish a business company or participate in such company.

117.2. Non-commercial organizations may establish unions to coordinate their activities and represent and protect common interests.

117.3. The participants in unions maintain their independence and rights as a legal entity.

117.4. Property contributed to a union by its founders (participants) becomes the property of the association. A union shall use its property for the objectives specified by its charter.

117.5. A union is not liable for the obligations of its participants. Participants in a union are secondarily liable for the obligations of the union to the extent and in the manner specified by the union's charter.

117.6. The name of a union shall contain an indication of the main area of its participants' activity, and the word «union».

117.7. In the case of liquidation of a union, its property, *remaining after payment of arrears*, shall be contributed in furtherance of the purposes specified in the union's charter, and, where that is impossible, to the state budget.

117.8. Special features and the legal status of particular types of unions are set out in this Code and by law. ([2](#), [52](#))

Article 118. Charter of a Union

A union's charter shall contain, in addition to the information specified by Article 47.2 of this Code, information on the amount of contributions made by its participants, the composition and procedure for making contributions, the liability of participants for failure to make contributions, the composition and competence of the union's management bodies and the procedure for decision-making, including on decisions requiring a unanimous or qualified majority vote, and the procedure for disposing of the union's property in the event of its liquidation.

Article 119. Rights and Obligations of Participants in a Union

119.1. The participants of a union have the right to use its services free of charge, provided that its charter does not specify otherwise.

119.2. A member of a union has the right to withdraw therefrom at the end of a financial year. In such event it shall be secondarily liable for the union's obligations to the extent of its contribution for one year from the date of its withdrawal, provided that the union's

charter does not establish any other term. A participant in a union may be dismissed from membership by a decision of the other participants in the union in cases and under the procedure specified by the union's charter. The rules governing the liability of a withdrawing participant also apply to a dismissed participant.

119.3. A new participant may be accepted into a union upon the consent of its participants. Admission to a union of a new participant may be conditional upon its secondary liability for the union's obligations which arose prior to such new participant's admission.

§4. Inventory, Annual Balance Sheet and Audit of Legal Entities

Article 120. Inventory of Assets of Legal Entities

~~120.1. Upon commencing its activity, a legal entity shall compile accurate lists indicating the value of material objects and obligations (inventory), of objects comprising its property, including land plots, moveable objects, claims and cash; and debts. Thereafter, an inventory shall be taken at the end of each fiscal year. An inventory shall be taken at the end of the fiscal year over a period required for the proper course of business.~~

~~120.2. Where fixed assets, as well as raw materials, supplementary and consumable materials are regularly replaced and their total value is of secondary importance for the company, they shall be accounted in terms of averaged volumes and value, provided that their quantity, value or composition is subject only to minor changes. An inventory of such assets shall be taken once every three years. Similar objects of reserve assets and other similar or approximately equal in value movable assets shall be included in one group and their average value taken.~~

~~120.3. An inventory of tangible objects by type, quantity and value may be determined not only through detailed registration of particular objects, but also through selective testing using recognized mathematical-statistical methods. The procedure used in such event shall be consistent with the relevant accountancy principles. The information value of such inventory shall be equivalent to the information value of an inventory taken by means of a material inventory.~~

~~120.4. Upon taking an inventory at the end of the business year, a material inventory of tangible objects is not required if the types, quantity and value of tangible objects may be determined by a method corresponding to accountancy principles.~~

~~120.5. The overall inventory at the end of the business year need not indicate tangible objects, if:~~

~~120.5.1. the legal entity indicates their type, quantity and value in a special inventory taken on any day within the three months before or two months following the end of the business year;~~

~~120.5.2. it is possible to make an accurate assessment of tangible objects at the end of the business year using the method of special inventory by cumulative results or interpolation in accordance with the principles of proper accountancy mentioned above.~~

Article 121. Preliminary and Annual Balance Sheets of a Legal Entity

~~121.1. At both the commencement of activity and thereafter at the end of each business year, a legal entity shall prepare balance sheets (preliminary balance sheets, balance sheets) which certify the correlation between assets and liabilities. A comparison of profit and loss during the business year shall be prepared as of the end of the relevant business year (profit and loss account). Balance sheets and the profit and loss account constitute an annual (final) balance sheet. The annual balance sheet shall be compiled in accordance with the accounting principles and within periods appropriate for the proper conduct of business. The annual balance sheet shall be clear and accurate.~~

~~121.2. An annual balance sheet shall be prepared in the Azeri language, in Azerbaijani currency and signed by a legal representative of the legal entity.~~

~~121.3. An annual balance sheet shall contain information on all tangible objects, debts, and accounts of income and expenditure for the relevant periods, as well as profit and loss. Mutual offsetting of assets and liabilities and income and expenditure is prohibited.~~

~~121.4. A balance sheet shall specifically indicate and distinguish between fixed and current assets, the company's own assets, liabilities, and also account items determining limits for accounting of income and expenditure between consecutive reporting periods. Fixed assets are those assets which are intended for continuously conducted business. Expenditure for the establishment of the company and the acquisition of its own assets may not be included in the balance sheet as assets. The same rule applies to non-tangible fixed assets which have been acquired free of charge.~~

~~121.5. Reserves for liabilities shall be established in circumstances where it is not clear whether claims will be brought against the legal entity or in what amount. Reserves shall be established for covering anticipated losses on incomplete transactions. Reserves shall be liquidated only where the need for them ceases to exist.~~

~~121.6. An account showing income and expenditure for a specific period shall show expenditure up to the last date of the reporting period, such expenditures being the opening balance of losses for the next period. On the debit side, an account showing income and expenditures for a specific period shall show receivables up to the last date of the reporting period, such receivables being the beginning balance of profit for the next period.~~

~~121.7. The following principles shall be given particular consideration for evaluating the tangible assets and liabilities indicated in an annual balance sheet:~~

~~121.7.1. the value indicators at the first day of the business year shall coincide with value indicators from the final balance sheet for the preceding business year;~~

~~121.7.2. material assets and liabilities shall be evaluated separately as of the final day;~~

~~121.7.3. valuation shall be carried out with due attention and, in particular, all anticipated risks and losses which became known or arose before the final day, should be taken into account; this rule shall also apply when such risks and losses become known only during the period between the final day and day of compiling the annual balance sheet;~~

~~121.7.4. profit should be taken into account only when such profit has been realized by the final day;~~

~~121.7.5. income and expenditure for the business year shall be shown in the annual balance sheet without regard to the date of making or receiving payments;~~

~~121.7.6. valuation methods used in compiling the balance sheet for the preceding business year shall be used.~~

~~121.8. Deviations from the principles set out above shall be permitted only under exceptional and well-founded circumstances; explanations of and reasons for such deviations shall be provided in the appendix.~~

~~121.9. The following principles shall in particular apply to valuation of items in the assets and liabilities sections of a balance sheet:~~

~~121.9.1. material assets shall be evaluated at the maximum expenditure required for their purchase or production costs less depreciation specified in Articles 121.9.2 and 121.9.3;~~

~~121.9.2. in respect of material assets with a limited service life, expenditure for their purchase or manufacture shall be decreased by the amount of planned depreciation for the previous business year. Expenditures for purchase or production shall be distributed for a number of years during which it is intended to use such assets in course of establishment of planned depreciation rates. Unplanned depreciation may be carried out in respect of all items of material assets, even though their use is limited by a particular term, such depreciation being carried out with the purpose of valuation of assets at a lower cost which could be given to such assets at the last day and according to reasonable commercial evaluation of such assets. Unplanned depreciation shall be carried out where there is a likelihood of continued reduction in the value of the assets;~~

~~121.9.3. depreciation of circulating capital is carried out in order to value such assets on the final day at the lowest possible value arising from stock exchange or market prices. Where it is not possible to determine the stock exchange or market value of such assets and where expenditure for their purchase or manufacture exceed the value which could be fixed at the final date, depreciation shall be carried out up to such value. Moreover, where depreciation is necessary it shall be carried out against reasonable commercial prices to prevent future variations in asset valuation owing to fluctuation of their value;~~

~~121.9.4. depreciation in respect of both short and long term claims in fixed and circulating assets shall be carried out where such claims are disputed by a debtor as to their validity or amount, or payment of such claims has not been made because of the financial status of the debtor, and in case of legal entity — absence of proper guarantees. Such claims may be written off in full or at least in that part which exceeds the amount which may be recovered on the basis of reasonable commercial evaluation;~~

~~121.9.5. low valuations pursuant to Article 121.9.2, 121.9.3 and 121.9.4 may also be retained in cases when there are no grounds for depreciation;~~

~~121.9.6. depreciation may also be carried out for valuation of fixed and circulating assets at a lower value, which is based upon writing off for depreciation allowed only by tax legislation;~~

~~121.9.7. capital and reserves shown by partners in the charter of a legal entity shall be valued at their nominal value;~~

~~121.9.8. liabilities shall be valued with regard to their paid up values. Where the amount of back payments on liabilities exceeds expenditure, the difference may be valued as an asset item, delimiting consideration of income and expenditure between consecutive accounting periods, such difference being written off in equal annual installments during the term of the liabilities' validity.~~

~~121.10. Purchase expenditure are aggregated from expenditures incurred for acquisition of material assets and also for bringing such assets into operating condition, provided that such expenditures may be allocated to a particular asset. Purchase expenditures shall also include overheads and additional expenditures for acquisition. Discount on a purchase price shall not be included in purchase expenditures.~~

~~121.11. Manufacturing expenditures are expenditures incurred in the use of goods and services for production of material assets, their expansion or substantial improvement to a level which is distinguishable from the initial condition. Such expenditures shall include the cost of raw materials and materials, manufacturing costs and special expenditures incurred in the manufacturing process. A reasonable proportion of general material costs, general manufacturing costs and depreciation on fixed assets may be included in calculating such expenditures, provided that they relate to manufacturing. It is also possible to include part of the general management costs, and also expenditures for the company's social facilities, voluntary social insurance, and pension provision. Expenditures noted in the preceding two sentences may be taken into account only where they occur during the manufacturing period. Sales costs may not be included in manufacturing expenditures.~~

~~121.12. Interest on loans shall not be included in manufacturing expenditures. Interest payments on loans used to finance manufacture of material assets and which occur in the manufacturing period may be taken into consideration; in this event they shall be treated as expenditures for the manufacture of a material asset.~~

~~121.13. In the course of transferring a company, it is possible to accept the value of the transferred company as the difference between mutual liabilities to be paid by the entity purchasing the company and the value of the transferred company's particular material assets less its debts as of the moment of transfer. Each following business year the amount shall be written off by quarters. Writing off of value of the company may be carried out in arrears by business years during which it is intended to use the company.~~

~~121.14. Further to the principles of proper accountancy in respect of value of similar material assets it may be assumed that material assets acquired or produced first and material assets acquired and produced last are realized or disposed of in the first or in other defined order.~~

Article 122. Compiling a Balance Sheet

~~122.1. A balance sheet shall be drawn up in the form of an account. Legal entities whose balance sheet value and turnover for twelve months up to the final day do not exceed a specified sum determined by the relevant executive authority may indicate without any further elaboration the total amounts for items contained in assets and liabilities as per the letters and numbers shown below; the same order should be observed.~~

~~122.2. Assets shall include:~~

~~A. Fixed assets~~

~~A.I. Non-property material assets~~

~~A.I.1. Concessions, right to protection of intellectual activity and associated rights and values, and also permits (licenses) for such rights and values;~~

~~A.I.2. Value of the company~~

~~A.I.3. Advance payments in respect of non-property material assets.~~

~~A.II. In-kind contributions:~~

~~A.II.1. Land plots and rights and buildings equated thereto, including buildings located on land plots belonging to others;~~

~~A.II.2. Technical equipment and facilities;~~

~~A.II.3. Other equipment, facilities of the company;~~

~~A.II.4. Advance payments made in respect of in-kind contributions and advance payments for equipment in course of production;~~

~~A.III. Financial investments~~

~~A.III.1. Shares in associated companies;~~

~~A.III.2. Securities;~~

~~A.III.3. Investment in associated companies;~~

~~A.III.4. Other investments.~~

~~B. Circulating capital~~

~~B.I. Reserves:~~

~~B.I.1. Raw material, supplementary and working supplies;~~

~~B.I.2. Unfinished products, incomplete services;~~

~~B.I.3. Finished products and goods;~~

~~B.I.4. Executed advance payments~~

~~B.II. Claims and other material objects:~~

~~B.II.1. Claims on dispatched goods and services;~~

~~B.II.2. Claims on associated companies;~~

~~B.II.3. Other material objects;~~

~~B.III. Securities;~~

~~B.IV. Checks, cash, and funds in credit organizations.~~

~~C. Items defining limits for accounting of income and expenditure between consecutive reporting periods.~~

~~D. Total (balance)~~

~~122.3. Liabilities shall include:~~

~~A. Company capital:~~

~~A.I. Charter capital (in full and commandite partnerships and cooperatives — amount on capital accounts of their members);~~

~~A.II. Capital Reserves;~~

~~A.III. Contributions from profit into reserves:~~

~~A.III.1. Statutory reserves;~~

~~A.III.2. Reserves under the charter;~~

~~A.III.3. Other contributions from profits into reserves;~~

~~A.III.4. Profit or loss carried forward;~~

~~A.III.5. Annual surplus or deficit;~~

~~B. Payments into reserves:~~

~~B.1. Payment into reserves for tax payments;~~

~~B.2. Payment into reserves for satisfaction of indefinite liabilities.~~

~~C. Liabilities:~~

~~C.1. Debts;~~

~~C.2. Liabilities to credit organizations;~~

C.3. Advance payments received in respect of orders;

C.4. Liabilities for supplies and services;

C.5. Liabilities for bills of exchange accepted for payment and for own bills of exchange issued;

C.6. Liabilities to associated companies;

C.7. Liabilities for taxes and social contributions.

C.8. Other liabilities.

D. Items defining limits for accounting of income and expenditure between consecutive reporting periods.

E. Total (balance).

~~122.4. Where a legal entity has no material assets or liabilities which may be included in one of the items shown above, then such item may be left off the balance sheet. Where a material assets or liability falls under several items on the balance sheet, their relation to other items should be mentioned in the item in which they are included. The relevant amount for each item for the preceding financial year shall be separately shown in the balance sheet.~~

~~122.5. Where expenditure relating to start-up and expansion of a legal entity may not be included in the balance sheet, they may be recorded in assets as balance subsidies. Such item, entitled «Expenditures for start-up of operation and expansion thereof,» shall be shown in the balance sheet before fixed assets and relevant explanation shall be given in the appendix. Where such items are included in balance sheet assets, profit shall be distributed only where allocations into reserves from profit remaining following distribution and written off at any moment, with consideration of brought forward and loss, is not lower than the relevant value.~~

~~122.6. Participation means a share in other companies, designed to facilitate operation of the company through long-term economic association. In this regard it is of no matter whether such participation is evidenced by securities or not. In case of doubt, shares in a joint stock company, where the nominal value of such shares constitutes 1/5 of the company's nominal charter capital, shall be deemed participation.~~

~~122.7. Loans advanced by a legal entity to third parties or associated companies on a long-term basis of at least two years are deemed to be investments. Only the initially agreed term shall be taken as a basis while transferring the loans from document to document as an investment.~~

~~122.8. Indicated capital means the extent of liability established by the company charter which companies bear before creditors for the liabilities of the legal entity. The unpaid portion of such capital shall be shown in the balance sheet before fixed assets and shall be duly described; paid contributions shall also be shown. Where capital of the company is exhausted due to losses and the liabilities exceeds assets, such amount shall be separately shown at the end of the balance sheet and described «Amount not covered by company's capital».~~

~~122.9. Capital reserves include the following items:~~

~~122.9.1. excess over nominal value received from a legal entity's issuing shares, including re-issued shares;~~

~~122.9.2. amount received from issue of debenture bonds and option bonds for acquisition of shares of a legal entity;~~

~~122.9.3. extra payments made by partners for preference in respect of their shares;~~

~~122.9.4. amount of other payments, exceeding the nominal value of acquired shares, made by partners to the capital of the entity without the right of return.~~

~~122.10. Allocations of profit to reserves means amounts which, in accordance with the provisions of legislation, charter or relevant resolutions of companions, are allocated into reserves from the annual profit less taxes due from such contribution.~~

Article 123. Profit and Loss Account

~~123.1. Profit and loss account shall be composed of various stages. While compiling profit and loss account, the following items shall be shown separately:~~

~~123.1.1. Incomes from turnover;~~

~~123.1.2. Increase or decrease of availability of production and unfinished production;~~

~~123.1.3. Own production, transferred into capital;~~

~~123.1.4. Total balance;~~

~~123.1.5. Expenditures for raw materials, supplementary and working materials, for received goods and services;~~

~~123.1.6. Expenditures for salary and social insurance;~~

~~123.1.7. Depreciation on non-material property from fixed assets and items included into expenditures for start-up of operations;~~

~~123.1.8. Other operational expenditures;~~

~~123.1.9. Results of business activity of the company;~~

~~123.1.10. Incomes from shares, including those in associated companies;~~

~~123.1.11. Incomes from securities of capital or investments;~~

~~123.1.12. Other interests and similar incomes;~~

~~123.1.13. Depreciation on financial investments and securities of turnover capital;~~

~~123.1.14. Interests and similar expenditures;~~

~~123.1.15. Results of ordinary business activity;~~

~~123.1.16. Extraordinary incomes;~~

~~123.1.17. Extraordinary expenditures;~~

~~123.1.18. Taxes from incomes;~~

~~123.1.19. Other taxes;~~

~~123.1.20. Annual surplus or deficit.~~

~~123.2. Where a legal entity has no income or expenditure under one of the items in the profit and loss account, such item may be omitted. Where a legal entity's income and expenditure are not indicated under an item used for indicating similar income and expenditure in the preceding year's profit and loss account, this shall be noted in the profit and loss account with indication of amounts of such items and appendix shall contain relevant explanation, provided that it relates to the amounts, which are significant for the outcome of business of the legal entity.~~

~~123.3. Increase or decrease of the amounts of reserve capital or contributions into reserves from profits shall be shown in the profit and loss account only after the item «Annual surplus» or «Annual deficit».~~

~~123.4. Instructions for Specific Items in the Profit and Loss Account~~

~~123.4.1. incomes from turnover are incomes from sale and lease of goods and from provision of services which are typical of the legal entity's general business activity, less decrease in turnover (for example — bonus payments, discounts, etc.);~~

~~123.4.2. change of availability means change of both quantity and value of reserves; however this relates to depreciation contributions only where such changes do not exceed normal depreciation contributions.~~

~~123.4.3. unplanned depreciation contributions, as well as depreciation contributions shall be shown separately or shall be given in an appendix. Income and expenditure related to transfer of loss and received further to an agreement on transfer of profit or agreement on transfer of portion of profit or transferred profit shall be shown separately under the relevant title.~~

~~123.4.4. items «Extraordinary income» and «Extraordinary expenditure» shall show income and expenditure falling outside the scope of a legal entity's ordinary business activity. Where such sums are significant explanations in respect of the amounts and nature of such items shall be given in an Appendix. These provisions shall also apply to income and expenditure falling in another year.~~

~~123.4.5. tax includes both taxes already paid and those amounts which are due for payment by the legal entity as a taxpayer.~~

Article 124. Appendix to a Legal Entity's Annual Balance Sheet

~~124.1. An Appendix shall be compiled in addition to the annual balance sheets and shall contain explanations in respect of the latter. Methods of balancing and valuation applied in the compilation of the annual balance sheet shall be given as fully as is required to give an accurate picture of the material status and profitability of the legal entity. Deviations from the methods of balancing and valuation applied to previous balance sheets shall be shown and explained, and their effect on the material and financial status and profitability of the legal entity shall be described. The Appendix shall state whether any interest was received from loans granted. Unplanned depreciation contributions shall be explained and justified.~~

~~124.2. The Appendix shall show contain liabilities for endorsement and transfer of checks, as well as liabilities for guarantees, guarantees on checks, trusteeship agreements, as well as liability for others' obligations, provided, however, that these items are not shown on the balance sheet under liabilities; they may be shown in one amount. Such liabilities, as well as obligations shall also be shown when there are equal sums in mutual claims. The Appendix shall show other financial obligations, not displayed in the balance sheet; this shall include, in particular, continuing liabilities, with indication of expenditures of the legal entity until the next date of termination of contract.~~

~~124.3. The Appendix shall contain information on expenditures for officials of the legal entity (salaries, participation in distribution of profit, compensation of expenditures, insurance premiums, commission and other supplementary payments), as well as on payments to members of the supervisory council. These general amounts shall include payments of allowances, which, however, are not paid but are transformed into claims of other types or applied to increase other claims. In addition to expenditures on allowances during the year, the Appendix shall also show other payments which have been made during the year, but up to that time have not been recorded on any annual balance sheet. Where persons responsible for management of affairs of the legal entity receive payments in respect of services for the legal entity itself or for their services as legal representatives or for services as officials of an associated business, such payments shall be shown separately. The Appendix shall show the amounts of various payments (compensation, severance payments), pensions, pensions for loss of the breadwinner and other similar payments made to former officials who were responsible for the legal entity's affairs. Where such individuals or their relatives upon the death of the former receive compensation or pensions from associated companies as well, such payments shall be shown separately.~~

~~124.4. Further, the Appendix shall show information on participation in other legal entities; such information shall indicate the owner of the share, whether such share exceeds 25% of the total charter capital or whether several entities contribute to it. The Appendix shall show the business and legal relationships with commercially linked companies with an indication of their address, as well as commercial transactions of such legal entities which may significantly affect the legal entity.~~

~~124.5. The Appendix shall comply with principles of fair and proper reporting. Where according to reasonable commercial assessment detailed information would cause substantial harm to the legal entity or companies associated with it such information may be obscured to the extent necessary to prevent the occurrence of such harm. Where information is left out in order to protect commercial secrets, then the Appendix shall note that the information is incomplete for that reason.~~

124.6. The Appendix shall include the last names of all officials and the full name of at least one official who is responsible for the affairs of the company, as well as the last names of all members of the supervisory council, including those who left the council during the business year or later. The name of the chairman of the body, which includes persons responsible for the management of the legal entity's affairs of the legal entity, and also that of the chairman of the supervisory council shall be given.

Article 125. Report on Current Status

Legal entities whose value exceeds the limits indicated in Article 122.1 shall compile a report on the state of their affairs. Such report shall indicate at least the course of business and the asset status of the legal entity up to the date of compilation of annual balance sheet, and in particular such information should be drawn up to give a picture of the true state of affairs. In particular, such report shall show transactions of special importance which were carried out up to the end of the business year, as well as development of the legal entity during the current year and the proposed development for the next operating year.

Article 126. Audit

126.1. In cases specified by this Code and in general in cases where a legal entity has value in excess of those specified by the provisions of Article 122.1, the annual balance sheet and its Appendix shall be subject to audit. The auditor shall compile a written report. Such report shall specifically show whether the accounts, annual balance sheet and the Appendix comply with the law and whether duly authorized representatives of the legal entity provided all explanations and supporting documentation requested by the auditor. The auditor shall sign and submit their report to the officials responsible for the legal entity's affairs.

126.2. Where there are no comments following an audit, the auditor should certify this fact by stating as follows: «The audit conducted by me/us in the course of my professional duties revealed that the accounts and annual balance sheet comply with the law and provisions of the corporate charter. From the point of view of proper accounting, the annual balance sheet provides a true picture of the assets, financial position and profitability of the company.» Where necessary additional comments may be made on the content of the report. Where there are inadequacies the auditor should either limit such statement or refrain from making such statement.

126.3. Where no audit is made, the annual balance sheet shall not be accepted. If officials responsible for the affairs of the company make changes in the annual balance sheet or the appendix thereto following the auditor's report, the auditor should check the annual balance sheet and appendix once again, where the nature of the amendments requires such repeated audit. The auditor shall confirm their initial statements or refuse to do so, indicating the place and date of such action. A note on confirmation or refusal shall also be added to the auditor's report.

126.4. An auditor of the annual balance sheet shall be chosen by a meeting of members of the legal entity. The auditor shall be chosen for a period up to the end of the business year for which they are making the audit. Immediately after the choice has been made, the persons responsible for the company's affairs shall give the auditor instructions in respect of carrying out the audit.

~~126.5. Independent auditors and audit firms which have a relevant permit to carry out audits in the Republic of Azerbaijan shall be entitled to act as auditors. No party which has any interest, direct or indirect or via management of assets share in the structure of the legal entity or which, in course of book keeping or compilation of relevant annual balance sheets of the legal entity, took part in activities falling outside the scope of the audit, may act as an auditor of such legal entity.~~

~~126.6. An auditor, their assistants and representatives of the audit company participating in an audit shall carry out an audit objectively and in good faith and shall maintain confidentiality as to the business's affairs. They are not entitled to use commercial secrets which come to their knowledge in the course of an audit. Any person who deliberately or negligently breaches such obligations shall be obliged to compensate losses incurred by the legal entity as a result of such acts.~~

Article 127. Storing Documents of a Legal Entity

~~127.1. The following documents shall be kept separately for a period of ten years:~~

~~127.1.1. books of operations, inventories, introductory balance sheets, final balance sheets, including reports on state of affairs, all working instructions necessary for clarification of these documents;~~

~~127.1.2. both incoming and outgoing correspondence related to management of the company's affairs;~~

~~127.1.3. initial documents for accounts in books (supporting bookkeeping documents);~~

~~127.2. The storage term shall commence from the end of the year during which the relevant entry was made in the relevant books, the inventory was carried out, the introductory and final balance sheets accepted, correspondence dispatched or received or supporting document compiled.~~

Article 128. Submission of Documents of Legal Entities

~~128.1. All obligations imposed upon a legal entity with regard to bookkeeping, inventory and the annual balance sheet shall be performed by duly authorized representatives of the legal entity. Where more than one person is responsible for these actions, each of them is responsible for their relevant duty listed in the first sentence of this Article.~~

~~128.2. In the event of a dispute, the court, upon an application or of its own motion may request submission of the documents specified in Articles 127.1.1, 127.1.2 and 127.1.3 by one of the parties. Where such documents are submitted in the course of the dispute, their contents shall be examined with participation of the parties and, where necessary, extracts from such documents may be made provided that the contents of such documents are related to the subject matter of the dispute. The remaining contents of the books shall be disclosed to the court for the purpose of verifying their accuracy and proper entry. In the event of property disputes and in particular in cases on succession and the distribution of an entity's property, the court may order that the books of the entity's operations be provided to the court.~~

§5. State Register of Legal Entities

Article 129. Keeping State Register of Legal Entities

~~129.1. A state register of legal entities shall be kept centrally by year and for each administrative territorial region of the Republic of Azerbaijan *and also as per other criteria*, by the relevant executive authority. Where necessary, branch offices of the state register of legal entities may be established.~~

~~129.2. All applications for registration of a legal entity shall be filed with the body keeping the state register of legal entities. (10, 12)~~

Article 130. Facts Which Are Subject to Registration and Documents Which Are Subject to Storage

~~130.1. An entry in the state register of legal entities for registration of a legal entity shall contain the following information:~~

~~130.1.1. name of the legal entity (firm);~~

~~130.1.2. location;~~

~~130.1.3. *organization legal form* of legal entity;~~

~~130.1.4. fiscal year;~~

~~130.1.5. full name, *nationality* and address of each of the founders;~~

~~130.1.6. full name, *nationality* and address of each legal representative of the legal entity.~~

~~130.2. In addition to above, information on a commandite partnership shall also contain data on the share in the charter capital by each partner.~~

~~130.3. In addition to the above, information on limited liability companies and joint stock companies shall also contain the amount of the charter capital and the contribution of each of the founders, and where a supervisory board is set up, the full name, occupation and address of each of its members.~~

~~130.3-1 *Other information stipulated by the Law of the Republic of Azerbaijan «On state registration and state register of the legal entities» shall be specified in the State Register.*~~

~~130.4. Any subsequent change to the date registered shall be filed with the state register of legal entities. An amendment shall come into effect following its registration in the state register of legal entities.~~

~~130.5. The relevant executive authority shall be entitled to require of persons who do not fulfil the obligation to submit the necessary information and documents to the state register of legal entities that they do so. (10, 12)~~

Article 131. Application for Registration of Legal Entity

~~131.1. The original duly signed application for registration of a legal entity in the state register shall be submitted with one copy thereof. The relevant executive authority shall certify acceptance of documents by making an appropriate note on the copy application.~~

~~131.2. During registration of legal entities, the relevant executive authority shall check whether the stipulated conditions have been satisfied for registration of a particular type of legal entity.~~

~~131.3. An application for registration of a legal entity shall be signed by all its founders.~~

~~131.4. An application for registration and documents to be kept shall be submitted by legal representatives of the legal entity. In so doing the legal representative certifies the accuracy of the facts and documents submitted. The signature of the legal representative on the application, and certain specimen signatures filed with the relevant executive authority shall be notarized.~~

Article 132. Entry in the State Register of Legal Entities and Publication of Registration Entry

~~132.1. A registered legal entity shall be recorded in the state register of legal entities, and the documents submitted for registration shall be securely filed.~~

~~132.2. After the legal entity has been registered the relevant executive authority shall send the corresponding applicant an extract from the register. The applicant shall be check such extract from the register of legal entities, and should any error be discovered they shall immediately notify the relevant executive authority in writing.~~

~~132.3. Where no notification of error is made by the applicant within three weeks of the date of dispatching the extract to the applicant, the entry on state registration of the legal entity shall be published in the Republic of Azerbaijan state newspaper.~~

~~132.4. Where for the purposes of registration a legal entity submits false information, its founders and partners shall be jointly liable to:~~

~~132.4.1. pay any unpaid contribution;~~

~~132.4.2. compensate payments received, except for expenditures incurred in connection with the establishment of the legal entity;~~

~~132.4.3. compensate other losses which may have been incurred.~~

Article 133. Cancellation of the registration of legal entities in the state register

~~133.1. To cancell the registration of the legal entity in the state register after its liquidation and carrying out of liquidation measures, it shall file an application to the respective executive authority of the Republic of Azerbaijan in an order established by the Law of the Republic of Azerbaijan «On state registration and state register of legal entities»:~~

~~133.2. Respective executive authority of the Republic of Azerbaijan in an order established by the legislation of the Republic of Azerbaijan «On state registration and state register of legal entities» shall take the decision on cancellation of the registration~~

~~of the legal entity in the state register and inform the applicant about it. Respective entries on liquidation of the legal entity shall be made in the register. (10, 12)~~

Article 134. Public Access to State Register of Legal Entities

~~Any person is entitled to examine the state register of legal entities and to request an extract from the register and copies of documents submitted for the registration. The existence of a legal entity and of a person authorized to represent such legal entity may be certified by a registration certificate. Upon an application from an interested person the relevant executive authority shall issue a certificate of registration or non-registration. (12)~~

Section three. Rights on Property and Articles (12)

Chapter 5. General Provisions

§1. General Definition of Right to Tangible Property

Article 135. Subjects of Tangible Property Rights

135.1. In accordance with this Code, tangible property comprises exclusively physical objects. Money and *documentary* securities are also tangible property.

135.2. Property is the aggregate of tangible property and intangible property assets.

135.3. Plants and animals do not constitute tangible property. The legal status of plants and animals is regulated by special laws. The legal status of tangible property also applies to plants and animals provided that the law does not specify otherwise.

135.4. Tangible property may be movable or immovable. Immovable tangible property are land plots, subsoil plots, isolated water objects, and any other thing securely attached to the land, i.e., objects which cannot be moved without disproportionate damage to their function, including forests, long-standing plantations, buildings and structures.

135.5. All objects not included in the definition of immovable tangible property are deemed movable. *To other persons can be transferred rights and claims which are stipulated for financial benefits of their owner or his right to claim something from other persons, are considered to be intangible financial benefits. Relations associated with intangible financial benefits (claims and rights), are regulated in accordance with provisions of dedicated legislation, applicable to each of them.*

135.6. Tangible property can be divisible and indivisible. Indivisible tangible objects are those which cannot be divided into separate pieces without changing their designation or cannot be divided into separate pieces in virtue of statutory provisions.

135.7. Non-substitutable tangible objects are individually defined objects which are distinguishable from other goods because of their specific features. Movable property distinguishable by typical features and usually defined in turnover by quantity, size or weight is a substitutable object.

135.8. Movable tangible property designed to be consumed or alienated are known as consumable objects.

135.9. Where heterogeneous tangible property objects constitute a single whole presuming their use for a common purpose, such objects are deemed to be a single property (complex property). Effecting a transaction in respect of a complex property shall apply to all its components provided that the agreement does not specify otherwise.

135.10. *With exception of unapproved construction* in common understanding, anything that constitutes a part of tangible property and cannot be separated therefrom without being destructed, damaged or otherwise changed, is considered a component of the tangible property. The owner of the tangible property is the owner of all its components.

135.11. A movable object intended for permanent business operations, use or storage of the main tangible property and adapted for that purpose in common understanding or in accordance with the owner's desire is an accessory to the main tangible property. Where an object is an accessory it shall be so regarded even where it is temporarily separated from the main tangible property. Ownership of the main tangible property extends to its accessories unless there is an agreement to the contrary.

135.12. Profit, growth and/or advantage derived from a tangible property is the productivity provided by such property. Until its separation from the main tangible property such productivity is a component of the latter. The owner of the tangible property shall also own all natural products [productivity] from such property. ([12](#), [57](#))

Article 136. Civil Turnover of Tangible Property

136.1. Tangible property may be freely alienated or be transferred from one person to another under the procedure of universal succession (inheritance, reorganization of legal entity) or by another method, provided that such tangible property have not been withheld from or restricted in turnover.

136.2. Tangible property which it is unlawful to use in turnover (withheld from civil turnover), shall be expressly indicated in statutory provisions.

136.3. Tangible property which may only belong to certain participants of turnover or which may be in turnover under special permission (tangible property the civil turnover of which is limited) shall be determined by statutory procedure.

Article 137. Non-Material Property Values

~~Non-material property values means claims and rights, transferable to another person or designed to grant their owner material advantage or right to claim something from the possession of other persons. ([12](#))~~

Article 138. Encumbrance on Tangible Property and Rights

138.1. An encumbrance on tangible property means any form of restriction on property rights to such property on the basis of law or contract.

138.2. An encumbrance of a right means any form of restriction of civil rights or claims on the basis of the law or contract.

§2. State Registration of Property Rights

Article 139. State Registration of Rights to Movable and Immovable Property

139.1. Ownership rights and other rights over immovable property, restriction of such rights, their accrual, transfer and termination shall be subject to state registration. The following shall be subject to registration in cases provided in this Code and by law: ownership rights, right of use, mortgages, easements, as well as other rights to immovable property.

139.2. Rights to *movable* property shall be subject to state registration only in cases specified by law.

139.3 State registration of rights on immovable property is performed by the state registry on immovable property, which is performed and maintained in accordance with provisions of legislation by the relevant executive authority.

139.4. The register of addresses is kept, which is the information base that facilitates determination of the location of real property objects in the area without the use of special tools and their identification. The address is assigned, allowing to define the location of real property objects without the use of special tools. Keeping of the register of addresses and address assignment to the real property objects is carried out in accordance with the order, stipulated by the relevant executive authority. (12, 49)

Article 139-1. The grounds for state registration of immovable property

139-1.1. The grounds of state registration of arising, transfer, restrictions (encumbrance) and termination of rights to immovable property are as follows:

139-1.1.1. acts of the executive authorities and municipal authorities about the alienation, lease, transfer for use, mortgage of immovable property belonging respectively to the state or municipalities, adopted in accordance with the law;

139-1.1.2. final report on the results of an open auction, carried out by specialized organizations in the manner prescribed by law;

139-1.1.3. notarized contracts on real estate, certificates of inheritance, ownership of the spouse to share in the common property, the acquisition of houses and apartments at a public auction, the housing certificate;

139-1.1.4. court judgments entered into force;

139-1.1.5. acts, certificates and registration certificates, confirming the right to immovable property, including land, buildings, residential and non-residential apartments, private homes and villas, subsoil, water reservoirs, forest and perennial crops, enterprises as property complex which were issued by the relevant executive authorities until 6 July, 2006;

139-1.1.6. decision of the general meeting of members of housing co-operative on provision of residential (non-residential) premises in the building of housing co-operative (with the full payment of the share provided by the legislation);

139-1.1.7. lease agreements, orders and warrants issued as regards the suburban areas allocated to citizens by the offices of suburban economy under the

respective executive authorities until 22 May 2007, the membership book, issued in accordance with the list of members of the collective summer house community or an extract from the minutes of the meeting of the members.

139-1.1.8. documents, certifying the acquisition of the rights for real estate facilities, acquired and appeared before the entry into force of the Law of the Republic of Azerbaijan «On State Register of Real Estate», established by relevant executive authority.

139-1.1.9. With regard to buildings constructed before the entry into force of the Urban Planning and Construction Code of the Republic of Azerbaijan (up to 1 January 2013):

139-1.1.9.1. in respect of residential buildings up to 12 meters - a document certifying the right of ownership, lease or use of the land, the project agreed with the relevant executive authority, or the act of acceptance of an apartment house into operation;

139-1.1.9.2. in respect of apartment buildings, non-residential buildings and residential buildings higher than 12 meters - a document certifying the right of ownership, lease or use of land, the project agreed with the relevant executive authority, the decision of the relevant executive authority on the construction of buildings, the act of acceptance into operation;

139-1.1.10. With regard to buildings constructed after the entry into force of the Urban Planning and Construction Code of the Republic of Azerbaijan (since 1 January 2013):

139-1.1.10.1. for construction objects, the construction of which require a permit - a document certifying the right of ownership, lease or use of land, the decision to grant construction license, architectural and planning section of the construction project, the permit for the operation of the facility;

139-1.1.10.2. for residential buildings to which applies the notification process, - a document certifying the right of ownership, lease or use on land, architectural and planning section of the construction project, a document confirming the provision by the customer of the information by registered mail or personally to relevant executive authority after completion of construction;

139-1.1.11. the order of the relevant executive authority on the allocation of residential assistance from the state or public housing fund before the entry into force of the Housing Code (1 October 2009), the authorization or rental contract of an apartment;

139-1.1.12. certificates issued as regards the real estate by the relevant executive authority from 6 July 2006 to 24 June 2009. ([44](#), [55](#), [76](#))

Article 140. Presumption of accuracy and completeness of the contents of state registry of immovable property

Until the inaccuracy of the registry content is proven, its contents to be presumed as accurate and complete. Note in the registry to the favor of persons obtaining any rights registered under the name of the beneficiary of the deal, shall be considered valid, with exception of cases of obtaining by registry of objections on such note or determination of inaccuracy of the obtaining person.(12)

Article 141. Introduction of changes to state registry of immovable property

141.1. If contents of state registry of immovable property does not correspond with actual legal status of rights on land area or restriction of such rights, the person, whose rights have been violated by introduction of note on non-existing charge, shall be entitled to consent on introduction of changes to state registry of immovable property from the person, whose rights have been affected by such changes.

141.2. In cases stipulated under Article 141.1 of this Code, the objection can be made against the reliability of the state registry of immovable property.

141.3. Introduction of the note related with objection into the state registry of immovable property is implemented by the court decision on the basis of consent of person, whose rights are affected by introduction of such change.(12)

~~Article 142. Fee for Registration of Immovable Property~~

~~142.1. The fee specified by law shall be paid for registration in the state register of immovable property and services associated therewith.~~

~~142.2. The state shall bear liability for all damage relating to keeping of state register of immovable property. Where the executive authority keeping the state register of immovable property is responsible for making an error in the records the state will bear the liability on its behalf.(12)~~

~~Article 143. Supervision over Keeping State Register of Immovable Property~~

~~Keeping of state register of immovable property shall be subject to regular supervision. Complaints concerning improper keeping of the register of immovable property or incorrect entries may be filed with the courts.(12)~~

Article 144. Notarization of Agreements on Disposition of Objects Entered in the State Register of Immovable Property

144.1. Agreements as to disposition of objects entered in the state register of immovable property shall be certified by a notary public. During certification the notary *or other officials authorized to perform such notarial acts in cases prescribed by law* shall check the disposing party's right to dispose of the property and compliance of the agreement with the law. They are responsible for the unreliability of the agreement *they have notarized*.

144.2. The disposing party's right to dispose of the property shall be certified on the basis of the state register of immovable property or authorization granted by an authorized person. Such authorization shall also be notarized. Compliance of the agreement with the law shall be certified by notarization. *Agreement for the disposal by the objects of the state register of immovable property shall be certified by a notary public or other*

officials authorized to perform such notarial acts in cases prescribed by law in accordance with technical characteristics of such property registered in the state register of real estate.

144.2-1. In order to verify the right of disposal and obligations of the controlling party, including the existing encumbrance of property in the state register of real estate, in accordance with the Law of the Republic of Azerbaijan "On Notary", should be ensured the exchange of information and documents between notaries and the state register of real estate, including direct access of notaries to the state register of immovable property electronically.

144.3. After certifying the contract for the disposal of real estate, the notary shall immediately forward it to the state register of real estate: in electronic form by means of information systems and in certified written form through registered mail. Such agreement is recognized as an application for registration of the right of ownership and other real rights arising from this agreement in the state register of real estate and on the basis of this agreement state registration of the relevant rights is carried out.

144.4. Notarization shall not be required where a purchaser refers to a valid court decision or document equal thereto, including certified by notary.

144.5. Should application for disposal of objects entered in the state register of immovable property be submitted without confirming document, such application shall be rejected. ([4](#), [18](#), [44](#), [51](#), [53](#), [70](#), [79](#))

Article 145. Application for Registration in the State Register of Immovable Property

~~*145.1. Application for registration in the state register of immovable property shall be entered into book of applications in order of their submission, indicating the name of the applicant and their request.*~~

~~*145.2. Documents which constitute grounds for registration in the state register of immovable property shall be put into order and kept in accordance with their designation. ([12](#))*~~

Article 146. Accrual of Right to Immovable Property

146.1. Right for ownership and disposal of immovable property is accrued from the moment of notary verification of the deal on such property (with exception of rights, which are formed on the basis of court order or other resolution in legal force and not subject to appeal).

146.2. Right for disposal of immovable property accrued from the date of registration of such property on territorial basis in the state registry of immovable property.

146.3. Notary approval of agreements on immovable property not registered in the state registry, is not allowed, and agreements concluded on such property shall be deemed invalid.

Article 146.2 of the Code and first paragraph of this Article shall not be applied to the cases of notary verification of the ownership right of the buyer for residential area

purchased by the mortgage credit, mixed purchase contract and pledge as mortgage of this residential area before registration at the state register of real estate.

~~*146.4. Upon notarization of the agreement, the notary shall issue two copies of the agreement to the applicant or at his option provide the relevant authority of executive power with notarized application of the person, applied for registration of the right in the state register for immovable property, within 2 days. To the application shall be attached one copy of the agreement, documents, reflecting any statutory stipulated grounds for state registration of the rights, plan and area of the land site, technical passport, plan layout of the building, construction or any immovable property (its compounds), located at the land site and document on payment of the state duty. Copy of this application shall be submitted to the person, who applied for notary verification of the agreement.*~~

146.5. If the person obtaining immovable property or any rights on such property, refers to court decision and other legal decisions not subject to appeal, then to notary application shall be attached notary approved copy of such decision and documents reflecting technical parameters of immovable property.

146.6. If documents required for registration of immovable property or rights on such property by the state registry on immovable property are not collected, the state registry may perform the preliminary registration on the basis of consent of owner or on the basis of court decision.

146.7. Registration of immovable property or rights on such property in the state registry for immovable property shall be performed at the date obtaining of notary application.

146.8. Notary, other officials authorized to perform such notarial acts in cases prescribed by law, verifying the agreement on immovable property and executive of the relevant authority of executive power shall bear legal liability for registration of agreements on immovable property in the state registry for immovable property. The state shall be the respondent on claims related to the non-registration or incorrect, incomplete registration of deals on immovable property in the state registry on immovable property. ([2](#), [18](#), [21](#), [51](#), [53](#), [70](#))

Article 147. Preliminary Registration

147.1. For satisfaction of claim on obtaining or cancellation of the rights on land or rights on land charge, or changes to contents or order of such rights in the state registry of immovable property the preliminary registration can be maintained. The preliminary registration is also allowed for provision of future or conventional claims.

147.2. Upon implementation of preliminary registration of the instruction issued with regard to land area or right on it, shall be deemed invalid in the part in which it affects or prevents the implementation of subject claim. This procedure is applied also in the event of issuance of instruction for enforced execution or application of seizure.

147.3. Advantage of claim directed on obtaining of rights determined by time of submission for preliminary registration into the registry of claim application. ([12](#))

Article 148. Publicity of State Register of Immovable Property

148.1. *Extract from state register, concerning description of the immovable property, having passed the state registration of the right and restrictions (encumbrances), shall be issued to the legal owner, his attorney, persons with succession right of the legal owner's property according to the law or will and respective governmental authorities in view of fulfilment of authorities stipulated by the legislation.*

148.2. Any person who has acquired property or any other rights relying upon entry in the state register of immovable property shall be protected against violations of such rights.

148.2-1. In case of real estate disposal on the basis of an extract from the state register of real estate placed on the portal "Electronic Government", at the request of the rightholder, a notary or other officials, authorized to perform such a notarial action in cases specified by law, in accordance with the Law of the Republic of Azerbaijan "On Notarial System" receive an extract from the state register of real estate in real time through electronic information systems.

148.3. In cases prescribed by law and statutory procedure, notary or other officials authorized to perform such notarial acts in cases prescribed by law, ~~other officials conducting notarial acts,~~ can get a description of the real estate, certificate about rights for this property, registered in the state register of immovable property and their restrictions (encumbrances) from the state register of immovable property through electronic information systems in real time.

148.4. In order to obtain information regarding the property being in the mortgage, a link shall be created between the public register of real estate and information systems of the Central Bank of the Republic of Azerbaijan, the financial market supervisory authority, mortgage funds, banks-mortgage holders and other credit organizations. ([18](#), [53](#), [64](#), [67](#), [70](#), [75](#))

Article 149. Unreasonable Registration of Rights to Immovable Property

~~149.1. Unreasonable registration means registration of rights to immovable property carried out without lawful grounds or following an illegal transaction. Where registration of rights to immovable property is declared unreasonable, a third party which knew or should have known of such registration shall not be entitled to rely upon such registration. The person whose rights are breached in course of such registration shall be entitled to bring claims directly against unfair third party.~~

149.2. Where registration of rights to immovable property is declared unreasonable, or a valid registration is cancelled or changed, any person whose rights in respect of such property are breached shall be entitled to seek a court order for cancellation or amendment of the corresponding entry. Claims for recovery of damages cannot be excluded. In such case the rights of a third party who acted in good faith shall remain intact. ([12](#))

Article 150. Cancellation of Registration of Destroyed Immovable Property

150.1. *Where upon destruction of immovable property its registration loses its legal significance, an interested person may claim cancellation of registration. Destruction of immovable property shall be certified by an official of the executive authority which keeps the state register of immovable property.*

150.2. Any interested person may appeal cancellation of registration in court within ten days of the date when they became aware of such cancellation. (2)

Article 151. Amendments in the State Register of Immovable Property

~~151.1. In the event of complete destruction of immovable property resulting in loss of legal sense of its registration, the relevant person shall be entitled to claim the cancellation of registration under court order. Relevant executive authority shall be entitled to make amendments in the state register of immovable property without having the written consent of interested parties only upon the basis of a court order.~~

~~151.2. Amendment of misprints and technical errors shall be carried out under ordinary office procedure. (12)~~

Chapter 6. General Provisions in Respect of Right of Ownership

Article 152. Concept and Scope of Ownership rights

152.1. Ownership rights means acknowledged right, protected by the state, of a subject to possess, use and dispose of property (chattel) belonging to such subject at their discretion.

152.2. Right to possess means the legally protected possibility of enjoying actual possession of property (chattel).

152.3. Right of use means the legally protected possibility of enjoying useful features of the property (chattel), as well as to receive income therefrom. Income from use may be in the form of income, growth, fruit, reproduction, etc.

152.4. Right to dispose means the legally protected possibility of determining the legal fate of the property (chattel).

152.5. An owner may, to the extent permitted *within the limitations established by law or by contract*, freely possess, use and dispose of property (chattel), deny possession of the item to other persons, shall further be entitled to perform any acts in respect of their property at their own discretion, provided that such actions do not breach rights of neighbors or other third parties, or such act does not constitute abuse of right.

152.5. The owner is free to own property (thing) within the limits specified within the limitations established by law or by contract, may use and dispose of them, may allow the possession of the property by others to make, at its discretion, any action in respect of his property, unless such acts do not violate the rights of neighbors or third parties, or no abuse of rights.

152.6. Abuse of right means such use of property which only causes damage to others and where no advantage to the interests of the owner is evident and their actions are not necessary.

152.7. Rights of use shall also include the option of not using their property. The law may impose an obligation in respect of use or maintenance where failure to use such property or lack of maintenance is contrary to social interests. In such event the owner may be

ordered to perform such obligations in person or to transfer such property to the use of other persons for appropriate compensation.

152.8. Owner shall be entitled to transfer their property into trusteeship of another person (trust management). Such transfer of property shall not entail transfer of ownership rights to the recipient of property under trust management, who shall be obliged to manage such property in the interests of the owner or relevant third party.

152.9. Ownership rights to an item of property shall also apply to components of such item.

152.10. Risk of destruction of property or sudden damage shall be borne by the owner, provided that this Code, or a contract, does not specify otherwise.

152.11. An owner shall be liable for maintenance of their property, provided that this Code, or a contract, does not specify otherwise. (58)

Article 153. Subjects of Ownership rights

153.1. Legal entities, natural persons, municipalities and the state of the Republic of Azerbaijan may have rights of ownership to movable and immovable property.

153.2. Legislation shall establish types of property which may only be owned by the state or municipalities.

153.3. Special features of acquisition or termination of ownership rights to property, possession, use and disposal depending upon the fact whether the property is under the ownership of legal entity or natural person, under the ownership of the Republic of Azerbaijan or communities may be established only by the law.

153.4. Rights of all owners shall be equally protected

Article 154. Ownership rights of Natural Persons and Legal Entities

154.1. Natural persons and legal entities may be owners of any property, except for certain types which under the law cannot be in the ownership of natural persons or legal entities.

154.2. Quantity and value of property in the ownership of individuals or legal entities shall not be restricted, except for cases when such restrictions are imposed in furtherance of purposes specified in Article 6.3.

154.3. Commercial and non-commercial legal entities shall be owners of property transferred to such entities as contribution by founders (participants, members) or acquired by such legal entities upon other grounds.

Article 155. Right to State Property

155.1. State property means all property belonging under ownership rights to the Republic of Azerbaijan.

155.2. Land and other natural resources which are not in the ownership of natural persons, legal entities or societies shall be in the ownership of the state.

155.3. Funds from the state budget of the Republic of Azerbaijan shall be considered property of the Republic of Azerbaijan.

155.4. The State may transfer its own property to ownership of natural persons and legal entities under the procedure specified by the laws on privatization of state property.

Article 156. Ownership rights of Municipalities

156.1. Property belonging under ownership rights to municipalities shall be their property.

157.2. Funds from local budgets shall be property of municipalities.

Article 157. Protection of Ownership

157.1. Owner shall be entitled to request acknowledgement of ownership rights.

157.2. Owner shall be entitled to claim their property from another's illegal possession.

~~157.3. Where in respect of certain consideration property is acquired from a person who does not have the right to dispose of such property and the purchaser did not and could not have known of such fact (bona fide purchaser), the owner shall be entitled to claim such property from the purchaser only where such property was lost by the former owner or by person who received property from the former owner for possession, or was stolen from either of the above mentioned persons, or of which possession was lost unintentionally in some other way. Where property is acquired free of charge from a person who does not have the right to dispose of such property, the owner shall have an absolute right to reclaim such property. Neither money nor bearer securities may be claimed from a bona fide purchaser.~~

157.4. Where violation of ownership or other restrictions occurs without confiscation or deprivation of property, the owner is entitled to request the offender to stop such actions. Where such actions continue, the owner is entitled to seek termination of such actions by court order.

157.5. Upon claiming of property from another's illegal possession, the owner shall also be entitled to claim from a person who knew or should have known that their ownership is illegal (mala fide purchaser), return or reimbursement of all income which such person received or could have received during their enjoyment of the property starting from the moment when they came to know or should have come to know or receive the *service* as per the owner's claim for return of property or illegal possession of property. *Besides, the dishonest owner shall compensate to property owner all damage incurred as a result of holding his property. Legal owner during compensation shall not compensate for lost or damage property, including losses associated with incomes obtained from the property.*

157.6. Both a bona fide purchaser and a mala fide purchaser are entitled to claim from the owner reimbursement of necessary expenditure on the property starting from the moment when income becomes due to the owner.

157.7. A bona fide purchaser shall be entitled to keep modifications carried out on the property, provided that they can be removed from the property without causing any damage to the latter. Where such separation of modifications is not possible, a bona fide purchaser shall be entitled to claim reimbursement of expenditures for performance of modifications, provided that such amount does not exceed the amount of increase in the property's value.

157.8. Rights of owner shall also belong to a person who while not being the owner possesses the property upon grounds specified by this Code or under a contract.

157.9. The state confiscates the property for public use only in cases stipulated by the Law of the Republic of Azerbaijan «On confiscation of land for public use», for the purpose of laying and installation of roads and other communication lines of national importance, to ensure full protection of the state border in the border regions, construction of defense-security objects, construction of the objects of mining industry of national importance. (5, 12, 23, 36, 46)

Article 158. Property Rights of Persons Who Are Not Owners

158.1. The following shall be treated as property rights along with the ownership rights:

158.1.1. right of pledge;

158.1.2. right of user;

158.1.3. easement.

158.2. Property rights may belong to persons who are not the owners of such property.

158.3. Transfer of ownership rights in respect of property to another person shall *not* constitute grounds for termination of other property right in respect of such property *provided that the beneficiary is the bona fide holder of charged property.*

158.4. Property rights of a person who is not the owner of the property shall be protected from violation by any person, including that of the owner.(12)

Chapter 7. Right of Possession

Article 159. Possession of Property

Possession shall be achieved via actual possession of the property.

Article 160. Direct and Indirect Possession

Where a possessor transfers property to another person for exercise of restricted property or personal rights, both such persons shall be treated as possessors. The former is the indirect possessor and the latter is the direct possessor.

Article 161. Possessor of Other's Property and Possessor of Own Property

Whoever possesses property under ownership rights is the possessor of their own property, whereas any other possessor is the possessor of another's property.

Article 162. Temporary Interruption of Possession

Temporary inability or lack of possibility of actual possession of property shall not vitiate possession of such property.

Article 163. Transfer of Possession

163.1. Possession shall be transferred through transfer of the property itself. Transfer shall be considered complete where upon the free will of the former possessor a recipient is able to enjoy actual possession of the property.

163.2. Possession of property may be acquired without transfer, provided that a third party or a person disposing of the property continues to possess such property under a special legal relationship. In respect of a third party the transfer shall be valid only where the person disposing of the property notifies such third party of the transfer. The third party may refuse to release the property to the recipient upon the same grounds on which they could refuse to release the property to the person who is disposing of such property.

163.3. Where goods transferred to a freight forwarder or warehouse have a corresponding document certifying such goods, transfer of such document means transfer of property as such. However, if there exists a bona fide recipient of such document and a bona fide recipient of the goods, the latter shall be given preference.

Article 164. Protection of Possession

164.1. Deprivation of possession or its breach, exercised against the will of the possessor are prohibited acts. Each possessor is entitled to use force in protection against such prohibited actions. In so doing and taking account of the actual circumstances they should refrain from unnecessary application of force.

164.2. A person who has been deprived of possession is entitled to claim return of such possession from an unlawful possessor. No claims may be filed where deprivation is incorrect in respect of the actual possessor or his/its legal successor and possession was acquired during the year preceding the year of deprivation.

Article 165. Violation of Possession

165.1. Where possession is violated through unlawful acts, the possessor is entitled to request that the offender desist from such acts. Where there are doubts that the violation will cease, the possessor is entitled to file a claim for termination of such acts. Such claims are excluded where in respect of the offender or their predecessor in law the possessor is considered unlawful and possession was acquired during the year preceding the year of deprivation.

165.2. A claim against unlawful acts is permitted only where the possessor claims return of property or eliminating breaches immediately on the date when they become aware of the fact of violation and the identity of the offender. A claim shall be filed within one year of the date of deprivation or violation, even in cases when the possessor becomes aware of the violation and offender later.

Article 166. Assumption of Ownership Upon Possession

166.1. It shall be assumed that the possessor of property possesses such property under ownership rights. It shall be assumed that each previous possessor was the owner of such property during their possession thereof.

166.2. A person in possession of movable property, who does not wish to become the owner of such property, may assume that such property is in the ownership of the person from whom such property was received. The possessor shall be treated as acting in bad faith where they knew or should have known that they have no right to possess the property. It is assumed that the possessor of movable property who claims restricted property or personal rights indeed has such rights. However, they may not assume the existence of such right in the person from whom they receive the property.

166.3. It shall be assumed that only the person whose right of possession arises out of registration of a land plot in the state register of immovable property has the ownership rights and right to claim possession. However, the actual possessor of a land plot may file a claim on deliberate deprivation or violation of possession.

Article 167. Obligation of Mala Fide Possessor to Return Property

~~A mala fide possessor shall return property to the owner and shall further compensate all losses and return any income obtained.~~(12)

Article 168. Absence of Bona Fide Possessor's Liability to Owner

~~A bona fide possessor shall not be obliged to reimburse losses to the authorized owner following receipt of income and enjoyment in accordance with their assumed right. They shall not be obliged to pay compensation for items which perished or have been damaged.~~(12)

Chapter 8. Restriction on Right of Ownership

Article 169. General Provisions on Restriction on Ownership rights

169.1. Ownership rights may be restricted in cases specified by this Code.

169.2. Any owner of immovable property shall permit drilling of wells, laying of water, gas and other pipes, and laying of surface and underground power cables in return for full compensation of damage caused by such actions, provided that such actions cannot be accomplished without the use of the corresponding land plot, or where it may be so accomplished, it would require significant expenditure.

169.3. The owner of an encumbered land plot is entitled to proper consideration of their interests. Where it is justified by extraordinary circumstances, in the case of surface utilities, they may claim separation of the relevant land plot for full consideration.

169.4. Where circumstances change, an owner may claim laying of utilities in accordance with his/its own interests. The cost shall be borne by the primary recipient. However, a reasonable portion of the costs, justified by circumstances, may be borne by the owner.

Article 170. Rights of Neighbors

170.1. Any land plot or other immovable property subject to bilateral influence is regarded as a land plot or immovable property of a neighbor.

170.2. Owners of neighboring land plots or other immovable property shall, in addition to rights and duties specified by law, respect each other. In exercising rights of ownership, each person shall refrain from excessive actions in respect of property of the neighbor. In particular, all harmful and depending upon the situation and features of the land plots, illegal actions relating to use of gas, waste, smells, noises and vibrations are prohibited.

170.3. Nobody is permitted to change the natural course of water such that it entails harm to a neighbor. Water required for each of a lower and higher land plot may be directed to the higher land plot only in the amount necessary therefore. In using water the owner of the lower land plot shall receive all water which comes to their plot through its natural course free of charge. Where such owner sustains damage from discharge of water, they shall be entitled to demand that the owner of the higher land plot, at their expense, dig a ditch through the lower land plot.

170.4. It is not permitted to change the course of underground waters which traverse several land plots, or so to manipulate the water that it could lead to reduction in volume of water or a deterioration in its quality at other land plots.

Article 171. Duty to Suffer Nuisance from a Neighbor

171.1. An owner of a land plot or other immovable property may not prohibit the effect on their property of gas, steam, smell, soot, smoke, noise, heat, vibration or other similar phenomena issuing from a neighboring land plot, provided that such phenomena do not cause an obstacle to such owner in the use of their land plot or that such phenomena breach such owner's rights to a minimal extent.

171.2. The same rule shall apply to cases where the effect is significant, but is caused in course of ordinary use of neighboring plot or other immovable property and cannot be prevented by measures considered to be proper for general commercial activity of such users.

171.3. Where an owner is obliged to suffer such effect, they shall be entitled to claim from the owner of the neighboring land plot or other immovable property which causes such effect, appropriate monetary compensation, provided that the effect exceeds generally accepted limits for the area and the technical and economic indicators for such property.

Article 172. Damage Caused to Owner by Excavation and Construction Works

172.1. In course of excavation or construction works an owner is not permitted to cause damage to neighboring land plots through removal of soil or to expose them to danger or cause damage to constructions located on such land plots.

172.2. An owner of a land plot may request prohibition of construction or operation of such constructions as are located on the neighboring land plot and which violate their right of use of the land plot.

172.3. Where in course of construction works the owner of the land plot unintentionally violates the borders of the neighboring land plot, the owner of such land plot shall suffer

such violation except for the cases when the offender was given a protest in advance or immediately upon violation. A neighbor who violates borders of the neighbor shall be obliged to pay monetary compensation which shall be payable for each year thereafter.

172.4. Rules on outstanding constructions shall apply to constructions which breach rights of neighbors.

Article 173. Projecting Constructions

173.1. Buildings and other constructions with projecting parts which overhang another property shall remain components of the property upon which such buildings and constructions are located, provided that the owner has the material right to them. A neighbor may file a claim in respect of such projecting section and request its demolition, or on reconciling themselves to it, request reasonable compensation.

173.2. Right to a projecting part may be registered in the same register of immovable property as an easement.

173.3. Where a projecting part is unjustifiable and the person whose rights are violated, though he/it was aware of this, does not make a protest in due time, then, in cases allowed by circumstances, a person carrying out construction of such projecting part may be granted property rights to such part or ownership rights for the land plot, on condition of reasonable reimbursement.

173.4. Where there is a danger that a projecting part may fall onto a land plot, the owner thereof may demand that the neighbor perform the necessary remedial works to eliminate such danger.

Article 174. Overhanging Plants

174.1. Where an overhanging branch or protruding roots cause damage to a neighbor's property and on are not removed on his request within a reasonable period, then the neighbor may cut off such bough or roots and retain them with himself.

174.2. Where fruit from a tree or bush falls onto a neighboring land plot, it shall be treated as belonging to this land plot.

174.3. Where an owner allows the existence of overhanging branches on land plots with constructions and projecting constructions, such owner shall be entitled to the fruit from such branches. These provisions shall not apply to areas of forest.

Article 175. Required Road and Access through Other's Possession

175.1. Where the owner of a land plot does not have access from his/its own land plot to public roads, or to electricity, oil, gas, or water mains, he/it shall be entitled to claim access from neighbors in return for full payment. Such claim shall in the first place be addressed to a neighbor from whom it would be most expedient to claim access because of the contiguity of the properties and the access, and thereafter to neighbors who will sustain the least damage by such access. Mutual interests shall also be taken into consideration in establishing such access.

175.2. The neighbors across whose land plot the necessary access or utility lines pass shall be paid appropriate compensation. Where the parties so agree, such compensation may be paid in a lump sum.

175.3. Where an owner himself is to blame for removing the already existing necessary access or utility lines, then the neighbor incurs no duty to provide a new access or utility lines.

Article 176. Fencing and Separation of Land Plots

176.1. The cost of fencing shall be borne by the owner of the land plot where such fencing is located. Where two land plots are separated by a fence or any other structure, it shall be assumed that the owners of such adjacent land plots have equal rights of use of such structure and shall incur expenditure in respect of such structures in proportion to their interests. Where both neighbors are equally entitled to use the structure designated to be the border, each neighbor shall use the structure in such manner that no impediment is caused to the other neighbor.

176.2. The owner of a land plot shall be entitled to claim from an owner of neighboring land plot to take part in the construction of a new fencing or repair of the fencing which previously existed but has become demolished or damaged. The costs shall be borne equally by the neighbors unless they determine otherwise. For as long as at least one of the neighbors is interested in maintaining a fence or border structure, such fence or structure shall not be demolished or altered without such neighbor's consent.

176.3. Where it is impossible to establish a precise boundary, the neighbor's actual possessions shall play the deciding role in determining where the fencing will be traced. Where it is impossible to establish borders of the neighbor's actual possessions, the disputed area shall be divided into equal sections. Should such division create unjust results, then the border shall be established by court upon application by one of the parties.

Article 177. Lost Animals and Chattels

Where, in the result of a natural disaster or fortuitous circumstance, chattels are moved to another's land plot, or animals, other than wild animals, are found on another's land plot, the owner of such land plot shall permit an authorized person to enter upon its/his property in order to recover such chattels or animals. Such owner may claim compensation for damage caused in the course of such events and for that purpose is entitled to take a lien on such items of property.

Chapter 9. Acquisition and Loss of Ownership Rights

§1. Acquisition and Loss of Ownership Rights to Immovable Property

Article 178. Acquisition of Ownership Rights to Immovable Property

178.1. The ownership rights to immovable property shall pass to the purchaser from the moment of registration of act of transfer in the state register of immovable property *on the grounds established by law. If in accordance with law the rights on property can be transferred to another person without registration in the state registry, the person shall inform the state registry on this.*

178.2. Ownership rights to newly created immovable property shall arise from the moment of registration of such property in the state register of immovable property.

178.3. Where as the result of flood, landslide or subsidence, change of direction or level of a river or by any other means a new land plot appears, it shall be adjoined to the adjacent land plot.

178.4. Movement of soil from one plot to another shall not cause a change of boundaries.

178.5. Where an owner has unknowingly been registered without justification in the state register of immovable property as the owner of a land plot continuously for ten years without any objection being made, *such person shall be considered the owner of land plot.*

178.6. Where a person has possessed property not registered in the state register of immovable property and such possession was continuous for thirty years without any objection being made, such person may demand registration as the owner. On the same principle such right shall belong to the possessor of property whose owner is not recorded in the state register or who died 30 years previously or was declared missing without trace at the time of acquisition of property. However, in the absence of claims during the official notice period or on refusal to register, registration may subsequently be made only as the consequence of a court order.

178.7. Immovable property which has no owner, common waterways and land unsuitable for cultivation, for example, rocks, highlands and spring waters arising therefrom, and subsoil resources belong to the state.

178.8. Member of housing, summer house, garage or other cooperative, other persons holding their share accumulation, who have paid fully their share for apartment, summer house, garage or other facility, built by cooperative, shall obtain the right of ownership on such property. (12, 79)

Article 179. Acquisition Through Length of Use [\(CC3\)](#)

~~*179.1. If the immovables is not belonged to anybody with property right or if it is impossible to determine owner of immovables, a natural or juridical person, who is not the owner of immovables, but within fifteen years treat honestly, openly and continuously acerues a right of ownership (term of acquirement) has the right to achieve immovables right.*~~

179.2. A party relying on length of use of a property may include in such period all the time when such property was in the possession of an entity which is its legal predecessor.

179.3. Until acquisition of ownership rights to immovable property through length of use, the party possessing such property as their own shall have the right to protect their possession against breaches by third parties who are not owners of the property and who do not have the right to possess such property in virtue of this Code or under a contract.

179.4. Ownership rights to an immovable property shall arise in respect of a party acquiring such right through length of use from the moment of registration of such property in the state register of immovable property. [\(3, 12\)](#)

Article 180. Unauthorized Construction and Consequences Thereof

180.1. An unauthorized construction means a residential building, other construction, facility or other immovable property, erected on a land plot which was not allocated for such purposes or was erected without obtaining the necessary permits or with substantial breaches of building and planning regulations.

180.2. A party who carries out an unauthorized construction shall not acquire the ownership rights to such construction. Such party shall not be entitled to dispose of such property whether by sale, deed of gift, lease or in any other way whatsoever.

180.3. Ownership rights to an unauthorized construction may be recognized by the courts as being in a party who erects such construction on their own land. Such party's ownership rights shall not be recognized where the existence of such construction breaches the rights and lawful interests of other persons or constitutes a risk to life and health.

180.4. Structures and constructions built on the land site which was not allocated for construction purposes or without proper authorization, either in strict violation of the town--planning requirements and building codes and regulations, can be demolished according to the judgement of the court, taken on application of the relevant executive authorities or interested parties.(24)

§2. Acquisition of Ownership rights to Movable Property

Article 181. Basis for Acquisition of Ownership rights to Movable Property.

181.1. Owner shall, on real legal basis, give the ownership rights to property to the person who acquires right of property to movable property.

181.2 Assignment of property means: assignment of property to direct ownership of person who acquires the property, assignment of roundabout ownership to property based on agreement, in this case previous owner may remain as a direct owner; assignment of right of the owner to require the ownership from third party to person who gained ownership rights.

181.3. Right of property to a new item manufactured or created for himself by the person following the requirements of legislation shall acquire the person himself. The benefit derived as a result of usage of property, property right to the production and the income shall be gained based upon requirements specified in Article 135.12.

181.4. Property right to item which has an owner may be acquired by another person on the basis of a contract of sale, substitution, deed of gift or upon other transaction relating to disposal of property. *If person has owned continuously for five years any item as his own, he shall be entitled to obtain the rights of ownership of such property (statute of limitation). If it dishonestly owns the obtained item and later it is established that this item does not belong to him, obtaining of such movable item is not allowed.*

~~181.5. Where an individual dies, property rights in an object belonging to them shall pass to other persons on inheritance, in accordance with provisions of a will or law.~~

181.6. Where a legal entity is reorganized the ownership rights to the property formerly belonging to such legal entity shall pass to the legal entity or entities which is the legal successor of the reorganized legal entity.

181.7. In those cases and under a procedure stipulated by this Code, a person may acquire ownership rights to property which has no owner, or to property the owner of which is unknown, or to property renounced by its owner, or to property to which the owner has lost his/its property rights on other grounds specified by law.

~~181.8. A member of a residential, dacha or garage cooperative or other cooperative, or other persons with shared equity rights who have fully paid their share for the corresponding flat, dacha, garage or other property allocated by the cooperative acquire property rights to such property. (12)~~

Article 182. Person Acquiring Bona fide Property Rights

182.1. Where the person who disposes of property is not the owner of such property, but a bona fide acquirer acquires ownership rights to such property, such acquirer becomes an owner of such property. Where such acquirer knew or should have known that the person disposing of such property was not its owner, such acquirer is not considered to be a bona fide acquirer. The fact of bona fide conduct must exist before the transfer of such property.

182.2. Where the owner of movable property loses such property, or such property has been stolen from him or possession thereof was unintentionally lost in some other way, or another person acquired it at no cost, the person who acquires such property may not be considered as bona fide. These restrictions do not apply to money, *documentary securities* or property disposed of at auction. (57)

Article 183. Assignment of Property by Means of Securities

In case issuing of securities instead of assigning the property is obligatory to provide the transfer of property to person who obtains it, the property shall be considered passed to the person who acquires it from the moment that the alienator issues securities to this person.

Article 184. Acquisition of Ownership to Ownerless Movable Property

184.1. Where use of ownerless movable property is not forbidden in accordance with this Code or it does not violate the rights of another person who has acquired the right to its use, this person shall acquire ownership rights when they accept the item for ownership.

184.2. Where the owner of property does not exist or they are unknown or the former owner terminates ownership to the property by renouncing ownership rights, the movable property shall be considered ownerless.

Article 185. Movable Property Abandoned by Owner

185.1. Movable property which is thrown away or otherwise abandoned by the owner (abandoned property) may be taken into ownership by other persons.

185.2. A person in whose ownership, possession or use there is a land plot, pond or other object on which there is an item of abandoned property whose value is plainly less than the amount of *fifty five manats*, or there is scrap metal, slag heaps or liquid discharges arising from mineral extraction, defective goods, manufacturing and other wastes is entitled to take such things into their ownership by starting to use them or by any other act which demonstrates that they have taken such things into their ownership.

185.3. Other abandoned chattels become the property of the person who starts to possess them if pursuant to such person's application a court orders that such chattels have been abandoned. (32)

Article 186. Finding

186.1. Any person who finds lost property shall immediately notify either the person who lost it, or such property's owner, or an authorized person or, in case the owner is unknown, the police and return such lost property.

186.2. With the exception of those cases when the owner is known to the person who finds the lost property or the owner has informed the police of his/its right to such property, the finder acquires ownership rights to the lost property after one year from the date he gave notice of finding the lost property. At the same time as the finder acquires the ownership right to the lost property in such manner, all other rights to the lost property are terminated.

186.3. Where an authorized person accepts the lost property, the finder may require a reward in the amount of up to five percent of the lost property's value. In addition, the finder may require the authorized person to reimburse the costs he incurred while keeping the lost property. Where the finder does not notify of finding the lost property or attempts to conceal the finding, no right to receive any reward may arise.

186.4. Where the finder refuses to accept the lost property to his ownership [in the manner specified in Article 186.2], then after one year from the finding the authorized body may sell it at auction and use the proceeds, or where the value of the item is low it may dispose of the property free of charge or destroy it.

186.5. Where the lost property is an animal, an item subject to rapid decay or an item which is expensive to store, the term of one year shall not apply, and the amount gained as a result of disposing of such item shall be returned to the owner.

Article 187. Treasure

187.1. Where treasure, that is money or other valuables, is buried in the ground or concealed in some other way and the owner thereof cannot be determined, it shall become the property, in equal shares, of the owner of the property (land plot, building, etc.) where it was hidden, and the person who discovered it, unless they agree to a different division of such treasure.

187.2. Where the treasure was discovered by a person carrying out an excavation or search for valuables without the consent of the owner of the land plot or other property on which the treasure was hidden, such treasure shall be given to the owner of that land plot or other property.

187.3. Where the discovered treasure constitutes artefacts relating to cultural or historical monuments or which have scientific value, it shall be transferred into ownership of the state. In this case the owner of the land plot or other property where the treasure was hidden and the finder shall be entitled jointly to receive a reward in the amount of fifty percent of the treasure's value. Such reward must be equally divided between them, unless they agree to divide it between themselves otherwise.

187.4. Where such treasure is discovered by a person carrying out an excavation or search for valuables without the consent of the owner of the property where such treasure was concealed, the reward shall be given in its entirety to the owner of the property.

185.5. The provisions of this Article do not apply to persons whose employment or service duties relate to the search for and excavation of treasure.

Article 188. Processing

188.1. Unless a contract stipulates otherwise, the right of ownership to movable property newly produced by a person who processes materials provided by another shall vest in the owner of such materials. Where the value of the manufacturing process is significantly higher than the value of the materials, ownership rights to the new property shall vest in the person who bona fide processed the materials for himself.

188.2. Unless a contract stipulates otherwise, the owner of materials who acquires property rights to the property produced from his/its own materials shall pay the processor the cost of processing, ~~and where the processor acquires property rights to the newly produced property, the processor shall pay the cost of the materials to the owner thereof.~~

188.3. An owner who loses materials as the result of mala fide acts by the person who processes the materials is entitled to demand transfer of ownership to the newly-produced property to him and reimbursement of the loss sustained.⁽¹²⁾

Article 189. Taking Possession of Property Available to All

Where in accordance with law, general permission of an owner or local customs it is lawful for all to pick berries, go fishing, hunting or gathering other things which are available to all in forests, areas of water or other places, ownership rights to the corresponding objects shall accrue to the person who takes them.

Article 190. Acquisition of Right of Property to a Component Part of a Land plot

Where, due to its related character to a land plot where it is located, an immovable property has become a component part of the land plot, then in accordance with Article 135.10 of this Code the owner of such land plot shall also be the owner of such property.

Article 191. Joint Ownership of Property Formed by Combination

191.1. Where items of movable property are converted into components of a new indivisible item as a result of the interconnection one with another or where such items of movable property are combined together, their previous owners shall become owners of this new property. The ownership interests shall be determined in accordance with the items' previous value.

191.2. Where one of the items is generally accepted as the main item, its owner shall also acquire ownership to the accessory component of such item.

Article 191-1. Claim to new owner for payment of compensation on losses

191-1.1. Person, which in accordance with Articles 188, 190 and 191 of this Code has lost his rights on property or whose rights have been violated otherwise, shall be entitled to require the compensation of damage from the person who was the owner. No claims can be made on restoration to original condition.

191-1.2. If new owner has obtained the item from third party on the basis of purchasing agreement, the claim stipulated under the Article 191-1.1 of this Code can not be raised.[\(12\)](#)

Article 192. Stray Animals

192.1. Any person who finds stray or exhausted cattle on pasture, or other neglected animals, should return them to their owner; where such animal's owner or their whereabouts is unknown, the finder shall notify the police about such animal within three days of their being found; the police shall then institute a search for the owners.

192.2. While looking for the owner the person who found the animals may keep them, look after them and use them or transfer them to other persons who have appropriate facilities for so doing. At the request of the finder, the police may find a person with the appropriate facilities for looking after the animals, and transport them to such person.

192.3. The finder of the animals and the person in whose charge they are given shall maintain the animals in appropriate conditions. Where such persons are responsible for the animals' death or disease, they will bear liability within the limit of the animals' value.

192.4. Where the owner of the animals is not identified within 6 months of the notice concerning their finding or does not wish to accept them, the person who is maintaining and using the animals will acquire ownership rights to them. Where such person refuses to accept the animals they will become state property.

192.5. Where after the animals have been transferred into another person's ownership the previous owner is able to demonstrate an attachment on the part of the animals they may require that the animals be returned to them on the basis of an agreement with the new owner. Where no such agreement is possible, the matter shall be resolved by the courts.

192.6. On returning stray animals to the owner, the person who maintained them is entitled to require reimbursement of costs incurred for their maintenance, with a deduction of any profit received from their use. The person who caught the stray animal is entitled to a reward pursuant to Article 186.3.

§3. Acquisition of Ownership Rights to Rights and Claims

Article 193. Concept of Acquisition of Ownership Rights to Rights and Claims

193.1. The owner of rights or claims which may be assigned or pledged may assign them into ownership of another person. Such rights and claims are assigned to the new owner with the same status as they had with the predecessor in title.

193.2. The predecessor shall assign to the new owner all documents at his disposal relating to the rights and claims, and also all information necessary for exercising such rights and claims.

193.3. On request the predecessor shall provide to the new owner a duly certified document confirming assignment of the rights and claims. The new owner shall pay all costs in respect of obtaining such document.

Article 194. Assignment of Claim

194.1. The owner of a claim (a creditor) is entitled to assign such claim to a third party without the debtor's consent, always provided that such assignment is not contrary to the essence of the obligation, the agreement with the debtor or the law. An agreement with the debtor on the impossibility of assignment is possible only where the debtor has a good reasoned interest.

194.2. An assignment of claim is made under an agreement between the owner of the claim and the third party, and in such cases the place of the primary owner is taken by the third party. In this case, in accordance with the Law of the Republic of Azerbaijan "On Banks", it is not required to amend the contract entered between the owner of the claim and the debtor.

194.3. Cession is not allowed if related with personality of creditor, including claims on payment of alimonies and damage to health or life.

194.4. Cession on the basis of deal made in simple written or notary form shall be implemented in relevant written form.

194.5. Concession for ordered registered documentary securities shall be implemented via endorsement on the subject security. ([12](#), [57](#), [71](#))

Article 195. Debtor's Responsibilities on Assignment of Claim

Prior to notification of an assignment of claim, a debtor is entitled to discharge their liability to the primary owner of the claim.

Article 196. Volume of creditor claims transferred to third party

Unless otherwise is stipulated under this Code or contract, the claim of original creditor shall be transferred to new creditor in the volume and in accordance with terms existing at the time of cession. Namely, rights providing the execution of obligations, as well as other rights associated with the claim, including rights on unpaid interests, shall be transferred to new creditor. In the event of cession of claim to new creditor he shall obtain the rights on securities and mortgages, as well as rights on guarantee. New creditor shall practice property rights associated with claim on forced execution or bankruptcy. ([12](#))

Article 197. Priority of Claim Owners

Where a claim owner concludes an assignment agreement for a single claim with several parties, the claim is assigned to the party with whom the owner established relations first of all. Where it is impossible to determine this fact, the claim is assigned to the party on whom the information was given to debtor first. *Same procedure is applicable to any future claims.*(12)

Article 198. New Creditor Claim Evidence

198.1. *Debtor shall be entitled to refuse to fulfill his liabilities before new creditor until he provided with evidences of cession to new person.*

198.2. *Creditor who has conceded his claim to other person, shall provide him with documents, that verify the right to claim, and provide information necessary and important for implementation of claim.*(12)

Article 199. Objections of debtor against claims of new creditor

199.1. *At the time of obtaining of notification on cession to new creditor the debtor shall be entitled to raise objections against the claim of new creditor, which he previously had against original creditor.*

199.2. *If debtor has issued the document on debt, at the time of cession of claim under the debt liability he cannot refer before new creditor that entrance into force before new creditor and their confirmation was made only to make it appear that by agreement with previous creditor the cession was excluded, however the exclusion includes cases, when new creditor was aware at the time of cession all details of the case.*(12)

~~Article 200. Responsibilities of New Debtor~~

~~The new debtor is entitled to submit to the claim owner all counterclaims arising out of mutual relations between the claim owner and the primary debtor. The new debtor is not entitled to take account of claims belonging to the primary debtor.~~(12)

~~Article 201. Termination of Security Facilities at Debt Transfer~~

~~All guarantees and pledges securing the claim are terminated upon the debt transfer, provided that that the guarantor or pledger refuses from continuation of the guarantee or pledge.~~(12)

Article 202. Assignment of the Claim Based on the Law, or the Decision of the Court or Another Competent State Authority

The rules for acquisition of the ownership to rights and claims are also applied in the relevant manner to assignments of claims based on the law, or on the decision of the court another competent state authority.

§4. Loss of the Ownership Right to the Property

Article 203. Types of Loss of the Ownership Right to the Property

203.1. Upon liquidation of registration records for the immovable property in the state register of immovable property, and also upon utter annihilation of the immovable property, the ownership right to immovable property is lost.

203.2. At rejection of the ownership right, annihilation of the property or acquisition of the ownership right by another person, notwithstanding whether the possession right is lost or not, the owner of the movable property loses the ownership right to the movable property.

203.3. Except for below-mentioned measures, realized on the bases stipulated by law, the forced withdrawal of property from the owner is prohibited:

203.3.1. forfeiture of property for liabilities;

203.3.2. the alienation of property which may not belong to the given person under the law;

203.3.3. the alienation of immovable property in connection with purchase of a land plot;

203.3.4. purchase of non-economically maintained cultural valuables;

203.3.5. requisition;

203.3.6. confiscation.

203.4. In the manner established by the legislation on privatization, the state-owned property may be alienated into the ownership of legal and natural persons.

203.5. The alienation of property owned by natural and legal entities for state and public needs is realized according to part 4 of Article 29 of the Constitution of the Republic of Azerbaijan.

Article 204. Rejection of Property Right

204.1. For rejection of the ownership right or other rights to the immovable property, an application of the authorized person and registration of such application in the state register of immovable property is required. The application on rejection of the ownership right or other rights to immovable property becomes effective after registration thereof in the state register of immovable property.

204.2. For rejection of the ownership or other rights to movable property, the owner must publish a written notification thereon or undertake other actions demonstrating his discharge from possession, use and disposal of the given property without an intention to retain any rights to this property.

Article 205. Forfeiture of the Property for the Owner's Liabilities

205.1. The withdrawal of property by forfeiture of the property for the owner's liabilities may be performed based on the court decision, unless the contract stipulates another procedure for forfeiture.

205.2. The ownership rights of the owner of the forfeited property shall terminate from the moment the person to whom the forfeited property was transferred acquires the ownership right thereto.

Article 206. Termination of the Ownership Right to the Property that may not Belong to a Given Person

206.1. If, under grounds allowed by law, a person acquired ownership to property that may not be owned by such person by law, such owner must alienate this property within one year from the date he acquired the ownership right thereto, unless the law provides for another deadline..

206.2. Where the owner failed to alienate the property within the periods stipulated by Article 206.1 of this Code, then, pursuant to court order based on the application of a state authority, such property must be sold in the mandatory manner or transferred to the state budget and the proceeds from the sale thereof or the value thereof shall be given to the former owner. In such case, the expenses incurred for the alienation of the property shall be deducted from the amount given to the former owner.

206.3. Where, under grounds allowed by law, a natural or legal entity acquired ownership to property that may be owned by such person only pursuant to a special permission and where the owner was declined in issuance of such special permission, such property must be alienated in the manner established for the property that may not belong to such owner by law.

Article 207. Alienation of Immovable Property in Connection with the Purchase of a Land Plot

207.1. Where it is impossible to expropriate a land plot for the state ~~and public needs~~ without termination of the ownership rights to buildings, structures or other immovable property located on such land plot, the state may purchase such property.

~~207.2. If the state authority applying to the court with the claim to purchase the immovable property proves that it is impossible to use the expropriated land plot for the intended purposes without terminating the ownership rights to such immovable property, then such claim must be satisfied.~~ (12, 23)

Article 208. Purchase of Non-Economically Maintained Cultural Valuables

208.1. If the owner non-economically maintains the cultural valuables that, according to law, constitute specially valued cultural valuables protected by the state, and such maintenance creates a risk of such cultural valuables losing their importance, such valuables may be purchased from their owner by the state pursuant to a court order.

208.2. Upon the purchase of the cultural valuables, their value is determined in the amount agreed by the parties or, in the event of a dispute, determined by the court.

Article 209. Requisition

209.1. In the event of natural disasters, technological accidents, epidemics or emergency events, the property may be taken for the public interest from the owner by the relevant

state authorities in the manner and on the terms established by law, and on the condition of compensating the owner for the value thereof (requisition).

209.2. Upon termination of effect of the above-mentioned circumstances serving as the basis for requisition, the person whose property was requisitioned may demand the return of the remains of this property through the court.

Article 210. Consequences of the Ownership Right Termination by Law

Upon adoption of a law of the Republic of Azerbaijan terminating ownership rights, the state must compensate the owner for the losses sustained as a result of this law's adoption, including the value of the property. Disputes concerning compensation for losses shall be resolved by courts.

Article 211. Valuation of Property upon Termination of Ownership Rights

Upon termination of the ownership right to the property, the property is valued in accordance with its market price.

Article 212. Confiscation

In cases stipulated by law, pursuant to a court verdict, the property may be taken from the owner without compensation as a sanction for the committed crime (confiscation).

Chapter 10. Special Types of Right of Ownership

§1. Common Ownership

Article 213. Definition of common ownership and grounds for its emergence

213.1 Property in ownership of two or several persons shall belong to them on the basis common ownership right.

213.2 Property may be in common ownership with establishment of shares of each of owners (shared ownership) or without establishment of such shares (joint ownership).

213.3 Common ownership of property shall be shared ownership, except for cases where the legislation stipulates establishment of joint ownership to this property.

213.4 Common ownership shall arise at the time of transfer to ownership of two or several persons of property being indivisible without change of its destination (indivisible property) or property not destined for division by this Code. Common ownership to divisible property shall emerge in circumstances stipulated in this Code or in an agreement.

213.5 There may be established, with agreement of participants of joint ownership or by court decision in the event of absence of such an agreement, a shared ownership of such persons to common property.

213.6 Any owner of common ownership may put forward claims against third persons in respect of property in common ownership. Any owner of common ownership may claim property only for the benefit of all owners.

213.7 Property in common ownership may be pledged or otherwise encumbered to the benefit of one of the owners on the basis of agreement with other owners.

213.8 Service and maintenance expenses in respect of property in common ownership shall be equally apportioned among owners, unless provided otherwise in this Code or agreement.

Article 214. Determination of shares in right of shared common ownership

214.1 Shares shall be deemed to be equal in the event shares of owners of shared ownership cannot be established on the basis of this Code and are not established by agreement of all owners.

214.2 There may be established, by agreement of all owners in shared ownership and depending on contribution of each of the owner to the establishment and increase of common ownership, a procedure for determination and change of their shares.

214.3 Owner in shared ownership shall, in the event he has made at his own expense improving additions to the property with observance of procedures established for use of common ownership and where such additions are inseparable from the property, have the right to relevant increase of his share in right of common ownership.

214.4 Additions improving common ownership which are separable from the property shall comprise property of owner making such additions, unless stipulated otherwise by agreement of owners of shared ownership.

Article 215. Possession, use and disposition of property in shared ownership

215.1 Possession and use of property in shared ownership shall be carried out on the basis of agreement of all its owners, and in the event such agreement has not been secured — in order determined by court.

215.2 Owner of shared ownership shall have the right to have possession and use of portion of common property corresponding to his share, and in the event of impossibility of such — he may claim payment of relevant compensation from other owners having possession and use of portion of property corresponding to his share.

215.3 Owners of shared common ownership may come to agreement on procedure of possession and use of property in common ownership. However, they may not terminate or restrict the following powers belonging to each of the owners:

215.3.1 power to demand carrying out of actions relating to use of property for the purposes of maintaining value of property or its fitness for use, and where such actions are not being carried out — demand court to issue decision or carrying out of such actions;

215.3.2 power to independently carry out at expense of all owners actions for the purposes of prevention of potential or probable damage to property.

215.4 Any owner shall have the right to have possession, use and disposition of property to extent conforming to the rights of the other owners. Consent of all owners shall be required for the purposes of alienation or encumbrance of property, as well as for the

purposes of change of its designation, with condition that they have not unanimously agreed otherwise. Participants shall not, in the event there is hypothecation over shares of common ownership or encumbrance over land plots, be able to encumber the property itself with such rights.

215.5 Disposition of property in shared ownership shall be carried out through agreement of all owners of property.

215.6 Owner of shared ownership may sell, gift, bequeath, pledge his share or dispose it in any other way; rules specified in this Code shall be observed in the event of alienation of property for compensation.

Article 216. Fruits, products and benefits from use of property in shared ownership

Fruits, products and benefit acquired from use of property in shared ownership shall be added to common ownership and be divided between owners of shared ownership in proportion to their shares, unless provided otherwise by agreement between owners.

Article 217. Expenses in respect of maintenance of property in shared ownership

217.1 Each owner of shared ownership shall bear responsibility, in proportion to his share, for payment of taxes, fees and other payments in respect of common ownership, as well as for expenses relating to safekeeping and maintenance of the property.

217.2 Expenses incurred by any one of owners without necessity and without obtaining consent of the rest of owners shall not be reimbursed by remaining owners. Disputes arising in this regard shall be resolved in court order.

217.3 There may be carried out, with consent of majority of owners, maintenance, repair (restoration) and refreshing works for the purposes of protection of property's value and fitness for use.

217.4 Consent of majority of owners representing majority of shares in property shall be necessary for the purposes of carrying out refreshing and restoration work aimed at increase of property's value and increase of its efficiency and fitness for use. Changes complicating to a significant degree and for a permanent duration use of property for its initial designation by one of the owners or making such use inefficient shall not be carried out without consent of such owner. In the event change requires from one of the owners expenses not affordable by him, including expenses not affordable due to their non-proportionate nature to his share in property, such change may be carried out without his consent only where all remaining participants undertake to cover expenses falling on his share where such expenses exceed amount he can afford.

217.5 Carrying out of construction works and other works directed only at improvement of outside appearance of property or increase of efficiency of its use shall be permitted only upon consent of all owners. In the event there is an order on carrying out of such activities with consent of owners representing majority of shares in property, such works may be carried out without wish of dissenting participant, provided that his right of use and disposition shall not be permanently restricted by such works, and the remaining participants shall pay compensation to him only for temporary restriction and shall undertake to cover expenses falling on his share.

Article 218. Preemptive right of purchase

218.1 In the event of sale to third person of share in common shared ownership right, the remaining owners of shared ownership shall, except for cases of sale through public auction, have pre-emptive right of purchase of share on sale at sale price and other equal conditions. In the event all owners of shared ownership do not consent to public auction for the purposes of sale of share in common shared ownership, such auction may be carried out only in circumstance stipulated in Article 224.2 of this Code.

218.2 Seller of share shall give written notice on his intent to sell his share to third person by indicating price and other conditions of share to the remaining owners of shared ownership. Seller may sell his share to any person in the event the remaining owners of shared ownership refuse from purchase of share of immovable property sold in right of ownership, or fail to acquire it within 45 days of notification date, and in the event of movable property — fail to acquire share to movable property in right of ownership within 15 days.

218.3. In the event of sale of share with violation of preemptive right in purchase, any owner of shared ownership shall have, within three months, the right to demand in court order a transfer to him of *buyer's* rights and obligations.

218.4 Assignment of preemptive right in purchase of share shall not permitted.

218.5 Rules of this Article shall also apply in the event of alienation in accordance with share exchange contract. (65)

Article 219. Time of transfer to acquirer in accordance with agreement of share in common shared ownership right

219.1 Share in common ownership right shall transfer to acquirer in accordance with agreement from the moment of signing of agreement, unless the agreement between parties provides for other time.

219.2 In respect of agreement upon which arise rights requiring state registration, time of transfer of share in common ownership right shall be determined from the time of state registration of such rights.

Article 220. Division of property in shared ownership or separation of share from it

220.1 Property in shared ownership may be divided between its owners on the basis of consent of its owners.

220.2 Owner of shared ownership may demand separation of his share.

220.3 Owner of shared ownership may demand separation of his share in kind in court order in the event owners of shared ownership cannot come to an agreement on procedures and conditions of division of common property or separation of a share from it. In the event a separation of share in kind is not permitted or where it is not possible without causing disproportionate damage to property in common ownership, separating owner shall have the right to receive from other owners of shared ownership compensation for value of his share.

220.4 Disproportionality of property separated to owner of shared ownership in kind pursuant to this article to his share in right of ownership shall be eliminated by payment of relevant monetary amount or other compensation. Payment by the rest of owners to the owner of shared ownership of compensation instead of separation of share in kind shall be permitted only with his consent. In the event an owner's share is insignificant, is practically inseparable and where there does not exist significant interest in use of common property, court may impose an obligation on the rest of owners of shared ownership to pay compensation to the owner even in the absence of consent of such owner.

220.5 Owners shall lose right to share in common property from the moment of receipt of compensation pursuant to this article.

220.6 In the event of obvious non-purposefulness of division of common property or separation of share from it according to Articles 220.3-220.5 of this Code, court may take decision on sale of property at public auction and division of sale proceeds among owners of common ownership in proportion to their shares.

Article 221. Termination of common shared ownership right

Common shared ownership rights shall be terminated upon physical division, sale upon own will or sale at auction and division of sale proceeds, or registration of entire property in the name of one of several participants and payment of compensation to rest of owners. In the event participants cannot come to agreement on type of termination of right, property shall be physically divided, and where such division is not possible without significant depreciation of the property's value it shall be sold at public auction or auction with participation of just owners. Physical division may be combined with monetary compensation of value of unequal shares.

Article 222. Possession, use, and disposition of property in joint ownership

222.1 Participants of commonality serving as a ground for formation of joint ownership shall be owners of joint ownership. Owners of joint ownership shall jointly own and use common property, unless provided otherwise by agreement of owners of joint ownership.

222.2 Disposition of property in joint ownership shall be carried out with consent of all owners, and this consent shall be assumed regardless of signing of agreement on disposition of property by any one of owners.

222.3 Any owner of joint ownership may enter into agreement on disposition of common property, unless provided otherwise by agreement of all owners. Agreement on disposition of common property entered into by one of the owners of joint ownership may be considered invalid upon demand of the remaining owners based on allegations of absence of necessary authority of such owner only in the event it has been proved that the other party to the agreement knew or should have known about the lack of authority.

222.4 Debtor may not substitute claim to separate joint owner without consent of other owners of joint ownership.

Article 223. Termination of joint ownership right, division of property in joint ownership or separation of share from it

223.1 Termination of joint ownership right shall occur in the event of alienation of property or putting an end to existence of communality serving as a ground for formation of joint ownership.

223.2 Division of common property by owners of joint ownership or separation of share of one of them shall be carried out after preliminary determination of each owner's shares.

223.3 Shares of owners at the time of division of common property or separation of share from it shall be considered to be equal, unless provided otherwise by their agreement.

223.4 Grounds and procedure for division of common property or separation of share from it shall be determined in accordance with provisions of Article 220 of this Code.

Article 224. Foreclosure of share in common ownership

224.1 In the event of insufficiency of other property of shared and joint ownership's owner, his creditor may demand separation of his share for the purposes of foreclosure of debtor's share in common property.

224.2 In the event of impossibility of separation of share in kind or where the remaining participants of shared or joint ownership object to it, creditor shall have the right to demand the debtor to sell his share to the remaining participants of common ownership at a market price and direct proceeds received from the sale to the debt repayment. In the event of refusal of the remaining owners of common ownership to purchase the debtor's share, the creditor shall have the right to demand in court order an foreclosure of debtor's share in common ownership right through public auction of his share.

Article 225. Common ownership of husband and wife

225.1 Property earned by spouses during their marriage shall be their common ownership, unless provided otherwise in prenuptial agreement or agreement between them.

225.2 Property belonging to each of spouses prior to their entry into marriage, as well as property received by any one of them during their marriage as a gift or through inheritance shall be in his or her ownership.

225.3 Property in individual use (cloth, shoes, etc.), except for jewelry and other valuables items, shall be considered property of husband (wife) using it even though it was obtained during their marriage at spouses' common funds.

225.4 Property of each of spouses may be considered their common ownership only where it has been established that the funds at the expense of common ownership of spouses during their marriage or personal property of husband (wife) have been invested into the property significantly increasing its value (considerable repairs, reconstruction, supply of new equipment, etc.). This rule shall not apply where provided otherwise in prenuptial agreement or agreement between the spouses.

225.5 Foreclosure in respect of obligations of husband (wife) may be imposed on property in his ownership as well as on his share in spouses' common property only if prenuptial agreement does not provide otherwise.

225.6. *Without consent of spouse, holding the joint ownership rights on immovable property, contract made on property rights registered in the state registry of immovable property, shall be considered invalid. It also applies to cases when the beneficiary is a bona fide purchaser towards the ownership of such rights only to the party of contract. If under contract any party new or should have known about invalidity of contract, the purchaser shall require this party to compensate the loss incurred as a result of such invalidity.*(12)

§2. Right of ownership to integral part of residential building

Article 226. Notion of ownership right to integral part of residential building

226.1 Ownership right to integral part of residential building shall mean right to common shared immovable ownership, meaning acquisition by owner of special right for the purposes of having an exclusive use of certain parts of building and carrying out decoration-renovation works inside such property. Owner of integral part of residential building shall be free to manage, use and carry out decoration-renovation works in his own rooms, provided that he shall not hamper exercise of similar rights by other such owners and shall not damage general construction elements and installations or shall not worsen their functions or outside appearance. He shall keep his rooms in a manner required for the purposes of maintenance of entire building in perfect condition or protection of its good outside appearance.

226.2 Owner of integral part of residential building shall carry out possession, use and disposition of residential room belonging to him in accordance with the room's designation.

226.3 Owner of integral part of residential building may lease it on the basis of agreement.

226.4 Placement of industrial production in residential buildings shall be prohibited.

Article 227. Common ownership of owners of integral part of residential building

227.1 Common rooms, supporting constructions, mechanical, electric, sanitary-technical and other equipment, serving more than one apartment, and located outside or inside of residential building, *as well as located land site* shall belong to owners of integral part of residential building on the basis of common shared ownership right.

227.2 Owners of integral part of residential building shall not have the right to alienate his share in ownership right to common property of residential building, as well as to perform other actions serving as a cause for grant of such share separately from ownership right to integral part of building.(12)

Article 228. Right of use of integral part of residential building [CC1](#)

228.1 Family members of owner of integral part of residential building and other persons shall have the right of use of building, provided that such right has been registered in the state register of immovable property.

228.2 Emergence, enforcement conditions and termination of right of use of integral part of residential building shall be established by notarized written agreement concluded with

owner. In the event of absence of agreement on termination of right of use of integral part of residential building, this right may be terminated on the basis of claim of owner in court order by payment of compensation equal to market price.

228.3 Right of use of integral part of residential building may not be an independent subject of sale and purchase, pledge and lease. Person having right of use of integral part of residential building shall have the right to demand any person, including its owner, to rectify violation of right to the residential building.

228.4 Transfer of ownership right to residential house or apartment shall not be a ground for termination of right of use of integral part of residential building, except where person having right of use of residential room gives, prior to transfer of such right, notarized obligation relating to refusal from the ownership right.

228.5. Family members of the owner of integral part of residential building (husband, wife, parents, children), residing together with him, shall have the right of use of living space equally with him. Family members of the owner of integral part of residential building are entitled to move their minor children in this building. Moving of other family members (husband, wife) in shall be permitted only with the owner's consent. The right of use of integral part of residential building shall be reserved in case of divorce. The right of use of integral part of residential building shall arise since the day of coming into force of this Code.[\(14\)](#)

Article 229. Meeting of owners of integral parts of residential building

229.1 Gathering of individual owners of integral parts of residential building shall constitute meeting of owners of integral parts of residential building not being a legal entity.

229.2 Demand of termination of meeting of owners of integral parts of residential building shall be prohibited.

Article 230. Units of integral parts of residential building

Various integral parts of residential building or their partitions may be objects of special rights; these parts and partitions shall be closed and have own entrance like apartments or room units designated for business or other purposes, however they may have various auxiliary rooms. Such units shall be referred below as «units of integral parts of residential building».

Article 231. Rights of owners of integral parts of residential building in common shared ownership

231.1 In the event no special right in favor of certain owner of integral part of residential building has been registered in the state register of immovable property, the following items and rights shall be in common shared ownership of owners of integral parts of residential building:

231.1.1 inheritance right to construction serving as a ground for land and construction of building;

231.1.2 construction elements bearing importance for design, constructive structure and firmness of rooms of other owners of residential building and its integral parts and defining building's outside beauty and appearance;

231.1.3 other equipment designed to serve the use by such owners of their rooms.

231.2 Other construction designs of building may, upon subsequent agreement of owners of integral parts of residential building, be announced as joint constructions in justification act. In the absence of such, it shall be assumed that they relate to special rights.

Article 232. Restriction of preemptive right of acquisition of integral part of residential building

Owner of integral part of residential building shall not have preemptive right in respect of third person that had acquired from other owner of integral part of residential building his share or has assigned by subsequent agreement such preemptive right to other person and first registered it in the state register of immovable property. Equally, it may be established that alienation of integral part of residential building, encumbrance of it with right of use or right of residence, as well as its leasing shall have legal force only where the remaining owners of integral part of residential building do not object, by issuing relevant decision, to this within 14 days of presentation to them of information. Objection shall be invalid in the event it was given without presence of significant grounds. In the course of hearing such objection, court shall, upon request of objection's opponent, issue order on satisfaction of his claim.

Article 233. Registration of ownership right to integral part of residential building

233.1 Ownership right to integral part of residential building shall be secured through registration in the state register of immovable property. Registration may be required on the basis of followings:

233.1.1. agreement relating to formalization of shares in owners' ownership right to integral part of residential building;

233.1.2. application relating to establishment by owner of immovable property or possessor of independent and continuing construction right of share of such property and formalization of their ownership right to integral part of residential building.

233.2 For an agreement to be deemed valid it must be notarized or, in the event of existence of a will or an agreement on division of inheritance — relevant form of agreement must be followed.

233.3 Justification act relating to ownership right to integral part of residential building shall contain, in addition to area partitioning, each share of integral part of residential building depicted in one-hundreds or one-thousands scale of immovable property or construction right. Consent and permission of meeting of owners of integral parts of residential building shall be required for the purposes of alteration of shares' value; however, each owner has the right of correction in the event an owner's share has been defined incorrectly or became incorrect as a result of constructional alterations of building or its surrounding.

Article 234. Termination of ownership right to integral part of residential building

Ownership right to integral part of residential building shall be terminated by immovable property's or construction right's destruction and recording in the state register of immovable property. In the event a building has been destroyed to an extent reducing its value by more than half and an owner cannot afford to restore the building without incurring unbearable encumbrances upon himself, any owner of integral part of residential building may be requested to terminate his ownership right, however, in the event owners of integral parts of residential building have intent to continue possession of common ownership, they may prevent termination of right by payment of relevant compensation to the other owners.

Article 235. Joint management expenses

235.1 Owners of integral parts of residential building shall participate in payment of encumbrances of joint ownership and in joint management expenses in proportion to value of their shares. Payable by owners encumbrances and expenses shall also include the followings:

235.1.1 expenses incurred for the purposes of maintenance, current repairs and renovation of joint portions of, joint constructions and installations on land plot and residential building;

235.1.2 expenses incurred for management activities, including payment of fee to a manager;

235.1.3 payments and taxes withheld from all owners of integral parts of residential building.

235.2 Facts that certain jointly used construction designs, installations do not serve various integral parts of ownership or serve to an insignificant degree shall be taken into account in allocation of expenses.

235.3 In the event any owner of integral part of residential building fails to make payments for covering expenses for period of three years, a meeting of owners of integral parts of residential building shall:

235.3.1. have the right to register hypothecation in respect of his share in the ownership of integral parts of residential building. Registration of hypothecation may be demanded by manager or in the event he has not been appointed - any owner of integral parts of residential building authorized by decision of majority of owners or by court, or by creditor of pledged unpaid funds;

235.3.2 have the right to pledge movable property located in rooms of owner of integral part of residential building and designed for equipment supply and use of such rooms.

Article 236. Competence of meeting of owners of integral parts of residential building

236.1 Meeting of owners of integral parts of residential building shall acquire in its own name property formed out of its management activity, including its demand for payment of fees, and cash proceeds formed out of fees, for example, renovation fund. Meeting of

owners of integral parts of residential building may initiate claim and demand execution on its own name, and may be respondent in place of location of property.

236.2 Meeting of owners of integral parts of residential building shall, in addition to authorities enumerated in this Code, have the following authorities:

236.2.1 to resolve all matters not delegated by a meeting of owners of integral parts of residential building to a manager's competence;

236.2.2 to appoint a manager and supervise his activities;

236.2.3 to elect committee or representative that could be instructed to resolve management matters, including rendition of advice to manager, review of his management activity, rendering reports about it to the meeting and submission of applications;

236.2.4 to give permission to annual expenses budget, calculation and distribution of expenses among owners;

236.2.5 to issue decision on setting up of renovation fund for the purposes of preservation of tidiness and conduct of renovation works;

236.2.6 to insure building against fire and other dangers as well as to execute a liability insurance.

236.3 In the event a manager has been appointed and there is issued no decision, manager shall call and head a meeting of owners of integral parts of residential building. In the event a manager has not been appointed or has refused from such appointment, any owner (or any other majority of owners) representing at least 10 percent of total value of building may call a meeting. Meeting's chairman shall be elected by simply majority of votes. There shall be drafted protocols in respect of decisions. Protocols shall be kept by manager or owner of integral parts of residential building chairing the meeting.

236.4 In the event an integral part of residential building belongs to several persons jointly, they shall have only one vote. They shall render such vote through their representative. Owner of unit of integral parts of residential building and usufruct holder shall also come to an agreement on carrying out of voting right; otherwise, usufruct holder shall be considered as a person having voting right in respect of all management matters, except for only useful constructions activities designed for creation of decorative and convenient environment.

236.5 Meeting of owners of integral parts of residential building shall have the right to issue decisions only where half of the owners having ownership of half of shares, but at least two owners, participate or be represented at the meeting. In the event of absence of quorum, meeting shall be called for a second time with an interval of at least ten days. Second meeting shall have the right to issue decisions only where one-third of all owners of integral parts of residential building, but at least two owners, participate or be represented at the meeting.

236.6 In the event a meeting of owners of integral parts of residential building fails to appoint a manager, any owner of integral part of residential building may demand

appointment of manager by court. Person having significant interest in it, for example pledgee and insurer, shall also have such right.

236.7 Manager may be recalled by a meeting's decision from his position at any time by retention of claims on his compensation that can be brought forward. In the event a meeting of owners refuses dismissal of manager by ignoring important reasons, any owner of integral part of residential building may demand his dismissal in court order within one month. Court appointed manager may not be dismissed prior to expiry of his appointed without court's consent.

Article 237. Manager of joint ownership to integral parts of residential building

237.1 Manager shall, pursuant to the requirements of law and decisions of meeting of owners, carry out all actions relating to management of joint ownership, and take necessary steps for prevention or elimination of potential damage. He shall distribute joint expenses and encumbrances of various owners of integral parts of residential building, submit reports to them, receive fees, manage cash proceeds and use them for designated purposes. He shall supervise over enforcement of special rights, compliance with the requirements of legislation and in-house residence rules in the course of use of joint portions of land plots and residential building, as well as joint installations.

237.2 Manager shall, in the area of management of joint ownership, represent on-side as all owners so and each individual owner of integral parts of residential building in all activities within his legal work duties. He shall need, aside from instruction on satisfaction of claim, prior issued authorization of a meeting of owners for the purposes of conduct of court procedure initiated by him or opposite party. Applications, claims, court decisions and instructions addressed to all owners of integral parts of residential building may be delivered to manager at place of his residence or at place of location of property and shall enter in force from that moment.

§3. Peculiarities of right of ownership to land

Article 238. Land as object of right of ownership

238.1 Land is an object of ownership right as an immovable property. Territorial boundaries of a land plot shall be established on the basis of documents given to an owner by the state register of immovable property's authorized person.

238.2 Ownership right to land plot shall apply to surface (soil) layer, close water reservoirs, forests and plants located within boundaries of a plot, unless provided otherwise by law.

238.3 Owner of land plot may use anything on or beneath it, unless provided otherwise by law or violates rights of other persons. Subsoil and natural resources shall be ownership of the Republic of Azerbaijan, unless provided otherwise by law.

238.4 Land plots of agricultural and other designation use of which for other purposes is prohibited or restricted shall be established by law.

Article 239. Access land plot

239.1 Physical persons shall have the right to be, without obtaining any prior permission, on land plots in state and municipal ownership open for public, and use located on such plots objects of nature within limits stipulated by legislation or allowed by owner of relevant land plot.

239.2 Entry to a land plot in ownership of physical or legal entity without its owner's permission shall be prohibited, except for circumstances stipulated by law.

Article 240. Construction on land plot

240.1 Owner of land plot may, with observance of city-planning and construction norms and rules, and requirements relating to land designation, erect buildings and installations on his plot, re-build and carry them down [destroy], permit others to conduct construction on his plot.

240.2 Owner of land plot shall acquire ownership right to building, installations and other immovable property constructed or created on plot belonging to him, ~~unless provided otherwise in agreement.~~

240.3 Consequences of carrying out of arbitrary construction by owner on his land plot shall be determined by Article 181 of this Code. (12)

Article 241. Grounds for acquisition of right of use over land plot

241.1 Owner of land plot may grant it to other persons for use, including grant of lease.

241.2 Right of use of land plot in state and municipal ownership shall be granted to physical and legal entities on the basis of decisions of state body or local self-regulating body authorized to grant such use of land plots in order determined by law.

241.3 Owner of building, installation and other immovable property can also acquire right of use of land plot in circumstances stipulated in Article 243 of this Code.

241.4 In the event of reorganization of legal entity, right of use of land plot belonging to it shall transfer to its legal successor.

Article 242. Possession and use of land plot

~~242.1 Person not owning land plot shall carry out right of possession and right of use to plot in his possession within conditions and limitations specified in law or by agreement with the owner.~~

242.2 Person receiving land plot for use may lease it or give it into uncompensated use only upon its owner's consent. (12)

Article 243. Right of use of land plot by owner of immovable property

243.1 Owner of immovable property located on land plot belonging to another person shall have a right of use of portion of land plot where such property is located.

243.2 In the event of transfer to another person of ownership right to immovable property located on other land plot, he shall acquire right of use of relevant portion of land plot on

conditions and in capacity equal to those of a previous owner of immovable property. Transfer of ownership right over land plot to another person shall not be a ground for termination or alteration of right of use of plot by owner of immovable property located on the same land plot.

243.3 Owner of immovable property located on other land plot shall have a right of possession, use and disposition of the property, *and also* to carry down [destroy] relevant building and installation.[\(12\)](#)

Article 244. Consequences of termination of right of use of land plot

In the event of termination of right of use of land plot, ownership right to buildings, installations and other immovable property constructed by land user on this land plot shall transfer to the owner of land plot, unless agreement between owner of land plot and land user provides otherwise.

Article 245. Transfers of right to land plot in the event of alienation of buildings or installations located on land plot

In the event of transfer of ownership right to building or installation belonging to owner of land plot and located on this plot, rights to land plot identified by agreement of parties shall pass to person acquiring the building (installation). ~~In the event if not provided otherwise in agreement on alienation of building or installation,~~ ownership right to portion of land plot on which a building (installation) is located and which is important for its use shall transfer to an acquirer.[\(12\)](#)

Article 246. Land appropriation for public needs

246.1. *The decision to confiscate land for public needs in accordance with Article 157.9 of this Code shall be taken by appropriate executive authority in accordance with the Law of the Republic of Azerbaijan «On the land appropriation for public needs».*

246.2. *Decision of the relevant executive authority on land appropriation for public needs shall be registered in the public register of real estate.*

246.3. *The relevant executive authority that made the decision to confiscate the land, must give written notice to that land owner.*

246.4. After the conclusion of the sales contract in accordance with Article 35.3 of the Law of the Republic of Azerbaijan «On the land appropriation for public needs», the appropriating authority within 90 (ninety) calendar days must do the following:

246.4.1. fully pay the cost of the land to the owner;

246.4.2. at his own expense take necessary steps to transfer (pass) rights over land to the state;

246.4.3. if sold land is the place of residence of the owner, his family, after full payment of the cost of land to the owner to assist in the vacation of the land and move to a new place of residence in accordance with Chapter V of the Law of the Republic of Azerbaijan «On the land appropriation for public needs».

246.5. *The provisions of Articles 246-249 of this Code, along with the land, appropriated for public needs, apply also to immovable property located or not located at this land, associated with the land appropriated for the same purpose (water reservoirs, forests, perennial crops, buildings, facilities and other similar objects).*

246.6. *In case of refusal from the appropriation of the land, re-appropriation of land that is subject to such refusal is not possible within 3 (three) years.*

246.7. *Rules of land appropriation for public needs, calculation and payment of the compensation in connection with this and other relations arising between the parties in this area are governed by the Law of the Republic of Azerbaijan «On the land appropriation for public needs».* ([6](#), [23](#), [26](#), [46](#))

Article 247. Compensation granted to persons who have been passed the procedure of confiscation in connection with the purchase of land or land rights

247.1. *The amount of compensation for the land, appropriated under the Law of the Republic of Azerbaijan «On the land appropriation for public needs», is calculated as follows:*

247.1.1. *determination of the market value of the land;*

247.1.2. *determination of the replacement value, if in the territory of location of appropriated land there is no land market to determine the fair value of the land based on the market value or if the existing land market is not sufficient to determine the fair market value, or instead appropriated land plot is provided another land plot.*

247.2. *When determining the amount of compensation in respect of any land, appropriated for public needs under the Law of the Republic of Azerbaijan «On the land appropriation for public needs» the following factors shall be taken into consideration:*

247.2.1. *compensation paid to claimants should be based on the principle of recovery within a reasonable time after the damage and disturbance of property, funds for food, income and standards of living of all persons in connection with the need to vacate land and resettlement and the resulting damage or anxiety, with view to prevent the conditions that are less favorable than the conditions they had before resettlement;*

247.2.2. *current inflation when assessing payable compensation;*

247.2.3. *market value of the land (building), determined in accordance with the Law of the Republic of Azerbaijan «On the land appropriation for public needs»;*

247.2.4. *in the case of appropriation of certain parts of the land of the person subjected to the procedure of appropriation - the damage that can be caused to a person as a result of dissociation of appropriated land part from the reserved (not appropriated) land part for this person;*

247.2.5. *damage, caused or may be caused to other real or personal property, or real income of the person subjected to the procedure of appropriation, as a result of the acquisition of land ownership of such person;*

247.2.6. if as a result of appropriation the person is obliged to change a place of residence, business or work, all costs and damages resulting from such a move.

247.3. When determining the amount of compensation payable for the land, which is subject to appropriation for public needs under the Law of Republic of Azerbaijan «On the land appropriation for public needs» the following factors are not taken into consideration:

247.3.1. the degree of urgency, which is a cause of appropriation;

247.3.2. evasion of the person which became the subject of appropriation, from the land vacation;

247.3.3. reduction in the price, which may follow from the use of the land in the future;

247.3.4. price increase, which may follow from the use of the land in the future;

247.3.5. expenses in connection with the reconstruction and other annexes that spent on land, appropriated from the date of the inventory in accordance with the Law of the Republic of Azerbaijan «On the land appropriation for public needs» except for cases of capital investment in the reconstruction and long growing products on the land for agricultural purposes, which are necessary for the maintenance of a building on the appropriated land in good order.

247.4. Compensation for land, appropriated for public needs shall be paid in the following forms:

247.4.1. land plot, comparable to the forfeited land in quality, size, production capacity;

247.4.2. living area or structure, comparable to the forfeited living are or structure for quality, size and scope of use;

247.4.3. in case of forfeiture of agricultural land, other than land, provided in the Law of the Republic of Azerbaijan «On the land appropriation for public needs» - plants and seeds for use on agricultural land;

247.4.4. guarantees, envisaged by the Law of the Republic of Azerbaijan «On the land appropriation for public needs» in connection with the property that is in common use;

247.4.5. lump-sum cash payment for the forfeiture of land and other capital in the amount established pursuant to the provisions of this chapter;

247.4.6. payments for a fixed period for the provision or recovery of income, reduced or lost as a result of the movement;

247.4.7. continuous provision of food for a certain period in exchange of food produced on the forfeited land or lost revenues used previously for the receiving of such food;

247.4.8. *providing training related to the acquisition by persons subjected to the procedure of appropriation, new skills to get a job to replace work-related opportunities lost due to movement or work-related use of opportunities arising from the project of the land appropriation;*

247.4.9. *other forms of compensation, established or agreed upon by the persons subjected to the procedure of appropriation and buying agency.*

247.5. *The person subjected to the procedure of appropriation can select one or more types of compensation to be paid.*([6](#), [23](#), [26](#), [46](#))

Article 248. Court approval

248.1. *Obtaining ownership for land, purchased from a person subjected to the procedure of appropriation can be made only after the court makes a decision.*

248.2. *Appeal to the Court of the territorial unit where the land subject to appropriation is located, shall be submitted by purchasing authority for approval of:*

248.2.1. *compliance of land appropriation to the requirements of the Law «On the land appropriation for public needs»;*

248.2.2. *acquisition of ownership for appropriating land in accordance with the requirements of the Law of Republic of Azerbaijan «On the land appropriation for public needs»;*

248.2.3. *type and amount of compensation to be paid to persons subjected to the procedure of appropriation.*

248.3. *The person subjected to the process of appropriation and opposed the appropriation of land, the acquisition of ownership of land or proposed compensation, may apply to the court for one or more of the following grounds:*

248.3.1. *conflict of the land appropriation with the Law of Republic of Azerbaijan «On the land appropriation for public needs»;*

248.3.2. *no need for land to fulfill the project, for which it is appropriated;*

248.3.3. *unfairness of the proposed compensation;*

248.3.4. *lack of appropriate powers of the purchasing body;*

248.3.5. *non-compliance or incorrect and unfair application of the procedures established by the Law of the Republic of Azerbaijan «On the land appropriation for public needs».*

248.4. *To the person subjected to the appropriation process, can not be imposed or charged any costs, fees or other financial requirements in connection with the completion of any action required to complete the procedures for purchasing of land rights. ([6](#), [12](#), [23](#), [26](#), [46](#))*

Article 249. Legal validity of the decision to purchase land

249.1. *From the date of taking the decision to purchase the land:*

249.1.1. *this land is recognized as appropriated land;*

249.1.2. *persons residing on the appropriated land or using it, included in the list according to the Law of Republic of Azerbaijan «On the land appropriation for public needs» are considered as persons which are subject to the procedure of appropriation;*

249.1.3. *purchasing authority must carry out the necessary measures related to the purchase of appropriating land;*

249.1.4. *if required by the plan and (or) the instructions for resettlement, purchasing authority is obliged to provide the preparation in a reasonable time after the consultation with the persons subjected to the procedure of appropriation;*

249.1.5. *to determine the compensation to be paid to persons subjected to the procedure of appropriation and other individuals and organizations who will incur losses as a result of the appropriation of land, purchasing authority is obliged to assist the evaluation committee to evaluate the appropriated land and the buildings (including the unfinished buildings), products, plants and all other natural objects and built property located on this land;*

249.1.6. *purchasing authority must compensate persons subjected to the procedure of appropriation and other individuals and organizations who will incur losses as a result of the purchase of land;*

249.1.7. *purchasing authority shall prepare the necessary documents to obtain funds from the competent government to pay compensation.*

249.2. *After the date of taking decision to purchase land all rights for this land, except for the rights of ownership and use of persons who own appropriated land before that date are converted into the right to receive compensation. This right may be transferred to other persons in accordance with the law, except in cases of refusal of the state to purchase any land, the rights to which are not acquired and the abandonment of land purchase in accordance with the Law of Republic of Azerbaijan «On the land appropriation for public needs».*

249.3. *After the date of taking decision to purchase land, in accordance with the legislation the relevant executive power may take the necessary measures for the suspension of construction and (or) demolition of buildings started on the appropriated land.*

249.4. *Purchasing authority must bring a copy of the decision to purchase land and certificate of legal effect of the decision to the attention of the persons subjected to the procedure of appropriation. ([6](#), [23](#), [26](#), [46](#))*

Chapter 11. Rights of Use of Property

§1. Inheritance right to construction

Article 250. Notion of inheritance right to construction

250.1 Land plot may be encumbered to such an extent that ownership right to building located on or beneath it — alienated right and right passing through inheritance may belong to person in whose favor encumbrance is carried out. Inheritance right to construction shall be registered in the state register of immovable property.

250.2 Inheritance right to construction may apply towards portion of land plot not import for construction, but creating an opportunity for better use of building.

250.3. *The term of inheritance right to build shall be established on the agreement of the parties, but may not exceed ninety-nine years for the land plots, being in private ownership and forty-nine years for the land owned by the state or municipal property.*
(59)

Article 251. Agreement on inheritance right to construction

251.1 Agreement on inheritance right to construction shall be valid upon notarization.

251.2 Terms of agreement relating to content and volume of right to construction, for example, relating to building's positioning, form, extension and designation, as well as terms of agreement relating to use of plots not used for construction and used for enforcement of such right shall be obligatory for each person acquiring inheritance right to construction. Similar rule shall be valid in respect of obligation of subject of inheritance right to construction to pass this right to owner of immovable property upon creation of certain conditions.

Article 252. Termination of agreement on inheritance right to construction

252.1 In the event the effect of agreement on inheritance right to construction has been terminated, existing buildings shall pass (return to owner) to owner of land plot and shall become integral part of his land plot.

252.2 Inheritance right to construction shall be terminated upon expiration of its term or upon mutual agreement of parties.

252.3 In the event person acquiring inheritance right to construction has grossly violated his property right or has breached his contractual obligations, owner of land plot may, by demanding a transfer to him of all rights and obligations arising out of inheritance right to construction together with all arising out of it rights and encumbrances, achieve an early termination of that right.

252.4 Owner of land plot shall pay a reasonable compensation to person having inheritance right to construction for buildings passing to him after termination of contract. In the event of early return of a right, compensation shall be calculated with taking into account a faulty attitude of subject of inheritance right leaving to reduction of compensation. Inheritance right to construction shall transfer to owner of land plot or shall be terminated only where compensation has been paid or has been pledged. This compensation shall be considered a guarantee for creditors granted with pledge of inheritance right to construction, and compensation to previous owner of inheritance right to construction shall not be paid without their consent.

252.5 In the event a compensation has not been paid or pledge granted, a previous subject of inheritance right to construction or a creditor holding the inheritance right to construction in a pledge may demand in exchange for termination of inheritance right to construction a registration of hypothecation for the purposes of guaranteeing claim in respect of compensation. Registration shall be carried out not later than within three months of termination of inheritance right to construction.

252.6 Agreements, in required form and necessary for justification of inheritance right to construction, relating to amount and specified procedure of compensation, as well as to termination of obligation to pay compensation and restoration of land plot to its original condition may be accepted and registered in the state register of immovable property in advance.

252.7 Destruction of building shall not result in termination of inheritance right to construction, and persons having inheritance right to it may relinquish it, and as a result it shall be terminated.

Article 253. Payment for inheritance right to construction

253.1 Owner of immovable property shall have the right to receive payment for inheritance right to consecution.

253.2 Owner may unilaterally terminate inheritance right to construction only in connection with non-payment of dues for a period of two years.

253.3 For the purposes of guaranteeing payment for inheritance right to construction, owner of land plot shall have the right in respect of the same subject of inheritance right to construction to register the right of pledge in respect of inheritance right to construction registered in the state register of immovable property in amount not exceeding three years payment. In the event mutual obligation has not been specified in form of equal annual payments, there may be required legal right for pledge of amount falling for three years in the course of equal division.

253.4 Right of pledge may be registered at any time during existence of inheritance right to construction, and its termination through public sale at auction shall be prohibited.

Article 254. Pre-emptive right of person having inheritance right to construction to purchase a land plot

Person having inheritance right to construction shall have pre-emptive right in purchase of a land plot. Owner of land plot shall have pre-emptive right in purchase of inheritance right to construction.

§2. Right of limited use of other person's immovable property

I. Servitude

Article 255. Notion of Servitude

255.1 Servitude shall mean such encumbrance of immovable property in favor of owner of other immovable property that at that time he (owner of other immovable property) shall be permitted in certain cases to use the property, or an owner of immovable

property shall be permitted to carry out certain actions or enforce other rights arising out of ownership right.

255.2 Encumbrance of immovable property with servitude shall not deprive owner of that property of rights of possession, use and disposition.

255.3 Servitude may not be an independent subject of sale and purchase, pledge and lease.

255.4 Servitude may be established for the purposes of pedestrian and automobile passage through land plot, construction and operation of electric and communication lines and main pipelines, for water supply and melioration, as well for security of other needs of owner of immovable property that cannot be provided without existence of servitude.

255.5 Owner shall have the right to grant servitude to his immovable property at the expense of belonging to him other immovable property.

255.6 Servitude shall be effective only where it creates privileges and opportunities necessary for use by person receiving servitude of his immovable property.

255.7 Servitude shall remain in force in the event of transfer of rights to immovable property encumbered with servitude.

255.8 Immovable property may be encumbered with servitude in favor of certain individual. Such encumbrance shall be referred to as a personal servitude, and shall mean the right of that person, together with the owner, to use building or part of it as an apartment for himself or his family. Personal servitude shall not be assigned to others.

Article 256. Registration of servitude

256.1 Registration of servitude in the state register of immovable property shall be necessary for grant of servitude. Provisions on ownership right to land shall remain in force for the purposes of acquisition and registration of servitude.

256.2 Agreement on grant of servitude shall become valid upon its notarization.

Article 257. Obligations of parties to servitude

257.1 Person obtaining servitude (authorized person) shall have the right to do everything required for preservation and realization of the servitude, but he must use his rights, to extent possible, in a manner not conflicting with interests of owner of burdened property and not causing him unnecessary inconvenience.

257.2 Owner burdened with servitude shall not take actions preventing or complicating realization of servitude.

Article 258. Content of servitude

258.1 Servitude shall contain [information on] period of its validity and terms [of servitude]. Plan of immovable property burdened with servitude shall be included in agreement with indication of place of servitude.

258.2 Content of servitude shall be recorded in the recordation note of the state register of immovable property.

258.3 Plan of immovable property burdened with servitude shall be indicated in the recordation note together with place of servitude.

Article 259. Protection of authorized person's and burdened owner's rights

259.1 In the event an authorized person faces, in the course of realization of servitude, obstacles in carrying out his rights, he shall have equal rights with bona fide owner for the purposes of elimination of such obstacles.

259.2 Additional encumbering of burdened owner shall not be permitted in the event needs of an authorized person or his immovable property have changed in the course of realization of servitude.

259.3 In the event of existence of an installation for the purposes of realization of servitude, authorized person shall bear costs of its maintenance. In the event an installation is also designed for serving a burdened owner's interests, each of them shall bear expenses for maintenance of installations in proportion to their interests.

259.4 Burdened owner may demand, with taking into account authorized person's needs, a transfer of servitude from one place to another, only in the event he can prove existence of his interests in change of location and where he assumes expenses relating to change of location.

Article 260. Consequences of division of authorized person's immovable property

260.1 In the event of division of authorized person's immovable property having servitude right, there shall be determined a servitude in respect of each divided part. However, this procedure may be permitted only with condition of not worsening burdened owner's position.

260.2 In the event servitude has, as a result of division of burdened immovable property, been applied only to one part of it, then after division servitude shall not affect part to which servitude is not applicable.

260.3 All amendments made in servitude shall be registered in state register of immovable property.

260.4 Employees of the state register of immovable property shall be obligated to give to authorized person information on request to terminate the servitude and to carry out termination where he does not object within one month.

Article 261. Payment for servitude

261.1 There may be demanded from authorized persons having right of servitude a payment for use of plot in favor of owner of immovable property burdened with servitude, unless provided otherwise in agreement.

261.2 Amount of payment shall be established by agreement of parties, and in the event of impossibility of reaching an agreement — by court decision.

Article 262. Termination of servitude

262.1 Any kind of servitude shall be terminated in the event of complete destruction of burdened immovable property or immovable property given into disposition.

262.2 Servitude may be terminated, by demand of burdened owner, upon disappearance of grounds for its grant.

262.3 Owner may demand termination of servitude in court order in the event immovable property belonging to physical or legal entity cannot be used according to its designation as a result of encumbrance with servitude.

262.4 Termination of servitude shall be recorded in the state register of immovable property.

262.5 In the event owner of immovable property given into disposition becomes an owner burdened immovable property, he may terminate servitude.

262.6 Owner of burdened immovable property may demand termination of servitude in the event of loss of any interest to servitude of immovable property given into disposition. In the event there still is an interest of owner of immovable property given into disposition, but this interest is insignificant in comparison with encumbrance, then servitude may be completely or partially terminated in exchange for compensation.

II. Usufruct

Article 263. Notion of usufruct

263.1 Usufruct shall mean such encumbrance of property or rights that gives person in whose favor encumbrance is imposed (usufructuary) the right to use it and take benefit from it, but that shall not give him, unlike to owner, the right to pledge, alienate or pass that property through will. Usufruct may be limited by excepting separate benefits.

263.2 Usufruct may be for a fee or free of charge.

263.3 Usufruct may be temporary or for a usufructuary's lifetime.

Article 264. Conditions for establishment of usufruct

For establishment of usufruct it shall be necessary to transfer property and rights to usufructuary in cases relating to movable property and rights, and to register them in the state register of immovable property in cases relating to immovable property. Provisions on ownership right shall be in force at time of establishment of usufruct. Establishment of usufruct shall imply that its integral parts are definable.

Article 265. Rights and obligations of usufructuary

265.1 Prior to [establishment] of usufruct, owner and usufructuary may describe condition of objects granted under usufruct.

265.2 Usufructuary may not change purpose of use [of usufruct] without owner's consent.

265.3 Usufructuary shall have the right to appropriate fruits and benefit not resulting from property's usual economic use. In such an event, he shall be obligated to compensate owner for damage caused as a result of such use.

265.4 In the event usufructuary has incurred expenses which he was not obligated to incur or has applied novelties, he may demand, at time of returning property, compensation for them as an uninstructed manager. In the event owner has no intention to compensate him for his installations, he may take such fixtures back, but shall nevertheless be obligated to reinstate property to its original condition.

265.5 Usufructuary shall have the right to possess, use and take benefit from property. He shall ensure management of property. He shall act in line with conscientious economy procedures in the course of realization of his rights. Usufructuary shall not be responsible for property's normal wear. He shall be responsible for payment of current expenses, repair of property, as well as rendering to it of normal economic service.

265.6 Owner's claims relating to compensation resulting out of alteration of property or reduction of its value, as well as usufructuary's claims relating to reimbursement of compensation for expenses or taking back of fixtures shall expire within one year of return of property due to passage of period [of limitation].

265.7 Fruits received within confines of economy's due administration during usufructuary's period of disposal shall belong to usufructuary.

265.8 Payment for and other periodical services over objects of usufruct shall, from the date of commencement till the moment of expiry of usufructuary's right, be upon usufructuary, even in the event period of their execution comes after termination of right of use.

265.9 In the event usufruct has not been given only to certain person, usufructuary may give it to another person for its realization. Owner shall directly exercise his rights in respect of this person.

265.10 Usufructuary shall be obligated to insure property for the entire of existence of usufruct. Usufructuary shall be obligated to pay insurance premium for already insured property during period of effectiveness of usufruct.

265.11 In the event property or a part of it has been destroyed, damaged or require unforeseen expenses for its maintenance, usufructuary shall immediately inform owner about it. He shall tolerate measures and actions carried out by owner for the purposes of elimination of negative results. Owner shall not be obligated to undertake appropriate measures. In the event usufructuary himself carries out such measures, he shall have the right, at the end of usufruct, to separate items added by him to property as a result of such measures and actions or may demand from owner appropriate compensation for it.

265.12 In the event usufructuary has alienated separate items in the course of normal economic activity, items acquired by him should replace alienated items.

265.13 Usufructuary shall, in the event he does not prove that damage occurred not due to his fault, bear responsibility for destruction of property or reduction of its value. He shall be obligated to compensate for items not entered into use or used items. He shall be obligated to compensate for reduction of value of items due to their proper use.

265.14 Usufructuary of immovable property shall ensure that immovable property is not used excessively. Fruits acquired from such excessive use shall belong to owner.

265.15 Usufructuary shall be prohibited from making any alterations in land plot's economical designation that can cause significant damage to owner. He shall not have the right to alter land plot to a significant degree.

265.16 Usufructuary shall, unless provided otherwise, acquire ownership right to used items, but shall be obligated to compensate their value existing prior to entry into force of right of use.

Article 266. Right and obligations of owner of property burdened with usufruct

266.1 Owner may object to any illegal use of property or use of property outside its designation. In the event usufructuary ignores the objection, owner may demand reimbursement for inflicted damage or termination of usufruct in court order.

266.2 Owner may demand pledge from usufructuary in the event he can prove that his property or rights are in danger. In the event subject of usufruct consists of consumption goods or securities, he [owner] may demand guarantee without bringing proof and prior to grant of property. In case of securities, their depositing shall be satisfactory guarantee. For the purposes of securing a guarantee, a claim against person gifting property to an owner with retention of right of use may not be commenced.

266.3 In the event usufructuary has not, within reasonable time set for him, given pledge or has not stopped illegal use of property despite owner's objection, court shall deprive him of possession of property until issuance of decision.

266.4 Owner and usufructuary may at any time demand evaluation of property at their own expense.

266.5 Usufructuary shall maintain property in good condition and independently carry out improvements and renovations relating to usual maintenance of property in good condition. In the event a carrying out of more complex works and measures are required for the purposes of safekeeping of property, usufructuary shall inform owner about it and upon necessity shall permit carrying out of them by owner. In the event owner does not carry out such works, usufructuary may carry out the works and measures himself at owner's expense.

266.6 Usufructuary shall, during time a property is in his disposition, pay usual maintenance expenses and expenses relating to usual economical use, interests on relevant loans in this regard, as well as taxes and duties. In the event taxes and deductions are withheld from owner, usufructuary shall be obligated to compensate them to same extent. Any other expenses shall be borne by owner.

Article 267. Peculiarities of usufruct to apartment

267.1 Usufruct to apartment shall be a right to possess an apartment in building or one part of it. It shall not be transferable to third persons and shall not pass through inheritance. Provisions on right of use shall apply to it.

267.2 Usufruct to apartment shall usually be determined by usufructuary's personal needs. However, he may, unless owner put direct condition, take to his apartment his family members or persons jointly dwelling with him in a building. In the event apartment right is limited to one part of building, usufructuary may use object devised for joint use.

267.3 In the event usufructuary has exclusively apartment right, he shall bear expenses relating to usual maintenance of apartment. In the event he has right of joint use, owner shall bear expenses relating to maintenance of apartment.

Article 268. Termination of usufruct

268.1 Usufruct shall terminate upon complete destruction of property, expiration of usufruct's term, refusal of usufructuary from usufruct, as well as in connection with death of usufructuary, and for legal entities — upon their liquidation.

268.2 Usufructuary shall be obligated to return property to owner upon end of usufruct.

268.3 Usufruct shall terminate in the event usufruct together with ownership ends up in hands of one person.

268.4 Owner shall not be obligated to restore destroyed property. In the event he restores a property, usufruct to property shall also be restored. In the event destroyed property is replaced with another one, usufruct shall pass to replaced property.

Chapter 12. Right of guarantee to property.

Pledge and hypothecation right

§1. General Provisions

Article 269. Notion of pledge and hypothecation right

269.1 Pledge and hypothecation right shall mean property right of pledgee in respect of pledgor's property, and shall, at the same time, mean method of guarantee to pledgee of debtor's monetary or other obligations.

269.2 Pledge and hypothecation right shall consist of restriction of property rights.

269.3 Pledge shall mean restriction of property rights to movable property (except for movable property being objects of hypothecation). *Mortgage of right is also possible in cases stipulated under this Code.*

269.4 Hypothecation shall mean restriction of property rights to immovable property as well as to movable property subject to registration in official register.

269.5 Pledge and hypothecation shall be additional (accessory) obligation for guaranteeing to pledgee (creditor) an execution of pledgor's (debtor) primary *right on article.*

269.6 Pledge and hypothecation right to property shall apply to everything relating to ownership right to property.

269.7 In respect of obligation guaranteed by pledge and hypothecation, creditor (pledgee and mortgagor) shall, in case of non-execution by debtor of that obligation, have the right to receive from value of pledged or hypothecated property satisfaction senior to other creditors of person (pledgor or mortgagor) owning that property.

269.8 Pursuant to principle specified in Article 266.6 of this Code, pledgee (mortgagor) shall have the right to receive satisfaction from insurance payment for loss or damage to pledged or hypothecated property regardless of the fact in whose favor insurance is made, provided that loss or damage has not occurred due to circumstances for which pledgee (mortgagor) is responsible.

269.9 Pledge and hypothecation right shall be granted to property and rights capable of being given to other person.

269.10 In the event of destruction or damage of pledged property or property encumbered by hypothecation, or upon termination of right pledged to pledgee (mortgagor) or violation of this right, there shall arise the right to put forward a compensation claim.

269.11 Pledge and hypothecation right may be granted in respect of both existing and future claim. Claim may be named, ordered and to bearer. It may be a claim against pledgor (M) or owner himself, or against other person. Claim of pledge and hypothecation right shall be sufficiently clear.[\(12\)](#)

Article 270. Ground for emergence of pledge and hypothecation

270.1 Pledge and hypothecation shall emerge on the basis of agreement.

270.2 Provisions of this Code relating to emergence of pledge and hypothecation on the basis of agreement shall apply in relevant order to pledge and hypothecation emerging based on other grounds.

Article 271. Pledgor (M)

271.1 Pledgor (mortgagee) of property may only be its owner. *Legal consequences of the obtaining of right of mortgage (security) from the person who is not an owner, shall be determined in accordance with provisions of Articles 140 and 182 of this Code.*

271.2 Pledgor (mortgagee) may be both debtor and third person.

271.3 Pledgor of right may only be person possessing that right. [\(12\)](#)

Article 272. Pledgee (mortgagor)

Pledgee (mortgagor) shall mean person having, upon grounds indicated in agreement relating to pledgor's property, pledge or hypothecation right for the purposes of guaranteeing to him debtor's execution of monetary or other obligation.

Article 273. Inadmissibility of appropriation of pledged property or property encumbered with hypothecation

Any kind of agreement granting pledgee or mortgagor with the right of appropriation of pledged property or property encumbered with hypothecation shall be invalid.

Article 274. Consequences of change of owner of pledged property or property encumbered with hypothecation

Change of owner of pledged property or property encumbered with hypothecation shall not change pledge or hypothecation right.

Article 275. Termination of pledge or hypothecation right

~~Pledge and hypothecation right shall be terminated upon termination of guaranteed by them claim.~~(12)

§2. Pledge

Article 276. Subject of pledge

276.1 Property being object of hypothecation, as well as property taken out of civil circulation and claims inseparably connected with creditor's personality, including alimonies, except for claims relating to compensation of damage caused to life and health and other rights assignment of which to person is prohibited by law, any property and claims may be subject of pledge.

276.2 Indivisible property may not be pledged partially.

276.3 Pledge of lease right without property owner's consent shall be prohibited.

276.4. *State-owned assets of the Republic of Azerbaijan, its international reserves and deferred assets could not be pledged in order to ensure fulfillment of obligations on public debt or debt guaranteed by the state.*(31)

Article 277. Pledge of property in common ownership

277.1 Property in common joint ownership may be pledged only upon availability of written consent of all owners.

277.2 Any owner of common shared ownership may pledge his share in common property right without consent of other owners. In the event of imposition, upon pledgee's demand, of foreclosure upon that share and its sale, provisions of this Code on preemptive right of purchase shall apply.

Article 278. Property to which pledge right is applicable

Right of pledgee to property subject of pledge (pledge right) shall also apply to its appurtenances, unless provided otherwise in agreement. Pledge right to fruits, product and profit obtained as a result of use of pledged property shall apply in circumstances stipulated in agreement.

Article 279. Claim guaranteed by pledge

Pledge shall guarantee pledgee's claim in amount the pledge has at the moment of factual satisfaction, unless provided otherwise in agreement. That claim shall include interests, penalty, compensation for damage caused by delay of performance, as well as necessary

expenses and foreclosure expenses of pledgee relating to maintenance and security of pledged property.

Article 280. Pledge agreement

280.1 Pledge agreement shall be concluded in written form.

280.2 Pledge agreement shall contain [information on] name and place of residence (place of location) of parties, subject of pledge, essence of obligation guaranteed by pledge, pledge's amount and term of execution.

280.3 Pledge shall, in circumstance provided in this Code, be notarized, whereas pledge right shall be state registered.

280.4 Non-observance of provisions of this article shall result in invalidity of pledge agreement. Such agreement shall be considered void.

Article 281. Emergence of pledge right

281.1 Pledge right shall emerge from the moment of execution of pledge agreement, and in the event of necessity of state registration of pledge right - from the moment of its registration.

281.2 In the event pledgee should, according to agreement, have a subject of pledge, pledge right shall emerge at the moment of transfer of subject of pledge to him, and in the event of transfer of subject of pledge prior to execution of agreement —at the moment of its execution.

Article 282. Subsequent pledge

282.1 Pledged property may be subject of another pledge (subsequent pledge).

282.2 Subsequent pledge shall be permitted in the event not prohibited by prior pledge agreements.

282.3 In the event of subsequent pledge, claims of subsequent pledgee shall be satisfied from value of subject of pledge after satisfaction of claims of prior pledgee.

Article 283. Maintenance and safety of pledged property

283.1 Regardless of in whose possession a pledged property is, and unless provided otherwise in agreement, pledgor and pledgee shall:

283.1.1 insure pledged property against risks of loss and damage in its full value, and where property's full value exceeds obligation guaranteed by pledge - in amount not lower than value of obligation;

283.1.2 carry out actions in respect of ensuring safety of pledged property, including protection against encroachments and claims of third persons;

283.1.3 immediately inform other party in the event of emergence of danger of loss or damage to pledged property.

283.2. Pledgor and pledgee may check the availability, quantity, condition and maintenance condition of pledged property held by the other party.

283.3. Pledgor may demand early termination of pledge where pledgee creates, by gross violation of his obligations, possibility of loss of or damage to pledged property.

Article 284. Use and disposition of subject of pledge

284.1 Pledgor may use subject of pledge in accordance with its designation, including taking of fruits and benefit from it, unless provided otherwise in agreement.

284.2 Pledgor may alienate subject of pledge, grant it to other person into lease or uncompensated use, or dispose it in any other way only upon pledgee's consent, unless provided otherwise in agreement. Agreement on restricting pledgor's right to bequeath a pledged property shall be void.

284.3 Pledgee may use granted to him subject of pledge only in circumstances provided in agreement. He shall submit report on use upon pledgor's demand. There may be imposed, according to agreement, an obligation on pledgee to take fruits and benefit from pledged property for the purposes of payment of main obligation or for interests of pledgor.

Article 285. Consequences of destruction, loss of or damage to pledged property

285.1 Risk of accidental destruction, loss of or accidental damage to pledged property shall rest with pledgor, unless provided otherwise in pledge agreement.

285.2 Pledgee shall, where he cannot prove possibility of his exemption from liability pursuant to Article 455 of this Code, bear responsibility for full or partial destruction, loss of or damage to pledged property granted to him.

285.3 Pledgee shall, regardless of pledged property's evaluated amount at the time of its grant to him, bear responsibility in amount of pledged property's actual value in the event of its loss, and in reduced value - in the event of its damage.

285.4 In the event subject of pledge has changed, as a result of damage, to an extent its use for direct designated purposes is no longer possible, pledgor may refuse from it and demand compensation for its loss. Agreement may provide for compensation by pledgee to pledgor of other damage resulting from loss of or damage to pledged property. Pledgor being a debtor in respect of obligation guaranteed by pledge may relate claim against pledgor relating to compensation for damage caused due to loss of or damage to pledged property to payment of obligation guaranteed by pledge. (23)

Article 286. Exchange of subject of pledge

Exchange of subject of pledge shall be permitted only upon pledgee's consent, unless provided otherwise in agreement.

Article 287. Restoration and replacement of subject of pledge

In the event of destruction of or damage to subject of pledge or upon termination of ownership right to it, pledgor shall restore subject of pledge or replace it with another property of equal value within reasonable time, unless provided otherwise in agreement.

Article 288. Protection by pledgee of his rights to subject of pledge

288.1 Pledgee keeping or being obligated to keep pledged property may demand it from illegal possession of another person, including pledgor's possession.

288.2 In the event pledgee has been granted in agreement's provisions with right of use of pledged property given to him, he may demand from other persons, including from pledgor, elimination of any violations of his rights, even where these violations have not related to deprivation of possession.

Article 289. Retention of pledge in case of transfer of ownership right to pledged property

289.1 Pledge right shall remain in force in course of transfer of ownership right to pledged property from pledgor to another person as a result of compensated or uncompensated alienation of that property or in order of universal legal succession. Pledgor's legal successor shall take pledgor's place and bear pledgor's all obligations, unless provided otherwise in agreement with pledgee.

289.2 In the event of transfer of pledgor's property being subject of pledge to several persons in order of universal succession, each of legal successors (property acquiring persons) shall bear, in proportion to transferred to him share of that property, responsibility for arising-out-of-pledge consequences of non-performance of guaranteed by pledge obligations. However, in the event of indivisibility of subject of pledge or where it remains in legal successors' common ownership due to other grounds, they shall become joint pledgors.

Article 290. Consequences of compulsory taking of pledged property

290.1 In the event of termination of ownership right to pledgor's property being subject of pledge as a result of its purchase for state *needs*, requisition or nationalization on grounds established in law, and where pledgor has been granted with another property and (or) relevant substitute, pledge right shall apply to property given as substitute, or pledgee shall, in relevant order, acquire right of priority of compensation from amount of substitute due to pledgor.

290.2 In the event of taking from pledgor of property being subject of pledge in form of its foreclosure or in form of its impounding in order provided by law as a sanction for commitment of crime, pledgee shall acquire right of priority compensation of his claim from that property.

290.3 In the event of taking from pledgor of property being subject of pledge on ground that in reality an owner of that property is a different person, pledge in regard of that property shall be terminated.

290.4 Pledgee may require earlier performance of obligation guaranteed by pledge in circumstances provided in this Article.[\(12, 23\)](#)

Article 291. Assignment of rights arising out of pledge agreement

291.1 Pledgee may assign his rights arising out of pledge agreement to another person with observance of rules on transfer of creditor's rights through assignment of claim.

~~291.2 Assignment by pledgee of his right arising out of pledge agreement to another person shall be valid only where rights of claim to pledgor for guaranteed by pledge main obligation have also been assigned to the same person.~~[\(12\)](#)

Article 292. Transfer of debt in respect of obligation guaranteed by pledge

In the event of transfer of debt in respect of guaranteed by pledge obligation to another person, pledge shall be terminated where pledgor has not agreed to be responsible for new debtor.

Article 293. Earlier performance of guaranteed by pledge obligation and foreclosure of pledged property

293.1 Pledgee may demand early performance of guaranteed by pledge obligation in the following circumstances:

293.1.1 where subject of pledge has left possession of keeping it pledgor contrary to conditions of pledge agreement;

293.1.2 where pledgor has violated procedures on replacement of subject of pledge;

293.1.3 where subject of pledge has been lost not due to pledgee's fault, in the event pledgor has not used right stipulated in Article 287.2 [this article does not exist] of this Code.

293.2. Pledgee may demand early performance of guaranteed by pledge obligation and impose, in the event of non-performance of his demand, foreclosure on subject of pledge in the following circumstances:

293.2.1 where pledgor violates procedure on subsequent pledge;

293.2.2 where pledgor has not fulfilled obligations provided in Articles 283.1 and 283.2 of this Code;

293.2.3 where pledgee has violated procedures on use and disposition of pledged property.

Article 294. Termination of pledge

294.1 Pledge shall be terminated in the following circumstances:

294.1.1 upon termination of guaranteed by pledge obligation;

294.1.2 upon pledgor's demand in the event of presence of grounds specified in Article 283.3 of the Code;

294.1.3 upon destruction of pledged property or termination of pledged right, in the event pledgor has not used right provided in Article 288.2 of this Code;

294.1.4 upon sale of pledged property from public auction.

294.2. In the event of termination of pledge as a result of performance of guaranteed by pledge obligation or upon pledgor's demand, pledgee keeping pledged property shall be obligated to immediately return it to pledgor.

Article 295. Grounds for imposition of foreclosure on pledged property

Foreclosure of pledged property for the purposes of compensation of claims of pledgee (creditor) may be imposed in the event of non-performance or poor performance by pledgor of guaranteed by pledge obligation due to reasons for which he is responsible.

Article 296. Procedure for imposition of e on pledged property

296.1 Repayment of pledgee's claim on account of pledged property without application to court shall be permitted on the basis of notarized agreement between pledgor and pledgee. Court may consider such agreement invalid upon claim of person whose rights have been violated by such agreement. In the absence of such agreement, repayment of pledgee's (creditor) claim from value of pledged property shall be carried out through court decision.

296.2 Foreclosure of subject of pledge may occur in the following circumstances:

296.2.1. where other person's approval or consent is required for conclusion of pledge agreement;

296.2.2. where subject of pledge is property of significant historical, artistic or cultural value to society.

Article 297. Realization (sale) of pledged property

Pledged property shall be realized (sold) by specialized organizations only by way of sale on public auction.

Article 298. Distribution of amount received from sale of pledged property

298.1 From amount received from sale of pledged property a pledgee's claims shall be repaid after withholding of an amount necessary for compensation of expenses incurred in respect of foreclosure of that property and its sale, and a remaining sum shall be transferred to pledgor.

298.2 In the event amount received from sale of pledged property is not sufficient for repayment of pledgee's claim, he [pledgee] shall have the right to receive missing amount from pledgor's other property, unless provided otherwise in agreement. In that case, pledgee shall not have priority right based on pledge.

Article 299. Termination of foreclosure of and sale of pledged property

299.1 Debtor or third-party pledgor may, by performing guaranteed by pledge claim or part of claim in respect of which performance is late, terminate foreclosure of and sale of pledged property. Agreement restricting that right shall be void.

299.2 Person demanding termination of foreclosure of and sale of pledged property shall be obligated to compensate pledgee for expenses incurred in respect of foreclosure and sale of that property.

Article 300. Types of pledge

300.0 Pledge may of the following kinds:

300.0.1 safekeeping;

300.0.2 pledge of property in pawnshop;

300.0.3 pledge of rights;

300.0.4 pledge of money;

300.0.5 stationary pledge;

300.0.6 pledge of goods in circulation.

Article 301. Safekeeping

Safekeeping shall be such a pledge whose subject is given to pledgee's possession.

Article 302. Pledge of property in pawnshop

302.1 Taking from physical persons of movable property designated for personal consumption into pledge for the purposes of guaranteeing of short-term credits may be carried out in entrepreneurial manner by specialized organizations having special permission (license) — pawnshops.

302.2 Agreement on pledge of property in pawnshop shall be formalized by issuance by pawnshop of a pledge ticket.

302.3 Property put into safekeeping shall be given to pawnshop.

302.4 Pawnshop shall be obligated to insure in favor of pledger a property taken into pledge in full amount of its value established in accordance with market price of property of equal kind and quality at the time of taking into pledge.

302.5 Pawnshop shall not have the right to use pledged property or give disposition in its regard.

302.6 Pawnshop shall be responsible for loss of and damage to pledged property.

302.7 In the event amount of credit guaranteed by pledge of property in pawnshop has not been repaid within determined period, pawnshop may realize (sell) that property from public auction. Thereafter, pawnshop's claims against pledger (debtor) shall cease, event in the event of insufficiency of proceeds received from sale of pledged property for their full satisfaction.

302.8 Rules on crediting of physical persons by pawnshops in exchange for pledge of their property shall be determined by legislation.

302.8-1. Pawnshop is obliged to fulfill the requirements set for him by applicable law in order to prevent the legalization of monetary funds or other assets obtained by criminal means and the financing of terrorism.

302.9 Terms of agreement on pledge of property in pawnshop restricting pledger's rights in comparison with rights granted to him by this Code shall be void. (35)

Article 303. Pledge of right

303.1 Upon pledge of right, right whose subject of pledge is alienable, including right of lease of land plot, building, installation, residential house (apartment), right to share in property, shall mean debt claim.

303.2 Temporary right may be subject of pledge only until the end of period for which it is in force.

303.3 Debtor of pledged right shall immediately be given notification on pledge.

303.4 Pledge of right subject to state registration shall become valid from the moment of its registration in state body carrying out its registration.

303.5 Upon pledge of right certified by *documentary* security, it shall be given to pledgee or to deposit of a bank or notary public, unless provided otherwise in agreement. (57)

Article 304. Pledge of money

Money being subject of pledge shall be kept in deposit account of a bank or notary public. Interests accrued on this amount shall, unless provided otherwise in agreement, belong to pledgor.

Article 305. Stationary pledge

Stationary pledge shall mean a pledge that is kept under pledgee's lock or by pledgor by putting marks indicating it as a pledge.

Article 306. Pledge of goods in circulation

306.1 In the event of pledge of goods in circulation, pledged goods shall remain with pledgor and pledgor shall have the right to change content and natural form of pledged property (stock of goods, raw materials, materials, semi-fabricated items, product ready for consumption), provided that their total value does not fall below indicated in pledge agreement value. Reduction of value of pledged goods in circulation shall be allowed in proportion to executed portion of guaranteed by pledge obligation, unless provided otherwise in agreement.

306.2 Goods in circulation alienated by pledgor shall cease to be subject of pledge from the moment of their transfer to acquirer's ownership, whereas goods acquired by pledgor as well as goods specified in pledge agreement shall become subject of pledge from the moment pledgor acquires ownership right to them.

306.3 Pledgor of goods in circulation shall be obligated to compile book of register of pledges in the event agreement does not provide for other conditions for control over pledgor's activity. Records as of last day of operation relating to conditions of pledge of goods and all operations causing change of pledged goods' content or natural form, including their refining, shall be entered into that book.

306.4 In the event of violation by pledgor of conditions of pledge of goods in circulation, pledgee may, until elimination of violation, suspend operations with pledged goods by attaching his marks to these goods.

§3. Hypothecation

Article 307. Hypothecation agreement

307.1 Hypothecation agreement shall contain [information on] parties' name and place of residence (place of location), subject of hypothecation, essence, size and period of performance of guaranteed by hypothecation obligation.

307.2 Subject of hypothecation shall be determined in agreement by provision of its name, place of location, and description sufficient for identification.

307.3 Hypothecation agreement shall indicate upon which right a property being subject of hypothecation belongs to mortgagee and a state body registering that right of mortgagee.

307.4 Hypothecation agreement shall show guaranteed by hypothecation obligation, its amount, grounds for its emergence and period of performance. In circumstances where that obligation is based on some agreement, parties to that agreement, date and place of execution shall be indicated. In the event an amount of guaranteed by hypothecation obligation is to be determined in future, hypothecation agreement shall indicate order of its determination and other necessary terms.

307.5 In the event a guaranteed by hypothecation obligation is to be performed in installments, hypothecation agreement shall indicate periods or regularity of relevant repayments, their amount or terms allowing determination of these amounts.

307.6 Hypothecation agreement shall be concluded in written form by compilation of a document signed by mortgagee and mortgagor, and in the event mortgagee is not a debtor — by debtor.

307.7 Hypothecation agreement shall be notarized.

Article 308. Types of hypothecation

308.1 Common hypothecation shall be a hypothecation whose subject consists of several items and each item is used for payment of common claim. Creditor's claim may be repaid, upon his desire, at the expense of any item.

308.2 Owner's hypothecation shall mean a situation where claim of hypothecation existing for guaranteeing does not arise, it is terminated or upon transfer to owner of that claim — hypothecation also transfers to him. *In this the sequence of other rights is not changed.* [\(12\)](#)

Article 309. State registration of hypothecation

309.1 Agreement on hypothecation of immovable property shall be registered in the state register of immovable property, whereas agreement on hypothecation of movable property shall be registered in the official register of movable property subject to state registration.

309.2 *State registration of hypothec shall be carried out in an order stipulated by the legislation.*

309.3 *Mortgage and claim are passed to new creditor in the same form as they were owned by previous creditor. Registration in the state registry of immovable property of information that would reflect the interests of the creditor shall be deemed valid. In this event the debtor shall not be entitled to refer to absence of claim. If new creditor was aware of inaccuracy of records, this procedure does not apply.*([12](#), [23](#))

Article 310. Multiple burdening of property with hypothecation

Same property may be burdened with hypothecation several times. Order of priority shall be determined in accordance with time of *state registration of hypothec*. ([23](#))

Article 311. Owner's right to satisfy a creditor

311.1 Property owner may satisfy a creditor where time of performance of claim becomes due. This may also be done by personal debtor.

311.2 In the event owner is not a personal debtor, claim shall be transferred to him at the time of satisfaction of creditor by owner.

311.3 In course of satisfying a creditor, owner may demand documents necessary for making relevant records in the state register of immovable property or other official register of movable property, and termination of hypothecation.

Article 312. Obligation to maintain property burdened with hypothecation

312.1 Mortgagee shall be obligated to preserve real value of property. In the event there arises danger to hypothecation as a result of worsening condition, mortgagor may establish certain period to mortgagee for elimination of that danger.

312.2 Where property has been insured, insurance organization may, after worsening of condition, pay amount of insurance to insured only at the time of informing of mortgagor of fact of occurrence of damage. Mortgagor may obstruct payment of amount in the event he has doubts that the amount will not be used for restoration of property.

312.3 In the event mortgagee's inability to perform his obligations becomes evident, mortgagor may demand transfer of property to him. Decision in respect of that demand shall be issued by court.

312.4 Agreement providing for undertaking by mortgagee before mortgagor of obligation to not alienate property, not use property, or not encumber it in any other form shall be invalid. Validity of such agreements for third persons may not depend on mortgagor's consent.

Article 313. Transfer of hypothecation and based on it claim to third person

Hypothecation and based on it claim may be granted to another person only simultaneously and together. In the event of transfer of claim to new mortgagor, hypothecation shall also pass to him. Transfer of claim shall be considered valid only where notarized documents on hypothecation have been given to new mortgagor and have been registered in the state register of immovable property or official register of movable property.

Article 314. Presumption of correctness of record made in state register of immovable property or official register of movable property in course of transfer of hypothecation and claim to new mortgagor

Hypothecation and claim shall be transferred to new mortgagor in order existing for old mortgagor. Information recorded in state register of immovable property or official register of movable property shall be considered correct by deeming mortgagor's interests as a basic. Mortgagee may not rely on non-existence of claim in this case. This rule shall not apply in the event new mortgagor has become aware of incorrect records in register.

Article 315. Rights of third parties

315.1 Any third person whose position has deteriorated as a result of realization of hypothecation shall have the right to perform a claim and thus transfer hypothecation to himself. Upon satisfaction of mortgagor, he may demand documents certifying in relevant order and his registration as a mortgagor.

315.2 Upon personal debtor's satisfaction of mortgagor, hypothecation shall transfer to him. He may demand compensation from owner in this case.

Article 316. Refusal of mortgagor from claim or hypothecation

In the event mortgagor refuses from claim or hypothecation, creditor shall become an owner. Refusal shall have legal force only with condition of its recordation in the state register of immovable property or official register of movable property.

Article 317. Demand to sell property burdened with hypothecation

317.1 *In case of the debtor failure to perform the principal obligation or improper fulfillment of the principal obligation, whose guarantee method is hypothecation, the mortgagor may demand sale of immovable property.*

317.2 *Sale is performed in accordance with provisions of Articles 414—416 of this Code.*([12](#), [23](#))

Article 318. Expenses relating to grant of hypothecation

318.1 Expenses relating to grant of hypothecation shall be born by debtor, unless another condition has been stipulated by agreement.

318.2 In the event property has been burdened with hypothecation and where owner has made modifications and additions to hypothecation after grant of hypothecation and

where he is not required to give them as a satisfaction of claim, he may restore property to its original condition by taking back these modifications and additions. Owner shall bear responsibility for reduction of value of immovable property.

Article 319. Consequences of delay of performance of obligations by debtor

319.1 In the event debtor has delayed performance of obligation performance of which is guaranteed by hypothecation of property, mortgagor shall have the right to sell property burdened with hypothecation from public auction. *In the event of non-compliance or delay by debtor of the obligations secured by mortgage, agreement of transfer of property rights directly to creditor shall be deemed invalid*

319.2. *In the event of non-compliance of claim secured by mortgage, at the time of fulfillment of mortgage claim the mortgage holder and debtor may come to agreement on other types of sells different from public auctions. This agreement may also be provide that subject of mortgage shall be sold at the market value provided complete re-calculation of debtor liabilities and(or) in future before the person who has purchased the apartment (living space), which is subject of mortgage at the time of sell the condition will be set to let the debtor or his family members to be the Lessees of that apartment (living space).*

319.3 Purchaser of property burdened with hypothecation shall be obligated to pay a sale price. Expenses relating to foreclosure shall be withheld from sale price.

319.4. *Initial purchasing price of the item of mortgage, submitted for sell from public auctions shall be determined by the mortgage holder and debtor, as well as mortgage issuer (in the event if debtor is not the mortgage issuer) on the basis of mutual agreement. If agreement on issue is not reached, they can apply to person engaged in evaluation business in accordance with provisions of legislation.*

319.5. *If during implementation of initial sell there will not be any proposal made to cover seventy percent of the initial price of item, trades shall be repeated. Repeated trades are performed in the manner similar to initial trades with reference of their being repeating, and are implemented in the same order. During repeating sells the least sell price of the mortgage item shall be sufficient to cover costs on holding the trades and claims of other mortgage holders, having privilege over mortgage holder who sells the item of mortgage from public auctions, with consideration of the order of registration of their rights. If this is not taking precedence, trades are not held. Costs on trading are laid to owner.*

319.6. *In accordance with Articles 319.1—319.5 of this Code in the event if the amount generated from the sell of the item of mortgage is not sufficient to satisfy the requirements of mortgage holder, debtor shall compensate the balance to mortgage holder. In the event is amount generated from the sell exceeds liabilities of the mortgage holder, the extra amount shall be returned to debtor.*[\(12\)](#)

Article 320. Priority of repayment of mortgagor's claims

In the event there are several mortgagors, mortgagors' claims shall be repaid from net proceeds received from sale of property burdened with hypothecation in accordance with their rights' registration order. In the event priority and amount due to each of authorized persons is disputable, repayment shall not be carried out until determination of their

priority or amount due to each mortgagor. The remainder shall be paid to owner of sold property.

Article 321. Hypothecation debt

321.1 Land plot may be burdened in a way entitling person in whose favor burden has been imposed to certain monetary amount (hypothecation debt) in respect of land plot. Burden may also be established in a way requiring payment of interests on monetary amount as well as requiring performance of other additional obligations in respect of immovable property. Instructions in respect of hypothecation shall apply to hypothecation debt, provided that it does not lead to assumption of existence of claims behind hypothecation debt.

321.2 Hypothecation may be transferred to hypothecation debt, and hypothecation debt - to hypothecation upon agreement of parties.

Article 322. Rent debt

Hypothecation debt may be paid in a way requiring payment of certain monetary amount (rent debt) in respect of immovable property in systematic repetitive periods. Upon payment of rent debt, amount making possible its purchase shall also be specified. Purchase amount shall be indicated in the state register of immovable property.

Article 323. Property encumbrance

Immovable property may be burdened in a way requiring person in whose favor burden is imposed to perform certain periodic obligations in respect of land plot.

Article 323-1. Owner objections against mortgage

In event if owner of immovable property is not in the same time the debtor personally under the liability secured by the mortgage, he may raise against mortgage holder the counter-claim, owned by personal debtor; in particular these are mutual claims on reckoning of monetary obligations and appeal of claim. This also applies in the event, when owner is the personal debtor of mortgage holder. [\(12\)](#)

Section four. Agreements

Chapter 13. General provisions on agreements

Article 324. Notion of agreement and its types

324.1 Agreement shall mean unilateral, bilateral or multilateral expression of will directed at emergence, modification and termination of civil legal relationship.

324.2 Agreements may be unilateral or in contractual form (bilateral or multilateral).

324.3 Unilateral agreement shall mean an agreement for conclusion of which in accordance with this Code and agreement of parties it is necessary and sufficient an expression of will of one party.

324.4 Conclusion of contract shall require agreed expression of will of two parties (bilateral agreement) or agreed expression of will of three or more parties (multilateral agreement).

324.5 In the course of interpretation of expression of will, its true content shall be established not only in accordance with its literal meaning, but also on the basis of reasonable judgement.

324.6 Agreement shall not exist in the event content of will cannot be strictly determined either according to external expression or other circumstances.

Article 325. Validity of unilateral expression of will

325.1 Expression of will requiring acceptance by other party shall become valid from the moment of its delivery to the other party.

~~325.2 In the event other party informs of his refusal in advance or immediately, expression of will shall not be considered valid.~~

325.3 Death of or loss of action capacity by concluding-agreement person occurring after expression of will may have no impact on validity of expression of will.[\(12\)](#)

Article 326. Obligations under unilateral agreement

Unilateral agreement shall create obligations for concluding it person. Agreement may create obligations for other persons only in circumstances stipulated in this Code or agreement with these persons.

Article 327. Legal regulation of unilateral agreements

General provisions on obligations or contracts shall apply in relevant order to unilateral agreements only where it does not conflict with this Code, unilateral character of agreement and its nature.

Article 328. Agreements concluded with condition

328.1 Agreement shall be considered concluded with condition in the event parties have made emergence of rights and obligations conditional on occurrence or non-occurrence of unknown events.

328.2 Condition contradicting requirement specified by this Code or performance of which is impossible shall be invalid. Agreement depending on such condition shall be completely invalid.

328.3 Condition depending upon will of parties, i.e. one occurrence or non-occurrence of which depends upon wish of parties in agreement, shall be invalid. Agreement concluded with such condition shall be invalid.

328.4 Positive condition shall mean that agreement has been concluded with condition of occurrence of a certain event within certain time period. Condition shall be considered void where that time period has expired and event has occurred. Condition may be carried out within any desired time period where a period has not been specified.

Condition may be considered void where impossibility of occurrence of event has become clear.

328.5 Negative condition shall mean that agreement has been concluded with condition of non-occurrence of a certain event within certain time period. Condition shall be considered fulfilled where event has not occurred till expiry of that time period or impossibility of occurrence of that event has become clear prior to expiry of time period. In the event time period has not been specified, condition shall be considered fulfilled only at the time a non-occurrence of event becomes clear.

328.6 In the event emergence of rights and obligations provided in agreement occurs due to future or unknown event or has already occurred, agreement shall be considered concluded with condition capable of being postponed in the event of dependence on presently unknown to parties condition.

328.7 Agreement shall be considered concluded with terminating condition where occurrence of that condition causes termination of agreement and reinstates situation existing prior to its conclusion.

328.8 Person concluding agreement with certain condition shall not have the right to undertake prior to occurrence of condition any actions capable of creating obstacles for performance of obligations. In the event condition has occurred within certain time period and person has performed that action, he shall be obligated to compensate other party for damage resulting from that action.

328.9 In the event party for whom occurrence of condition is not beneficial has in bad faith created obstacles for occurrence of condition, condition shall be considered occurred.

328.10 In the event party for whom occurrence of condition is beneficial has in bad faith facilitated occurrence of condition, condition shall be considered non-occurred.

Article 329. Forms of agreements

329.1. Unless otherwise is stipulated under legislation, the deal made with violation of requirements to the form established under legislation or mutual consents of parties, shall be deemed invalid.

329.2 Agreements shall be concluded in oral or written (simple or notarized) form.

329.3 Agreement that may be concluded orally shall be considered concluded where will of person to conclude agreement is obvious from his conduct.

329.4 Silence shall be considered expression of will to conclude agreement in circumstances stipulated in this Code or agreement of parties.[\(12\)](#)

Article 330. Oral agreement

~~330.1 Agreement in respect of which this Code or agreement of parties has not specified written (simple or notarized) form may be concluded orally.~~

~~330.2 All agreements being performed at the time of conclusion may, unless provided otherwise by agreement of parties, be concluded orally, except for agreements for which a notarized form has been specified and agreements for which non-observance of simple written form may result in their invalidity.~~

~~330.3 Agreements for performance of contract concluded in written form may, in the event not contradicting to this Code and agreement, be concluded orally by agreement of parties.~~[\(12\)](#)

Article 331. Written agreements

331.1 Written agreement shall be concluded by drafting of document expressing its essence and signed by person or persons or their duly authorized person concluding the agreement.

331.2 Agreement of parties may specify additional requirements (drafting on blanks of certain form, certification with seal, etc.) which form of agreement must comply with and may provide for consequences of non-compliance with these requirements. ~~In the event such consequences have not been stipulated, consequences of non-compliance with simple written form of agreement (Article 333.1) shall apply.~~

331.3 Use at the time of conclusion of agreements of facsimile signature, electronic signature or other analogue of personal signature with assistance of mechanical and copying devices shall be permitted in circumstances and order specified in agreement of parties. *Provisions for use of electronic signature shall be established by legislation.*

331.4 In the event physical person cannot sign agreement personally due to body disability, illness or illiteracy, other physical person may sign agreement upon his request. Signature of other physical person, together with indication of reasons of inability of person concluding agreement to sign personally, shall be certified by notary public or other official having a right to undertake similar notary action.

331.5. *Issues connected with transaction conclusion in electronic form shall be regulated by the legislation of the Republic of Azerbaijan on e-Commerce and Electronic Document Management.*[\(9, 12, 15, 23\)](#)

Article 332. Agreements concluded in simple written form

~~332.1 Signatures of parties participating in agreement shall be sufficient for validity of agreement of simple written form. The following agreements shall be concluded in simple written form, except for agreements requiring certification in notary order:~~

~~332.1.1 agreements between legal entities and with physical persons;~~

~~332.1.2 agreements concluded between physical persons for amount exceeding at least 50 times minimum salary, and in circumstances stipulated in this Code — regardless of amount of agreement.~~

~~332.2 Agreements capable of being concluded orally in accordance with this Code shall not be required to comply with simple written form.~~[\(12\)](#)

Article 333. Consequences of non-compliance with simple written form of agreement

~~333.1 Non-compliance with simple written form of agreement shall deprive parties of right to refer to witness testimonies for the purposes of confirmation of agreement and its provisions in the event of dispute, but shall not deprive them of submission of written and other evidence.~~

~~333.2 Non-compliance with simple written form of agreement in circumstances specifically provided in this Code or agreement of parties shall result in invalidity of agreement.~~

~~333.3 Non-compliance of foreign economic agreement with simple written form shall result in invalidity of agreement.~~[\(12\)](#)

Article 334. Certification of agreement in notary order

334.1 Certification of agreement in notary order shall be implemented through making by notary public or other official having right to carry out such notary actions of a certifying record in document conforming with the requirements of Article 331 of this Code.

334.2 Procedure for notarization of agreement shall be established by law on notary.

334.3 Notarization of agreements shall be compulsory in the following circumstances:

334.3.1 in circumstances specified in this Code;

~~334.3.2 upon demand of either party, even where this Code does not specify this form for such kind of agreements.~~[\(12\)](#)

Article 335. Consequences of non-compliance with notary form of agreement

~~335.1 Non-compliance with notary form of agreement shall result in its invalidity. Such agreement shall be considered void.~~

~~335.2 In the event one of the parties has fully or partially performed agreement requiring notarization, and where the other party evades notarization of agreement, court shall have the right to consider agreement valid upon demand of the party performing agreement. Subsequent notarization of agreement in this case shall not be required.~~

~~335.3 Party unjustifiably evading notarization of agreement shall reimburse the other party for damage resulting from delay in conclusion of agreement.~~[\(12\)](#)

Article 336. Consequences of non-compliance with requirement of registration of rights arising out of agreements

336.1. If one of the parties evades the state registration of the rights occurring from the deal, the registration is performed on the basis of court decision made under the application of counterpart.

336.2. Other rights associated with compensation of losses, shall be unchanged.

336.2 In the event agreement has been concluded in proper form, but where one of the parties evades registration of rights arising out of agreement, court shall have the right to

issues decision on registration of these right upon demand of the other party. Rights arising out of agreement shall be registered in accordance with court decision in this case.

336.3 Party unjustifiably evading state registration of rights arising out of agreement shall reimburse the other party for damage resulting from delay in registration of these rights.(12)

Chapter 14. Invalidity of agreements

Article 337. Notion of invalidity of agreements and its consequences. Disputed and void agreements

337.1 Agreement concluded with violation of conditions stipulated in this Code shall be invalid. *Invalid deals can be the disputed or void deals.*

337.2. *In the event of disputing of the deal, it shall be deemed invalid from the moment of its making. Disputing of the deal is performed via issuance of notification to other on the decision. One-sided deal implemented towards other party, can be disputed towards that person.*

337.3 Void agreement shall mean an agreement invalid per se regardless of finding or non-finding of it by court to be invalid. ~~Any interested person may demand application of consequences of invalidity of void agreement. Court shall have the right to apply such consequences upon its own initiative.~~

337.4 Invalid agreement shall not result in legal consequences except for consequences relating to its invalidity. Such agreement shall be invalid from the moment of its conclusion.

337.5 Each party shall, in the event of invalidity of agreement, and where other consequences of its invalidity have not been stipulated in this Code, be obligated to return to the other party all items received pursuant to agreement, and in the event of impossibility of return of the same received items (including where received items have been expressed in the use of property, performed work or rendered service), be obligated to compensate for its value in money.(12)

Article 338. Invalidity of agreement violating rules and prohibitions specified by this Code

Agreement not complying with the requirements of this Code or violating rules and prohibitions specified by this Code shall, where this Code does not specify that such agreement is void or where other consequences of violation have not been stipulated, be invalid.

Article 339. Invalidity of agreement concluded as a result of abuse of power, fraud, coercion, threat, bad faith agreement of representative of one party with the other party or duress

339.1 Agreement concluded as a result of abuse of power, bad faith agreement of representative of one party with the other party, *or entailing circumstances established by Article 49.4 of this Code*, as well as extremely non-beneficial to a person agreement concluded as a result of duress and other party's utilization of this (agreement with hard conditions) *can be subject to dispute by suffering party.*

339.2 In the event a person has been defrauded with the purpose of conclusion of agreement, he *may dispute the deal*. *Such dispute shall be implemented* where impossibility of conclusion of agreement without fraud has become evident. In the event one of the parties has know and has kept silent about circumstances making conclusion of agreement by the other party impossible, defrauded party *may dispute the deal*. Obligation to inform of silenced circumstances may arise only where the other party expects it in good faith.

339.3 Purpose of a party to benefit from providing false information or purpose to inflict damage on the other party shall not affect the *dispute of agreement* concluded as a result of fraud. In the event of fraud by third party, *deal can be disputed* where person benefiting from this agreement knew or should have known of fraud. In the event both parties have acted fraudulently, neither of them shall have the right to demand *dispute the agreement* or compensation of damage by referring to defrauding of them by the other party.

339.4 Making (coercion or threatening) of person concluding agreement to conclude it shall empower him to demand *dispute the agreement* even in the event coercion has been committed by third party. Coercion capable of influencing person by its character and creating impression of real danger to a person himself or his shall result in invalidity of agreement. Person's age, sex, living condition shall be taken into account at the time of evaluation of character of coercion. Direction of coercion at one of the parties' wife (husband), other family members and close relatives shall also be ground for *to be disputed*. Except for circumstances where purposes of coercion do not correspond with methods of coercion, actions not implemented with contradicting to law goals or with application of contradicting to law methods shall not be considered coercion.

339.5. In the event agreement has been considered invalid on the basis of one of the grounds specified in Articles 339.1, 339.2 and 339.4), *provisions of Article 337.5 shall apply*. Besides, the other party causing damage to injured party as a result of abuse of power shall compensate real damage inflicted upon injured party.

339.6. *On the grounds specified in Articles 339.1-339.4 of this Code, based on the claim of the injured party, the court can consider the transaction as invalid.* (12, 80)

Article 340. Invalidity of fictitious and false agreements

340.1 Fictitious agreement shall mean an agreement concluded just for pretension without intent to establish corresponding to it legal consequences. Fictitious agreement shall be void.

340.2 False agreement shall mean an agreement concluded with the purpose to curtail other agreement. False agreement shall be *not significant*. Rules relating to agreement actually contemplated at the time of conclusion of false act shall apply to false agreement with consideration of its essence.(12)

Article 341. Invalidity of non-serious agreement

341.1 Expression of will made non-seriously with hope that its character will be revealed (joke) shall be invalid.

341.2 In the event there was inflicted a damage to other party as a result of non-serious agreement, damage shall be compensated where the other party was not and could not have been aware of non-seriousness of agreement.

Article 342. Invalidity of agreement concluded by physical person lacking action capacity

342.1 Agreement concluded by physical persons considered lacking action capacity as a result of mental disorder shall be invalid. Each of the parties to such contract shall return the same received items to the other party, and in the event of impossibility of return of the same — shall compensate its value. Besides, in the event party having action capacity knew or should have known the other party's lack of action capacity, he shall be obligated to compensate him for caused to him actual damage.

342.2 In the event agreement concluded by physical person considered lacking action capacity due to mental disorder is for his benefit, it may be considered valid by court upon custodian's claim.

Article 343. Invalidity of agreement concluded by physical person with restricted action capacity

343.1 Agreement on disposition of property concluded by physical person whose action capacity has been restricted by court as a result of alcohol, *narcotic drugs or narcotic substances abuse* as well as addiction to gambling without obtaining consent of custodian may be considered invalid by court upon claim of custodian.

343.2 Rules of this Article shall not apply to petty household agreements capable of being concluded by physical person with restricted action capacity independently.

Article 344. Invalidity of agreement concluded by person under fourteen years of age not reaching the age of majority

344.1 Agreement concluded by person under fourteen years of age not reaching the age of majority (minor) shall be invalid, *with exception of cases stipulated under Article 29 of this Code.*

~~344.2 In the event agreement concluded by a minor is beneficial to him, it may be considered by court valid for benefit of minor upon request of his parents, adopting persons or custodian.~~

~~344.3 Rules of this Article shall not apply to petty household agreements and other agreements capable of being concluded by minor independently.(12)~~

Article 345. Invalidity of agreement concluded by person between ages of fourteen and eighteen not reaching the age of majority

345.1 Agreement concluded by person between ages of fourteen and eighteen not reaching the age of majority without consent of his parents, adopting persons or custodian where such their consent is necessary pursuant to the requirement of this Code *invalid.*

345.2 Rules of this Article shall not apply to agreements of persons not reaching the age of majority having full action capacity in accordance with rules of this Code.(12)

Article 346. Invalidity of agreement concluded by physical person not realizing meaning of his actions or not capable of controlling them

346.1 Agreement concluded by physical person not realizing meaning of his actions or not capable of controlling them at the moment of conclusion, even where he has action capacity, may be considered invalid by court upon his own claim or claim of persons whose rights or protected by law interests have been violated as a result of conclusion of agreement.

346.2 Agreement concluded by physical person thereafter considered as having action capacity may be considered by court invalid upon claim of his custodian in the event non-realization by physical person of meaning of his actions or his incapability to control them at the moment of conclusion of agreement has been proved.

346.3 Expression of will made at the time of loss of consciousness or temporary mental disability may be considered invalid.

346.4 In the event expression of will of mentally disabled person does not correspond to true understanding of actual situation and where person is considered by court as lacking action capacity, the expression of will shall be invalid.

Article 347. Invalidity of agreement concluded under impact of material misunderstanding

347.1. Deal made under mistake of significant importance, can be appealed by the person acting under the effect of such mistake.

347.2 Material misunderstanding shall occur in the following circumstances:

347.2.1 where person wanted to conclude other agreement different from agreement he agreed to conclude;

347.2.2 where person has made a mistake in respect of content of agreement he wished to conclude;

347.2.3. where circumstances considered as basis of agreement with parties' conscience taken as a basis do not exist.

347.3 Misunderstanding in respect of motives of agreement shall not be of material importance except for circumstances where they are subject of agreement.

347.4 Misunderstanding in respect of personality of counteragent shall be considered material only where counteragent's personality or his personal qualities have been primary basis for conclusion of agreement.

347.5 Misunderstanding in respect of main features of subject shall be considered material where it bears importance for determination of subject's value.

347.6 Small mistakes made at the time of conclusion of written agreements shall give right to amendment but shall not give right dispute such mistakes.

347.7 In the event party upon *appeals the deal made under the mistake of significant importance* proves occurrence of misunderstanding due to other party's fault, he may

demand from the other party compensation of actual damage incurred by him. In the event such has not been proved, party upon whose *appealed the deal made under the mistake of significant importance* shall be obliged to compensate, upon the other party's demand, actual damage incurred by him even in circumstances where misunderstanding has occurred due to reasons not depending on mistaken party.(12)

Article 348. Invalidity of agreement concluded with violation of mandatory form

~~Agreement concluded with violation of specified by this Code or contract mandatory form as well as agreement concluded without obtaining consent—in the event consent is necessary for its conclusion, shall be invalid.~~(12)

Article 349. Invalidity of agreement concluded by legal entity beyond its legal capacity [ultra virus agreement]

Agreement concluded by legal entity in contradiction to purposes of its activity set forth in its charter ~~or agreement concluded by legal entity not having a special permit (license) required for engagement in certain activity~~, may, in the event it has been proved that the other party participating in agreement knew or should have known of its illegality, *can be appealed by entity or its founder.*(12)

Article 350. Consequences of limitation of powers to conclude agreement

In the event powers of person to conclude agreement have been limited by contract or powers of bodies of legal entity have been limited by its charter compared with condition considered by a power of attorney open, specified in this Code as open or considered open pursuant to the terms of concluded agreement, and where that person or body exceeds these limitations in the course of conclusion of agreement, agreement *can be disputed by the person* whose benefits have been limited in the event a party participating in agreement knew or should have known about these limitations.(12)

Article 351. Significance of ratification in the event of invalidity of agreement

351.1 Void agreement shall be invalid from the moment of its conclusion.

351.2 In the event person concluding void agreement has ratified it, his actions shall be considered as conclusion of agreement anew.

351.3 In the event agreement has been ratified by person having the right to dispute it, he shall lose the right to dispute it.

351.4 In the event a bilateral void agreement has been ratified by both parties, where there is a doubt, they shall be obliged to deliver to each other everything they would be entitled to receive if an agreement would be valid from the beginning.

351.5 Ratification shall be valid only where a contract or agreement are not contrary to moral requirements and do not violate interests of third parties.

Article 352. Consequences of invalidity of one part of agreement

Invalidity of one part of agreement shall not result in invalidity of the rest of agreement only in the event if agreement could have been concluded without inclusion of its invalid part.

Article 353. Conversion of agreement

In the event parties wish an agreement to be valid after learning of its invalidity, provisions of another agreement shall apply where invalid agreement corresponds to requirements stipulated for another agreement.

Article 354. Periods in respect of invalid agreement

354.1 Claim on application of consequences of invalidity of void agreement may be brought within one year of commencement of its performance.

354.2. *With exception of the case stipulated under Article 347.1 of this Code, the relevant party may dispute the deal within one year from the date of seizure of threat or hazard, affecting the deal, or from the date, when he was aware or was supposed to be aware of circumstances, which form basis of deeming the deal invalid. Deal made under the influence of mistake of significant importance, can be disputed within one month period from the date of clarification of basis for its appeal.*[\(12\)](#)

Chapter 15. Consent in agreements

Article 355. Notion of consent in agreements

355.1 In the event validity of agreement depends on consent of a third party, a consent or refusal to consent may be expressed in front of one party or another.

355.2 Specified form of agreement for consent shall not be required.

Article 356. Permission (consent given in advance)

Permission (permission given in advance) to conclude agreement may be terminated [revoked] prior to conclusion of agreement, unless parties have reached an agreement on different procedures. Information on termination of permission (consent given in advance) shall be given to both parties.

Article 357. Approval (consent given afterwards)

Approval (consent given afterwards) of conclusion of agreement shall have retroactive force from the moment of conclusion of agreement, unless provided otherwise in this Code or agreement of parties.

Article 358. Disposition of property or right by an unauthorized person

358.1 Disposition of property or right by an unauthorized person shall be valid in the event it is carried out with an authorized person's permission (consent given in advance).

358.2 Disposition of property or right shall be valid where approved by an authorized person.

Chapter 16. Representation in agreements

Article 359. Notion of representation in agreements

359.1 Agreement may also be concluded through representative. Agreement concluded by one person (representative) on behalf of another person (represented) in accordance with authority based on power of attorney, law or act of authorized to it state or municipal body, shall directly create, change and terminate civil rights and obligations for represented. Authority may also be evident from representative's condition of activities (seller in a retail sale, cashier, etc.).

359.2 Persons acting, although for interests of others, on their own behalf (commercial middlemen, auction managers in the event of bankruptcy, executors of will in the event of inheritance, and so forth), as well as persons authorized to commence negotiations in respect of future potential agreements shall not be representatives.

359.3 Representative may not conclude agreements in respect of him personally on behalf of represented. He also may not, with exception of case of commercial representation *and investment company activities in securities market*, conclude agreements of this kind in respect of person whose representative he is.

359.4 Agreements capable, according to their nature, of being concluded only personally and other agreements stipulated in this Code may not be concluded through representative. ([3](#), [62](#))

Article 360. Conclusion of agreement by unauthorized person

360.1. If the person (representative) entering into deal on behalf of other person (represented), does not hold the authority to represent other person (represented) or exceeds such authority, other party of the deal shall be entitled to demand the execution of such deal or compensation of losses, incurred as a result of making of such deal, from the representative, provided that other person (represented) shall not approve the deal.

360.2 Subsequent approval of agreement by represented shall create, change and terminate civil rights and obligations for him from the moment of conclusion of agreement. ([12](#), [19](#))

Article 361. Commercial representation

361.1 Person representing entrepreneurs on a permanent and independent basis at the time of conclusion of agreements in the area of entrepreneurship shall be considered commercial representative.

361.2 Simultaneous commercial representation of different parties in agreement shall be permitted upon consent of these parties or in other circumstances specified in this Code. Commercial representative may demand payment of agreed upon remuneration and expenses incurred in the course of performance from parties to contract in equal shares, provided that agreement between parties does not provide otherwise.

361.3 Commercial representation shall be carried out on the basis of a contract concluded in written form and specifying representative's powers, and in the event of unavailability of such specifications — on the basis of a power of attorney. Commercial representative

shall be obliged to keep confidential information in respect of commercial agreements he became aware of even after performance of given to him assignment.

Article 362. Power of attorney

362.1 Power of attorney shall be a ~~written~~ authority given by one person to another for the purpose of representation before third persons. Represented may present a written authority of representative to conclude agreement directly to relevant third person.

362.2 Power of attorney in respect of agreements requiring notarization shall be notarized.

362.3 The followings shall be deemed equivalent to a notarized power of attorney:

362.3.1 powers of attorney of military servants and other persons being on medical treatment in hospitals, sanatoriums and other military-medical facilities certified by a director of such facilities, deputy director of its medical unit, senior doctor and doctor on duty;

362.3.2 powers of attorney of military servants, as well as powers of attorney of workers and servicemen, their family members and family members of military servicemen — in settlements where military units, divisions, bodies and military training schools are deployed but where offices of notary public or other bodies carrying out notary operations are not available, certified by commander (head) of such military unit, division, body or school;

362.3.3 powers of attorney of persons in places of detention certified by a director of relevant detention facility;

362.3.4 powers of attorney of physical persons residing in institutions of social protection of population reaching the age of majority and having action capacity certified by management of that institution or director (his deputy) of relevant body of social protection of population.

362.4 Power of attorney for the purposes of receiving of wages and other payments relating to labor relationships, remuneration of authors and inventors, pensions, allowances and stipends, savings of physical persons in banks and postal transfers, including receipt of money and parcels, may be certified by organization where authorizing person is employed or studies, or by relevant body of executive authority at his place of residence or management of stationary medical facilities where he undergoes treatment.

362.5 Power of attorney on behalf of legal entity shall be issued through signature of its manager or other person authorized by its charter and by attachment of that entity's seal.

362.6 Power of attorney sent by telegraph as well as by other communication means used by a communication employee for a document sending shall be certified by communication bodies.

362.7 Third persons may consider valid a power of attorney issued for the purposes of taking actions in their respect and sent by person issuing it to empowered person through

facsimile and other communication means without participation of official communication bodies.(12)

Article 363. Period of validity of power of attorney

363.1 *Except for cases provided for in Article 363.3 of this Code, the power of attorney may be issued for any term. In the event period has not been indicated in the power of attorney, it shall be valid for the period of 1 year from the day of its conclusion. Power of attorney not indicating its date of conclusion shall be void.*

363.2 In the event power of attorney intended for performance of actions abroad and not containing period of its validity has been certified by notary public, it shall be valid until its termination by issuing it person.

363.3. *Power of attorney, which provides the right to dispose the vehicle can not be issued for a period exceeding one year. (12, 47)*

Article 364. Delegated power of attorney

364.1 Person issued power of attorney shall perform delegated to him actions personally. He may delegate performance of these actions to another person where authorized by a power of attorney or where circumstances compel him to do so for the purposes of protection of interests of person issuing a power of attorney.

364.2 Person delegating powers to another one shall inform person issuing a power of attorney about such delegation and provide him with necessary information about person delegated with such power. Non-performance of these actions shall impose on power-delegating person liability for actions of power-delegated person as if such actions were performed by delegating person.

~~364.3 Power of attorney issued in order of delegation to another person of empowered actions shall, except for circumstances stipulated in Article 362.4 of this Code, be notarized.~~

364.4 Period of validity of power of attorney issued in order of delegation to another person of empowered actions may not exceed a period of validity of taken as a basis power of attorney.(12)

Article 365. Termination of power of attorney

365.1 Validity of a power of attorney shall terminate as a result of the followings:

365.1.1 expiry of period of validity of a power of attorney;

365.1.2 performance of actions stipulated in a power of attorney;

365.1.3 termination of a power of attorney by person issuing it;

365.1.4 refusal of person issued with a power of attorney;

365.1.5 liquidation of legal entity on behalf of which a power of attorney has been issued;

365.1.6 liquidation of legal entity in name of which a power of attorney has been issued;

365.1.7 death, recognition as lacking action capacity, having restricted action capacity or missing without notice of physical person issuing a power of attorney;

365.1.8 death, recognition as lacking action capacity, having restricted action capacity or missing without notice of physical person issued with a power of attorney.

365.2 Person issuing a power of attorney may terminate it or terminate its delegation to another person at any time, and person issued with a power of attorney may refuse from it at any time. Agreement on refusal from these rights shall be void.

Article 366. Consequences of termination of power of attorney

366.1 Person issuing and thereafter terminate a power of attorney shall be obligated to inform about it a person issued with a power of attorney as well as known to him third persons for representation before whom a power of attorney has been issued. In circumstances where a power of attorney has been terminated in accordance with grounds stipulated in Articles 361.1.5 and 365.1.7 of this Code, this duty shall equally fall onto legal successor of person issuing a power of attorney.

366.2 Rights and obligations resulting from actions carried out until termination of power of attorney by issuing it person has become known of or should have become known of shall remain in force for person issuing a power of attorney and his legal successors in respect of third persons. This procedure shall not apply in the event a third person knew or should have known of termination of a power of attorney.

366.3 In the event a power of attorney has been terminated, person issued with it or his legal successors shall be obligated to immediately return a power of attorney.

366.4 In the event of termination of a power of attorney, delegation of empowered actions to another shall lose its force.

Section five. Periods

Chapter 17. Calculation of periods

Article 367. Notion of period

367.1 Period shall mean a time connected to creation, change and termination of civil rights and obligations.

367.2 Period established by agreement or set by court shall be specified by expiry of time calculated in calendar date or months, weeks, days or hours.

367.3 Period may also be established by specification of event that ought to occur.

Article 368. Time indicating to commencement of period

Occurrence of period specified by a period of time shall commence a day after a calendar date or occurrence of an event specified for commencement of period.

Article 369. Time indicating to expiry of period

369.1 Period calculated in years shall expire on relevant month and day of its last year. Rules in respect of periods calculated in months shall apply to period established in half a year. Half a year shall be equal to 6 months, where calculation of half a year shall commence from the beginning of a year.

369.2 Rules in respect of periods calculated in months shall apply to period calculated in quarters. Quarter shall be equal to 3 months, where calculation of quarter shall commence from the beginning of a year.

369.3 Period calculated in months shall finish on relevant day of last month of a period. In the event expiry of a period calculated in months falls on month not having relevant day, a period shall expire on last day of that month.

369.4 Period established in half a month shall be evaluated like period calculated in days and shall be equal to 15 days.

369.5 Period calculated in week shall be equal to 7 days and shall expire on relevant day of last week of a period.

369.6 Period calculated in days shall expire at the same time with expiry of last day of a period.

369.7 In the event a period consists of one or more whole months and a half month, 15 days shall be calculated last.

369.8 In the event a period has been extended, new period shall be calculated at the end of an expired period.

369.9 In the event a time is established in months or years in a way where their simultaneous expire is not needed, then a month shall be calculated in thirty days and a year - in three hundred and sixty five days.

369.10 First day of a month shall be considered a beginning of month, its fifteenth day — a middle of month, and its last day — the end of month.

Article 370. Calculation of periods in non-work days (~~weekend or holiday~~)

370.1 In the event an action is to be performed on specified day and where such day is a non-work day (~~weekend or holiday~~), an action shall be performed on next workday.

370.2 In the event an end of a period falls on non-work day, the next workday shall be considered a last day of a period.[\(37\)](#)

Article 371. Procedure for performance of action on the last day of a period

371.1 In the event a period has been established for performance of any action, that action may be performed until twenty-four o'clock of the last day of a period. However,

in the event that action is to be performed in an organization, then period shall expire upon end of relevant operations at the same organization in accordance with established procedures.

371.2 Written applications and notifications submitted to a communication organization until twenty-four o'clock at the last day of a period shall be considered timely submitted.

Chapter 18. Period of limitation

Article 372. Notion of period of limitation

372.1 Period shall apply to a right of demand from another person of performance of any action or abstention from its performance.

372.2 Period of limitation shall mean a period designed for protection of a right of a person whose right has been violated through his claim.

Article 373. Periods of limitation [\(CC2\)](#)

373.1 General period of limitation shall be 10 years.

373.2 Period of limitation in respect of claims relating to contract requirements shall be 3 years, and period of limitation in respect of claims relating to contract requirements connected with immovable property shall be 6 years.

373.3 Period of limitation in respect of claims relating to periodically performable obligations shall be 3 years.

373.4 For specific types of claims there may be specified in this Code relative to general period of limitation a shortened or extended special periods of limitation.

373.5 Rules specified in this Chapter of this Code shall apply to special periods of limitation unless provided otherwise by law.

Article 374. Definition of claim periods

374.1. Unless otherwise is stipulated by contract, the claim period and procedures of its calculation are defined under this Code.

374.2 Grounds for suspension and termination of continuity of periods of limitation shall be specified in this Code.[\(12\)](#)

Article 375. Application of period of limitation

375.1 Claim in respect of protection of a right shall be accepted by court for review regardless of expiry of period of limitation.

375.2 Period of limitation shall be applied by court only on the basis of a petition of a party to dispute submitted prior to issuance of court decision. Expiry of period of limitation in respect of which a party to dispute has submitted a petition for application shall be ground for issuance by court of decision on refusal of claim.

Article 376. Application of period of limitation to additional claims

In the event of expiry of period of limitation in respect of principal claim, period of limitation in respect of additional claims (pledge, penalty, withholding, surety, advance) shall also expire.

Article 377. Commencement of period of limitation

377.1 Period of limitation shall commence on the day a person has become aware of should have become aware of violation of his right. Exception to this rule shall be specified in this Code.

377.2 Period of limitation in respect of obligations having specified performance period shall commence upon end of performance period.

377.3 Period of limitation in respect of obligations not having specified performance period or specified by moment of claim shall commence from the moment of emergence of creditor's right to put forward claim relating to performance of obligation; and where debtor has been granted a privileged period for performance of that claim, period of limitation shall commence after expiry of specified period.

377.4 Period of limitation in respect of obligations with recourse shall commence from the moment of performance of principal obligation.

Article 378. Period of limitation in the event of change of persons in obligation

Change of persons in obligation shall not result in change of a period of limitation or of procedure of its calculation.

Article 379. Suspension of continuity of period of limitation

379.1 Continuity of period of limitation shall be suspended in the following circumstances:

379.1.1 where submission of claim has been obstructed by extraordinary and non-preventable at that time circumstance (non-preventable force);

379.1.2 where plaintiff or defendant are in armed forces transferred to military condition;

379.1.3 where the relevant body of executive authority has established a deferral (moratorium) in respect of performance of obligation;

379.1.4 where person without action capacity does not have legal representative;

379.1.5 where an effect of law or other normative legal act regulating relevant relationships has been suspended.

379.2 Continuity of period of limitation in respect of claims relating to compensation of damage caused to life or health of physical persons shall be also be suspended until apportionment of pension or allowance or refusal from their apportionment pursuant to

application of physical person to relevant body for apportionment of pension or allowance.

379.3 Continuity of period of limitation shall be suspended on the condition that circumstances specified in this Article have emerged or continued to occur during the last 6 months of a period of limitation, and where that period is equal to or less than six months — within a period of limitation.

379.4 Continuity of period of limitation shall continue from the day of the end of an event giving ground to suspension of period or limitation. Remainder of a period shall be extended up to 6 months, and where a period of limitation is equal or less than 6 months — it shall be extended for the whole period.

379.5 Continuity of period of limitation in respect of claims between spouses shall be suspended for the period of existence of marriage. The same procedures shall apply in respect of claims between parents and children until children have reached the age of majority, as well as claims between custodians (guardians) and children in custody (guarded) for the entire period of custody.

379.6 In the event claim has been brought forward by a person with restricted action capacity or lacking action capacity not having a legal representative, a period of limitation shall be considered suspended until that persons attains full action capacity or until a representative has been appointed for him.

Article 380. Termination of continuity of period of limitation

380.1 Continuity of period of limitation shall terminate upon bringing forward a claim in an established order as well as upon undertaking by a debtor of actions acknowledging his debt.

380.2 Period of limitation shall resume after a break. Time elapsed prior to a break shall not be included in new period.

Article 381. Continuity of period of limitation in the event of leaving claim without review

381.1 In the event a claim has been left by court without review, continuity of period of limitation commenced prior to submission of claim shall continue in general order.

381.2 In the event a claim submitted in a criminal case has been left by court without review, continuity of period of limitation commenced prior to submission of claim shall be suspended until verdict leaving claim without review has entered into legal force. Time of suspension of period shall not be included into a period of limitation. In this case, where the remainder of a period is less than six months, it shall be extended up to 6 months.

Article 382. Restoration of period of limitation

Violated right of physical person shall be protected in exceptional circumstances where a court finds reason of lapse of a period of limitation due to circumstances connected with persons (heavy illness, helpless situation, lack of knowledge, etc) excusable. Reasons of lapse of period of limitation may be considered excusable in the event they have occurred

within last 6 months of a period of limitation, and where that period is equal to or less than 6 months — within the period.

Article 383. Performance of a duty after expiry of period of limitation

In the event a debtor or other obligated person has performed his duty after expiry of a period of limitation, he may not claim back a performed obligation even where he was not aware of expiry of a period of limitation at the time of performance.

Article 384. Claims not subject to period of limitation

384.0 Period of limitation shall not apply to the followings:

384.0.1 claims in respect of protection of personal non-property rights and other non-material things;

384.0.2 claims of depositors to a bank in respect of return of savings;

384.0.3 claims in respect of compensation of damage caused to life or health of physical person. However, claims brought forward *upon expiry of* three years from the time of emergence of a right to compensation for such damage shall at the best be repaid for the previous three years occurring prior to forwarding of a claim;

384.0.4 claims in respect of elimination of any violation of rights of an owner or other possessor, even where such violations are not connected to deprivation of ownership;

384.0.5 claims of an owner in respect of consideration as invalid of acts of state or municipal bodies or their officials violating rights of owner relating to possession of property, its use or disposition;

384.0.6 other claims in the event specified in this Code.[\(12\)](#)

Section Six. General part of the law of obligation

Chapter 19. General provisions on obligations

Article 385. Definition of Obligation

385.1 Due to an obligation, one person (debtor) shall be obliged to perform certain actions to the benefit of the other person (creditor), namely: payment of funds, performance of works, transfer of property, delivery of services, etc., or refrain from certain actions, and the creditor shall be entitled to demand from the debtor the performance of his obligations.

385.2 Depending on the content and nature, the obligation can impose on each party, *whether during or after the contractual relations*, a function of performing specific care with respect to the rights and property of the other party.[\(12\)](#)

Article 386. Grounds for Obligation

386.1 Except for the cases when an obligation results from a damage, unsubstantiated enrichment or is based on other grounds, envisaged in this Code, a contract between the parties shall be required for the appearance of obligations.

386.2 Obligations envisaged in Article 385 hereof, can appear on the basis of the contract preparation.

386.3 A party in the negotiations, aimed at entering into a contract and not completed due to a fault of the other party, shall be entitled to demand compensation of its expenses from such party.

386.4. Issues connected with the substance and fulfillment of obligations, arising from the transactions concluded in electronic form shall be regulated by this Code besides the legislation of the Republic of Azerbaijan for e-Commerce. (15)

Article 387. Parties of Obligation

387.1 One or several parties can participate, each as a creditor or a debtor, in an obligation. The invalidity of the creditor's claim to one of the parties participating in an obligation, just like the expiration of the statute of limitations, relating to the claim to such party, by itself shall not touch upon his claims to such other parties.

387.2 In the event each party under the contract carries an obligation to the benefit of the other party, it shall be deemed as a debtor to the other party, to the extent of its obligation thereto, and simultaneously as its creditor to the extent of its right to demand therefrom.

387.3 An obligation shall not create the same for the parties not being parties thereto (third parties). In cases stipulated, in the agreement between the parties, an obligation can create rights of third parties with respect to one or both parties under the obligation.

387.4 In agreements, one of the party of which is a public body, where works the public employee, such public employee cannot act as the other party.(25)

Article 388. Obligation to Provide Information

The right to receive information can result from an obligation. Information delivery shall also be provided for if it is a substantial for the determination of the obligation content, and if the counter-agent can provide such information with no damage to his rights. The party receiving information, shall have to compensate the expenses for its delivery to the obligated party.

Chapter 20. Contractual law

§1. Definition and terms of a contract

Article 389. Definition of Contract

389.1 A contract shall mean an agreement between two or several parties on the establishment, modification or termination of the civil rights and obligations.

389.2 Rules of bilateral and multi-lateral transactions shall apply to contracts.

389.3 General provisions on obligations shall apply to the obligation resulting from a contract, if nothing otherwise is envisaged by the rules of this Chapter and the rules of certain types of contracts, contained herein.

389.4 General contractual provisions shall apply to the contracts made between more than two parties, if this does not contradict the multi-lateral nature of such contracts.

Article 390. Freedom of Contract

390.1 Private persons and legal entities shall be free to enter into contracts and determine the content thereof. The parties may also enter into contracts, which are not envisaged by this Code, but are not in conflict therewith.

390.2 The contract must comply with the rules, obligatory to the parties thereof (imperative norms), determined by the current law and other legal acts, applicable at the time of the execution thereof. In the event after the execution of the contract a law is passed setting forth the rules, obligatory for the parties thereof, which are different to those applicable at the time of the execution of the contract, the terms of the contract shall remain in effect, except for cases, when it has been determined that the law covers relations, resulting from the contracts made previously.

390.3 Any compulsion to enter a contract is prohibited, except for the cases, when the obligation to enter into a contract is envisaged by this Code or by a voluntarily assumed obligation.

390.4 Parties may enter into a contract containing elements of various contracts, envisaged by law of other legal acts (mixed contract). Parties relations under a mixed contract shall be subject to the relevant parts of the contracts rules, which elements are contained in the mixed contract, if nothing otherwise results from the agreement between the parties or the essence of the mixed contract.

390.5 The contract terms shall be determined by the discretion of the parties, except for cases, when the content of the relevant term is excluded by the provisions hereof.

390.6 In the event a contract term is envisaged by a norm, applicable to the extent nothing otherwise is set forth by the agreement between the parties (disposition norm), the parties may exclude its application by way of an agreement, or set forth a term, different to the one envisaged therein. In absence of such an agreement, the contract term shall be determined by the disposition norm.

390.7 In the event the contract term is not determined by the parties or the disposition norm, the corresponding terms shall be set forth upon the accepted business norms, which could be applied to the relations between the parties.

Article 391. Invalidity of the Contract Made With Respect to a Future Property

A contract on the transfer by one party of all or part of its future property to another party, or a contract on the assumption of an encumbered usufruct obligation, shall be invalid, however cases of contracts made with respect to certain subjects of future property, shall make an exclusion.

Article 392. Invalidity of the Contract Made With Respect to a Legacy

392.1 A contract made by some other party with respect to a legacy of a living person, shall be invalid. The same rule shall apply to the contracts made with respect to the obligatory legacy shares of a living person, and (or) contracts with respect to a legacy claim.

392.2 The rule of Article 392.1 shall not apply to the contracts made with respect to a part of the lawful future legacy in the course of the lawful legacy and contract on obligatory share.

Article 393. Property Transfer Contract

A transfer of the current property in full or in part by one party to another party, or a contract on the assumption of an encumbered usufruct obligation, shall have to be certified by a notary, however, cases of contracts made with respect to certain subjects of the current property, shall make an exclusion.

Article 394. Contractual Procedure on the Real Estate Property Alienation

A contract under which one party assumes an obligation to transfer to another party or acquire ownership of a real estate *or other proprietary rights* shall have to be certified by the notary. (79)

Article 395. Limits of the Property Encumbrance Contracts

If a party assumes an obligation on the alienation or encumbrance of its property, such obligation shall also apply to the property belongings, if no other rule is set forth in the contract.

Article 396. Application of the Rules on Contractual Obligations to Non-Contract Obligations

If nothing otherwise results from the nature of an obligation, the rules of contractual obligations shall also apply to other non-contract obligations.

Article 397. Toll or Toll Free Contracts

397.1 A contract, under which one party shall have to receive payment or other consideration for the performance of its obligations, shall be a toll contract.

397.2 A toll free contract shall be the one, under which one party shall be obliged to provide what ever to the other party without receiving any payment or other consideration.

397.3 A contract shall be deemed a toll one, if nothing otherwise results from this Code or the contents of the contract.

Article 398. Price

398.1 Contract performance shall be paid for at a price, set forth by an agreement between the parties. In cases envisaged by the law, the prices (tariffs, rates, etc.) established by the relevant executive authority shall be applicable.

398.2 A change in the price after the execution of the contract shall be allowed in cases and under the terms set forth by the contract or this Code.

398.3 In cases when the price in a toll contract is not envisaged and can not be established under the contract terms, the contract performance shall be paid for at a price paid in similar circumstances for similar goods, works or services.

Article 399. Contract Effect

399.1 The contract shall enter into force and shall be binding on the parties from the time of its execution.

399.2 The parties may establish that the terms of the executed contract shall apply to their relations existing prior to the execution of the contract.

399.3 The contract may establish that its termination shall terminate the obligations thereunder. The contract not containing such a condition shall be deemed in effect, until the time the parties fulfill their obligations set forth therein.

399.4 Expiration of the contract term shall not free the parties from the liability for the violation thereof, made prior to the expiration of the term.

Article 400. Public Contract

400.1. *If one of the parties of agreement holds leading market positions, it shall not reject its counter agent in making the agreement in this area of activity or propose unequal terms to counter agent.*

400.2. *No ungrounded refusal can be allowed for making of contract with person obtaining the property or service or using them for non-entrepreneur activities, or meeting its primary needs, if the other party acts within its entrepreneur activities.* (12)

Article 401. Joining Contract

~~401.1 A joining contract shall be the one, which terms are established by one of the parties in cards or other standard forms, and can be accepted by the other party not otherwise than by way of joining the proposed contract as a whole.~~

~~401.2 The party joining the contract shall be entitled the demand termination or modification of the contract, if the joining contract, although not contradicting the provisions hereof, however deprives the party of the rights, normally provided under the contracts of this type, excludes or limits liability of the other party for the violation of the obligations, or contains other, clearly encumbering terms for the joining party, which, in view of its reasonably assumed interests, would have not accepted such terms, if it had an opportunity to participate in the establishment of the contract terms.~~

~~401.3 In presence of the circumstances, set forth in Article 401.2, the demand of the party joining the contract due to its business activity, to have the contract terminated or modified, shall not be satisfied, in the event the joining party had known or was supposed to know the terms under which it was joining the contract.~~ (3)

Article 402. Preliminary Contract

402.1 Under a preliminary contract the parties shall be obliged in future to enter into an agreement on property transfer, works or services performance (main agreement), under the terms envisaged by a preliminary contract.

402.2 The preliminary contract shall be made in a form set forth for the main agreement; ~~and if the form of the main agreement is not determined, then it will be made in a written form.~~ Non-compliance with the preliminary contract's form shall make such contract void.

402.3 The preliminary contract must contain the terms, allowing to determine the subject and other material features of the main agreement.

402.4 The preliminary contract must indicate the term, within which the parties shall be obliged to enter into the main agreement. In the event the preliminary contract does not contain such a term, then the main agreement shall be made within one year from the date of the preliminary contract.

402.5 In the event the main agreement is not entered into prior to the expiration of the term obligatory for both parties, or if one of the parties does not submit to the other party a proposal to enter into such an agreement, then the obligations set forth in the preliminary contract shall be terminated.

402.6 In the event the agreement on the intents (protocol of intent) does not contain the direct will of the parties to provide it with the powers of the preliminary contract, then such an agreement shall not entail any civil and legal consequences.[\(12\)](#)

Article 403. Contract to the Benefit of a Third Party

403.1 A contract to the benefit of a third party shall mean an agreement, which parties determine that the debtor shall be obliged to perform to the benefit of a third party, either mentioned or not mentioned in the contract, and having the right to demand performance of obligations to his benefit.

403.2 If this Code does not envisage anything otherwise, or nothing otherwise results from the essence of the contract, then the performance of the contract, made to the benefit of the third party, can be demanded by both the creditor and the third party.

403.3 In the event nothing is specified, then accounting for the details of the deal, including the purpose thereof, the following shall be determined:

403.3.1 whether the third party shall need or need not to acquire the right;

403.3.2 whether such right shall emerge immediately or upon certain preliminary terms;

403.3.3 whether the parties under the contract shall have or not have the right to terminate or modify the right without consulting the third party.

403.4 The party making a reservation in the contract to the benefit of the third party, shall reserve the right, irrespective of the counter-agent's consent, to change the third party mentioned in the contract.

403.5 The parties shall not be able to terminate or modify the contract made among them, without the consent of the third party from the time of the notification by the latter to the debtor of its intent to use its right under the contract, if nothing otherwise is set forth in this Code or the contract.

403.6 The debtor shall be entitled to extend objections toward the third party's claims under the contract, which he could extend against the creditor.

403.7 In the event of the third party's refusal of the right granted to it under the contract, the creditor can use this right, provided this does not contradict with this Code.

Article 403-1. Derivative financial instruments

403-1.1. Derivative financial instrument — is a contract that evidences a right of purchase, sale or exchange of any of the underlying asset. As the underlying asset may act securities, currencies, interest rates, yields, production financial instrument, commodity, financial index, credit risk, etc.

403-1.2. The order of placement and circulation of derivative financial instruments through the stock exchange in a standardized form shall be established by the financial market supervisory authority.

403-1.3. Derivative financial instruments include futures contracts, options and swaps.

403-1.4. Futures contract is a derivative financial instrument of purchase and sale of the underlying asset in the prescribed form and quantity within a predetermined timeframe and price.

403-1.5. Option is a derivative financial instrument, authorizing the holder to unilaterally buy, sell the underlying asset or to make the swap.

403-1.6. Swap is a derivative financial instrument for the exchange of the underlying assets of the same kind between the two sides. ([57](#), [62](#))

Article 404. Contract Interpretation

404.1. In the course of the contract terms interpretation, the court shall take into consideration not only the actual meaning of the words and phrases thereof, but the essence of the parties' will, and shall compare the actual meaning of the contract with its other terms and conditions.

404.2. Given the above, all the relevant circumstances, including the preceding negotiations, the practice of relationship established between the parties, the business traditions and the consequent behavior of the parties, shall be taken into account.

404.3. In the event certain phrases of the contract can be interpreted differently, then the priority shall be given to the meaning normally accepted in the parties' location. In the event the parties' location are different, then the location of the acceptor shall be decisive.

404.4. In the event of the presence of mutually exclusive or multi-meaning phrases in the contract, the priority shall be given to those more relevant to the content of the contract.

404.5. In the course of the mixed contracts interpretation the norms with respect to the contracts most close and relevant to the essence of their performance shall apply.

Article 404-1. Government Purchases Contract

Relations under the government purchases contract shall be regulated by the legislation of the Republic of Azerbaijan for government purchases. (1)

§2. Entry into a contract

Article 405. Consent Over the Main Terms of the Contract

405.1 A contract shall be deemed effective, in the event the parties arrive at an agreement in the required form on all of the essential contract terms. With respect to the subject of the contract, the essential terms shall be those named in this Code as essential or necessary for the contracts of this type, as well as the terms, upon which agreement must be reached on the request of one of the parties.

405.2 A contract is made by way of submission of an offer (proposal to enter into a contract) by one of the parties and its acceptance (agreement) by the other party.

Article 406. Contract Form

406.1 A contract can be made in any form envisaged for entering into transactions, if no specific form for such types of contract is set forth by this Code. ~~In the event this Code sets forth a specific form for the reliability of the contract, or the parties set forth such a form, then the contract shall enter into force only upon the compliance with the requirements relating to such a form.~~

406.2 If the parties agree to enter into a contract of a specific form, it will be deemed done only after taking the agreed form, even though this Code does not require such a form for the contracts of this type.

406.3 A contract in written form can be done by way of making a sole document, signed by the parties, as well as by way of exchanging documents through mail, telegraph, teletype, telephone, e-mail or other mean of communication, allowing to make sure that the document comes from the parties under the contract. (12)

Article 407. Moment of Entry Into a Contract

407.1 A contract shall be deemed done at the moment the person making an offer receives its acceptance.

407.2. Simple written agreement shall be considered from the moment of its signing in accordance with relevant procedure, and the agreement requiring notary approval- from the moment of its approval in accordance with relevant procedure.

~~407.3 In the event the rights under the contract are subject to state registration, then the contract shall be deemed done from the moment of the registration of such rights. (12)~~

Article 408. Offer

408.1 A proposal to enter into a contract (an offer) is deemed made, when such a proposal, addressed to one or several persons, with the availability of a consent (acceptance), contains the offering person's readiness to fulfil its proposal. The offer must contain sufficient terms of the contract.

408.2 A proposal (*including an announcement*) addressed to an indefinite number of persons, containing no specific terms, shall be deemed an invitation to an offer.

408.3 An offer shall bind its issuer from the moment of its receipt by the addressee. In the event a notification of the offer's withdrawal arrives prior or simultaneously with the offer itself, the offer shall be deemed as not received.

~~408.4 An offer must be immediately accepted or rejected by the person, located at its address.~~

~~408.5 An offer made to a person located elsewhere than its address, can be accepted only within the term, through which the offering person may be waiting for a standard reply.~~

408.6 The offer received by the addressee can not be withdrawn within a term set forth for its acceptance, if nothing otherwise is established in the offer itself, or results from the substance of the offer, or the circumstances in which it was made.

~~408.7 Advertisements and other proposals, addressed to an indefinite number of persons, shall be deemed an invitation to an offer, if nothing is specified in the proposal itself.~~

408.7 A proposal containing all sufficient contract terms, reflecting the will of the person making the proposal to enter into the contract on the terms mentioned in the proposal, addressed to anyone who will respond, shall be deemed a public offer.(3, 12)

Article 409. Acceptance

409.1 Acceptance shall mean a reply of the person, whom the offer was addressed to, with his consent. Acceptance must be complete and unconditional.

409.2 In the event the offering person has established a term for the acceptance, then the acceptance can be provided only within the said term.

409.3 Silence shall not mean acceptance, if nothing otherwise is envisaged by this Code, by tradition of business turnover, or results from the prior business relations of the parties.

409.4 Performance within the time, set for the acceptance, of the actions required by the terms of the contract (delivery of goods, provision of services, works performance, relevant payment, etc.), by the person receiving the offer, shall be deemed acceptance, if nothing otherwise is set forth in this Code or stipulated in the offer.

409.5 In the event the acceptance arrives late to the addressee, however it is obvious from the acceptance that it had been sent out in time, then the acceptance may be deemed late only if the offering party immediately informs the other party thereof. If the party sending the offer immediately informs the other party of the receipt of its acceptance, which arrived late, the contract shall be deemed done.

409.6 Acceptance shall be deemed as not received, in the event the notification of the acceptance withdrawal arrives to the person sending the offer, prior to the acceptance receipt or simultaneously therewith.

409.7 The contract shall be deemed done, if the offer contains a term for its acceptance and the person sending the offer, has received it within the term stipulated therein.

409.8 In the event a written offer does not contain the term for its acceptance, then the contract shall be deemed done, provided the person sending the offer, receives acceptance prior to the expiration of the term stipulated in this Code, and if such term is not established, then within the time needed.

409.9 In the event the offer was made orally, without mentioning any term for its acceptance, then the contract shall be deemed done upon the acceptance immediate delivery to the other party.

409.10. With exception of cases stipulated under Article 409.8 of this Code the offer issued to the person at his address shall be accepted or rejected immediately.

409.11. With exception of cases stipulated under Article 409.8 of this Code, the offer issued to the person, not at his address, may be accepted until the term within which the person, who submitted the offer, usually expects the response. (12)

Article 410. New Offer

410.1 An acceptance late-coming for the offer shall be deemed as a new offer.

410.2 If the reply contains a consent to enter into the contract on terms and conditions differing from those stipulated in the offer, then such reply shall be deemed a refusal from the offer and a new offer at the same time.

Article 411. Place of Contract

411.1 In the event a contract does not contain the place of its execution, then it shall be deemed made in the place of the private person's living or in the location of the legal entity, which has submitted the offer.

411.2 The contract entered into between the consumer and the person trading within the limits of its enterprise on the street, in front of the building and similar places, shall be effective only in such event, if the consumer does not reject the contract in writing within a term of one week, however, events of the contract's non-performance at its completion, constitute an exclusion.

~~Article 412. Party's Deviation From Entering Into a Contract~~

~~412.1. In the event a party deviates from the contract it is supposed to enter into, according to this Code, the other party may turn to court with a claim an enforced entry into the contract.~~

~~412.2 The party deviating from the contract with no reason, shall be obliged to compensate for the damages caused thereby to the other party. (12)~~

Article 413. Acknowledgement of the Debt

~~413.1. In support to a contract acknowledging binding relationship (acknowledgement of the debt's availability), there needs to be a written admission. If the establishment of the binding relationship, which availability has been acknowledged, envisage some other form, then the admission such shall require such form.~~

~~413.2 If the debt is acknowledged in accordance with the computation (payment) or by way of coordination, then compliance with the form is not necessary. (12)~~

Article 414. Entry Into a Contract at a Tender

414.1 A contract can be made by way of a tender, if nothing otherwise results from the content of the contract. The contract shall be entered into by the tender's winner.

414.2 The organizer of the tender can be the owner of property or the property right, or a specialized organization. The specialized organization shall act on the basis of the contract with the owner of the property or the property right, and shall act on their or its own behalf.

414.3 In cases envisaged by this Code, the contracts on the sale of property or property rights can be done only through tenders.

414.4 Tenders shall have a form of auctions or contests. The winner of an auction shall be the party offering the highest price, while the winner of the contest shall be the party, which offered the best terms by the opinion of the contest committee, established prior to the sale.

414.5 The form of the tender shall be determined by the owner of the property or the property right, if nothing otherwise is envisaged by the *legislation*. (6)

Article 415. Tender Organizing Procedure and Conduct

415.1 Auctions and contests can be closed or open. Any party can take part in an open auction or an open contest. Only the parties invited for such purpose can take part in the closed auction or contest.

415.2 If nothing otherwise is envisaged by the *legislation*, the notification of the tender must be made by the organizer not later than thirty days prior to its performance. The notification shall contain the time, place and form of the tender, the subject and the procedure, including the filing of participation, determination of the winner and the initial price *and other information, stipulated by the legislation*. In the event the subject of the tender is the right to enter into a contract, the notification of the tender must contain the term provided therefore.

415.3 The organizer of the open tender making the notification, may refuse to perform the tender at any time, but not later than three days prior to its performance, and may refuse to perform the contest not later than thirty days prior to the date of its performance, if nothing otherwise is envisaged by this Code or the notification of the tender. In cases when the organizer of the open tender refuses to perform, violating the stipulated terms, he will be obliged to compensate the real damage suffered by the participants. Organizer of a closed auction or a closed contest shall be obliged to compensate the real damage to

the invited participants, irrespective of within what term after the notification the refusal was made.

415.4 Participants in the tender shall make an advance payment to the extent of the amount, term and procedure, stipulated in the notification of the tender. If the tender does not take place, the advance payment shall be returned. The advance payment shall also be returned to the persons who participated in the tender and did not win. In the course of entry into the contract with the party winning the tender, the amount of the advance payment made shall be accounted for in the performance of the obligations under the contract made.

415.5 The party winning the tender and the organizer of the tender shall sign a protocol of the tender results on the date of the tender or contract, which shall have power of an agreement. The person winning the tender, shall lose the advance payment if it refuses to sign the protocol. The organizer of the tender refusing to sign the protocol, shall be obliged to return a double advance payment together with the compensation to the winning party of the damages, caused by its participation in the tender.

415.6 If only the right to enter into a contract was the subject of the tender, then such contract shall have to be executed by the parties no later than twenty days after the tender or within other term, stipulated in the notification.

415.7 If one of the parties deviates from entering into contract, the other party shall be entitled to turn to a court demanding an enforced entry into the contract, as well as a compensation of damages caused by such deviation.(6)

Article 416. Consequences of the Tender Rules Violation

416.1 A tender conducted in violation of the rules stipulated in this Code, may be deemed void by court upon a claim of the interested party.

416.2 Admission of the tender's invalidity shall lead to the invalidity of the contract made with the winning party.

§3. Standard Contract Terms

Article 417. Standard Contract Terms Definition

417.1 Standard Contract Terms shall mean the terms and conditions expressed, set forth for repeated use and offered by one of the parties (offering party) to the other party, by way of which the rules, other than those previously established, shall be determined and added.

417.2 The contract terms set forth by the parties in detail, shall be deemed standard contract terms.

417.3 Terms directly agreed by the parties shall have priority over the standard contract terms.

Article 418. Standard Contract Terms Integration Into the Contract

418.1 Standard contract terms shall become an integral part of the contract between the party offering such terms and the other party only in the event the offering party makes a special note referring to such terms at the place of the contract, with the other party having a chance to get acquainted with such terms and accept them in the event of its consent.

418.2 If the other party of the contract is a businessman, then the standard contract terms shall become an integral part of the contract only accounting for the expression of the caution required in business relations.

Article 419. Unusual Provisions of Standard Contract Terms

419.1 Standard contract terms, which can not be envisaged by the other party due to their unusual form, shall not become integral part of the contract.

419.2. *All uncertainties faced for interpretation of standard contract conditions, shall be interpreted to the against the person, who proposed the inclusion into the contract of conditions reflecting these uncertainties.*([12](#))

Article 420. Standard Contract Terms Invalidity

420.1 The following standard terms of the contract, used by the offering party with respect to private persons not conducting business activity, shall be deemed invalid:

420.1.1 provisions, providing for the establishment by the offering party of an unreasonably long or short term for the acceptance or refusal of an offer, or performance of other work (offer acceptance and performance terms);

420.1.2 provisions, providing for the establishment by the offering party of the norms different to those previously established, and the unreasonably long and vague terms (obligation violation terms) for the performance of their obligations;

420.1.3 provisions, allowing the offering party to withdraw its obligation (withdraw from the contract) with no reason or in absence of any reason, stipulated in the contract;

420.1.4 provisions, allowing the offering party to change or cancel the works promised, provided the agreement thereupon is unacceptable to the other contract party (contract amendment term);

420.1.5 provisions, allowing the offering party to demand an unreasonably high compensation for damages from the other party;

420.2 A standard term, although included into the contract, however harmful to the other party, due to its conflict with the principles of trust and good will, shall be void. The circumstances of such provisions entry into the contract, mutual interests of the parties, etc. Must be taken into consideration.

420.3 The following standard terms of the contract, used by the offering party with respect to private persons not conducting business activity, shall also be deemed invalid:

420.3.1 provisions, providing for the price rise within an unreasonably short term (short-term price rise);

420.3.2 provisions, limiting or excluding the right, granted by this Code to the contract party, to refuse performance of its obligations or the contract, until the other party performs its obligations (waiver right);

420.3.3 provisions, depriving the other contract party from the right to substitute the undoubted requirements or those established by court (inhibition to substitute mutual claims);

420.3.4 provisions, releasing the offering party from the obligation envisaged by the law, to notify the other party under the contract or give it time to perform obligations (obligation performance notification; term establishment);

420.3.5 agreement on demanding extensive compensation (extensive compensation demand);

420.3.6 provisions, excluding or limiting liability for the damage cause in result of a violation, offering party or its representative's willful misconduct (liability for misconduct);

420.3.7 provisions, limiting or depriving the other contract party, in the event of the offering party's violation of the main obligation, from the right to withdraw from the contract, or depriving or limiting the same, in violation of Article 420.3.6, the other party's right to claim damages, caused by the non-performance of the contract (violation of the requirement to perform the main obligation);

420.3.8 provisions, in the event of non-performance by the offering party of the obligation in parts, depriving the other party of the right to claim damages, caused by the non-performance of the contract as a whole, or, in the event the party is no more interested in the by-part-performance (loss of interest at the by-part obligation performance), to withdraw from the contract;

420.3.9 limiting provisions, different from the rules, envisaging liability of the offering party for the defects in the goods in the course of supply or work performance.

§4. Amendment and Dissolution of the Contract

Article 421. Grounds for Amendments and Dissolution of the Contract

421.1 Amendment and dissolution of the contract shall be possible upon the parties agreement, if nothing otherwise is stipulated in this Code or in the contract.

421.2 The contract can be amended or dissolved ~~by court~~, under the request of one of the parties, only in the event of material violation of the contract by the other party, or in other cases, stipulated by this Code or the contract. Violation of the contract by one of the parties shall be deemed sufficient, if the other party in result of the damage caused, is significantly deprived of what it had counted on in the course of entering into the contract.

421.3 In the event of a unilateral refusal to perform under the contract in full or in part, when such refusal is allowed by this Code or the agreement of the parties, the contract shall be deemed dissolved or amended, accordingly.(12)

Article 422. Contract Amendment and Dissolution in Connection with Significant Change of Circumstances

422.1 Significant change of circumstances, which the parties accounted for in the course of entering into contract, can serve as the ground for the amendment or dissolution thereof, if nothing otherwise is stipulated in the contract or results from its contents. The change of circumstances shall be deemed significant, if they have changed to such an extent, that if the parties had been able to reasonably predict them, they would have not entered into the contract or the contract would have been made under significantly different terms. *Mistakes in submissions of parties, forming basis of agreement, shall be considered the changes of circumstances.*

422.2 If the parties did not reach an agreement on bringing the contract in compliance with the significantly changed circumstances or its dissolution, the contract can be dissolved, and under the grounds envisaged by Article 422.4, amended by court upon a request of the interested party, in the event of the simultaneous presence of the following conditions:

422.2.1 at the time of making the contract the parties proceeded from the fact that there will be no such change of circumstances;

422.2.2 the change of circumstances was caused by the reasons, which the interested party could not overcome after their appearance, with the extent of care and caution demanded by the nature and conditions of the contract;

422.2.3 the performance of the contract without changing its terms would so much break the corresponding to the contract proportion of parties' property interests, and result in such a damage to the interested party, that it would be significantly deprived of what it was entitled to in the course of entering into the contract;

422.2.4 the business turnover traditions and the nature of the contract do not provide for the interested party to bear the risk of changing circumstances.

422.3 In the dissolution of the contract, due to significantly changed circumstances, the court, upon a request of any of the parties, shall determine the consequences of the contract's dissolution, accounting for the necessity of a fair distribution of expenses among the parties, invoked in connection with the performance of such contract.

422.4 The contract amendment due to significantly changed circumstances, shall be allowed under a court's decision in exclusive cases, when the dissolution shall contradict with the public interests or lead to a loss for the parties, significantly extending the expenses, required for the performance of the contract under the changed terms, established by the court.(12)

Article 423. Contract Change and Dissolution Procedure

423.1 The agreement on changing or dissolving the contract shall be made in the same form as the contract, if nothing otherwise results from this Code, the contract or traditions of business turnover.

423.2 The request to have the contract changed or dissolved can be made by a party in court, after the receipt of a refusal from the other party to the offer to have the contract changed or dissolved, or failure to receive the response within the term set forth in the offer, and in the absence thereof — within a thirty day term.

Article 424. Consequences of the Contract's Change and Dissolution

424.1 Upon the change of the contract obligations of the parties shall become changed as well.

424.2 Upon the dissolution of the contract obligations of the parties shall terminate.

424.3 Upon the change or dissolution of the contract the obligations of the parties, if nothing otherwise results from the contract or the nature of the changes, shall be deemed changed or terminated from the moment the parties enter into an agreement on the amendment or dissolution of the contract, and in the event of the change or termination of the contract under a court procedure — from the moment the court's decision on the amendment or dissolution of the contract enters into force.

424.4 The parties shall not be entitled to demand return of what was performed by them under the obligations prior to the moment of the contract's change or dissolution, if nothing otherwise is stipulated in this Code or the agreement of the parties.

424.5 If a material violation by one of the parties of the contract served as the ground for its change or dissolution, the other party shall be entitled to claim damages, caused by the change or dissolution of the contract.

Chapter 21. Performance of obligations

Article 425. Good will in the performance of obligations

425.1 In the course of the performance of its rights and obligations, each party shall act in good will, namely at a set time and in due manner, which will comply with the conditions of the obligations and the requirements of this Code, while in absence of such conditions and requirements, each party shall act pursuant to the traditions of business or other commonly introduced requirements.

425.2 In the course of the obligations performance, the parties shall, with the purpose of creating preconditions for the contract to be carried out, act together and refrain from any actions, which may impede achievement of the contract's goals or endanger the obligations performance.

Article 426. Place of the obligations performance

426.1 The place of the obligations performance shall be determined upon the parties will, unless nothing otherwise is set forth by this Code or the agreement, or results from the heart of the matter.

426.2 If the place of the obligations performance is not determined, then the performance shall be conducted:

426.2.1 at the place of the property location, in the event of an obligation to transfer the land plot, building or other real estate;

426.2.2 at the location of the named item at the time of the agreement, if the obligation does not relate to transfer of any particular item;

426.2.3 at the resident location of the debtor, in any other event, and if the debtor is a legal entity, then at the place of its location as of the time of the obligations appearance.

426.3 In the event the obligation appears at the debtor's entity, and the entity's location is different to the debtor's resident location, then the obligation shall be performed at the location of the debtor's entity.

426.4 The place of assignment shall not be deemed as a place of the obligation performance, due only to the fact that the debtor undertakes the rated costs.

Article 427. Term of the obligation performance

427.1 In the event the term of the obligation performance is set, the creditor can not require its performance prior to the expiration of the term, while the debtor can make an early performance.

427.2 In the event the term of the obligation performance is not set or it can not be set due to certain circumstances, the creditor can require immediate performance of the obligation, and the debtor shall be obliged to perform with a reasonable term.

427.3 In the event the obligation envisages or permits to determine the date of its performance or a period of time within which the obligation should be performed, the obligation shall be subject to performance at that date, or at any time within the limits of the said period of time, respectfully.

427.4 The debtor within seven days shall be obliged to carry out the obligation as demanded by the creditor and which was not performed within a reasonable term, as well as the obligation, which performance term had been set at the time of the demand, provided performance within any other term does not result from this Code, the obligation terms, traditions of business or the heart of the obligation.

427.5 In the event the term of the obligation performance depends on the appearance of whatever condition, the obligation shall have to be performed from the date of such condition appearance.

Article 428. Early obligation performance

428.1 If the creditor for a good reason does not decline performance, the debtor shall be entitled to an early performance of the obligation.

428.2 Early performance of the obligations related to its performance by the business activity parties, shall be permitted only in the event when the possibility for the early

obligation performance is stipulated in this Code, or results from traditions of business or the heart of the obligation.

428.3 If the performance time is set, then in the event of any doubts, the creditor shall be deemed not to be able to demand obligation performance by the set time, while the debtor shall be entitled to an early performance.

428.4 In the event any obligation performance term is set in favor of the debtor, in cases when the latter becomes insolvent or decreases the agreed security, or in general will not be in a position to give such a guarantee, the creditor shall be entitled to demand immediate performance.

Article 429. Determination of the obligations performance terms

~~429.1 For the purpose of determination of the performance terms and dates with respect to the obligations set forth in the laws, court awards and transactions, the following rules shall apply:~~

~~429.1.1 if the commencement of the term is determined by any event or time of the day, including entry into a contract, then the date of the event and the exact moment shall be disregarded in the calculation of the term;~~

~~429.1.2 if the commencement of the term is determined by the start of the day, then this day shall be counted in the calculation of the term (similar rule is used for the birth day in the age calculation);~~

~~429.1.3 if the term is calculated in days, then it will terminate at the end of the last day;~~

~~429.1.4 if the term is calculated in weeks, months or periods of several months, or a year, half a year, a quarter, then it will terminate at the end of the last week or the last month.~~

~~429.2 If the end of the term calculated in months, falls on such a month in which there is no corresponding date, then the term shall terminate at the last day of such month.~~

~~429.3 The half a year term shall mean a term of six months, the quarterly term shall mean a term of three months and the half a month term shall mean a term of fifteen days.~~

~~429.4 In the event of any extension, the new term shall be calculated from the expiration time of the previous term.~~

~~429.5 In the event of continuous determination of the term, calculated in months and years, a month shall be equal to thirty days and a year shall be equal to three hundred and sixty five days.~~

~~429.6 The start of the month shall mean its first day, the middle of the month shall mean its fifteenth day and the end of the month shall mean its last day.~~

~~429.7 In the event the obligation should be performed within a certain day or term and the certain day or the last day of the term falls on a Saturday or Sunday, or a holiday~~

generally accepted at the place of the obligation performance, then the next working day shall apply. [\(12\)](#)

Article 430. Refusal of the obligations performance

430.1 Any unilateral refusal of the obligations performance and its unilateral modification is inadmissible, if nothing otherwise is stipulated herein.

430.2 Any unilateral refusal of the obligations performance and its unilateral modification related to the business activity of the parties under the obligation, is permitted in cases envisaged by the contract, if nothing otherwise is stipulated by this Code, or the heart of the obligation.

~~430.3 The party undertaking the obligation under a by-lateral agreement, except for the cases of its early performance of the agreement, shall be entitled to refuse the obligation performance prior to the actions of the other party in respond.~~

430.4. *Refusal of the obligations performance in e-Commerce shall be admitted according to the legislation of the Republic of Azerbaijan for e-Commerce.* [\(12, 15\)](#)

Article 431. Obligation performance by a third party

431.1 The debtor, when obligation performance depends on him, as well as when it results from this Code, agreement or the nature of the obligation, shall have to perform the obligation personally. In all other cases the obligation can be performed by a third party, instead of the debtor, *and the debtor's permission is not required. In this case, in accordance with the Law of the Republic of Azerbaijan "On Banks", it is not required to amend the agreement entered into with the creditor.*

431.2 The creditor may not accept the suggested third party performance if the debtor is against it.

431.3 If the creditor brings enforcement with respect to an item belonging to a debtor, then the creditor can be satisfied by any person, who is faced with the danger of losing the rights to such item resulting from such enforcement. In the event of the creditor's satisfaction by a third party, the right of claim shall pass to the said party. The right of claim transfer shall not be detriment to the creditor. [\(71\)](#)

Article 432. Obligation performance in parts

432.1 Upon the creditor's consent, the debtor shall be entitled to perform the obligation in parts (obligation performance in parts).

432.2 The creditor can not refuse to accept obligation performance in parts, if nothing otherwise is stipulated in this Code, the terms of the obligation, or results from the heart of the obligation.

432.3 In the event the debtor has to perform several identical obligations to the creditor, and the performance made is not enough to secure all the obligations, then the performance shall be made of the obligation indicated by the debtor. In the event the debtor does not indicate the obligation to be performed, then among the obligations which security term is due, the first performed shall be the one, which is the least secured

by the creditor; among the equally secured obligations the first performed shall be the one, which is the most difficult for the creditor; and among the equally difficult obligations the first performed shall be the one, which is the oldest obligation, while obligations with one and the same term shall all be performed.

432.4 In the event the debtor, apart from the main obligation, is subject to paying interest and costs, then the obligation performance which is not enough for the return of the entire debt, shall first be accounted for the costs, then the interest and finally, for the main obligation. Any other procedure established by the debtor shall be void.

Article 433. Obligation performance for the authorized person

433.1 The debtor shall have to perform its obligation to the creditor or the person, which has the right to accept performance under the law or the court's decision.

433.2 In the event performance is accepted by a non-authorized person, the obligation shall be deemed performed, provided the creditor consents thereto, or benefits from such performance.

433.3 In the course of the obligation performance the debtor may demand evidence, that the performance is accepted by the creditor or the authorized person, and shall bear the risk of the non-delivery of such demand.

Article 434. Alternative obligation

434.1 In the event several obligations (alternative obligations) are subject to performance, the right of choice belongs to the debtor, if nothing otherwise results from this Code, agreement and the heart of the obligation. If the right of choice belongs to the creditor, then the debtor, having set a reasonable term thereto, may demand the obligation to be chosen. If the creditor fails to carry out obligation in time, then upon the expiration of the set term, the right of choice shall pass to the debtor.

434.2 If the debtor has the right to waive any of the two actions he is obliged to make, the obligation to perform the other action stays.

434.3 The choice of the alternative obligation shall be done through a notification thereof to the other party or by arranging the performance. The obligation chosen shall initially be deemed as an obligation due to be performed.

434.4 The rules of Articles 434.1, 434.2 and 434.3 shall also apply in such cases, when the choice of the subject consists of more than two obligations due to be performed.

Article 435. Creditor's right to accept other performance

The creditor shall have the right, but shall not be obliged, to accept performance other than the one envisaged by the agreement. This rule shall remain in force in the event of any higher performance cost.

Article 436. Obligation performance quality

In the event the quality of the obligation performance is not described in the contract in detail, the debtor shall have to carry out the work at least of an average quality and release the product of an average quality.

Article 437. Obligation performance when the subject of the contract is an individually determined item

437.1 In the event the subject of the contract is an individually determined item, the debtor shall not be obliged to accept any other item, even of the higher value.

437.2 In the event the debtor is obliged to transfer the individually determined item, then he is obliged to give away an identical item of an average type and quality. If the debtor has done his best for the transfer of the said item, then the debt obligation shall be limited to such item.

Article 438. Obligation performance when the subject of the contract is a variety of the item

If the subject of the contract is an item, which can be substituted (item's variety), then the debtor shall always be obliged to perform the obligation.

Article 439. Performance of monetary obligations

439.1 A monetary obligation shall be expressed in manats. If any of the parties is a foreign private person or legal entity, then the parties, if permitted by law, shall determine the obligation in foreign currency as well.

439.2 In the event the obligation determined in foreign currency has to be paid in Republic of Azerbaijan, it will be paid in manats, except for the cases when payment in foreign currency is agreed. The re-calculation shall be done at the rate value, as of the time and at the place of payment.

439.3 In the event, pursuant to the law or contract, an interest must be charged on the debt, it will be charged in the amount of the *rate, stipulated by the Central Bank of Republic of Azerbaijan*, plus two percent, but not less than five percent annual, if nothing otherwise is set forth by this Code or the contract.

439.4 The money paid beyond the obligation can be recalled pursuant to the rules of unfounded enrichment.

439.5 In the event of any doubt over the place of the obligation performance, the obligation shall have to be performed at the place of the creditor's location (residence of a private person or location of a legal entity).

439.6 If at the place or in the country where the payment is due to be done, there is a creditor's bank account, applicable for incoming payments, the debtor may, by means of wiring money to that account, perform his obligation, unless the creditor disagrees.

439.7 If before the payment is due payable, the currency rate increases or decreases, or there is a currency change, the debtor shall be obliged to make the payment in accordance with the exchange rate as of the time of the obligation, if nothing otherwise is set forth in this Code or the contract. In the event of currency change, the exchange relations shall be

based on the exchange rate of the currencies indicated as of the currency change date.(16, 39)

Article 440. Priority of the monetary obligations payment

440.1 In the event the debtor is subject to several performances in favor of the creditor, resulting from different obligations and the performance made is not enough to repay all the debts, then the debtor shall repay the obligation chosen at performance, while in absence thereof, the repaid debt shall be the first due payable.

440.2 In the event the obligations performance terms are due simultaneously, the first obligation due payable shall be the one, which is the most difficult in the debtor's performance.

440.3 In the event the obligations are equally difficult, then the first payable shall be the one, which is the least secured.

440.4 At the account of the debtor's payment, insufficient for the repayment of the entire debt, which return is due, the legal costs shall have the first priority, the main obligation shall have the second priority and the interests shall have the third priority.

Article 441. Mutually performed obligations

441.1 Performance shall be deemed mutual if the obligation performance by one of the parties under the contract is conditioned by the performance of its obligations by the other party.

441.2 In the event of failure of a party to perform obligation envisaged by the contract, or in the event of circumstances resulting in impracticability of such performance within the set term, the party being subject to mutual obligations performance, may halt performance of its obligation or, having refused obligation performance, may claim losses.

441.3 In the event the obligation envisaged by the contract is not performed in its full extent, the party being subject to mutual obligations performance, may halt performance of its obligation or, refuse to perform the part, related to the non-performed obligation.

441.4 If, despite non-performance by the other party of the obligation envisaged by the contract, mutual obligations performance continues to take place, then the other party shall be obliged to perform its obligation.

441.5 The rules envisaged by Articles 441.1 through 441.4 hereof shall apply in cases when nothing otherwise is stipulated in the contract.

Chapter 22. Non-performance of obligations

Article 442. Definition of non-performance

Non-performance of obligation shall mean its violation or improper performance (untimely performance, performance with the breach of other terms and conditions, certain defects in goods, works and services, or performance with the violation of the heart of the obligation).

Article 443. Compensation of damages caused by non-performance

443.1 The debtor, which does not perform its obligation, shall be subject to compensate damages caused to the creditor. Such procedure shall not apply if the debtor is not liable for the violation of the obligation.

443.2 Damages shall be determined in accordance with the rules, envisaged by Article 21 hereof.

443.3 In the course of the determination of damages, the accounted prices shall be those of the date of the creditor's voluntary satisfaction of the debtor's claim at the location where the obligation performance had to take place; in the event of failure to voluntarily satisfy the claim, the prices shall be those of the date of the court's award, if nothing otherwise is set forth by this Code or the contract.

443.4 In the determination of the lost benefit, the measures taken by the creditor for the acquisition thereof and the preparatory works arranged for such purpose shall be accounted for.

443.5 In the event the debtor delays performance, the creditor shall be entitled to set a time necessary for him to perform the obligation. If the debtor fails to perform obligation within such set time, the creditor shall be entitled to claim damages instead of the obligation performance.

443.6 If it becomes clear that the establishment of the additional period of time shall not bring any results, or if there are circumstances, justifying, to the mutual benefit of the parties, their immediate utilization of the right to claim damages, then there is no need in establishing additional time.

443.7 The debtor shall be subject to compensate only such damages, which were caused by a willful misconduct or carelessness, if nothing otherwise is envisaged by the obligation or results therefrom.

443.8 It is inadmissible for both parties to agree in advance of having the debtor released from compensating the damages, caused in the course of non-performance, resulting from willful misconduct.

443.9 The debtor shall be liable for the actions of his authorized representative and other persons, which services were used for the obligation performance, to the extent of his own blame therein.

443.10 If nothing otherwise results from the agreement, the debtor shall also be liable for the non-performance, when he is obliged but cannot get the subject of the obligation from the other person.

Article 444. Bringing the agreement in compliance with the changed circumstances

~~444.1 In the event the conditions, serving as the basis for the agreement, clearly changed after the latter entered into force, and the parties, accounting for the said changes, could have not entered into the agreement or could have entered into an agreement of a different contents, then the agreement may need to be brought in compliance with the changed conditions. Otherwise, accounting for certain circumstances, it would be~~

~~impossible to demand strict performance of the agreement not changed by the party thereunder.~~

~~444.2 The ideas, making the basis of the agreement and turning erroneous, shall be equal to the changed circumstances.~~

~~444.3 The parties shall in the first place strive to bring the agreement into compliance with the changed circumstances. In the event the agreement can not be brought in compliance with the changed circumstances, or the other party disagrees thereto, then the party, which interests have been influenced, shall be entitled to turn down the agreement.~~(12)

Article 445. Performance delayed by the debtor

445.1 The debtor delaying performance shall be liable before the creditor for the damages caused thereto in result of such delay and the consequent impossibility of performance incidentally appearing in the course of delay.

445.2 Performance delayed by the debtor shall mean:

445.2.1 obligation non-performance within the set term;

445.2.2 obligation non-performance by the set term after the creditor's warning.

445.3 The debtor who despite the creditor's reminder failed to perform obligation after the set term is due, shall be deemed as having delayed performance after the reminder. An action brought with respect to the obligation performance, as well as the written performance demand service, shall be deemed equal to a reminder.

445.4 In the event a calendar date is set for performance, and the debtor fails to perform the obligation by the set term, then the performance shall be deemed delayed without reminder. The same procedure shall be effective with respect to the revocation of the obligation prior to performance, if the performance term is set and it can be calculated by calendar from the time of revocation.

445.5 In the event the obligation is not performed with no fault of the debtor, but due to appearing circumstances, it will not be deemed as a delay.

~~445.6 In the course of delay the debtor shall be liable for any carelessness.~~ In the event *the debtor* does not prove that the losses can appear in the course of the obligation performance, then he will be liable for incidents as well.

445.7 In the event the debtor delays payment and the creditor, referring to other reasons can not demand a higher amount, the debtor shall be obliged to pay five percent for the time of delay. No interest on interest shall be allowed.

445.8 In the event the creditor loses interest toward performance, resulting from the delayed debtor's performance, the creditor shall be entitled to refuse performance acceptance and claim damages. Until resulting from the creditor's delay the obligation can not be performed, the debtor shall not be deemed as having delayed performance. ~~The creditor shall be entitled to claim damages caused by delay.~~

445.9. *In the event of delay of execution by debtor, the creditor may provide him within additional period for execution of his obligations. Should debtor execute the obligation within such additional term, he shall not be considered as delaying the execution.*(12)

Article 446. Performance delayed by the creditor

446.1 The creditor shall be deemed as delaying performance, in the event he does not accept performance proposed within the due term or does not act as expected by the debtor, to perform the obligation.

446.2 Performance delayed by the creditor shall give the debtor the right to claim damages caused by the delay, provided that the creditor did not prove that the delay was caused by the circumstances for which neither the creditor, nor other person authorized to accept performance are responsible.

446.3 The debtor shall not be obliged to pay interest on the cash obligation for the performance term exceeded by the creditor.

446.4 In the event performance is delayed by the creditor, the debtor shall be liable for non-performance only provided the performance turned out to be impossible due to the debtor's willful or material carelessness.

446.5 In the event of delay the creditor, despite of his fault:

446.5.1 shall compensate exceeding costs to the debtor, relating to the storage of the subject of the contract;

446.5.2 shall bear the risk of incidental damage or destruction of the item;

446.5.3 shall have no more right to receive interest on the cash obligation.

446.6 If the debtor is not in a position, within the time frame set to the creditor, to perform by the time proposed, then the creditor shall not be deemed as delaying performance.

446.7 The creditor shall be deemed as delaying performance in the event the debtor has to perform only after the creditor performs mutual obligation, and the creditor not refusing the proposed performance, does not propose the required performance of mutual obligation.

446.8 If the performance term is not set or the debtor does not possess the right to perform obligation by the set term, the creditor, due to temporary lack of time to accept the proposed performance, shall not be deemed as delaying performance, except for the cases of the debtor still proposing performance to him in a reasonable term.

446.9 In the event the subject of the obligation is an individually determined item, and the reason for the performance delay by the creditor is a denial of the identical variety of the item, then the debtor's obligation to perform shall be limited to the item proposed, and the risk of its destruction or incidental damage shall pass to the creditor.

Article 447. Non-performance in bilateral agreement

447.1 If one of the parties under bilateral agreement does not perform obligations related to such an agreement, then the other party under the agreement, after the expiration of the additional term set for the obligation performance, without any result, may decline the agreement. If due to the nature of the obligation's violation additional term is not applied, then the reminder shall be equal to additional term. If only a part of the obligation is not performed, then the creditor may decline the agreement only in the event of a loss of interest to the rest of the obligation.

447.2 There is no necessity in setting any additional term or a reminder:

447.2.1 when it is clear that it will bring to no results;

447.2.2 in the event of non performance within the term set by the agreement and in the event the continuation of lean relations would become dependant of the timely performance of the obligation;

447.2.3 in the event of substantiated immediate termination of the agreement on specific grounds, accounting for the mutual interest.

447.3 Denial of the agreement is inadmissible:

447.3.1 in the event the nature of the obligation's violation is insignificant;

447.3.2 in the event of complete or partial liability of the creditor for the obligation's violation;

447.3.3 in the event the debtor under the obligation has already brought the claim, or in the event of a counter claim to be brought immediately after the agreement's denial.

447.4 In the event it is established that there will be ground for the agreement's denial, the creditor may deny the agreement prior to performance term.

447.5 The debtor shall be entitled to set a reasonable term for the creditor to deny the agreement.

447.6 If pursuant to the bilateral agreement, the debtor may deny the obligations vested on him, and the circumstances giving him the right to do so appeared due to the creditor's fault, then he shall reserve the right to accept a return performance. This rule shall not apply, if the time of the main creditor's receiving the return performance is delayed by another creditor.

447.7 Leaving the agreement the creditor can claim damages, caused to him by the agreement non performance. This rule shall not apply, if the ground for leaving the agreement resulted form the debtor's fault.

Chapter 23. Liability for non-performance of the obligations

Article 448. Debtor's liability for non-performance of the obligations

448.1 The debtor shall be liable for all the events of non-performance of the obligations, entering the extent of his risks, if nothing otherwise is envisaged by this Code.

448.2 The debtor shall be liable for every violation of the obligation (action or failure to act). Any advance indemnification for a fault, willful misconduct or gross carelessness, is prohibited.

448.3 The debtor shall be liable for the action or inactivity of his lawful representatives and persons, which services he uses for the complete or partial performance of his obligation, to the same extent as for his own action or failure to act.

448.4 The debtor shall not be liable for the violation of the obligation, if he proves that the violation was caused by the circumstances beyond his control and that he was not able to take account thereof at the time of entering the agreement or wait until he can exclude or eliminate the said circumstance and the consequences thereof. If the debtor knows or is supposed to know of the obstacle, then he is obliged to notify the creditor immediately of the said obstacle and of its influence over the ability to perform. If the creditor did not receive the immediate notification, then the debtor shall be liable for the damages caused thereto in connection with the failure to receive the timely notification.

Article 449. Liability for non-performance of the monetary obligations

449.1 In the event someone's monetary funds are utilized and are illegally not returned, or in the event of any evasion from return thereof, or other delay of repayment thereof, or groundless acquisition or accumulation of funds, interest is due payable on the amounts of such funds. The amount of interest shall be determined by the *bank* as of the date of the monetary obligation performance or the relevant part thereof. In case of the debt collection under a court procedure, the creditor's claim can be satisfied by the court on the basis of the *bank rate* as of the date of the court's award.

449.2 The bank rate shall be determined by the Central Bank of Republic of Azerbaijan.

449.3 In the event the losses caused to the creditor, resulting from the lawless utilization of his funds, exceed the amount of interest due payable to him in accordance with Article 449.1 hereof, the creditor can demand compensation from the debtor to the extent of the exceeding part of the said amount.

449.4 The interest for the utilization of someone's monetary funds shall be deducted until the date of the final repayment of the said amount to the creditor, unless the agreement envisages any shorter term for the calculation of interest. ([16](#), [39](#))

Article 450. Performance of obligation in kind

450.1 In the event of non-performance of the obligation in due manner, compensation of the forfeit and losses shall not release the debtor from performing the obligation in kind, if nothing otherwise is set forth in this Code or the agreement.

450.2 In the event of non-performance of the obligation, compensation of the forfeit and losses for the obligation thereof *shall* release the debtor from performing the obligation in kind, if nothing otherwise is set forth in this Code or the agreement.

450.3 In the event the creditor denies to accept performance due to the loss of interest thereto resulting from a delay, as well as the payment of the forfeit, determined as compensation, shall release the debtor from performing the obligation in kind. ([3](#), [12](#))

Article 451. Performance of obligation at the expense of the debtor

In the event of the debtor's non-performance of the obligation to prepare and transfer property to the ownership or use of the creditor, or performance of a certain work for him, or performance of certain services for him, the creditor, if nothing otherwise results from this Code, the agreement or the heart of the obligation, may assign obligation performance for a reasonable payment and within a reasonable time, to third parties, or perform it on his own, or demand compensation of the necessary expenses and other losses incurred from the debtor.

Article 452. Consequences of non-performance of the obligation to transfer an individually determined item

452.1 In the event of non-performance of the obligation to transfer an individually determined item to the ownership or compensatory use of the creditor, the latter may demand seizure thereof from the debtor and transfer to him on term and conditions set forth in the obligation. Such right shall not be applicable at the property transfer to a third party with the right of ownership. In the event the property is not yet transferred, the priority will be with the creditor, in whose favor the obligation initially appeared, while in the event this can not be determined, in favor of those, who claimed first.

452.2 Instead of demanding transfer to him of the property being the subject of the obligation, the creditor may claim damages.

Article 453. Subsidiary liability

453.1. Prior to bringing a demand to a person, which under the present Code or obligation bears a liability additional to the liability of another person, which is the main debtor (subsidiary liability), must bring the demand to the main debtor.

453.2 In the event the main debtor refused to satisfy creditor's demands, or the creditor did not receive the debtor's reply to the demand within a reasonable time, then such demand may be brought against a person under subsidiary liability.

453.3 In the event the creditor's demand to the main debtor can be satisfied instead of the counter claim of the main debtor, then the creditor shall have the right to demand its satisfaction from the person bearing subsidiary liability.

453.4 Prior to satisfying the claim brought by the creditor, the person bearing subsidiary liability shall notify the main debtor thereof, and in the event the claim is brought against such person, shall bring the main debtor into the case. Otherwise the main debtor shall be entitled to protest against the creditor's demands with respect to the regress demand of the person bearing subsidiary liability.

Article 454. Limitation of liability upon circumstances

454.1 The law may limit the right for complete compensation of losses under certain obligations and under obligations relating to certain types of activity (limited liability).

454.2 An arrangement on the limitation of the debtor's liability under an attached or other agreement, in which the creditor is a private person acting as a consumer, shall have no value, if the extent of liability for the said obligation or the said violation, is not

established by this Code, or the agreement was made prior to the appearance of the circumstances, resulting in the liability for the non-performance or improper performance of the obligation.

Article 455. ~~Special bases of responsibility for breach of liability of person engaging in entrepreneurship~~

~~Unless otherwise stipulated in this Code or in the contract, the person, which does not carry out the liability or not carry out the liability in necessary form while engaging in entrepreneurship, argue sufficiently the impossibility of carrying out of execution because of insuperable force, this is, in that condition extraordinary and unavoidable cases, bears responsibility. Breach of duties by contractors of debtor, absence of the necessary goods in the market or absence of necessary cash resources of debtor are not included to such cases. (3, 12)~~

Article 456. Debtor's liability for the behavior of his employees

The actions undertaken by the debtor's employees for the performance of the obligation, shall be deemed as actions of the debtor. In the event such actions resulted in non-performance or improper performance of the obligation, then the debtor shall be liable for such employees.

Article 457. Debtor's liability for the behavior of third parties

~~The debtor shall be liable for the non-performance or improper performance of the obligation by third parties, on which the performance was placed, provided that this Code expressly establishes the third parties' liability. (12)~~

Article 458. Consequences of the obligation violation by both parties

458.1 In the event both parties are to blame for the non-performance or improper performance of the obligation, the court shall accordingly reduce the extent of the debtor's liability. The court may also reduce the extent of the debtor's liability, when the creditor willfully or due to carelessness supported the increase of the losses, caused in result of for the non-performance or improper performance, or did not undertake reasonable measures to reduce the losses.

458.2 The rules of Article 458.1 hereof shall also apply in cases, under this Code or the agreement, when the debtor is liable for the non-performance or improper performance of the obligation, irrespective of his own guilt.

Article 459. Reinstatement of initial status

459.1 The person, subject to compensation of losses, shall have to reinstate the initial situation, which would have been present, if the case causing compensation would have not happened.

459.2 In the event the person suffering body injuries or damages brought to his health has lost working capabilities or it has become lower, or his demands have become higher, then the damage caused to the sufferer shall be compensated by providing him with a monthly living minimum.

459.3 The sufferer may require means for cure in advance. The same rules shall apply in case a new profession has to be mastered.

459.4 The sufferer may demand compensation to be paid instead of accommodation expenses, if sufficient grounds are available.

459.5 In the event compensation of damages is not provided by means of reinstating the initial status, or incomparable costs are required therefore, the creditor may be provided with a monetary compensation.

459.6 The waiver of the right for the compensation of losses caused by the violation of the obligation, based on the preliminary agreement, is not permitted.

459.7 In the course of determination of the amount of damage, the interests of the creditor in the proper performance of the obligation shall be taken into account. The place and time of the agreement performance shall be taken into account for the determination of the amount of damage.

Chapter 24. Assurance of the obligations performance

§1. General Provisions of the Obligations Performance Assurance

Article 460. Methods of the Obligations Performance Assurance

460.1 Obligations performance can be assured by a pledge, forfeit, debtor's property withholding, warranty, guarantee, deposit and other means envisaged by this Code or a contract.

460.2 The invalidity of a contract on the obligation performance assurance shall not result in the invalidity of the main obligation.

460.3 The invalidity of the main obligation shall result in the invalidity of the obligation assuring thereof, if nothing otherwise is envisaged by this Code.

Article 461. Substitution of the Obligation Performance Guarantee

461.1 The person, providing guarantee for the obligation performance, can substitute such guarantee by another guarantee upon a creditor's consent ~~or on the basis of a court's decision.~~

461.2 ~~If the guarantee for the obligation performance is insufficient due to no fault on the part of the creditor, it should amended or there should other guarantee provided instead of it.~~ (12)

§2. Forfeit

Article 462. Definition of a Forfeit

462.1 A forfeit (penalty, damages) shall mean a certain amount of money established by a contract, which a debtor shall be obliged to pay to a creditor in the event of non-performance or improper performance of the obligation, in particular in the event of a pass due performance. If the content of the obligation envisages abstention from action,

the forfeit shall be withheld from the moment of such action. Upon claiming a forfeit, the creditor shall not be obliged to prove the damage inflicted thereto.

462.2 The creditor shall be entitled to claim a forfeit in the event the debtor is not liable for the non-performance or improper performance of the obligation.

462.3 The contract parties shall be free to determine the amount of forfeit, and such amount can exceed the amount of the possible damage.

462.4 If a claim to perform obligation is deemed invalid in accordance with this Code, the agreement made by the parties on the forfeit for the non-performance of such obligation shall also be deemed invalid, even if the invalidity of the claim made is known to the parties.

462.5 If the debtor disputes the issue of the forfeit for the performance of his obligation, he must prove such performance, provided the obligation does not envisage abstention from action.

Article 463. Forfeit Agreement Form

463.1 The agreement on forfeit must be done in writing, irrespective of the form of the main obligation.

463.2 The nonobservance of the written form shall result in the invalidity of the forfeit agreement.

Article 464. Forfeit Payment Under the Law

464.1 The creditor shall have the right to demand payment of the forfeit established by the law irrespective of whether it's payment is envisaged by an agreement between the parties or not.

464.2 The extent of the lawful forfeit can be increased by the agreement of the parties, provided such increase is permitted by the law.

Article 465. Payment of Penalty for the Non-performance of the Obligation

465.1 If the debtor claims to pay penalty for the non-performance of the obligation, the creditor can demand payment of a forfeit instead of the contract performance. If the creditor demands the debtor to pay a penalty, the demand to perform the obligation shall be excluded. If the creditor has the right to claim damages inflicted in result of the non-performance, he can demand a penalty, subject to a withholding in the amount of a minimum damage. The creditor's right to withhold other damage shall not be excluded.

465.2 If the debtor claims to pay penalty for the improper performance of the obligation, including its non-performance in due time, the creditor can demand both the penalty payment and the obligation performance. If the creditor has the right to claim damages inflicted in result of the improper performance of the obligation, the creditor can demand its payment. If the creditor accepted the performance, he can demand penalty withholding only at the time of the performance acceptance, if he retains such a right.

465.3 If the debtor claims performance of other action instead of paying a penalty in cash, the provisions of Articles 465.1 and 465.2 of this Code shall apply.

Article 466. Damage and Forfeit

466.1 In the event of determination of a forfeit for non-performance or improper performance of the obligation, a forfeit of the deficient part of the damage shall be compensated.

466.2 The following options can be envisaged in the law or in the contract:

466.2.1 only a forfeit can be withheld and not the damage;

466.2.2 the damage beyond the forfeit can be withheld in full;

466.2.3 either a forfeit or a damage can be withheld, at the creditor's discretion;

466.3 In the event of determination of a limited liability for the non-performance or improper performance of the obligation, the damage not reaching the amount of the forfeit, or exceeding the forfeit, or being subject to payment instead of the forfeit, can be withheld to the extent determined by the limitation.

Article 467. Forfeit Reduction by Court

The court shall be entitled to reduce the unreasonably high forfeit accounting for the case. Both the material and all substantiated interests of the creditor shall be accounted for in the course of the forfeit's proportionality determination.

§3. Withholding

Article 468. Definition of Withholding and the Basis thereof

468.1 The creditor possessing an object, which is subject to transfer to the debtor or any person indicated by the debtor, in the event of the debtor's non-performance in due time of its obligation regarding payment for such object or compensation to the creditor of the costs and other damages relating thereto, shall have the right to withhold such object until the relevant obligation is performed.

468.2 The object's withholding can also assure claims, though not related to the payment for such object or compensation of the costs and other damages relating thereto, but resulting from the obligation, which parties act as entrepreneurs.

468.3 The creditor can keep the property in his possession, despite the fact that after such property entered into creditor's possession, the rights thereto were bought by a third party.

468.4 The rules of this Articles are applied, provided nothing otherwise is stipulated in the contract.

Article 469. Satisfaction of Demands at the Expense of the Property Withheld

The claims of the creditor holding the property shall be satisfied from its value, in the amount and in accordance with the procedure set for the satisfaction of the claims secured by the pledge.

§4. Warranty

Article 470. Warranty Agreement

470.1 The guarantor, under a warranty agreement, shall take an obligation before the other person's creditor, to answer for his performance of the obligation in full or in parts.

470.2 The warranty agreement can be also entered into for the assurance of an obligation appearing in future.

Article 471. Warranty Agreement Form

The warranty agreement must be made in writing. The nonobservance of the written form shall result in the invalidity of the warranty agreement.

Article 472. Guarantor's Liability

472.1 In the event of non-performance or improper performance by the debtor of the obligation assured by the warranty, the guarantor and the debtor shall be jointly liable before the creditor, provided a subsidiary liability of the guarantor is envisaged by this Code or the warranty agreement.

472.2 The guarantor shall be liable before the creditor to the same extent as the debtor, including payment of interest, compensation of judicial costs for the recovery of the debt and other damages of the creditor, resulting from the non-performance or improper performance of the obligation by the debtor, provided nothing otherwise is envisaged by the warranty agreement.

472.3 Persons, taking joint warranty, shall be jointly liable before the creditor, provided nothing otherwise is envisaged by the warranty agreement.

Article 473. Guarantor's Fees

Guarantor shall be entitled to fees for the services provided to the debtor, provided nothing otherwise is envisaged by the warranty agreement.

Article 474. The Guarantor's Right to Object Against the Creditor's Demand

474.1 The guarantor shall be entitled to object the creditor's demand, which can be put forward by the debtor, provided nothing otherwise is envisaged by the warranty agreement. The guarantor shall not lose the right to extend such objections, even if the debtor refused to do so and acknowledged his debt.

474.2 Prior to the satisfaction of creditor's demand the guarantor shall be obliged to inform the debtor thereof, and in the event of an action against the guarantor, the latter shall be obliged to attract the debtor to the case.

474.3 In the event of the guarantor's non-performance of the obligations, stipulated in Article 474.2 hereof, the debtor can put forward his objections available against the creditor, to counter the guarantor's regressive demand.

Article 475. The Right of the Guarantor Performing the Obligation

475.1 The guarantor performing the obligation shall receive the rights of the creditor under such obligation and the rights, belonging to the creditor as the pawnee, to the extent in which the guarantor has satisfied the creditor's demand. The guarantor shall also be entitled to demand from the debtor to pay interest on the amount disbursed to the creditor and to compensate other damages relating to the liability for the debtor.

475.2 After the guarantor's performance of the obligation, the creditor shall be obliged to submit documents to the guarantor, certifying the demand to the debtor, and pass the right securing such demand.

475.3 The rules established by this article shall apply, provided nothing otherwise is envisaged by this Code and the warranty agreement with the debtor, and if nothing otherwise results from their relationship.

Article 476. Notification of the Guarantor Regarding the Debtor's Performance of the Obligation

The debtor, who has performed the obligation assured by the warranty, shall be obliged to inform the guarantor thereof immediately. ~~Otherwise the guarantor, who has in his turn performed the obligation, can recover the unduly received payment from the creditor, or put forward a regressive demand against the debtor.~~ (12)

Article 477. Warranty Termination

477.0 The warranty shall terminate in the following cases:

477.0.1 in the event of termination of the obligation assured thereby, as well as in the event of changes in such obligation, and if such changes result in the increase of liability or other negative consequences for the guarantor, without the guarantor's consent;

477.0.2 in the event the debt, with the warranty secured obligation, is transferred to another person, if the guarantor did not give the creditor his consent to answer for the new debtor;

477.0.3 in the event the creditor refuses to accept the due performance proposed by the debtor or the guarantor;

477.0.4 prior to the term, indicated in the warranty agreement, for which it was issued. In the event such term has not been set, the warranty shall terminate if the creditor does not make a claim against the guarantor in the course of a year from the performance date of the warranty secured obligation. When the term of the main obligation is not indicated and can not be determined, or established by the moment of demand, the warranty shall terminate, if the creditor does not make a claim against the guarantor within two years from the date of the warranty agreement.

§5. Guarantee

Article 478. Guarantee Definition

For the purpose of guarantee, the guarantor (bank, other credit institution or insurance company) shall upon a request of a third party (principal) give a written demand, to pay the principal's creditor (beneficiary), in accordance with the terms of the obligation undertaken by the guarantor, an amount of money upon the beneficiary's presentation of a written demand to have it paid.

Article 479. Principal's Obligation Secured by the Guarantee

479.1 The guarantee shall secure the due performance by the principal of his obligation (main obligation) before the beneficiary.

479.2 The principal shall pay an agreed compensation to the guarantor for the issuance of the guarantee.

Article 480. Guarantee's Independence from the Main Obligation

The guarantor's obligation before the beneficiary, envisaged by the guarantee, shall be independent and shall not depend in their relationship on the main obligation, in the assurance of which performance it was issued, even if the guarantee contains a reference to such obligation.

Article 481. Irrevocable Guarantee

The guarantee can not be revoked by the guarantor if nothing otherwise is envisaged therein.

Article 482. Non-transfer to other Party of the Rights under the Guarantee

The right of claim belonging to the beneficiary under the guarantee can not be transferred to other party, if nothing otherwise is envisaged therein.

Article 483. Guarantee's Entry into Force

Guarantee shall enter into force from the date of its issuance, if nothing otherwise is envisaged therein.

Article 484. Submission of Claim under the Guarantee

484.1 The beneficiary's demand for the payment of the money under the guarantee must be submitted to the guarantor in writing with the documents indicated in the guarantee attached. The beneficiary shall indicate in the demand or in the attachment thereto, the essence of the principal's violation of the main obligation, in the assurance of which the guarantee had been issued.

484.2 The beneficiary's demand must be submitted to the guarantor prior to the termination of the term established by the guarantee, for which it was issued.

Article 485. Guarantor's Duties in the course of the Beneficiary's Demands Consideration

485.1 Upon receiving the beneficiary's demand, the guarantor must immediately inform the principal thereof and transfer to him copies of the demand with all the relating documents.

485.2 The guarantor must consider the beneficiary's demand and the documents attached thereto within the term set by the guarantee, and in the event such term is not determined, within a reasonable term, and shall pay special attention to the compliance of the demand and the documents attached thereto with the guarantee's terms.

Article 486. Guarantor's Refusal to Satisfy Beneficiary's Demand

486.1 The guarantor shall refuse to satisfy the beneficiary's demand if the demand or the documents attached thereto do not comply with the guarantee's terms, or if they had been submitted to the guarantor after the term determined by the guarantee. The guarantor must immediately notify the beneficiary of the refusal to satisfy his demand.

486.2 If prior to the satisfaction of the beneficiary's demand it became known to the guarantor that the main obligation, secured by the guarantee, has been performed in full or in its certain part, has terminated under other grounds or became invalid, he must immediately inform the beneficiary and the principal thereof. Any further demand received by the guarantor from the beneficiary after such notification should be satisfied by the guarantor.

Article 487. Guarantor Obligation's Limits

487.1 The guarantor's obligation before the beneficiary envisaged by the guarantee shall be limited by the payment of the amount for which the guarantee had been issued.

487.2 The guarantor's liability before the beneficiary for the non-performance or improper performance by the guarantor of the obligation under the guarantee, shall not be limited by the amount for which the guarantee had been issued, if nothing otherwise is envisaged in the guarantee.

Article 488. Guarantee Termination

488.1 The guarantor's obligation before the beneficiary under the guarantee shall terminate:

488.1.1 with the payment to the beneficiary of the amount of money for which the guarantee had been issued;

488.1.2 with the expiration of the term established by the guarantee;

488.1.3 with the withdrawal by the beneficiary of his rights under the guarantee by means of a written statement releasing the guarantor from his obligation.

488.2 Termination of the guarantor's obligation on the grounds indicated in Articles 488.1.1, 488.1.2 and 488.1.4 hereof does not depend on whether the guarantee had been returned to him.

488.3 The guarantor, to whom it became known of the guarantee's termination, must immediately inform the principal thereof.

Article 489. Guarantor's Regressive Demand against the Principal

489.1 The guarantor's right to demand from the principal in terms of regressive compensation of the amounts paid to the beneficiary under the guarantee, shall be determined by the agreement between the guarantor and the principal, in the performance of which the guarantee had been issued.

489.2 The guarantor shall not be entitled to demand from the principal compensation of the amounts paid to the beneficiary not in the default of the guarantee terms, or for the violation of the guarantor's obligation before the beneficiary, if nothing otherwise is established by the agreement between the guarantor and the principal.

Article 490. Debtor's Guarantee

~~490.1 The debtor's guarantee shall mean such an obligation, on the basis of which the debtor shall be obliged to perform all the unconditional actions or actions exceeding the limits of the contract.~~

~~490.2 The debtor's guarantee shall be deemed valid if it does not contradict with the rules of this Code, or if the debtor is not encumbered beyond the permissible limit.~~

~~490.3 The debtor's guarantee shall be done in writing.~~ (12)

§6. Deposit

Article 491. Deposit Definition

491.1 The deposit shall mean an amount of money given by one of the agreeing parties to the other at the account of the payment to the other party due payable under the contract, in the prove of the execution of the contract and the assurance of its performance.

491.2 The agreement on the deposit irrespective of its amount must be done in writing.

491.3 In the event of any doubt with respect to whether the deposit is the amount of money paid at the account of the payment due payable under the contract, in particular as a result of violation of the rule established in Article 491.2 hereof, such amount shall be deemed paid as deposit, if nothing to the contrary had been proved.

Article 492. Consequences of the Termination and the Non-performance of the Deposit Secured Obligation

492.1. The deposit must be returned upon termination of the obligation prior to its performance under an agreement of the parties or if the performance is impossible.

492.2 In the event the party issuing the deposit is responsible for the non-performance of the contract, the deposit remains with the other party. In the event the party receiving the deposit is responsible for the non-performance of the contract, it shall be obliged to pay the other party a double deposit amount. Moreover, the party responsible for the non-performance of the contract shall be obliged to compensate the other party for the losses accounting for the deposit amount, if nothing otherwise is stipulated in the contract.

Chapter 25. Creditors or debtors dominance in the obligation

Article 493. Joint Creditors and Joint Authorities

493.1 If several persons are authorized to demand performance the way such complete performance can be demanded by each of the parties, and if only a single performance is placed on the debtor, they shall be deemed as joint creditors.

493.2 Joint authorities shall result on the basis of an agreement, a law or indivisibility of the subject of obligation.

Article 494. Performance of the Obligation to any Creditor

If one of the creditors did not put objections to the debtor with a demand envisaged by Article 493.1 hereof, the debtor at his discretion shall be entitled to perform the obligation to any of the creditors.

Article 495. Performance of the Obligation to One Creditor

Complete performance of the obligation to one of the joint creditors shall release the debtor from the obligation to the rest of the creditors.

Article 496. Consequences of the Withdrawal of One of the Joint Creditors

If one of the joint creditors withdraw his demand with respect to the debtor, the debtor shall be released from payment of the share due payable to such creditor.

Article 497. Inadmissibility to Use Facts Relating to Other Creditor

The debtor can not use facts relating to other creditor, with respect to one of the creditors.

Article 498. Rights of the Joint Creditor's Successors

If a joint creditor has several successors, the part relevant to their inherited share shall be passed to each of them.

Article 499. Obligations of a Joint Creditor before Other Joint Creditors

499.1 The creditor receiving complete performance from the debtor shall be obliged to pay other joint creditors their due shares.

499.2 Joint creditors shall have equal shares in their mutual relations, if nothing otherwise is established between the joint creditors.

Article 500. Joint Debtors and Joint Obligations

500.1 If performance of the obligation is placed on several persons, each of them being obliged to participate in the complete performance of the obligation, and the creditor having the right to demand only a single performance, such persons shall be deemed as joint debtors.

500.2. A joint obligation results on the basis of an agreement, a law or indivisibility of the subject of obligation.

Article 501. Creditor's Right to Demand Performance from any Debtor

The creditor can at his own discretion demand performance from a debtor in full or in parts. Obligations of the rest of the debtors shall remain in force until the complete performance of the obligation.

Article 502. Joint Demand of the Joint Debtor with Respect to the Creditor

The joint debtor shall have the right to put forward against the creditor any demands, resulting from the essence of the contract or the demands, to which only he has the right, or the demands which are common to all joint debtors.

Article 503. Consequences of Complete Performance of the Obligation by One of the Debtors

Complete performance of the obligation by one of the debtors shall release the remaining debtors from performance. The same rule remains in force with respect to the substitution made by the debtor with respect to the creditor.

Article 504. Inadmissibility to Use Facts Relating to Other Joint Debtor

Facts relating to one of the joint debtors can be used only with respect to such person, if nothing otherwise results from the essence of relations under the obligation

Article 505. Claim to One of the Joint Debtors

A claim to one of the joint debtors shall not deprive the creditor of the right to claim to the rest of the debtors.

Article 506. Consequences of the Performance Acceptance Delay

506.1 Consequences of the performance acceptance delay by the creditor from one of the joint debtors shall remain in force with respect to the rest of the joint debtors.

506.2 Consequences of the nonobservance of the performance terms by one of the joint debtors can not be used with respect to the rest of the joint debtors.

Article 507. Rights of the Joint Debtors' Successors

If one of the joint debtors has several successors, each of them shall be obliged to perform under the demand in compliance with his inherited share. In the event of indivisibility of the demand, this rule shall not apply.

Article 508. Creditor's Demand Consolidation with the Debt of one of the Joint Debtors

If the creditor's demand is consolidated with the debt of one of the joint debtors, the obligation of the rest of the debtors shall be terminated to the extent of the share of such debtor.

Article 509. Regressive Demand Right in the event of Complete Performance of the Obligation by One of the Debtors

509.1 The debtors which has performed the joint obligation, shall have the regressive demand right, net of his share, relevant to the shares of the joint debtors, if nothing otherwise is stipulated in this Code or in the contract.

509.2 In the event the extent of liability of the debtors can not be determined they will be liable to each other equally.

509.3. *To joint debtor executing the joint obligation before the creditor, shall be transferred the claim to other debtors of creditor, as well as rights of creditor towards other debtors stipulated under Article 196 of this Code.*[\(12\)](#)

Article 510. Consequences of the Joint Debtor's Insolvency

If one of the debtors is insolvent, then his share shall be proportionately distributed among other solvent debtors.

Article 511. Joint Debtor's Compensation

If a joint debtor received benefit from the joint obligation, the joint debtor which has not received such benefit, can demand from him a guarantee for his obligation performance.

Article 512. Consequences of the Term Expiration

A halt or a termination of the term with respect to one of the joint debtors shall not have force with respect to other debtors.

Chapter 26. Acceptance of obligations

§1. Assignment of Demand

Article 513. Grounds and Procedure of the Demands Assignment

~~513.1 The demand belonging to the creditor on the basis of the obligation, can be assigned by him to other person under the deal or transferred to other person on the basis of provisions of this Code. Rules of the demands' assignment shall apply to regressive demands.~~

~~513.2 No consent of the debtor is required for the assignment of the creditor's demand, if nothing otherwise is stipulated in this Code or in the contract.~~

~~513.3 If the obligation can be performed to the benefit of a third party only with a change of its content or if the assignment is ruled out upon an agreement with the debtor, the demand can not be assigned.~~

~~513.4 If the debtor was not notified in writing of the assignment of the demands, the new creditor shall bear the risk of the negative consequences resulting therefrom. In this case performance of the obligation to the initial creditor shall be deemed as performance to the relevant creditor.~~

~~513.5 The rules on assigning demands shall apply to the transfer of other rights in due course, if nothing otherwise is stipulated in this Code.~~[\(12\)](#)

Article 514. Demands which Can Not be Assigned to other Persons

Demands, which are indivisibly related to the personal character of the creditor, are allowed to be assigned, in particular the demands of alimony and damages to health and life. (12)

Article 515. Volume of the Creditor's Demands Assigned to Other Person

~~513.6 The demand of initial nature shall be passed to a new creditor in such a volume and on such terms, which existed by the time of the right's transfer, if nothing otherwise is stipulated in this Code. In particular, the rights providing for the performance of the obligation, as well as other rights relating to the demand, including the right to the interest unpaid, shall pass to the new creditor. At the assignment of the demand, the right of pledge and mortgage, as well as the received right of warranty shall pass to the new creditor. The new creditor can enjoy priority right relating to the demand of enforced performance or in case of bankruptcy. (12)~~

Article 516. Evidence of the New Creditor's Demands

~~516.1 The debtor may not perform the obligation to the new creditor, prior to presentation of the evidence of the demand's transfer to such person.~~

~~516.2 The creditor which has assigned demand to a another party, shall be obliged to pass the documents evidencing the right of demand to such person, and shall provide him with the data significant for the performance of the demand. (12)~~

Article 517. Debtor's Objections to the New Creditor's Demands

~~517.1 The debtor shall have the right to put forward objections to the demands of the new creditor, which he had to the initial creditor, by the time of the notification of the demand's assignment under the obligation to a new creditor.~~

~~517.2 If the debtor submitted the debt instrument in the course of the demand's assignment to a new creditor, he shall not have the right to reference to the fact that the initiation of relations under the obligation or their confirmation was just a pretence, or that the assignment was excluded on the basis of the agreement with the initial creditor, however such cases when the new creditor knew in the course of the assignment or had to know the details of the deal, are exclusions. (12)~~

Article 518. Creditor Demands Assignment to other Person on the basis of the Law

~~518.0 Creditor's demands under the obligation shall pass to other person on the basis of the law and at the appearance of the circumstances stipulated therein:~~

~~518.0.1 in result of a universal succession of the creditor's demands;~~

~~518.0.2 upon a court's decision on the transfer of the creditor's demands to another person, when such transfer is envisaged by the law;~~

~~518.0.3 resulting from the debtor's obligation performance by his guarantor or pawner, who is not a debtor under such obligation;~~

~~518.0.4 in the event of subrogation to an insurer of the creditor's demands to the debtor, responsible for the insurance case;~~

~~518.0.5 in other cases stipulated in the law.~~[\(12\)](#)

Article 519. Terms of the Demand Assignment

~~519.1 Assignment of the demand by the creditor to another person is allowed in the event it does not contradict with this Code or the contract.~~

~~519.2 Assignment of the demand under the obligation, in which the creditor's personality makes significant importance to the debtor, is not allowed without the debtor's consent.~~[\(12\)](#)

Article 520. Demand Assignment Form

~~520.1 Assignment of the demand based on the deal made in a simple written or notarized form, must be done in the relevant written form.~~

~~520.2 Assignment of the demand under a deal, subject to the state registration, must be registered in accordance with the procedure set for the registration of such a deal.~~

~~520.3 Assignment of the demand under a security order shall be made by way an endorsement on such a security.~~[\(12\)](#)

Article 521. Liability of the Creditor Assigning the Demand

~~The initial creditor, which has assigned the demand, shall be liable to the new creditor for the invalidity of the demand assigned, but shall not be liable for the non performance of such demand by the debtor, except for the case, when the initial creditor has accepted the warranty for the debtor before the new creditor.~~[\(12\)](#)

~~§2. Transfer of Obligations~~[\(12\)](#)

Article 522. Grounds and Rules of the Obligations Transfer

522.1 An obligation can be transferred to a third person on the basis of an agreement with the creditor; in result of this its will change the initial debtor.

522.2 An agreement with the debtor on the transfer of the obligation to a third person, when it's reached, shall be valid only with the permission of the creditor.

522.3 The permission is issued only in the event of the creditor's notification by the debtor or the third person of the obligation's transfer. Prior to the permission issuance the parties can change or terminate the contract. In the event of refusal of the permission issuance, the obligation shall not be deemed transferred.

522.4 If the debtor or the third person demand the creditor to make a statement on the permission issuance in due time, it will be announced prior to the expiration of this term; if this is not done, it is deemed that the permission issuance was refused.

522.5 *Until the creditor has permitted, the person which has taken the obligation shall be liable in the event of suspicion to provide the creditor in relations with debtor. The same rule shall be in force in the event of the refusal of the creditor to issue the permission.*(12)

Article 523. Transfer of the Obligation of the Person Alienating a Plot of Land

523.1 If the person purchasing a plot of land, accepts an obligation on mortgage for the land, on the basis of an agreement with the person, alienating the plot of land, the creditor may issue a permission for the transfer of the obligation only after being relevantly notified by the alienating party.

523.2 If six months pass from the date of the notification receipt, the permission shall be deemed issued to the alienating party only in the event of non-refusal within the indicated term. The alienating party can forward the notification only in such case, if the owner has registered the purchased property in the real estate state register.

523.3 The notification shall be done in writing and shall indicate the change of the person, which has accepted the obligation, for the initial debtor if the creditor does not refuse this for six months. The alienating person, upon a request of the purchaser, must forward the notification of the obligation transfer to the creditor. Immediately after the issuance or the refusal to issue the permission, the alienating person shall forward the relevant notification to the purchaser.

Article 524. Objections of the Person Accepting the Obligation

The person, who has accepted the obligation, shall have the right to make objections against the creditor, based on the legal relations between the creditor and the previous debtor. He may not take into consideration the demand belonging to the previous debtor. The person which has accepted the obligation, shall not have the right to make objections to the creditor, resulting from the legal relations based on the obligation transfer between the person who accepted it and the previous debtor.

Article 525. Liquidation of the Warranty Obligation Resulting from right of Pledge and Mortgage Transfer

The right of warranty and pledge, issued upon the demand, shall be liquidated upon the obligation transfer. If there is mortgage for the demand, at the creditor's objection to the mortgage, the same circumstances appear. If at the moment of the warranty or obligation transfer the owner of the encumbered property agrees, the indicated circumstances shall not apply. The priority right relating to the demand for the cases of bankruptcy, can not be realized with respect property of the person accepting the obligation in the course of bankruptcy.

Article 526. Liability of the Person Accepting the Obligation

If somebody accepts the property of another person on the basis of an agreement, the creditors of that person, despite the continued liability of the previous debtor, shall be entitled to put forward their complaints, against the person accepting the property, which complaints existed by that time from the date of the agreement. The liability of the person, who has accepted the property, shall be limited to the content of the property received and the demands belonging to him under the agreement. The liability of the

person, who has accepted the property can not be excluded or limited on the basis of the agreement between him and the previous debtor.

Chapter 27. Termination of obligations

Article 527. Grounds for Terminating Obligations

527.1 An obligation can be terminated completely or in part in result of performance, pledge on deposit, mutual change, expiration, as well as due to other reasons envisaged by this Code or agreement.

527.2 Termination of an obligation at the request of one of the parties shall be admissible only in cases envisaged by this Code or agreement.

§1. Termination of obligation due to its performance

Article 528. Termination of Obligation Due to Its Performance in Favor of Creditor

An obligation duly performed in favor of creditor (performance) shall be terminated.

Article 529. Acceptance of the Obligation Performance

529.1 The creditor, accepting performance, shall be obliged at the request of the debtor, to issue a note thereto, confirming the performance receipt in full or in part.

529.2 The creditor, accepting a performance offered as a performance of an obligation, if he is not intended to confirm it as a performance of an obligation, shall have to prove, that it is not an obligation subject to performance, or some other obligation, or an incomplete obligation, or an undue obligation.

529.3 In the event the debtor issued a debt instrument to the creditor certifying the obligation, the creditor, accepting performance, shall have to return the instrument, while in the event such return is impossible, the creditor shall have to indicate that in the note issued as certification of performance. The note, certifying acceptance of performance in full or in part, may be substituted by an inscription made on the debt instrument returned. Possession of the debt instrument by the debtor, proves termination of the obligation, until anything opposite is proved.

529.4 The receipt on the debt acceptance, made with no indication of any interest, shall envisage payment of interest and shall completely terminate monetary obligation.

529.5 In the event of a periodical payment of the debt, or in parts, the receipt of the last portion payment shall make the ground to suppose that the portion preceding thereto, had been paid for as well, until otherwise is determined.

529.6 In the event the creditor is not in a position of returning the debt instrument, the debtor shall be entitled to demand the officially certified document with respect to the obligation termination.

529.7 The receipt of performance, made by the creditor or an authorized person, must contain data on the amount and type of debt, name of the debtor or the person paying the debt, time and place of performance.

529.8 Payment of a compensation (amount of money, property, etc.) instead of performance of the obligation under the agreement between the parties, may terminate the obligation. The amount of compensation, as well as the term and rules of its payment, shall be set forth by the parties.

Article 530. Expenses for the Receipt of Performance Issuance

530.1 The debtor shall bear the expenses on the issuance of the receipt of performance, if nothing otherwise results from the agreement between the debtor and the creditor.

530.2 In the event the creditor changes his location or dies, and his successors have some other location, additional expenses for the receipt of performance issuance shall be put on the creditor or his successors.

Article 531. Termination of Obligation by Novation

531.1 An obligation can be terminated by an agreement between the parties on the substitution of the initial agreement between them by another obligation between the same parties, envisaging another subject or method of performance (novation).

531.2 No novation shall be admissible with respect to an obligation to compensate damage, caused to life or health and on the payment of alimony.

531.3 A novation shall terminate additional obligations relating to initial obligation, if nothing otherwise is envisaged.

§2. Termination of obligation by a deposit

Article 532. Definition of the Obligation Termination by a Deposit

532.1 If the creditor delays acceptance of performance or the location thereof is unknown, the debtor shall be entitled to transfer the subject of performance to court or notary for custody, and the money or *documentary* securities shall be put on deposit to the account of the notary. The debtor shall immediately notify the creditor of the deposit.

~~532.2 The deposit entry shall release the debtor from the obligation before the creditor.~~

532.3 In the event the return of the deposited subject is excluded, the debtor shall be released from his obligation, since in this case the deposit entry shall be equal to the performance of the obligation before the creditor.

532.4 In the event the debtor has to perform the obligation only after the creditor performs his obligation, the creditor's right to receive the subject pledged on deposit can be made dependent on the mutual obligation performance. ([12](#), [57](#))

Article 533. Transfer of the Deposited Property to the Creditor

533.1 The court or the notary shall transfer the deposited property to the creditor. The court or the notary shall select the custodian, and the documents shall remain therewith.

533.2 Depositing shall be made by the court or the notary at the location of the obligation performance. In the event the debtor makes the deposit at some other place, he will have to compensate the potential damage caused to the creditor in connection therewith.

533.3 In the event the deposited property is sent to the court or the notary by mail, the effective term of the deposit shall be transferred to the date of the property submission to the post office for the delivery.

Article 534. Subject Appropriate for Deposit

534.1 The subject must be appropriate for custody. Perishable items shall not be accepted for custody.

534.2 In the event the subject of the obligation being a tangible property, is not appropriate for the deposit, due to the disproportionately high custody costs or deterioration, the debtor may sell it at the location of performance and deposit the amount received.

Article 535. Place of Custody

Custody shall be at the place of performance.

Article 536. Order of the Subject Acceptance by the Creditor

The court or the notary shall inform the creditor of the subject's acceptance for custody and order him to accept the subject.

Article 537. Payment of the Custody Costs

The creditor shall bear all the costs relating to custody.

Article 538. Debtor's Demand of the Subject Turned for Custody

538.1 The debtor may demand return of the subject turned for custody, prior to its acceptance by the creditor, provided the debtor did not deny the subject's return from the beginning. In the event the debtor demands the subject's return, the custody shall be deemed as never taken place.

538.2 In the event the creditor refuses the subject or the term, set forth by Article 539 hereof, has expired, the debtor may take the deposited subject back.

538.3 If the debtor takes the subject back, he will bear the custody costs.

Article 539. Custody Term of the Performance Subject

The court or the notary shall keep the performance subject in custody for the term of up to three years. If within such term the creditor does not accept the subject, the debtor shall be required to take the deposited subject back, with the corresponding information provided to the creditor. If the debtor does not accept the subject back within the term required therefor, the subject shall be deemed state property.

§3. Termination of obligation by substitution of mutual demands

Article 540. Possibility of the Obligation Substitution

540.1 At the time performance of the mutual obligations existing between the two parties is due, such obligations can be terminated by way of substitution.

540.2 Substitution of demands shall also be possible in the event the term of performance of one of the demands is not yet due, while the other party, possessing such demand, is supporting the substitution. Substitution of demands shall be done by way of delivery of the relevant information to the other party. Information relating to a limitation of any provision or term, shall be void.

Article 541. Substitution of Demands in the Course of Their Assignment

541.1 In the course of the demand assignment the debtor can substitute his mutual demand against the initial creditor by a demand of the new creditor.

541.2 Substitution can be done, provided the demand appears at the time the debtor accepts the notification of its assignment and the term of the demand is due prior to the receipt of the notification or such term is not indicated, or is set at the time of the demand.

Article 542. Term of the Demand Substitution

In the event the term of demand has not expired before the time of the possible substitution of the demand, the term of the demand shall not exclude substitution of the obligations.

Article 543. Demands Under Substitution

In the event the demands under substitution do not completely satisfy each other, then only such demand shall be satisfied which has lesser volume in comparison with the other demand.

Article 544. Substitution of Obligation if They are Performed at Different Places

Substitution of obligations shall also be allowed, in the event different places are envisaged for their performance.

Article 545. Inadmissibility of Demands Substitution

545.0 Substitution of demands shall be inadmissible in the following events:

545.0.1 in the event substitution of demands is excluded in advance by way of an agreement;

545.0.2 in the event the recovery is not turned on the subject of the obligation and in the event the subject of the obligation is a mean of living;

545.0.3 in the event the obligation envisages compensation of the damage, caused to health;

545.0.4 in the event it is necessary to apply the statute of limitations toward the obligation, upon the request of the other party and upon the expiration of such term;

545.0.5 in the event of the alimony recovery;

545.0.6 in the event such demand comes from Republic of Azerbaijan or municipality; cases constituting an exclusion shall be, when the demand of the other party on the mutual substitution must be covered by the funds of the same body, in which favor the obligation should be performed;

545.0.7 in other events envisaged by this Code.

§4. Termination of obligation by way of debt forgiveness

Article 546. Definition of the Debt Forgiveness

An obligation shall be terminated by way of the creditor releasing the debtor from the obligation performance (debt forgiveness), provided that such action does not violate the rights of other parties with respect to the creditor's property.

Article 547. Consequences of the Debt Forgiveness for Other Joint Debtors

Debt forgiveness to one of the joint debtors shall release other debtors, however a case of the creditor retaining the demand against them is an exclusion. In this case, the creditor may use only one demand with respect to the remaining joint debtors, minus the released debtor's share.

Article 548. Consequences of the Main Debtor's Debt Forgiveness

548.1 The debt forgiveness to the main debtor shall release the trustees as well.

548.2 Release of the trustee from paying the debt shall not release the main debtor from performing the obligation.

548.3 Release of one of the trustees from paying the debt shall release the other debtors as well.

Article 549. Consequences of the Demands Waiver Under Bilateral Agreement

Waiver by one of the parties under a bilateral agreement of its demand shall not result in the termination of the obligation. Such party, prior to the waiver of the other party of its demands, shall have to perform the obligations envisaged by the agreement.

§5. Termination of obligation at the expiration of the term

Article 550. Term for Demands

The demand, which is the right to demand performance or non-performance of the party's action, shall terminate at the expiration of the term.

Article 551. Terms for terminating Obligations

551.1 All demands shall lose their effect at the expiration of 10 years (normal term), if nothing otherwise is envisaged by this Code.

551.2 The demands listed below shall lose their effect at the expiration of 5 years:

551.2.1 demands with respect to rent payment, lease payment, interest on capital and other regular payments;

551.2.2 demands with respect to sale of food products and beverages, or in connection with accommodation of visitors;

551.2.3 demands with respect to a factory construction, goods sale, transportation, demands of creative professionals (e.g. doctors, lawyers or consultants), as well as contractors;

551.2.4 a demand resulting on the basis of a court ruling, shall become ineffective at the expiration of thirty years. Such rule shall apply in case of a demand relating to a shorter term.

Article 552. Commencement of the Term for the Termination of Obligations

552.1 The course of the term shall start when the time of the demand's performance is due. At the calculation of the term, the day of the term commencement shall not be counted. In the event inaction is the content of the obligation, the term shall start from the moment of the non-performance of such obligation.

552.2 The term does not start or the term is halted:

552.2.1 in the event a deferment for the obligation performance is provided, or if the person undertaking the obligation, has the right for a temporary waiver thereof in connection with another event;

552.2.2 prior to the forfeit of the managing person's opportunity to remedy his right, in result of the court's halting the consideration of the term throughout the last six months. Such rule shall also apply in the event the same inability resulted from an insuperable force;

552.2.3 in the event of the demands of husband and wife prior to the divorce. The same rule shall remain in effect with respect to demands of a tutor or a person under tutorship, in the course of the tutorship relationship, as well as with respect to demands of parents and children prior to children of age;

552.2.4 in the event a person of limited capability or a completely incapable person is involved, with no representative from the time such person lost his capability until the expiration of six months.

552.3 If the course of the term is interrupted, the time elapsed prior to interruption shall not be counted; the new term shall start only after the end of the interruption.

Article 553. Interruption of the Term for the Termination of Obligation

553.1 The course of the term shall be terminated in the following cases:

553.1.1 in the event of the obligated person's demand performance to the managing person, by partial payments, payment of interest, provision of guarantee or otherwise;

553.1.2 in the event of a court action initiated by the managing person;

553.2 The term interruption shall continue until the court's duly effective award with respect to the claim.

Article 554. Consequences of the Expiration of the Term for the Termination of Obligations

554.1 After the expiration of the term the obligated party shall be entitled to refuse the obligation performance.

554.2 Performance of the demand, which has lost its effect due to the expiration of its term, can not be recalled, even if the obligation was performed without the awareness of the term expiration.

554.3 The demand to perform additional obligations, depending on the main demand, shall lose its effect together with the main demand due to the term expiration.

554.4 Expiration of the term can not be excluded or complicated by the agreement of the parties. The parties may agree over facilitation of the term expiration and its reduction.

§6. Other grounds for the obligation termination

Article 555. Termination of Obligation in the event the Debtor and the Creditor is one and the same Person

Obligation shall be terminated in the event the debtor and the creditor is one and the same person.

Article 556. Termination of Obligation Due to the Impossibility of its Performance

556.1 In the event it is impossible to perform the obligation, namely when the non-performance results from a case, when neither of the parties is responsible, the obligation shall be terminated. In this event the creditor can not demand performance of the obligation from the debtor.

556.2 In the event it is impossible for the debtor to perform the obligation due to the fault of the creditor, the creditor shall not have the right to demand its part of the performed obligation.

Article 557. Termination of Obligation on the Basis of an Act of a State or Municipal Authority

557.1 In the event it is impossible to arrange complete or partial performance of the obligation due to the act adopted by a state or municipal authority, *extension of the obligation period execution*, the obligation shall be terminated in full or in its corresponding part. *In such case the state or municipal authority shall act as the entity entitled to recourse under claims, which can be submitted due to caused losses and the*

parties suffering losses in result thereof, can demand compensation in accordance with Articles 19 and 22 of this Code.

557.2 In the event the act of the state or municipal authority, being the ground for the termination of the obligation, is duly deemed void, the obligation shall be restored, if nothing otherwise results from the agreement between the parties or the essence of the obligation, and if the creditor has not lost interest toward the obligation performance. (2)

Article 558. Termination of Obligation Due to the Debtor's Death

558.1 In the event performance is impossible without personal participation of the debtor, then the death of the latter shall entail termination of the obligation.

558.2 In the event performance was envisaged personally for the creditor, the death of the latter shall entail termination of the obligation.

Article 559. Termination of Obligation in Result of Liquidation of the Legal Entity

Obligations of a legal entity (debtor or creditor) shall terminate from the moment of the registration of its liquidation.

Chapter 28. Implementation of civil rights

Article 560. Rights Abuse Prohibition

560.1 Civil rights shall be implemented in accordance with the law. Any use of right with the sole purpose of making harm to the others is inadmissible.

560.2 Abuse of right is not admitted, and the agreements and actions performed on such basis, are void.

560.3 The abuse of right shall mean, in particular, the following:

560.3.1 implementation of illegally acquired rights or the rights contrary to the agreement;

560.3.2 implementation of rights by a person, despite gross violation of his obligations;

560.3.3 implementation of rights, which is not the basis of the person's interest, subject to protection;

560.3.4 implementation of rights contradicting with the prior statement, which the other party was or is based itself upon;

560.3.5 abuse of the beneficial market condition or the manufacturing sector situation by persons possessing one or more commercial rights, if this may lead to a significant deterioration of the market situation in terms of the goods turnover or production services, e.g.:

560.3.5.1. direct or indirect constraint toward disproportionate buy-sell prices or other transactions terms;

560.3.5.2 limitation of production, realization or technical development, harmful to the consumer;

560.3.5.3 implementation of various terms and conditions, touching upon the interests of the parties under agreement, in a competition over the services at equal cost;

560.3.5.4 entry into agreement under condition that the supporters thereof shall have to provide additional services, not related to the subject of the agreement, due to objective reasons or in accordance with the customary trade;

560.3.6 agreements between commercial legal entities, coordinated methods of action between them, if this may lead to a significant deterioration of the market situation in terms of the goods turnover or production services, and may be aimed at prevention, limitation or distortion of competition, or may be assisting thereto, including:

560.3.6.1 establishment of prices or other terms and conditions of transactions, both directly or indirectly;

560.3.6.2 limitation of control over production, realization, technical development or investments;

560.3.6.3 separation of market and sources of supply;

560.3.6.4 practice set forth in Articles 560.3.5.3 and 560.3.5.4 of this Code.

Article 561. State Power Monopoly

Implementation of civil rights, use of force or compulsion, is a monopoly of the state. Methods utilized with these purposes, are regulated by the state civil and procedural laws and the *enforcement* laws. [\(41\)](#)

Article 562. Right to Delay

562.1. If in accordance with this Code or agreement there is a right of the debtor with respect to the creditor and in this connection there is a demand, which performance term is due, the debtor shall be entitled to refuse to perform his obligation until the obligation with respect to himself is performed (right to delay).

562.2 If after the entry into a mutual agreement the status of the other party significantly worsens, and in this connection the right to perform mutual obligation is jeopardized, the party, which under the joint agreement is the first to perform the obligation, shall be entitled to refuse to perform until the obligation of the other party is performed, or until a guarantee with respect to its obligation is provided.

562.3 The right to delay shall be excluded in the event of illegal acquisition of the subject of delay.

562.4 In the event the jointly performed obligations do not constitute the subject of the joint agreement, the creditor shall be entitled to prevent implementation of the right to delay by providing guarantees.

562.5 The right to delay upon a claim of the creditor can be implemented only in such case, if the debtor is assigned to perform his obligation at the same time with the performance of the obligation by the creditor (simultaneous performance). On the basis of such assignment, in the event the debtor delays acceptance of performance, the creditor can demand compulsory performance without performing the obligation of his own.

Article 563. Required Protection

563.1 The action carried out in the state of required protection, shall be in equal to a right, that is not contrary to the law and in this case the damage caused does not have to be compensated.

563.2 The required protection is such a self defense, which is required to turn down the unlawful, real advance against oneself and other persons.

563.3 In the event a person exceeds the extent of self defense in a guilty form or deliberately creates the self defense status, or is wrongful with respect to the availability of the initial status, necessary for the prevention of an unlawful action, it has to compensate the damage caused.

Article 564. Definitive Necessity

564.1 The action carried out at self defense in the state of definitive necessity, shall be in equal to a right, that is not contrary to the law and in this case the damage caused does not have to be compensated, *provided that the damage is incurred to person or item creating the hazard, as a result of absolute necessity.*

564.2 The definitive necessity is such a status, in which smaller damage is caused in comparison with the prevented threat, for the prevention of the real threat, which could not be prevented by other means.

564.3 In the event the person, causing damage in the state of definitive necessity, accounting for the actual cases of the caused damage, acted in the interest of any third person, the damage compensation may be vested on the said third person.

564.4 In the event the damage caused in the state of definitive necessity is bigger than the prevented damage, then the person causing such damage, shall have to compensate it.(12)

Article 565. Self Defense

565.1 In the event help from the state authority did not arrive in time and there is a threat that the implementation of the right could be impossible or significantly complicated without the urgent involvement, actions of the person, which prevents resistance of the obligated person, with respect to actions, subject to his performance, or holds up the obligated person, acquiring or destroying, or damaging property with the purpose of self defense, or which may disappear, shall not be deemed illegal.

565.2 Self defense can not exceed the limits necessary for the prevention and suppression of threat.

565.3 Information of any property withdrawal from anybody should be immediately released.

565.4 In the event of a hold up of the obligated person he should be immediately surrendered to the relevant state authorities.

565.5 Immediately after the implementation of self defense measures and their appeal to the authorized state body for approval, or if such body rejects the appeal as inadmissible or groundless, the self defense measures shall be deemed as unlawful from the beginning. In the event of implementation of the self defense measures with the false opinion of the available initial status, necessary for the prevention of the unlawful event, the person performing such action, even if the mistake does not result from carelessness, must compensate damage to the other party.

Article 566. Information of the Obligation Performance

566.1 The creditor shall have the right to receive information from the debtor with respect to the obligation performance process.

566.2 Information of the obligation performance must be delivered by the following persons:

566.2.1 by the person who is assigned with such obligation pursuant to this Code or the agreement;

566.2.2 by the person who performs in full or in part the work of the debtor;

566.2.3 by the person who is obliged to provide a managing report with related to profits and losses.

566.3 In the event the person, who has to deliver information, can do it only bearing substantial expenses, such expenses shall be taken care of by the creditor.

566.4 In the event there is any doubt in the good will of the information provided, the debtor or its authorized person, at the request of the creditor, must certify the good will of the information in writing. In the event of a dispute in court, such written certifications shall have the effect of evidence.

The Special Part

Section seven. The obligations from agreement

Chapter 29. Buying and selling

§1. The general provisions on agreement of buying and selling

Article 567. Agreement of Buying and Selling

On Agreement of Buying and Selling, Seller undertakes to transmit the Article to the Buyer's property, but Buyer undertakes to receive this Article and to pay the definite sum (price) for it.

Article 568. Seller's Duty on Transmission of Article

568.1. Seller is responsible to transmit to Buyer the article, provided by Agreement of Buying and Selling.

568.2. If other order is not provided by Agreement of Buying and Selling, during article transmission Seller is obliged simultaneously to transfer to the Buyer its belonging and also all relevant documents (technical passport, certificate of quality, instruction of exploitation and etc.) provided by Law, other legal acts and Agreement.

Article 569. The Term of Duties to Transmit the Article

569.1. The term of duties to transmit the article to Buyer is determined by Agreement of Buying and Selling, but if Agreement does not allow to determine this term — in accordance with the rules, foreseen by Article 427 of given Code.

569.2. Agreement of Buying and Selling is recognized the concluded with the condition of its execution to the strict determined term, if it is clear from Agreement that in case of violation of its term Buyer losses the interest to the agreement. The Seller is entitled to execute such agreement before coming or after expiration of determined its term only with Buyer's consent.

Article 570. The Moment of Execution of Seller's Duty to Transmit the Article

570.1. If other order is not provided by Agreement of Buying and Selling, the Seller's duty to transmit the article to the Buyer is considered the executed at the moment of:

570.1.1. handing the article to Buyer or stated by him person, if Agreement provides Seller's duty on article delivery;

570.1.2. article placing at buyer's disposal, if article has to be transmitted to the Buyer or stated by him persons at the place of Article being. The article is considered the placed at Buyer's disposal, if, to the Term foreseen by the Agreement, article is prepared to be transmitted at the appropriate place and the Buyer, in accordance with Agreement conditions, is informed about article preparing for transmission. The article is recognized the unprepared for transmission if it is not identified for agreement purposes by marking or other ways.

570.2. In cases, when from Agreement of Buying and Selling is not followed the Seller's duty on article delivery or article transmission in place of its being to Buyer, Seller's duty to transfer the article to Buyer is considered the executed at the moment of article handing to the Transporter or Transport company for delivery to Buyer, if other order is not provided by Agreement.

Article 571. Risk Transition of Article Casual Destruction or Damage

571.1. If other order is not provided by Agreement of Buying and Selling, the risk of article casual destruction or damage is transited to the Buyer since moment, in accordance with the Law and Agreement, Seller is recognized the executing of his duty on article transmission to the Buyer.

571.2. The risk of article casual destruction or damage, sold during its being in a way, is transited to the Buyer since the conclusion of Agreement of Buying and Selling, if other order is not provided by such agreement or customs of business turnover.

571.3. Accordingly to Buyer's demands, condition of agreement on transition to the Buyer the risk of article casual destruction or damage at moment of article handing to the first transporter, may be considered the invalid by Court, if at the moment of agreement conclusion, the Seller knew or should know that article is lost or damaged and did not inform about it to the Buyer.

Article 572. Duty to Transfer the Article Free from Third Persons' Rights

572.1. Seller is obliged to transmit to Buyer the article free from any Third Persons' rights with the exception of cases, when Buyer has agreed to receive the Article burdened by rights. Seller's non-execution of these obligations is granting to Buyer the right to require the reduction of article price or cancellation of Agreement of Buying and Selling, if it will not proved that Buyer knew ~~or should know~~ Third Persons' rights on this article.

572.2. The rules, foreseen by item 572.1, are accordingly used in case, if, there are Third Persons' claims in respect of article at moment of its transmission to Buyer, which were known to Seller, if these claims subsequently are considered in determined order rightful.(12)

Article 573. Seller's Duty in Case of Article Withdrawal from Buyer

573.1. In case of Article withdrawal from Buyer by Third Persons on the grounds, arisen before execution of Agreement of Buying and Selling, Seller is obliged to compensate the recovered by him losses the Buyer, if he does not proved, that Buyer knew ~~or should know~~ about the presence of these grounds.

573.2. The agreement, between Parties about Seller's release from responsibility in case of obtaining of acquired article from Buyer by Third Persons or its restrictions, is invalid.(12)

Article 574. Buyer's and Seller's Duties in Case of Prosecution on Article Withdrawal

574.1. If the Third Person on the ground, arisen before execution of Agreement of Buying and Selling, will bring an action of article withdrawal against Buyer, Buyer is obliged to involve the Seller to this case, but Seller is obliged to enter to this case on Buyer's side.

574.2. Buyer's non-involvement the Seller to the case releases the Seller from responsibility before Buyer, if Seller proves that had taken part at this case he would be able to prevent the article withdrawal from Buyer.

574.3. The Seller, involved by Buyer to the case, but not taking part in it, is deprived the right to prove irregularity of case conducting by Buyer.

Article 575. Consequences of Non-Execution of Duty to Transmit the Article

575.1. If Seller refuses to transmit the sold article to Buyer, Buyer is entitled to refuse from execution of Agreement of Buying and Selling.

575.2. In case of Seller's refusal to transmit the individual-definite article, Buyer is entitled to lay to Seller the claims, foreseen by Article 452 of this Code.

Article 576. Consequences of Non-Execution of Duty to Transmit the Belonging and Document Relevant to the Article

If Seller does not transmit or refuses to transmit to Buyer all relevant to the article belonging and documents, which he is to transmit, the Buyer is entitled to determine reasonable term for its transmission. If all relevant to the article belonging and documents are not transmitted by Seller in determined term, Buyer is entitled to refuse the Article, if other order is not provided by Agreement.

Article 577. The Quantity of Article

577.1. The quantity of Article, subjected to transmission to Buyer, is provided by the Agreement of Buying and Selling in relevant measures and monetary units. The condition of article quantity may be agreed by establishing of order of its definition in Agreement.

577.2. If Agreement of Buying and Selling does not allow determining the quantity of Article subjected to transmission, the agreement is unconcluded.

Article 578. Consequences of Conditions Violation on Quantity of Article

578.1. If, in violation of Agreement of Buying and Selling, Seller had transmitted to Buyer smaller quantity than determined by the Agreement, Buyer is entitled, if other order is not provided by Agreement, either to require to transmit the missing quantity of Article or to refuse the transmitted article and its repayment, but in case, if, the Article is covered to require returning of paid sum.

578.2. If the Seller had transmitted to Buyer the article in quantity superior than determined in Agreement of Buying and Selling, the Buyer is obliged to inform this fact to Seller in order, foreseen by Article 595.1 of given Code. In case, when in reasonable term after receiving of Buyer's information, Seller will not order the appropriate part of article, Buyer is entitled, if other order is not provided by Agreement, to receive all article.

578.3. In case of receiving by Buyer the article in quantity superior than determined in Agreement of Buying and Selling, additionally received article is paid on price, accepted accordingly to the agreement, if other price is not determined by Parties' agreement.

Article 579. The Assortment of Articles

579.1. If, accordingly to Agreement of Buying and Selling, the articles are subjected to transmission in determined proportion on kinds, models sizes, colors and other features (assortment), Seller is obliged to transmit to Buyer the articles in assortment, coordinated by Parties.

579.2. If assortment and order of its definition is not established in Agreement of Buying and Selling, but from essence of responsibilities follows that the articles are to be transmitted to Buyer in assortment, Seller is obliged to transmit to Buyer the articles in assortment, proceeding from Buyer's requirements, which were known to Seller at the moment of agreement conclusion, or to refuse execution of agreement.

Article 580. Consequences of Violation of Conditions on Assortment of Articles

580.1. In transmission by Seller the articles, foreseen by Agreement of Buying and Selling, in assortment, not corresponding to agreement, the Buyer is entitled to refuse their receiving and repayment, in case if they are paid to require repayment of repaid sum.

580.2. If Seller had transmitted to Buyer, at the same time, the articles, which assortment is corresponding to Agreement of Buying and Selling, and the articles with violation of assortment condition, Buyer is entitled of his choice:

580.2.1. to receive the articles, corresponding to the condition on assortment, and to refuse the other articles;

580.2.2. to refuse all transmitted articles;

580.2.3. to require changing the articles, not corresponding to condition on assortment, by articles in assortment, foreseen by agreement;

580.2.4. to receive all transmitted articles.

580.3. In case of refusal the articles, which assortment is not corresponding to the condition of Agreement of Buying and Selling, or producing demands on changing of articles, not corresponding to condition of assortment, Buyer is entitled also to refuse repayment of these articles, but in case if they are paid to require repayment of repaid sum.

580.4. These goods that don not satisfy the requirements of the sale Contract concerning the assortment are considered accepted by the Buyer unless he informs the Vendor of his refusal to purchase the goods in the reasonable period of time after having received the goods.

580.5. In case if the Buyer has not refused to purchase the goods that do not satisfy the requirements of the sale Contract concerning the assortment, he is obliged to pay in the price of the goods previously concerted with the Vendor. If the Vendor did not succeed in according the price in the reasonable period of time, the Buyer has to deposit the payment of the price, which was usually collected off the analogical products at the time of concluding the sale agreement under comparable circumstances.

580.6. Regulations of the present article are to be implemented unless other rules are stipulated by the sale Contract.

Article 581. Quality of the Goods

581.1. The Vendor is obliged to supply the Buyer with the goods having the quality of the goods correspond with the conditions of the sale Contract.

581.2. If there are no such conditions concerning the quality of the goods in the sale Contract, the vendor has to supply the Buyer with the products that can be used for the same purposes. If the Buyer informed the Vendor of concrete purposes of using the goods at the time of concluding the sale Contract the Vendor has to supply the Buyer with the goods that can be used directly for the purposes mentioned by the Buyer.

581.3. If selling goods by a specimen and or by description, the Vendor is obliged to supply the Buyer with the product corresponding with the sample and/or description.

581.4. If the obligatory requirement concerning the quality of the to-be-sold are envisioned in prescribed manner by the law, then the Vendor as the Owner of a business enterprise is obliged to supply the Buyer with the goods satisfying the obligatory requirements. Upon the Buyer-Vendor agreement the latter may supply the buyer with the goods of higher quality requirements as envisioned by the law.

Article 582. Good's Quality Guarantee

582.1. The goods which the Vendor is obliged to supply the Buyer with are to correspond with requirements envisioned by Article 581 of the present Code at the time of the transfer to possession of the Buyer, that is if a different moment of determining the compliance of the goods with the requirements is not stipulated by the sale Contract, and the goods should also be of good use for all the purposes that products of this kind are usually used for.

582.2. In case if the sale Contract envision that the Vendor is to provide the guarantee of goods' quality, the Vendor is obliged to supply the buyer with the goods that correspond with the requirements stipulated by Article 581 of the Present code in a certain period of time provided for by the sale Contract (guarantee term).

582.3. The goods' quality guarantee applies to all component parts unless a different statement is provided by the sale Contract.

Article 583. Guarantee Deadline-Running Time

583.1. The guarantee deadline begins to run its time since the time of the transfer to possession of the Buyer if other order is not foreseen by Contract of buying and sale.

583.2. If the buyer is not able to use purchased goods having a fixed guarantee term date provisioned in the sale Contract for reasons under vendor's control, the term does not start its running time until the reasons are eliminated by the Vendor. The guarantee term may be extended for the time during which the goods could not be used due to their possession of certain defects under condition of informing the Vendor of revealed drawbacks in prescribed manner as envisioned by article 595.1 of the present code.

583.3. The all-component parts guarantee term is considered equal to the guarantee terms on the product itself and starts its running time at the same as the guarantee deadline on the product does.

583.4. If there is a substitute done by the Vendor, as when primarily purchased component parts are substituted with other component parts due to displaying certain defect, the guarantee term's continuation is the same as primarily purchased component parts' guarantee term unless there is a different statement in the sale Contract.

Article 584. Goods' Expiry Date

584.1. A certain period of time, at the end of which the product is considered to be out of order, expiry date, is being established by the Law, legal acts, obligatory requirements of state standards and another required regulations.

584.2. Goods with established expiry date have to be given into possession of the Buyer by the Vendor taking in consideration that the Buyer has to use it before the expiry date.

Article 585. Goods' Expiry Date Estimation

The period of time at the end of which the expiry date is due is being determined by starting the estimation either since the manufacture date, during this time the product is good for use, or by certain date until which the product is considered to be good for use.

Article 586. Goods' Quality Verification

586.1. Goods' quality verifications can be provided for by the law, other legal acts, obligatory state standards' requirements, or by the sale Contract.

586.2. If the quality verification order of the product is not established in compliance with Paragraph 586.1 of the present article, the product quality verification order is held according to business circulation customs or other commonly employed product quality check-up conditions.

586.3. If by the law, obligatory state standards' requirements or by the state of Buying and selling Contract, it is compulsory for the Vendor to verify the quality of the product being given into Buyer's possession (test, analysis, inspection), the vendor is obliged to provide the buyer with the evidence of the product quality verification process completed.

586.4. The order of the product quality verification and other conditions of the ongoing process being done by the Buyer and the Vendor altogether should be the same.

Article 587. Low-Quality Product Transfer Consequences

587.1. If the product's defects were not mentioned by the Vendor and transferred into Buyers' possession, the latter can exercise his right to demand the following things of the vendor upon his choice, *independent of salesman's fault*:

587.1.1. commensurate price reduction;

587.1.2. free of charge defect elimination in a reasonable period of time;

587.1.3. reimbursement of the expenses made to eliminate product's faults.

587.2. In case of considerable violation of the product quality requirements (detecting unremovable defects, faults which can not be eliminated without disproportionate time waste and money expenditure, or defects that are repeatedly being detected, to displayed after their elimination), the Buyer has the right d the following upon his choice:

587.2.1. refuse to execute the buying and sale Contract and demand reimbursement of deposited payment;

587.2.2. demand that the product be replaced the goods of the quality corresponding with the Buying and Sale Contract.

587.3. Claims to eliminate the fault or replacement to the product as shown in 587.1 and 587.2 of the present article may be raised by the Buyer if it complies with the nature of the product and the essence of agreement.

587.4. In case of a proper quality of all component part of the product, making up a complete set, the buyer is eligible to exercise the rights concerning this part of the goods which is envisioned in paragraph 587.1 and 587.2 of the present article.

587.5. In the event if the purchaser will require in connection with deficiencies of the item the cancellation of the sell and purchasing agreement or replacement of the purchased items with item compliant with agreement, he shall return the defect item to seller at his expense. In this event the return of obtained item by parties under this contract is implemented in accordance with procedures established under Article 157 of this Contract.[\(12\)](#)

Article 588. Vendor's Responsibility for Product's Defects

588.1. The Vendor is responsible for product's defects in case if the Buyer is able to prove that the faults existed before the purchase of the product.

588.2. The Vendor is responsible for the defects detected in goods that already have the quality guarantee presented by unless he proves that the faults appeared after the transfer into Buyer's possession and in consequence of violating forms of use of the purchased product or its storing, or due to the actions of Third Party, or of some force major.

Article 589. The Period of Detection of the Faults of the Goods Transferred into Possession of the Buyer

589.1. The Buyer has the right to raise the claim concerning faults of the goods provided that they are detected during the period of time determined by the present article if not stipulated by the law or Buying and Selling Contract otherwise.

589.2. If there is no warranty period or expiry date established on item, purchaser shall be entitled to raise claims associated with deficiencies of the item, within two years from the date of submission of that item to purchaser or within any extended period, stipulated under sell and purchasing agreement. The period of detection of the faults of the goods, which is to be transported or mailed to the Buyer, is estimated from the date of delivery of the goods to the destination point.

589.3. If there is a guarantee term imposed over the goods, Buyer has the right to raise the claim concerning the faults are detected during the guarantee term.

589.4. In case if there is a guarantee term of lesser duration imposed over the component parts than over the products itself, the buyer has the right to raise the claim concerning the faults of component parts provided that they are detected during guarantee term for the product itself.

589.5. If there is a guarantee term of longer duration imposed over component parts than over the product itself, the Buyer has the right to raise the claim concerning the faults of the goods if these faults of component parts are detected during their guarantee term regardless of the expiration of the guarantee term of the product itself.

589.6. The Buyer has the right to raise the claims concerning the faults of the goods if they are detected during the validity of expiry date concerning the goods, which have the estimated expiry date.

589.7. In case if the guarantee term as determined in the sale Contract less than two years and the faults of the goods are detected by the Buyer upon the expiration of the guarantee terms, but within two years from the day of transfer of the goods into Buyer's possession, the Vendor is responsible if the Buyer proves that the faults of the goods existed before selling the products to the Buyer or due to the reasons appeared before that moment.(12)

Article 590. Availability of All Component Parts of the Goods

590.1. The Vendor is obliged to transfer the goods which comply with the conditions of Buying and Selling Contract about the availability of all component parts of the goods into the Buyer's possession.

590.2. In case if the availability of all component parts is not determined by the Buying and Selling Contract, the Vendor has to sell the goods, the availability of all component parts of which is stipulated by business circulation or by any of the claims, raised otherwise.

Article 591. The Complete Set of the Goods

591.1. If it is provided by Buying and Selling Contract that the vendor is obliged to transfer to the Buyer certain goods in a complete set, the obligation is considered to be fulfilled from the moment of the transfer of all the goods, included into the set.

591.2. If not determined by the Buying and Selling Contract and if not present in the nature of obligation otherwise, the Vendor is obliged to transfer to the Buyer all the goods, included into the complete set simultaneously.

Article 592. The Consequences of the Transfer of Incomplete Goods

592.1. In case of transfer of incomplete goods the Buyer has the right to claim the Vendor for:

592.1.1. proportionate reduction of the price;

592.1.2. ending the completion of the goods in a reasonable period.

592.2. If the Vendor did not fulfil his obligations on ending the completion of the goods the Buyer has the right to:

592.2.1. claim for replacement of incomplete goods with complete ones;

592.2.2. refuse from the fulfillment of the Buying and Selling Contract and claim the return of the sum, paid for the goods

592.3. Consequence, stipulated by the 592.1 and 592.2 of the present article, are applied in case if the Vendor fails to transfer the complete set of goods to the Buyer, is not stipulated by the Buying and Selling Contract and not present in the nature of the obligation otherwise.

Article 593. Package and Packing

593.1. The vendor is obliged to transfer the goods into Buyer's possession in the package except those goods that b the nature do not need to be packed if not stipulated by Buying and Selling Contract and not present in the nature of obligation otherwise.

593.2. If there are no package requirements stipulated by Buying and Selling Contract, the product has to be packed in a way that is common for packing this kind of gods and in case if the process should be done following the rules for safety of this kind of product under requisite conditions for storage and transportation.

593.3. If the obligatory package requirements are envisioned by the law in prescribed manner, the Vendor as the Owner of a business enterprise is obliged to transfer a packed product that complies with requirements into Buyer's possession.

Article 594. The Consequences of the Transfer of Non-Packed or Improperly Packed Goods

594.1. In case if product, which is a subject to packing is being transferred into the Buyer's possession in a non-packed condition or improperly packed, the Buyer has the right to claim the packing of the product, or replace the improper package if not stipulated in the nature of agreement and/or in characteristics of the goods.

594.2. In cases described by 594.1 of the present article the Buyer has the right to raise the claims deriving from the low-quality product transfer in place of raising the claims described by present article.

Article 595. Informing the Vendor of an Improper Execution of Buying and Selling Contract

595.1. The Buyer is obliged to inform the Vendor of violation of terms of Buying and Selling Contract, of the amount, the assortments, the quality, the availability of all component parts of the goods, the package or packing of the product in time envisaged by the law, other legal acts or Buying and Selling Contract and if the term is not provided, the Buyer has to inform the Vendor of the violation occurred in a reasonable period of time after the violation was detected taking in account characteristics and purposes of use of the goods.

595.2. In case the rule is not fulfilled by the Buyer, which is stipulated by 595.1 of the present article the Vendor has the right to refuse, partially or completely to satisfy the claims of the Buyer about the transfer of the missing amount of the goods, replacement of the product that does not comply with conditions of Buying and Selling Contract about quality or assortment, elimination of defects of the product, ending the completion of the goods or replacement of an incomplete product with a complete set, packing the goods or replacement of an improper package if he proves that non-fulfillment of this rule by the Buyer entails the impossibility to satisfy his claims or brings about inadequate expenses compared with the losses he would incur if he would have been informed of violation of Buying and Selling Contract in good time.

595.3. If the Vendor was aware of disparity of transferred into Buyer's possession goods with conditions provided by Buying and Selling Contract, he does not have the authority to allude to regulations stipulated by 595.1 and 595.2 of the present article.

Article 596. The Responsibility of the Buyer to Accept the Goods

596.1. The Buyer is obliged to accept the goods transferred into his possession unless he is eligible to demand replacement of the product or refuse to execute Buying and Selling Contract.

596.2. The Buyer is obliged to perform all the necessary actions complying with all common requirements that are needed in order to provide him with a conforming product.

596.3. In cases when the Buyer does not accept or refuses to accept the goods as a violation of the law, the Vendor has the right to demand of the Buyer to accept the goods or decline from executing the Buying and Selling Contract.

Article 597. The Price of the Goods

597.1. The Buyer is obliged to pay in the price of the goods that was envisioned by Buying and Selling Contract, or if it is not stipulated by Buying and Selling Contract and therefore can not be identified basing on its condition, the Buyer has to pay the price of the goods identified in compliance with paragraph 398.3 of the Present Code, and also perform actions at his own expense which comply with the law, other legal acts, Buying and Selling Contract or commonly raised claims and are necessary for depositing the payment.

597.2. In case if the price depends on the weight of the goods it is being identified by the net weight if not stipulated by Buying and Selling Contract otherwise.

597.3. If Buying and Selling Contract envisions that the price of the goods depends on variation of indexes that condition the price of the product (cost price, expenditure, etc), but the method of price reconsideration is not determined, the price is being identified by the ratio of these indexes at the moment of concluding the agreement and at the time of transfer of the goods. If the vendor exceeds the time limit of executing his obligation to transfer the goods, the price is being identified by the ratio of these indexes at the time of concluding the agreement and at the moment of transfer of the goods stipulated by Buying and Selling Contract, and if the time is not envisioned by the Contract, the moment is being identified in compliance with the article 427 of the present Code.

Article 598. Payment for the Goods

598.1. The buyer is obliged to pay for the goods before or after the transfer of the product into his possession if not stipulated by the present Code, another law other legal acts or Buying and Selling Contract otherwise and not present in the nature of the obligation.

598.2. If Buying and Selling Contract does not stipulate selling of the goods on hire-purchase system, the Buyer is obliged to pay the full price of the product at once.

598.3. If the Buyer does not pay for the transferred goods in good time in accordance with the Buying and Selling Contract, the Vendor has the right to demand the payment to

be deposited together with the interest in compliance with the Article 449 of present Code.

598.4. If the Buyer refuses to accept and pay for the product, therefore violating the rules of Buying and Selling Contract, the Vendor has the right to demand the payment for the goods or decline to fulfil the agreement.

598.5. In case when the vendor complying with the Buying and Selling Contract is obliged to transfer into Buyer's possession not only the goods that have not been paid for, but also other products as well, the Vendor has the right to suspend the transfer of these goods until payment for preceding goods is not completely deposited if not stipulated by the law, other legal acts or Buying and Selling Contract otherwise.

Article 599. Preliminary Payment

599.1. In case when Buying and Selling Contract stipulates Buyer's obligation to pay for the goods completely or partially before the product is transferred (preliminary payment), the buyer has to deposit the payment in proper time envisioned by Buying and Selling Contract and if such term is not provided by the Contract, the Buyer is obliged to pay in at the moment identified in compliance with article 427 of the present code.

599.2. In case of non-fulfillment of the obligation to deposit a preliminary payment by the Buyer, regulations stipulated by article 441 of the present Code are applied.

599.3. In case if the Vendor having received preliminary payment does not fulfil the obligation to transfer the goods at a definite time, the Buyer has the right to claim the transfer of preliminary payment for the goods which were not transferred by the Buyer.

599.4. In case, if the Buyer does not fulfil the obligation to transfer the goods having received the preliminary payment, if stipulated in Buying and Selling Contract otherwise, interest should be paid for the sum of preliminary payment in compliance with Article 449 of the present Code since the day of supposed transfer until the day of actual transfer or the return of the preliminary payment. The Buying and Selling Contract may stipulate vendor's obligation to pay the interest for preliminary payment since the day of receiving the sum from the Buyer.

Article 600. Payment of the Goods Sold on Credit

600.1. In case if Buying and Selling Contract stipulates the payment of the goods to be deposited after a certain period of time following the product's transfer (selling the goods on credit), the Buyer has to deposit the payment in time stipulated by the Contract and if it is not envisioned by the agreement, the Buyer has to pay in time set in compliance with article 427 of the present Code.

600.2. Selling of property on loan shall be carried out at prices in effect on the day of sale. Changing of prices of the property sold on sale afterwards, in case not otherwise considered in the agreement, shall be the reason for recalculation.

600.3. In case if the Vendor does not execute his obligation to transfer the goods, regulations stipulated by article 441 of the present Code are applied.

600.4. In case if the Buyer, having received the goods, does not fulfil his obligation to deposit the payment in a certain period of time established by the Buying and Selling Contract, the Vendor has the right to demand the payment to be deposited or to return of the product that has not been paid for.

600.5. In case if the buyer does not execute his obligation to pay for transferred goods in a period of time set by the Contract, if not stipulated by the present code or Buying and Selling Contract otherwise the interest should be paid for the sum failed to pay in time in compliance with Article 449 of the present Code since the day of scheduled payment for the product until the day of actual pay. The Buying and Selling Contract may stipulate Buyer's obligation to pay in the interest for the sum that complies with the price of the goods starting from the day of transfer of the product by the Vendor.

~~600.6. Since the day of product's transfer into buyer's possession and before the payment was deposited, the goods sold on credit is considered to be on mortgage so that the Buyer would fulfil his obligation to pay for the product.(12)~~

Article 601. Payment for Goods on a Hire-Purchase Basis

601.1. Credit sale agreements can provide for payment for goods on a hire-purchase basis. A credit sale agreement which includes a hire-purchase clause is deemed to be made if along with other principal conditions of the purchase and sale agreement it provides for the price of the goods, order, dates and amount of payment.

601.2. Credit sale agreements that include a hire-purchase clause are subject to regulations stipulated by Articles 600.2-600.5 of this Code.(23)

Article 602. Insurance of Goods

602.1. A purchase and sale agreement can include provisions as to the Seller's or the Buyer's obligation to insure the goods.

602.2. In case of failure by the Party responsible for insurance of the goods to complete this process in compliance with conditions of the Contract, the other Party has the right to insure the goods and demand from the responsible Party reimbursement of the insurance expenses or refuse from executing the Contract.

Article 603. Retention of Right to Ownership by Seller

~~603.1. Unless otherwise provided by the agreement the buyer is the owner of property from the date of payment.~~

~~603.2. Where it is specified in purchase and sale agreement that the right to property delivered to the buyer remains with the seller until the payment is made, the buyer cannot alienate or give other instructions in connection with that property until the right to ownership passes to him, unless an alternative manner of passing of property is stipulated by the agreement or follows from the purpose and nature of the goods.~~

~~603.3. Where the transferred property is not paid for within a period specified by the agreement, the seller can require the buyer to return the property, unless otherwise stipulated by the agreement.(12)~~

Article 604. Similar Agreements

Agreements on delivery of products to be produced or manufactured shall be equal to purchase and sale agreements if the customer undertakes to send a part of materials necessary for production or manufacture, and if the bigger part of obligations of the supplier do not consist of carrying out work or providing of other services.

Article 605. Cases Where Purchase and Sale Agreements Cannot Be Applied

Provisions on purchase and sale of items do not apply to acquiring of property during auction sales, as a result of executive or other arrangements of court, and to acquiring of securities, means of payment or electric power.

Article 606. Reservations concerning Retention of Right to Ownership.

606.1. Where the seller of movable property retains the right to ownership until payment of the price by the buyer (reservation on keeping the right to ownership), it is presumed that the assignment of the property is delayed until the complete payment of the purchase price, and if the buyer delays the payment of purchase price, the seller shall have a right to cancel the agreement or take the property back.

606.2. Persons authorized by the seller, as well as the buyer's creditors shall also conform to the seller's right to ownership of the purchased item proceeding from Article 606.1 of this Code. In this case «the authorized person» shall mean a manager or any person appointed to manage the buyer's property in case of his insolvency for the benefit of his creditors.

606.3. Article 606.2 of this Code shall not restrict the superior or equal rights of creditors. They shall have the right of mortgage or other guaranteed rights which do not result from arrest or execution of court decisions or can exercise the right to withhold or use confiscated vehicles, ships or planes.

606.4. In the event that sell and purchasing agreement stipulates that until the payment for commodity the right of ownership of the item passed to purchaser is retained by seller, purchaser shall not before the transfer of the item of ownership to appropriate or otherwise dispose such item, unless otherwise is stipulated under contract or otherwise represents the aim and properties of item
606.4. In the event that sell and purchasing agreement stipulates that until the payment for commodity the right of ownership of the item passed to purchaser is retained by seller, purchaser shall not before the transfer of the item of ownership to appropriate or otherwise dispose such item, unless otherwise is stipulated under contract or otherwise represents the aim and properties of item.[\(12\)](#)

Article 607. Prohibition of Purchase

607.1. Where sale is carried out as a result of execution of a court decision, the person authorized to carry out or control the sale and his assistants, as well as the secretary who draws up the protocol are not allowed to purchase the property put on sale either themselves, through other persons or through the people whom they represent. The same procedure shall be applied in case of a sale not connected with an execution of a court decision. In this case instructions for sale issued should be based on official directions, which would confer authority to carry out the sale on account of a third party. The same

procedure shall be applied to a sale following from insolvency, and shall be executed by an outside manager authorized to sell by a court's decision.

607.2. The purchase and sale violating the requirements of Article 607.1 of this Code shall be considered valid, provided that the participants of the sale acting as debtors, owners or creditors agree with it.

§2. Buying and Selling of Animals, Birds and Fish

Article 608. Application of Provisions about Buying and Selling

In case other procedures do not follow from provisions of this paragraph, general provisions on buying and selling of property shall be applied to buying and selling of animals, birds and fish.

Article 609. Restriction of Liability of the Seller of Animals, Birds and Fish with Main Faults

609.1. Seller of animals, birds and fish shall be liable only for the below-specified discrepancies (main faults) and only in case these faults become apparent within a specific period (guarantee period).

609.2. In case of sale of useful and pedigree cattle the following shall be considered to be the main faults:

609.2.1. in racing and pack animals — mango, incurable decease of the brain with decrease in perception, becoming difficulty in breathing resulting from incurable decease of the heart, lungs, larynx, or trachea, as well as inflammation of inside of an eye — with 14 days guarantee period;

609.2.2. in cattle — tuberculosis with the worsening of the general condition of an animal - with 14 days guarantee period, as well as general inflammation of the lungs — with 28 days guarantee period;

609.2.3. in sheep and goats — the itch — with 14 days guarantee period, golden rheumatism — with 3 days guarantee period; black death — with 10 days guarantee period;

609.3. In case of sale of animals to be butchered for food the following are considered to be the main faults:

609.3.1. in racing and pack animals — mango - with 14 days guarantee period;

609.3.2. in cattle — tuberculosis which made more than the half of weight of the animal useless for serving as food for people — with 14 days guarantee period;

609.3.3. in sheep and goats — general hydropos — with 14 days guarantee period;

609.3.4. in pigs — tuberculosis which made more than the half of weight of the animal useless for serving as food for people — with 14 days guarantee period, as well as trichina — with 14 days guarantee period.

609.4. In case of selling of other animals, birds and fish the main faults of shall be determined based on the legal — normative acts of the relevant executive body, and in absence of such provisions, on the basis of the agreement of the parties.

609.5. The guarantee period shall run from the end of the day when the risk has passed to the buyer.

Article 610. Extension and Restriction of Liability

As stipulated in Article 609 of this Code, in written agreement the parties can agree on special terms restricting their liability. According to these terms they can guarantee a non-existence of main faults or the existence of certain properties, and the guarantee period can be extended or reduced.

Article 611. Presumption of Fault of the Seller of Animals, Birds and Fish

In case any kind of fault becomes apparent during the guarantee period it is presumed that this fault had existed before risk passed to the buyer.

Article 612. Means of Protection of Rights of Buyer of Animals, Birds and Fish

612.1. In case of existence of main faults in animals, birds and fish the buyer can demand only termination of the agreement and not the reduction in price.

612.1.1. In this case the buyer can demand to terminate the agreement in connection with the circumstances where he is responsible, even if the buyer cannot return the relevant animal, bird or fish, as a result of sale of the animal to other person, its death, illness or slaughter. In case of slaughtering the animal, bird or fish the buyer, instead of returning it, shall reimburse its price.

612.1.2. If before termination of the agreement resulting from the fault of the buyer, the condition of the animal, bird or fish has worsened to a considerable extend, the buyer must reimburse the reduction in its value. The buyer shall indemnify any benefit gained from animal, bird or fish, as a result of its use, only if such benefit has been gained.

612.1.3. In case of termination of the agreement the seller must reimburse the expenses resulting from feeding, veterinary treatment and tending the animal, as well as obligatory killing and sending away of the animal.

612.2. The buyer of an animal, bird or fish with certain peculiarities in breed, instead of terminating the agreement can require a replacement of the animal, bird or fish not corresponding to the agreement, with the one which corresponds to the agreement.

612.3. Where the buyer guarantees the absence of main faults in the animal, birds or fish or existence of any specific features, and the animals do not correspond to this guarantee, the buyer can require termination of the agreement or reimbursement of the losses incurred as a result of non-performance of the liability.

Article 613. Loss of Rights to Animals, Birds or Fish by Buyer

613.1. The buyer shall be deprived of the rights due to him in case of existence of a main fault if he does not inform the seller of the existence of the fault within three days upon expiry of the date of guarantee, or if he does not inform or send a notice or lay a claim against the seller, after the animal, bird or fish is slaughtered or dies of any other cause before the date of expiry of the guarantee period. The rights shall remain in force if the seller kept purposeful silence in respect of these faults.

613.2. Seller's rights in connection with termination of the agreement, the right to send for replacement or the right to compensation shall lose their force after two months upon the completion of the guarantee period because of the expiry of the allowed term.

§3. Retail Purchase and Sale

Article 614. Retail Purchase and Sale Agreement

614.1. According to the retail purchase and sale agreement the Seller specializing in retail sale of the goods is responsible to supply the Buyer with the goods intended for personal, family, home or any other use not connected with business activity.

~~614.2. The retail purchase and sale agreement is a public agreement.~~

614.3. Relationships arising from the retail purchase and sale agreement with participation of the buyer who is a natural person, and which are not regulated by this Code, are subject to the law on protection of Buyer's rights and other legal acts adopted in compliance with this law.[\(12\)](#)

Article 615. Form of Retail Purchase and Sale Agreements

If not stipulated otherwise by the retail purchase and sale agreement, which includes standard forms endorsed by the buyer, the retail purchase and sale agreement is considered to be concluded in a proper form since the moment of the delivery of cash or trade check or some other document confirming the deposit of the payment by the seller to the buyer.

Article 616. Public Offer of Goods

616.1. Offer of the goods in advertisements, catalogs or descriptions of the products, targeted at general public, is considered to be a public offer (Article 408.8), if it contains all essential conditions of the purchase and sale agreement.

616.2. Displaying the goods in places intended for sale (on the counters, in the shop windows etc), presenting the samples or offering information about certain products (description, catalogs, pictures etc.) is considered to be a public offer regardless of whether the price or other essential terms of the retail purchase and sale agreements were mentioned, except when the Seller has clearly stated that certain products are not for sale.

Article 617. Provision of Information about Goods

617.1. The Seller is obliged to provide the Buyer with necessary and trustworthy information about the goods intended for sale in compliance with established law and other legal acts and claims, as to the contents and way of providing such information, commonly raised in retail trade.

617.2. The Buyer has the right to inspect the goods and demand verification of their characteristics or demonstration of how to use the goods, in his presence, before signing the retail purchase and sale agreement, if this is not impossible due to the nature of the goods and does not contravene the regulations common in retail trade.

617.3. If the Buyer has not been provided with the immediate opportunity to receive all the information about the product in the place of sale (information indicated in 617.1 and 617.2 of present Article) he has the right to claim reimbursement of expenses caused by the ungrounded avoidance of concluding the retail purchase and sale agreement and if the agreement is already made, the Buyer has the right to refuse to honor the agreement, to claim all the sums already paid for the goods and reimbursement of other expenses.

617.4. If the Seller has not provided the Buyer with sufficient information about the goods, he is responsible for defects which appear after passing of the good to the Buyer, if the Buyer can prove that the cause for this was the absence of necessary information.

Article 618. Sale of Goods on Condition of their Acceptance by the Buyer in a Certain Period of Time

618.1. The retail purchase and sale agreement can be concluded on condition of acceptance of the goods by the Buyer in a certain period of time. During this period the goods can not be transferred into the possession of another Buyer.

618.2. Unless otherwise stipulated by the agreement, in case the Buyer fails to appear or does not take any other necessary actions to accept the goods in a period of time set by the agreement, the Seller can consider this as a refusal to follow the agreement.

618.3. Unless otherwise stipulated by the agreement, the seller's extra expenses spent on delivering the goods to the buyer in a period set by the agreement, are to be included in the price of goods.

Article 619. Sale of Goods by Sample

619.1. The retail purchase and sale agreement can be concluded based on Buyer's inspection of a sample of the goods (its description, catalogs of the goods, etc) offered by the Seller.

619.2. Unless otherwise stipulated by the agreement, the retail purchase and sale agreement is considered to be fulfilled at the time when the goods are delivered to the place indicated in the agreement, and if the place of delivery is not indicated in the agreement, at the time of its delivery to the Buyer's place of residence as a citizen or juridical person.

619.3. The Buyer has the right to refuse from following the retail purchase and sale agreement before delivery of the goods, on condition that he would reimburse expenses resulting from the performance of the actions necessary to fulfill the agreement.

Article 620. Sale of Goods Through Vending Machines

620.1. In case of sale of the goods being conducted through vending machines, the owner of those machines is obliged to provide the Buyers with information about the Seller of the goods by locating name of the Seller (trade name); on the vending machine or any

other way of informing the consumers of Seller's whereabouts, work schedule and about actions necessary to execute in order to receive the goods.

620.2. The retail purchase and sale agreement conducted through vending machines is considered concluded at the time of buyer's performance of the actions necessary to receive the goods.

620.3. If the Buyer was not provided with the goods that he already paid for, the Seller is obliged to supply the Buyer on demand with the goods or return the deposited payment.

620.4. When a vending machine is used for the cash exchange, purchasing the banknote or currency exchange, regulations on retail trade apply, unless the contrary is indicated by the nature of the obligations.

Article 621. Selling Goods on Condition of their Delivery to Buyer

621.1. When the retail purchase and sale agreement is concluded on condition of delivery of the product to the Buyer, the Seller is obliged to deliver the goods to the place indicated by the Buyer in a period of time set by the agreement, and if the delivery place is not indicated by the Buyer, the Seller has to take it to the Buyer's residence as a citizen or juridical person.

621.2. The retail purchase and sale agreement is considered to be concluded at the time of delivery of the goods to the Buyer, and if he fails to appear, to any person who presents the receipt or any other document confirming the conclusion of the agreement or registration of the delivery, unless the contrary is indicated by the agreement or the nature of obligations.

621.3. If the time of delivery of the goods is not indicated by the agreement, the goods have to be delivered in reasonable period of time after receiving the Buyer's claim.

Article 622. Price and Payment for Retail Goods

622.1. The Buyer is obliged to pay for the goods the price announced by the Seller at the moment of concluding the retail purchase and sale agreement, if the contrary is not indicated by the nature of obligation.

622.2. When retail purchase and sale agreement provides for preliminary payment for the goods, the Buyer's non payment at the time indicated by the agreement, is considered to be a refusal to fulfill the agreement, unless the agreement by the parties indicates otherwise.

622.3. Retail purchase and sale agreements, including credit sale agreements are not subject to the regulations of the Article 600.5 of this Code.

622.4. The Buyer has the right to pay for the goods at any time during the period set by the hire-purchase agreement.

Article 623. Exchange of Goods

623.1. Within 14 days from the moment of purchase, unless the longer period has been indicated by the Seller, the Buyer has the right to exchange a non-food purchase at the

place of sale or any other place indicated by the Seller, for similar goods of other size, shape, overall dimensions, style, color and availability of all the component parts, having necessary price recalculation done in case of existence of a difference in price. If the Seller does not possess the required exchange product, the Buyer has the right to return purchased goods and receive the sum paid for the product.

623.2. The Buyer's claim to exchange or return the goods is to be complied with if the goods have not been in use, their principal consumer characteristics are still present and there is a proof of purchase of the goods from the Seller.

623.3. The list of goods that are not to be exchanged or returned due to the reasons mentioned in this Article, is to be fixed in a manner prescribed by other legal acts.

Article 624. Rights of Buyer who was Sold Improper Quality Goods

624.1. The Buyer, to whom an improper quality goods were sold, unless the defects were not mentioned by the Seller, has the right to claim the following upon his choice:

624.1.1. replacement of the improper quality goods with the ones of a proper quality;

624.1.2. proportionate decrease in price;

624.1.3. immediate elimination of defects in the goods free of charge;

624.1.4. reimbursement of expenses incurred during elimination of defects in the goods.

~~624.2. The Buyer has the right to ask for the exchange of technically complex or expensive goods in case of considerable violation of quality requirements~~

624.3. In case of detection of faults in goods, properties of which do not allow to remove them (foodstuffs, household chemical goods etc.), the Buyer has the right to claim either the replacement of such a product by that of appropriate quality, or the proportionate decrease in the price paid.

624.4. Instead of raising the claims as indicated in Articles 624.1 and 624.2 of this Code, the Buyer has the right to rescind the retail purchase and sale agreement and maintain an action for the price. ~~In this case the Buyer after the claim by the Seller and at his account, must return the goods of inappropriate quality.~~

~~624.5. When returning the money paid for the goods, the Seller has no right to keep the amount to which the price was lowered by reason of the goods being in partial or full use, loss of the goods appearance or any other similar reason.~~ (12)

Article 625. The Compensation of Difference in Price Following Replacement of Goods, Decrease in their Purchasing Price and Restitution of Goods of Improper Quality

625.1. When replacing improper goods with the ones corresponding to the retail purchase and sale agreement, the Seller has no right to claim the difference between the price of the product determined by the agreement and the price existing at the moment of

replacement, or at the moment when a decision on the replacement of the goods is taken by the court.

625.2. When replacing the goods of improper quality with the goods of proper quality, but with a difference in size, style, type and other properties, the difference between the price, at the moment of replacement, of the goods which are to be replaced, and the price of the replacing goods is to be compensated. If the Buyer's claim is not satisfied by the Seller, the price of the goods, which are to be replaced and the price of the replacing goods, is determined at the moment when a decision on the replacement of the goods is taken by the court.

625.3. In case of a claim for the proportionate decrease of the purchase price of the goods, price of the product at the moment of making a claim about the decrease in price should be considered, and if this claim is not satisfied by the Seller, the price at the moment when a decision on the replacement of the goods is taken by the court.

625.4. When returning the goods of improper quality to the Seller, the Buyer has the right to claim the compensation of the difference between the price of the goods determined by the purchase and sale agreement and the price at the moment of voluntary satisfaction of the claim, and if the claim is not satisfied voluntarily, the price at the moment when a decision is taken by the court.

Article 626. Seller's Responsibility and Fulfillment of Obligations in Kind

~~In case of non-observance of the obligations of the retail purchase and sale agreement by the Seller, the recovery of losses and payment of forfeit do not release the Seller from the fulfillment of the obligations in kind.~~ (12)

§4 Delivery of Goods

Article 627. Delivery Contract

627.1. According to the Delivery Contract the Supplier-Seller commits himself to transferring the goods produced or bought by him into the Buyer's possession, in fixed period or periods, for use in business sphere or for other purposes not connected with personal, family, domestic or any similar use.

~~627.2. Delivery Contract must be concluded in written form.~~ (12)

Article 628. Settlement of Disputes during Formation of Delivery Contracts

~~628.1. If controversies concerning different points of the contract arise between the Parties during the formation of a delivery contract, the Party that offered to make the Contract and got a counter proposal offering to coordinate these terms, has to take measures on coordination of the respective terms of the Contract, or inform the other party about refusing to sign the contract in written form, within 30 days from the day of getting the proposal, if no order date is fixed by law or agreed by the Parties.~~

~~628.2. A Party that received an offer concerning the respective terms of the Contract, but made no arrangements to coordinate the terms of the Delivery Contract and did not inform the other Party about rejecting the Contract, during the period fixed by Article~~

~~628.1 of the present Code, has to compensate losses resulting from the deviation from the coordination of the terms of the Contract.~~ (12)

Article 629. Periods of Delivery of Goods

629.1. If the Parties provided for the delivery of goods, in separate batches, during the period of validity of the Contract, and the terms of their delivery (delivery periods) were not fixed, the goods must be delivered in even batches monthly, if the contrary is not stipulated by law, and does not follow from the substance of the obligations or the business customs.

629.2. Alongside the determination of the delivery periods, the Delivery Contract can also determine the schedule of the delivery of goods (in ten-day periods, daily, hourly, etc).

629.3. With the Buyer's consent the goods can be delivered ahead of schedule. The goods delivered ahead of schedule and received by the Buyer, are included in the quantity of the goods that are to be delivered in the next period.

Article 630. Order of Delivery of Goods

630.1. The delivery of goods is carried out by the supplier through dispatching (transferring) the goods to the Buyer, who is one of the Parties of the Delivery Contract, or a person denoted as the Recipient by the Delivery Contract.

630.2. If the Delivery Contract gives the Buyer the right to instruct the Supplier to dispatch (transfer) the goods to the Recipients (dispatch works), the goods are dispatched (transferred) by the Supplier to the recipients pointed out in the dispatch orders.

630.3. The Content of the dispatch order and the date of its conveyance by the Buyer to the Supplier are determined by the Contract. If the date of the conveyance of the dispatch order is not fixed by the Contract, it must be sent to the Supplier no later than 30 days before the start of the delivery period.

630.4. Non-presentation of the dispatch order by the Buyer at the end of the fixed period gives the Supplier the right to refuse from performing the Delivery Contract or order the buyer to pay for the goods. Besides, the Supplier has he right to claim reimbursement of damages resulting from non-presentation of the dispatch order.

Article 631. Delivery of Goods

631.1. Delivery of goods is carried out by the Supplier through dispatching them by means of transportation provided in the Delivery Contract, and according to the conditions determined by the Contract.

631.2. When no means of transportation or the conditions of delivery are determined by the Contract the right of choice of the means of transportation or determination of the conditions of delivery of the goods belongs to the Supplier, if not stipulated otherwise by law, the substance of obligations or business customs.

631.3. The Contract is able to provide for the reception of goods by the Buyer (Recipient) at the location of the Supplier (excerption of goods). If a date of excerption is not fixed

by the Contract, the exception of the goods by the Buyer (Recipient) must be carried out within reasonable time after receiving the supplier's notification about readiness of the goods.

Article 632. Compensating Incomplete Delivery of Goods

632.1. The Supplier, responsible for the incomplete delivery of goods during any delivery period, is obliged to compensate the under supplied quantity of the goods within the next period (periods), within the term of validity of the Delivery Contract, unless the Contract does not stipulate otherwise.

632.2. When the goods are dispatched by the Supplier to several Recipients indicated by the Delivery Contract or by the Buyer's delivery order, the goods supplied to one of the recipients over the quantity pointed out in the Contract or in the delivery order, do not discharge the under-delivery to other Recipients, unless the Contract stipulates otherwise.

632.3. The Buyer has the right to reject the goods, which were delivered after the deadline, if he has informed the Buyer of this decision, unless the Delivery Contract stipulates otherwise. The goods supplied before the Supplier receives the notification have to be received and paid for by the Buyer.

Article 633. Range of Goods Compensating Incomplete Delivery

633.1. Range of goods, the incomplete delivery of which is due to be compensated, is determined by the agreement of the Parties. In absence of such agreement the Supplier has to compensate the incompletely delivered quantity of goods in the range, determined for the period, when the incomplete delivery occurred.

633.2. Delivery of the goods of the same denomination in quantity larger than that determined by the Delivery Contract is not counted towards the discharge of incomplete delivery of the goods of other denomination, which are included into the same range, and are due to be compensated, except when such a delivery is carried out with the prior written consent of the Buyer.

Article 634. Reception of Goods by Buyer

634.1. The Buyer (Recipient) has to take all the steps necessary to guarantee the reception of the goods supplied in compliance with the Delivery Contract.

634.2. With exception of cases of impossibility of establishment of deficiencies of commodities via inspection of commodity, its shall be deemed acceptance, unless the notification is issued by the purchaser.

634.3. When receiving the supplied goods from the transportation organization the Buyer (Recipient) should check the conformity of the goods with the information provided by the transportation and accompanying documents, and receive the goods from the transportation organization, observing the rules provided by law regulating transportation activity.[\(12\)](#)

Article 635. Responsible Storage of Goods Rejected by Buyer

635.1. If the Buyer (Recipient) rejects the goods delivered by the Supplier in accordance with the Delivery Contract, he has to provide safety of the goods (responsible storage) and inform the Supplier immediately.

635.2. The Supplier is due to remove the goods, placed on responsible storage by the Buyer (Recipient), or arrange to dispose of the goods in any other manner, within a reasonable period. If the Supplier makes no arrangements about the goods within the period, the Buyer shall have the right to sell the goods or return them to the Supplier.

635.3. Necessary expenses incurred by the buyer when taking the goods on responsible storage, selling the goods or returning them to the Seller, should be compensated by the Supplier. In case any money are recovered from such sale, they are returned to the seller, after reimbursing the Buyer's expenses.

635.4. If the Buyer refuses to receive the goods from the Supplier or rejects the goods without any foundation in the Delivery Contract, the Supplier has the right to claim the payment for the goods from the Buyer.

Article 636. Selection of Goods

636.1. If the Delivery Contract provides for the selection of the goods by the Buyer (Recipient) at the location of the Supplier, the Buyer commits himself to examine the transferred goods at the place of transfer, if the substance of obligations does not indicate otherwise.

636.2. Non-selection of the goods by the Buyer (Recipient) after the expiry of the period fixed by the Delivery Contract, and in absence of the Contract in reasonable period after receiving the notification of readiness of the goods from the Supplier, gives the Supplier the right to refuse from fulfilling the Contract or order the Buyer to pay for the goods.

Article 637. Payment for Delivered Goods

637.1. The Buyer pays for the delivered goods, taking into consideration the order and form of calculations provided by the Delivery Contract. If the order and form of calculation are not determined by the agreement of Parties, the payments are carried out by means of payment orders.

637.2. When the Delivery Contract provides that a payment for the goods should be carried out by the Receiver (Payer), and he refuses from paying for the goods or does not pay within a period indicated by the Contract, without providing any reason for his decision, the Supplier is entitled to order the Buyer to pay for the delivered goods.

637.3. When the Delivery Contract provides for the delivery of goods in separate parts, which form a set, the payment for the goods by the Buyer should be carried out after the delivery of the last part of the set, unless the agreement stipulates otherwise.

Article 638. Packing Materials

638.1. Unless the Delivery Contract stipulates otherwise, the Buyer (Receiver) has to return to the Supplier reusable packages and means of packing, inside which the goods were supplied, in order and time stipulated by the Delivery Contract.

638.2. Other packages should be returned only in cases stipulated by the Contract.

Article 639. Consequences of Delivery of Improper Quality Goods

639.1. If the Buyer (Receiver) has received the goods of improper quality, he has the right to lay claims to the Supplier, according to the Article 587 of this Code.

639.2. The Buyer (Receiver), who conducts the retail sale of the goods delivered to him, has the right to claim replacement, within reasonable time, of the goods of improper quality that were returned by consumers, unless the Delivery Contract stipulates otherwise.

Article 640. Consequences of Delivery of Incomplete Sets of Goods

640.1. The Buyer (Receiver) who has received the goods breaking the terms of the Delivery Contract and standards usually expected from the complete set, has the right to lay claims to the Supplier according to the Article 592 of this Code.

640.2. The Buyer (Receiver) carrying out the retail sale of the goods has the right to claim replacement of incomplete sets that were returned by consumers, with complete ones within reasonable time, unless the Delivery Contract stipulates otherwise.

Article 641. Rights of Buyer in Case of Incomplete Delivery of Goods and Refusal to Comply with Claims to Remove Defects or Complete Delivery of Goods

641.1. If the Supplier did not deliver the quantity of the goods specified by the Delivery Contract, or did not comply with the Buyer's requirement to replace goods of poor quality, or to complete the delivery of the goods in an indicated period, the Buyer has the right to buy the incompletely delivered goods from any other individual, with all the necessary and reasonable purchasing expenses paid by the Supplier.

641.2. The calculation of Buyer's expenses spent on buying the goods from other individuals in cases of incomplete delivery by the Supplier or his refusal to comply with the Buyer's requirements to remove the defects of the goods, or to finish completing the sets of goods, is carried out according to the rules provided by the Article 645 of this Code.

641.3. The Buyer (Receiver) has the right to refuse to pay for the goods of improper quality and incomplete sets of goods, and in case these goods are already paid for, demand the return of the sums paid, up until the defects are removed, the sets of goods are completed or replaced.

Article 642. Payment of Forfeit in Case of Incomplete or Delayed Delivery of the Goods

Forfeit for incomplete or delayed delivery of goods, authorized by law or by the Delivery Contract, is exacted from the Supplier, until he fulfills obligations which constitute a part of his responsibility to deliver the under supplied quantity of the goods within the following periods of delivery, unless the alternative order of forfeit payment is determined by the Delivery Contract.

Article 643. Discharge of Similar Obligations on Several Delivery Contracts

643.1. When the Supplier delivers to the Buyer the goods of the same denomination under several delivery Contracts, and the quantity of the delivered goods is not sufficient to discharge the obligations of the Supplier under all the Contracts, the delivered goods should be counted towards the discharge of the Contract, indicated by the Supplier at the moment of delivery or immediately after.

643.2. If the Buyer pays the Supplier for the delivery of the goods of same denomination, which he received under several delivery Contracts, and the sum is not sufficient to pay off the obligations of the Buyer on all the Contracts, the paid sum should be counted towards the discharge of the Contract, indicated by the Buyer at the moment of delivery or immediately after.

643.3. If the Supplier or the Buyer does not resort to the actions provided by Articles 643.1 and 643.2 of this Code, the fulfillment of obligations counts towards the discharge of the preceding obligations under a Contract which became active earlier. If obligations under several contracts become active simultaneously, the fulfillment is counted towards the proportional discharge of all obligations.

Article 644. Unilateral Alteration of Delivery Contract and Unilateral Refusal to Perform Under Contract

~~644.1. Unilateral refusal to perform under the contract (partially or fully) or unilateral alteration of the Contract are allowed in case of the substantial breach of the Contract by one of the sides.~~

~~644.2. Breach of the Delivery Contract by a Supplier is considered to be substantial in case of:~~

~~644.2.1. delivery of goods of improper quality with defects that can not be removed within a period convenient for the Buyer;~~

~~644.2.2. repeated breach of the terms of delivery of the goods;~~

~~644.3. Breach of the Contract by the Buyer is considered to be substantial in case of:~~

~~644.3.1. repeated breach of terms of payment;~~

~~644.3.2. repeated non-selection of the goods.~~

~~644.4. The agreement of the parties might provide for other grounds for unilateral refusal to perform under the Delivery Contract or unilateral alteration of the Delivery Contract.~~

~~644.5. The Delivery Contract is considered to be altered or terminated from the moment of receiving by one Party the notification of the unilateral refusal to perform under the contract fully or partially, unless other time of termination or alteration of the Contract is provided by the notification or determined by agreement of the Parties. [\(12\)](#)~~

Article 645. Calculation of Expenses in Case of Termination of Contract

645.1. If within reasonable time after the termination of the Contract, as a result of a breach of the obligations by the Seller, the Buyer buys the goods at a higher, but reasonable price from other person, instead of the goods stipulated by the Contract, the

Buyer can claim from the Seller the sum equal to the difference between the price established by the Contract and the price under the new purchase.

645.2. If within reasonable time after the termination of the Contract, as a result of a breach of the obligations by the Buyer, the Seller sells the goods at a lower, but reasonable price to other person, instead of the price stipulated by the Contract, the Seller can claim from the Buyer the sum equal to the difference between the price established by the Contract and the price under the new sale.

645.3. If after the termination of the Contract on the grounds provided by Articles 645.1 and 645.2 of the present Code, no agreement is made instead of the one terminated, and a current price on the goods exists, the Party has the right to claim the sum equal to the difference between the price established by the Contract and the price at the moment of the termination of the Contract.

645.4. The current price is the price usually paid in comparable circumstances for analogous goods in the place where the transfer of goods should have been carried out. If there is no current price in this place, the current price used in the other place, which can serve as a reasonable replacement, can be used as well, taking into consideration the differences in costs of transportation of the goods.

645.5. The satisfaction of the claims provided by Articles 645.1-645.4 of this Code, does not release the Party, which did not fulfil or improperly fulfilled its obligations, from recovery of other damage made to the other Party.

§5. Purchase and Sale of Real Estate

Article 646. Agreements on Purchase and Sale of Real Estate

646.1. According to the agreement on purchase and sale of real estate, the seller shall undertake to assign to the buyer the land, house, building, installation, room or other immovable property.

646.2. Unless other rules of purchase and sale of real estate follow from the below provisions of this paragraph of the Code, general provisions on purchase and sale of property shall accordingly apply to purchase and sale of real estate.

Article 647. Costs on documentation of sell and purchasing contracts for immovable items

Costs on approval in accordance with notary procedures of the sell and purchasing contract and registration in the state registry of immovable property shall be borne by purchaser.[\(12\)](#)

Article 648. Obligations of Parties During Purchase and Sale of Real Estate

648.1. When purchasing and selling of immovable property each of the parties shall complete all the actions, necessary for registration of passing of property rights in the State Property Register, and thus completes his assigning or receiving obligations.

648.2. Risks, charges and benefits related to the sold property in case of any doubt shall pass to the buyer only from the moment when real estate is registered with the State Property Register. A Party which without any excuse delays registration in the State

Property Register, has to pay to the other party compensation for the losses resulting from late registration.

Article 649. Discrepancies in Real Estate Already Sold

Discrepancies in real estate already sold, which are additional to non-compliance with the agreement, arise in case of registration of non-existing rights in the State Property Register

Article 650. Application of Provisions on Purchase and Sale of Real Estate to Purchase and Sale of Personal Property Required to be Registered in the State Property Register

Relevant provisions on Purchase and Sale of Real Estate shall apply accordingly to personal property which is required to be registered at the State Property Register.

§6. Purchase and Sale of Requisitions and Other Rights

Article 651. Application of Provisions on Purchase and Sale of Property to Purchase and Sale of Requisitions and Other Rights

Provisions on purchase and sale of property apply accordingly to purchase and sale of requisitions and other rights. Articles 646 and 650 shall apply to the cases of sale of the rights to real estate and facilities registered in the State Register of Property.

Article 652. Transfer of Rights (Assignment)

In case of sale of rights, their transfer and acceptance shall consist of transfer of rights (assignment). Expenses such as substantiation of the Seller's rights and transfer of these rights to the Buyer shall be borne by the Seller

Article 653. Sale of Rights to Ownership of Property

In case of a sale of the right to ownership of property the Seller is obliged to pass property to the buyer free of any faults, and from any claims to those rights by third parties.

Article 654. Seller's Responsibility During Purchase and Sale of Rights and Claims

654.1 Seller of any claim or right is responsible for physical existence of that claim or right. The seller of securities is responsible for invalidity of these securities resulting from execution of court decisions.

654.2. Where the seller of any claim assumes responsibility for payment ability of the debtor, it is considered that this responsibility shall relate to payment ability for the moment of assignment of this claim.

§7. Factoring

Article 655. Factoring Agreement

655.1. Factoring is financing with assignment of money claims. According to factoring agreement one party (Factor) grants or undertakes to grant to the other party (Customer)

financial resources on account of money claim proceeding of Customer (Creditor) to the third party (Debtor), proceeding from delivery of goods, carrying out works or providing services to the third party third party by the customer (Creditor) and the customer assigns or undertakes to assign the claim to the factor.

655.2. Debtors should be informed about assignments of money claims.

655.3. Money claim to the Debtor can be transferred by the Client to the Factor in order to guarantee the Client's liability to the Factor.

655.4. Liabilities of the Factors under the factoring agreement can include book-keeping for customers, as well as providing other financial services, relied to money claims which are a subject of assignment.

655.5. Factoring agreement shall be made in writing

655.6. Factoring agreements can appoint for acting as factors, banks and other credit organizations, as well as other commercial institutions permitted to carry out such activity.

Article 656. Application of Provisions on Purchase and Sale of Claims to Factoring Agreements

In the provisions of this paragraph of this Code do not stipulate otherwise, provisions on purchase and sale and transference of claims apply to factoring agreements.

Article 657. Nature of Relations between Participants of Factoring Agreements

~~657.1. Any provisions of factoring agreement stipulating the assignment of current or future claims, can be found valid among its participants only when such claims existed at the moment of signing the agreement.~~

657.2. Any provision of factoring agreement, which provides foundation for assignment of future claims, shall mean the transfer of claims to the Factor at the moment of their creation without carrying out any additional actions related to laying of claims.

657.3. The degree of transfer of customer's rights to the Factor can be also regulated in a factoring agreement.

657.4. Debtor has to make a payment to the Factor, on condition that he receives a prior written notification from the customer, or the factor who has customer's authorization. The notification is considered valid only when the assigned claim is properly indicated and the factor in favor of which the payment is made, as well as all matters specified, relate to the claims proceeding from the agreement, made at the time of sending a notification prior to this.

657.5. In case the Debtor is aware of other person's superior right in making the payment, the obligation to make a payment stipulated in Article 657.4 of this Code becomes not relevant.

657.6. Irrespective of other grounds releasing a Debtor from debt as a result of payment to the Factor, release from a debt can be found to result from a payment, only if the payment is made according to Article 657.4 of this Code.

657.7. If the Factor demands from the Debtor a repayment of a sum on the claim based on the agreement, the debtor can inform factor about all objections proceeding from this agreement, and which he can put forward in case the customer demands payment. When delivering a written notification about the assignment, the Debtor can assert to the Factor all the rights related to the payment of claims by the Customer, within a framework of mutual substitution.

657.8. Non-execution, improper execution or delay in execution by the Supplier of liabilities under purchase and sale agreement, in itself shall not give the Debtor a right to order the return of the payment made to the Factor. Debtor who has the right to ask for the repayment of all sums paid to the Factor in accordance with any claim, can order the Factor to return the money only if the Factor did not execute the Debtor's order or he did execute the order, but with the knowledge of non execution, incomplete execution or late execution of the agreement by the Customer, regarding the goods which are related to the Debtor's payment.

657.9. When the Customer, by virtue of factoring agreement, assigns any claim to the Factor, then, firstly Articles 657.4 and 657.8 of this Code are applied to any assignment by the Factor of this claim or to any receiver of this claim, in such a manner as if the receiver of a claim is a factor, and secondly, a notification about the next assignment, addressed to the Debtor shall also be the notification addressed to the Factor.

657.10. Provisions of this Paragraph of the Code shall not be applied to subsequent assignment, prohibited by the factoring agreement.(12)

§8. Purchase and Sale for Approbation

Article 658. Agreement on Purchase and Sale for Approbation

658.1. Agreement on purchase and sale for approbation and testing is a purchase and sale agreement, signed with the condition of delay until the Buyer agrees to buy the property.

658.2. According to the agreement on purchase and sale for approbation the Seller must permit the Buyer to examine the property.

~~658.3. In case of a doubt, the Buyer has a right to agree to buy the property.~~

658.4. The Buyer can communicate his satisfaction with the property bought for approbation or testing only within a given period, and in absence of such a period — until the end of reasonable period, indicated by the Seller to the Buyer. If the item is passed to the Buyer for approbation or testing his silence is amounts to an agreement.(12)

Chapter 30. Superior rights during purchase and other superior rights

Article 659. General Provisions on Superior Rights During Purchase and Other Superior Rights

659.1. Superior right during purchase or other superior rights to property or to any other rights, can be established on the basis of a law or an agreement. Where such rights are based on agreements they bind only the participants of those agreements and cannot be used against the third party who confidently bought same goods or rights.

659.2 Superior rights during purchase and other superior rights, based on an agreement, are valid only if they are registered in a manner required for validity of the specified transaction.

659.3. Superior rights during purchase and other superior rights are not be valid in the following cases:

659.3.1. in case they are related to facilities or rights the transfer of which is regulated by special procedures stipulated in normative-legislative Acts;

659.3.2. in case of sale resulting from execution of a decision, as well as in case of a mandatory sale at an auction.

659.4. Where superior rights during purchase and other superior rights, based on agreements, relate to the most necessary rare items and rights, persons interested can argue their validity.

659.5. Where any superior right during purchase and other superior right is not valid, then the payment for the passing of those rights, including the interests determined by law and running from the date of payment, should be compensated.

Article 660. Superior Right During Purchase

660.1. Person which has a superior right during a purchase of some property, can assert this right after the conclusion of a purchase and sale agreement on given property by a Party, bound by the superior right, with any third party.

660.2. Person bound must immediately inform the person who has a superior right during a purchase, about the content of the agreement made with the third party. Information of the person bound can be substituted by the information of the third party. The superior right during a purchase can be exercised for two months upon the receipt of the information

660.3. Application shall be given to the person responsible in order to exercise the superior right during purchase. The form of application, required for purchase and sale agreements, shall not be necessary.

660.4. The person with superior rights during purchase, in order to exercise these rights makes a purchase and sale agreement with the responsible person. The terms and conditions of the agreement are agreed upon between the responsible person and the third person. If the purchase price is higher than current price, the person with superior rights can order to reduce it to the level of current price. Where this right is exercised, the responsible person can cancel the purchase and sale agreement. Means of legal protection of rights of participants of the agreement shall be determined by the purchase and sale agreement. Where the third person has confidently obtained the right to ownership to the item, before person with superior right exercises the superior right during purchase, the rights of the party with the superior right shall be limited to the claim to reimburse to the

responsible person the expenses which arise as a result of non exercise of the superior right during the purchase.

660.5. The agreement of the responsible person with the third party about the dependence of the purchase on non exercise of the superior right, or remaining in force of the right to refuse the responsible person, is not valid in relation to the person with superior purchasing right.

660.6. Where a third person undertakes and cannot fulfill execution of any additional liability, which is placed on the party with the superior purchasing right, then the party with the superior purchasing right has to reimburse the cost of execution. Where evaluation of the liability in terms of price is impossible, then the exercise of the superior right during purchase is cannot be performed. However, if an agreement with a third party can be made in absence of such circumstances, a condition about an additional circumstance cannot be taken into consideration.

660.7. Where a third party, having paid the common price, buys some object with the right of superiority, along with other objects, then a party with a superior right during purchase has to pay a reasonable part of the complete price. The responsible person can require application of the right of superiority during purchase to all indivisible items.

660.8. In absence of other conditions, the superior right does not pass to other persons during the sale and does not pass to the persons who inherit the property. In case of limitation of a superiority right to a defined period, inheritance of the right becomes possible.

Article 661. Other Superiority Rights

Where such application is possible, provisions of Articles 659 and 660 of this Code shall correspondingly be valid for other superiority rights, including the superior right of repurchase of sold property (buying) and superiority rights during renting and leasing.

Chapter 31. Barter

Article 662. Barter agreement

662.1. In accordance with barter agreement either party undertakes to transfer to the other party one item in exchange for another one.

662.2. Rules on purchase and sale accordingly apply to barter agreement.

662.3. Either participant of relations under barter agreement is considered to be a seller of item, which he undertakes to transfer, and a buyer of property, which he undertakes to accept in exchange.

Article 663. Prices and expenses under barter agreement

663.1 Unless barter agreement stipulates otherwise the goods subject to exchange are considered equal in price, and expenses of delivery and acceptance of goods in all cases remain in responsibility of a party with relevant obligations.

~~663.2. When in accordance with barter agreement the exchanged goods are considered unequal in price the party that undertakes to transfer the goods lower in price than the goods they are exchanged for, has to pay the difference in price promptly before or after execution of its obligation to transfer the goods unless other payment order is stipulated by agreement.~~(12)

Article 664. Counter execution of obligations of goods exchange under barter agreement

When in accordance with barter agreement the periods of delivery of goods exchanged do not coincide, the rules of counter execution of obligations apply to the exercise of obligation to transfer the goods by the side, which has to transfer the goods after the other side does so.

Article 665. Transfer of property rights to goods subject to exchange

Unless otherwise stipulated by barter agreement property rights to bartered goods are transferred to parties acting as buyers under barter agreement simultaneously after both parties exercise their obligation to transfer respective goods.

Chapter 32. Donation

Article 666. Donation agreement

666.1. Donation agreement is an agreement signed in lifetime of donor, based on which donor having transferred gratis part of his property enriches donee; at the same time this kind of donation is not conditioned on any reciprocal services on behalf of donee. The donation agreement is considered completed at the moment of acceptance of gift by donee. If donation was not conditioned by obligation it is assumed that the gift is accepted.

666.2. The subject of donation can be items or property rights (claims) regarding donor or third party, or release or duty to release donee of property obligation to donor or to third party.

666.3. Execution of moral or ethical duty is not considered a donation.

Article 667. Ability of gift donation and acceptance

667.1. Capable person can order of his property donation only if it is not a common property of spouses or if property is not limited inheritance right.

667.2. Donation of property by an incapable person can be carried out only subject to reservation of legal representatives responsibility, and in accordance with requirements of guardianship and trusteeship rights.

667.3. Where an incapable person is able to appreciate the nature and results of his actions he also can accept a gift. But if legal representative has forbidden the acceptance of a gift or has given an order to return a gift then it is not accepted or is annulled.

Article 668. Form of donation. Promise of donation

668.1. Donation is valid in following cases:

668.1.1. in case of donation of real estate or donation of rights on real estate — if donation agreement is notarially attested ~~and registered in the State Real Estate Register;~~

668.1.2. in case of donation of movables subject to registration in the State Register — if donation agreement is notarially attested and registered in respective official register;

668.1.3. in case of donation of movables — at the time of transfer of a gift by donor to donee;

668.1.4. in case of donation of claims and other rights — if registration is made in writing in accordance with requirements hereof;

668.1.5. in case of a promise of future donation — if such promise is notarially attested.

~~668.2 Promise of donation not complying with requirements of the Article 668.1 hereof becomes valid in case of its further execution in accordance with these requirements. (12)~~

Article 669. Donation return before its acceptance

Person who gives anything to another person with intention to make a donation can take back a gift at any time up until the acceptance of a gift by a donee.

Article 670. Terms and liabilities under donation agreement

670.1 Donation can be conditioned on implementation of terms and liabilities.

670.2 In case of donor's death donation has to be executed according to provisions of Inheritance Law.

670.3. In accordance with donation agreement donor and his heirs can claim against donee for non-execution or incomplete execution of liabilities undertaken. If execution of liability serves social ends, then after donor's death relevant executive authority may require execution of this liability.

670.4. Donee can refuse to execute liability if after conclusion of agreement he discovers that value of a gift is not sufficient to cover the expenses of executing the obligation and these expenses will not be compensated.

Article 671. Restitution of donation

Donor can keep the right to restitution of donations if he outlives the donee. In case of donation of land or property rights to land this right to restitution can be registered in the State Immovable Property Register.

Article 672. Donor's responsibility

672.1. Donor is responsible for any damage made to the donee for a gift only if the damage was made on purpose or in case of gross negligence.

672.2. In other cases donor is responsible only for the promises to donee.

Article 673. Renouncement of donation

673.1. Donor can renounce donation in following cases:

673.1.1. if donee has committed a grave crime against donor or his close relatives;

673.1.2. if donee has breached his liabilities undertaken in respect of donor or his close relatives in accordance with family-legal relations.

673.1.3. if he does not execute liabilities regarding donation without providing any ground for this;

673.2 In the following cases a donor can revoke or refuse execution of the promise connected with donation:

673.2.1. in cases stipulated by Article 673.1 of this Code;

673.2.2. if after the promise property relations of donor have changed to a level where a donation can be unbearable;

673.2.3. if after the promise obligations arise in family-legal relations of donor, which have not existed before or were not significant

673.3. The renouncement comes into force only in case when renouncement notification is delivered to donee within a year from the day when the ground for refusal becomes known to donor. In case of death of donor until the end of that year the right to renounce within the rest period is transferred to his heirs. If donee kills donor, or tries to prevent him from liquidating donation, heirs of donor can renounce donation.

673.4. In case of renouncement of donation donee has to return a gift if it was in his possession.

Article 674. Cancellation of donation and termination of donor's liabilities

674.1. In the following cases donation can be cancelled without necessity to implement renouncement right:

674.1.1. in case of loss or destruction of a promised item;

674.1.2. if a competitive execution of the property of donor begins;

674.2 Where donator undertakes to provide periodical services this liability shall be terminated with his death, unless other conditions are stipulated.

Chapter 33. Hire of property

Article 675. Property hire agreement

In accordance with the hire agreement, hiring out person undertakes to assign the item to the hiring person and hiring person undertakes to pay the rent to hiring out person.

Article 676. Responsibility of hiring out person

676.0 During the whole hire period the hiring out person shall bear responsibility for the following:

676.0.1. item to be hired out must be suitable for use by hiring person;

676.0.2. item hired out must have the specification of guarantee upon the hire agreement;

676.0.3. any of rights or claims of third parties must not prevent utilization of hired out item for the purposes specified in the agreement, or exclude a possibility of such utilization;

676.0.4. a dwelling premises or other premises, set aside for habitation must be in such condition where any danger for life and health of the inhabitants would be excluded.

Article 677. Legal remedies of hiring person in case of incompatibility of items with agreement

677.1. Incompatibility of item which is the subject of the hire agreement with the requirements of article 676 of this Code provide the hiring person with the right to resort to the following means of legal protection:

677.1.1. if as a result of incompatibility with the agreement item is destroyed or its fitness for use is diminished, the hiring person is exempted from the rent during a period when the item cannot be used, and has to pay only a part of the rent if item is diminished in value. Insignificant diminishment in value is not taken into consideration. In hire agreement of a dwelling, deviation to the detriment of the hiring person shall not be valid;

677.1.2. if any discrepancy to the agreement is known to the hiring out person at the moment of concluding the agreement or such discrepancy arises later as a result of the circumstances created by the hiring person, or if the hiring out person delays the elimination of such discrepancies, the hiring, in addition to article 677.1.1 of this Code, can claim the compensation for the loss incurred as a result of non execution of obligations;

677.1.3. besides this, in case of delay by the hiring out person, the hiring person can eliminate the discrepancies himself, and demand the compensation for the loss incurred by the elimination of discrepancies of the item;

677.1.4. if the hiring person does not receive the hired item, fully or partially, on the date stipulated by the agreement, or the item is taken from him, or the condition of the item is significantly worsened, and the hiring out person makes delays, then the hiring person can terminate the agreement immediately. Termination of the agreement, resulting from the insignificant impeding of use, or resulting from deprivation from use, can be allowed only if the private interest of the hiring person justifies it. In case, if the hiring out person argues against the termination of the agreement, claiming that the item was provided for hire on time and that the discrepancy was eliminated until the end of the determined period, he has to prove it A consent, which allows to exclude or restrict the right to terminate

the agreement, does not have effect in legal relations connected with a hire of premises.

677.2 In case, if at the time of concluding an agreement, the hiring out person had knowledge about the disparity of a hired item with the agreement, he cannot resort to the rights provided by article 677.1 of this Code. If the hiring person, with the knowledge of the discrepancies, intentionally accepts the item, which does not correspond with the agreement, he can use these rights only if he has retained the right to execute them. Provisions of this article (677.2), accordingly article 677.1.4 of this Code, shall not apply to the breaches of the agreement.

677.3. Hiring person shall immediately inform the hiring out person about all disparities to the agreement, revealed during the term of the agreement, or about the necessity of taking urgent protection measures of item or its users from unexpected dangers. This provision shall also remain in force if rights of third persons to the item are declared. In case, if the hiring person does not notify the hiring out person he is obliged to compensate the losses incurred as a result of such act; in case of impossibility of elimination of some discrepancy, because of the absence of notification, the hiring person has not a right to fulfill the rights provided by article 677.1 of this Code.

677.4 The agreement, which releases or diminishes hiring out person's responsibility for the discrepancies in hired out item does not have a force, if the hiring out person did not mention these discrepancies on purpose.

Article 678. Effects on hired out items

678.1. Hiring person of premises, upon an impartial review, must allow hiring out person to carry out works in hired premises, which, would not have any effect or would have insignificant effect on hired premises.

678.2. Upon an impartial review, hiring person can allow to carry out any kind of operations, which would have a significant impact on the hired item, provided that:

678.2.1. the impact should be the result of measures, which firstly are necessary for the safety of premises or buildings, secondly are directed at improvement of parts of premises or buildings, or at saving of energy used for heating, and that would not create inadmissible discomforts for the hiring person or his family (in evaluation of admissibility, the nature and duration of discomfort caused by the works, hiring out person's previous charges, expected increase in rent, as well as basic interests of hiring out person and other hiring persons, shall be taken into consideration. If hired out premises or other parts of the building are brought to the commonly accepted level, the expected increase in rent is not taken into consideration);

678.2.2. hiring out person, three months in advance of the works, should notify hiring person in writing, about the nature, volume, start and possible period, as well as possible increase of rent;

678.2.3. hiring out person should compensate to the hiring person the expenses incurred as a result of such works; upon the hiring person's request the hiring out person should make an advance.

678.3 In accordance with article 678.2 of this Code the hiring person shall have the right to cancel the agreement, which starts to run from the end of the following month, within two months from receipt of notification. In case the hiring person announces the termination of the agreement, fulfillment of works shall be postponed till the end of hire period.

678.4. In the hire agreement of dwelling premises, the consents on deviation to the detriment of the hiring person do not have a legal force.

Article 679. Payment of forfeitures, state and local taxes under hire agreement of property

Burdens, state and state taxes related to the hired out item, are paid by the hiring out person, unless other consents do not exist.

Article 680. Compulsory expenses of hiring person

680.1. Hiring out person shall be obliged to pay compensation for compulsory expenses spent by the hiring person on maintenance or restoration of hired out item. The below expenses shall not be compensated:

680.1.1. in case of hire of buildings, installations or means of transport — operational, maintenance and cleaning charges;

680.1.2. in case of hire of animals — care and feeding charges;

680.2. Duty for compensation of other expenses of hiring out person, including the expenses of improving the hired out item, is determined by the provisions of this Code, related to the performing of other works without instruction.

Article 681. Installations of hiring person

Hiring person shall have the right to take away a construction attached to the item. The consent that excludes the right to take away the construction that belongs to the hiring person of the dwelling premises shall be invalid.

Article 682. Change or worsening of hired item

Hiring person shall bear no responsibility for the change or worsening of hired item, as a result of use in accordance with the agreement.

Article 683. Transfer of hired item to the third parties

683.1. Without a permission of the hiring out person the hiring person does not have a right to assign or sub-let the hired item to a third party, which is not a member of the hiring person's family. If the hiring out person refuses to give such permission, the hiring person has to stop any legal relations within a period stipulated by law, on condition that upon impartial review third party does not provide substantial reasons for refusal.

683.2. If after concluding hire agreement the hiring person of hired dwelling premises is interested in sub-letting of a part of this premises to a third party, he has a right to get a permission from the hiring out person, with the condition that, under impartial review third party does not provide substantial reasons for cancellation of a permission, in order

to prevent the dwelling premises from being overcrowded, or so that an impression that such sub-letting is usual for a hiring out person would not be created. If the hiring out person allows the sub-letting only with the condition of a reasonable increase in the rent, the he can make his permission conditional to the agreement of the hiring person to pay a higher rent. Consents on deviations to the detriment of the hiring person shall be invalid.

683.3. In case of assigning the use to the third party the hiring person bears the responsibility for any fault that occurs during the use by the third party, even if the hiring out person has approved the sub-let.

Article 684. Terms of property hire rent

684.1. If the period of hire is less than a month the rent has to be paid at the end of this period. If the period of hire is more than one month, the rent, if necessary, has to be paid partially, at the end of each month. If the rent is calculated in accordance with periods of time, then the payments are to be made at the end of each period of time.

684.2. The hiring person is not exempted from the rent if he cannot execute the enjoyment right, because of personal reasons. However, the hiring out person has to agree with the calculation of the economy of funds during the use of item and also with the calculation of the benefit, he would have if he would utilize the item in other purposes.

Article 685. Legal remedies of hiring out person

685.1. In case, if hiring person or any other person to whom the hired item was transferred for the further use, in spite of hiring out person's warning continues the use in contradiction to the agreement and significantly violating the hiring person's rights, as well as keeps the item under illegal disposal of third party or puts under danger and with such action violates the obligations of good faith hiring out person, the hiring person can terminate hire agreement without waiting for the warning term. Hiring out person can also lay a negatory claim instead of termination notice of the agreement.

685.2. Hiring out person can terminate the agreement without complying with the requirements of the notification period in the following cases:

685.2.1 if hiring out person delays payment of rent or a significant part of rent for two terms in a row;

685.2.2 if hiring out person delays payment of rent for more than two terms, which reach the limit of two months payment;

685.3. If before the breach of the agreement the hiring out person is compensated in accordance with article 685.2 of this Code, the termination of the agreement is impossible. If the hiring person is exempted from his debt, by virtue of mutual discharge, and announces a cancellation of his debt right after the termination of the agreement, the termination of the agreement shall be invalid.

685.4 In addition to article 685.2 of this Code, the following provisions shall apply to the hired out dwelling premises:

685.4.1. in case, provided for by article 685.2.1. of this Code, the unpaid part of the rent shall be considered substantial only if it exceeds the amount of monthly rent (however, this provision does not apply to the dwelling premises, which hired out for temporary use);

685.4.2. if before the completion of one month after the admission of the claims for eviction from a dwelling, resulting from non payment of rent, or in accordance with other rights of the hiring out person, which are to be executed according to this Code, the hiring out person is compensated or if the responsibility for his compensation is taken on by any state authority, the termination of the agreement becomes invalid.

685.4.3. Consents about the deviation to the detriment of the hiring person do not have a force.

Article 686. Cases when continuation of legal relations under hire agreement is not allowed. Termination of agreement without complying with notification period.

In case if one of the parties, at its own fault, violates its liabilities to such extent, that continuation of legal relations under the lease agreement becomes inadmissible for the other party; the legal relations can be terminated, without complying with the requirement of the notification period. Any agreement by the parties, which does not comply with the provisions of this article, is invalid.

Article 687. Prohibition of immediate termination of hire agreement of dwelling premises upon the provisions which are not stipulated by law

Agreement granting to hiring out person of a dwelling premise a right to cancel the agreement, without complying with the requirement of the notification period, upon the provisions not stipulated by law, does not have a legal force.

Article 688. Payment for reservation, advance and forfeit payments in case of property hire.

688.1. Payment made with an intention of future conclusion of a hire agreement by some party interested in a hire of property (Reservation or payment for retention of property);

688.1.1 is included in the rent, if paid to hiring out person, his deputies or mediators. If an mediator is a real estate broker, the payment for reservation is firstly reckoned towards the payment for the broker's services, calculated on the basis of state tariffs, and only the remained part reckoned towards the rent;

688.1.2. can be claimed back at any time by a person interested in hire, if it exceeds the amount of two months' rent;

688.1.3. can be fully claimed back by a party interested in hire, if the agreement is not concluded free of fault by the party interested in hire, and contradicting the hire agreement the possibility of using the property is not provided.

688.2 In case, if the hiring person has to guarantee the execution of his liabilities to the hiring out person, then this guarantee should not exceed twofold amount of one-month rent. If the guarantee is represented by a sum of money, the hiring out person has to place it in a bank separately from his own capital, and with payment of interests, which are

ordinary deposits, the deposition period of which is determined by law. The interests belong to the hiring out person and assist the growth of guarantee of liabilities.

688.3 In case of dwelling premises hire, consents on deviation from the requirements of articles 688.1 and 688.2 of this Code to the detriment of the hiring out person does not have a legal force.

688.4 Consent, which allows hiring out person to obtain a liability from hiring person on payment of the forfeit, does not have a legal force.

Article 689. Hire term

689.1 Legal relations under hire agreement are terminated as the agreement term is over.

689.2 In case, if the term is not stipulated by the hire agreement, any party of hire legal relations can issue a notification about the termination of the agreement in accordance with article 690 of this Code.

Article 690. Form and content of hire agreement termination notice

690.1 Notifications on property hire agreement termination have to be made in writing.

690.2. Notification on property hire agreement termination should contain the grounds for the termination.

690.3 Hiring out person of the dwelling premise has to timely mention to the hiring person the possibility of protesting in accordance with article 696 of this Code, and also present the form and periods of giving such protest.

Article 691. Terms of property hire agreement termination

691.1 Legal relations under hire agreements of land, dwelling premises or ships, registered in official registries, shall allow termination of agreement in the following cases:

691.1.1. in case of the calculation of property rent on the daily basis, the notification on termination of agreement comes into force by the end of the next day, of any day its given;

691.1.2. in case of the calculation of property rent on the weekly basis, the notification on termination of agreement comes into force at the end of the next Sunday, if given in the first working day of the week;

691.1.3. in case of the calculation of property rent on the monthly basis or on the longer period basis, the notification on agreement comes into force by the end of the month after the following month, if given in the first working day of the calendar month.

691.2 Legal relations under the hire agreement of dwelling premises, allows the termination of agreement, only if the notification on termination of agreement is delivered on the first working day of calendar month, with it entering into effect at the end of the month following next.

691.3 Terms, indicated in articles 691.1.3 and 691.3 of this Code, on notification of agreement termination, which are to be followed by the hiring person is extended by three months, for the benefit of the hiring person, after three, six and nine years since the moment the property is hired out. Consents, which provide grounds for the shortening of terms, which must followed by the hiring out person, do not have legal force.

691.4 According to legal relations under the hire agreement of movable property termination of agreements shall be allowed in the following cases:

691.4.1 in case of calculation of the rent on the daily basis, the notification of agreement termination enters into effect at the end next day, whenever its issued;

691.4.2 in case of calculation of the rent on the basis of longer periods, if the notification of agreement termination is issued not later than seven days ahead of legal relations termination.

Article 692. Conditions of termination of dwelling premises hire agreement

692.1 Hiring out person can terminate the legal relations under dwelling premises hire agreement by observing the conditions of article 692.4 of this Code, provided that he has substantial interest in termination of these legal relations.

692.2 Hiring out person's intention to terminate the legal relations under hire shall be considered valid in the following cases:

692.2.1. if the hiring person is guilty for the violation of his liabilities under the agreement;

692.2.2. if the dwelling premises are needed as a living place by the hiring person or members of his family;

692.2.3. as a result of continuation of legal relation under hire, the hiring out person, from the economic point of view cannot profitably use the land and for that reason suffers losses. In this case the possibility of getting a higher payments for property, in case of letting the dwelling premise to third party, is not taken into consideration. The hiring out person cannot refer that after hiring out the dwelling premise to hiring person, because of envisaged or fulfilled foundation of the dwelling premise property, he has an intention to sell these dwelling premises appears.

692.2.4. of the hiring out person intend, within permitted limits, to convert the uninhabited premises into dwelling premises, through outfitting them with new equipment with the aims of later sub-letting, and limiting the termination of the agreement only for these premises. In this case the hiring person can demand the reduction of the rent within sensible limits. If the outfitting of those premises with new equipment is delayed, the lessee can demand the extension of the legal relations in respect of the auxiliari premises for a suitable period.

692.3 Substantial interests of the hiring out person imply only the grounds, indicated in the notification of agreement termination, provided that they will not be re-established later.

692.4 Hiring person can also terminate legal relations under hire agreement on apartment in the habitable building that consists mostly of two flats, and where he lives, even in absence of the conditions, provided by article 692.1 of this Code. In this case the notification period preceding the termination of the agreement is extended by three months. This shall apply to legal relations under hire agreement on dwelling premises within an apartment occupied by the hiring out person.

692.5 Agreement on hire of land concluded for the uncertain term can be terminated at the end of the calendar year, with observance of six months termination period.

695.6 In case, if hire agreement is concluded for more than 30 years period, each participant of legal relations under hire agreement after expiry of 30 years can give a notice of termination, with observance of notification periods stipulated by law. If the agreement is signed for the lifetime of the hiring out person or hiring person, termination is not allowed.

692.7 Other rights on hiring out person protection shall remain unchanged.

692.8 Consents on deviation from the regulations stipulated in the article 692 of this Code to the detriment of the hiring person, do not have a legal force.

692.9 Instructions of article 692 of this Code do not apply to the legal relations of hire agreement of:

692.9.1. a dwelling premise hired out on a temporary basis only;

692.9.2. a dwelling premise of an apartment to be outfitted by furniture and which is occupied by the hiring person, provided that the dwelling is not to be granted to any other family for longtime use;

692.9.3. a dwelling premise which a part of a student or youth hostel;

692.9.4 a dwelling premise in resort homes and rest homes, that are located in resorts and rest zones, with a condition when signing the agreement the hiring out person indicates to the hiring person the purpose of the dwelling premise;

692.9.5. a dwelling premise, hired by a legal entity complying all the obligations, in order to provide persons getting education or persons who are in a badly need of apartment.

Article 693. Extension of agreements validity, which determine the term of validity of dwelling premise hire.

693.1 According to legal relations under the agreements, which determine the validity period of dwelling premise hire, a hiring out person can require to extend these relations in the following cases:

693.1.1. if in accordance with this Code, there is a possibility to require the continuation of relations, upon termination of the agreement. When at the time of signing agreement a hiring out person was aware of the circumstances, which give grounds for return of the dwelling premise rented to the hiring out person, within

stipulated period, then in favor of the hiring out person will be taken only the circumstances, which arise after the conclusion of the agreement;

693.1.2. if under the hire agreement of dwelling premise, the period of validity of the legal relations is more than a year, and if the hiring person, by a written notification, demands the extension of these relations for uncertain period, not later than two month prior the termination of these relations, and if a hiring out person does not have a valid interest on termination of these relations. The article 692 of this Code is to be accordingly applied to the demand of the hiring out person to terminate the legal relations.

693.2 In the following cases the legal relations under the hire agreement of dwelling premise, with determined term of validity, shall be extended for an uncertain period of time:

693.2.1 if after the expiry of the hire period the hiring person continues to use the dwelling premise and within two weeks the hiring out person or the hiring person does not notify the other side of its opposite intentions. For the hiring person the period shall begin from the start of continued use, and for the hiring out person from the moment when this continuation becomes known to him;

693.2.2. if the termination is not carried out in accordance with article 692 of this Code.

693.3. Legal relations under the hire agreement of dwelling premise, concluded with a condition of delay, are considered that after the emergence of this condition, the legal relations are extended to an uncertain period. If after the emergence of mentioned condition the hiring out person issues a notification about the termination of agreement, and if the hiring person demands a continuation in accordance with the article 693.1 of this Code, in his favor will be taken only the circumstances, which arise after the conclusion of hire agreement;

693.4 Consent providing the deviation from the stipulations of article 693.3 of this Code to the detriment of the hiring person shall be valid only if a dwelling premise is hired out for temporary use.

Article 694. Termination of service apartment hire agreement

694.1 If a dwelling premise is hired out with regard to existence of professional relations, then the participants of the legal relations under the hire agreement can issue a notification on termination of the agreement until the professional relations cease or one month after they cease. In this case the termination should come into force at the end of the month following the month of the notification. If the notification on termination is not issued within this period, general rules shall apply.

694.2 In case of use of general rules, the rights of the party, with the right to a service apartment, should also be taken into consideration.

Article 695. Consequences of hiring person's death

695.1 In case of death of the hiring person legal relations under the hire agreement shall continue with other hiring out persons, if there are any. In case no other hiring out

persons exists legal relations shall be continued with their heirs. Next hiring out person or heir shall have the right to issue a notification on termination of legal relations under the hire agreement, with regard to the warning terms stipulated by law.

695.2 In case, if hiring person occupies the dwelling premise together with his/her wife (husband) or members of his/her family, after the hiring person's death the legal relations shall continue with his/her wife (husband) or members of his/her family. If within one month after the death of the hiring person, these members of the family inform the hiring out person that they do not have any intention to continue the legal relations under the hire agreement, it is considered that they are not a part to such relations. If the family has several members each one of them can issue a notice on his behalf. Where several members of the family take part in such legal relations they can execute the liabilities, proceeding from the legal relations, only together. They shall bear responsibility, as joint debtors, for the liabilities proceeding from these legal relations.

695.3 After joining the legal relations, wife (husband) of the hiring person or family members, shall bear responsibility, as joint debtors, together with the heirs, for the liabilities created before the death of hiring out person. Heir shall bear a sole responsibility in relations with the wife (husband) or members of the family of the hiring out person.

695.4 In case the heir, wife (husband) or members of family who join legal relations, provide weighty grounds for termination of hire agreement, hiring person can issue a notification on termination of hire agreement, with regard to warning terms stipulated by law.

695.5 Consents contrary to requirements of article 695 of this Code do not have a legal force.

Article 696. Hiring out person's right to make complaints

696.1 Where termination of legal relations under the hire agreement of dwelling premises result in some serious consequences for the hiring person and his family and it is impossible to justify this, even considering hiring out person's reasoned interests, the hiring person can appeal against the termination of the agreement and require the hiring out person to continue legal relations under that agreement. Serious consequences are also occurring at the time of impossibility to provide a proper dwelling premise instead of the previous premise. While accessing the reasoned interests of hiring out person only the grounds specified in the notification of termination shall be accepted, provided that they are not raised after.

696.2 In accordance with the procedure stipulated in article 696.1 of this Code, the hiring person can demand the continuation of legal relations for a reasonable period of time, taking into account all conditions. Where in accordance with current provisions of agreement, the continuation of legal relations for the hiring out person is not deemed possible, the hiring person can demand the continuation of legal relations upon the reasonable conditions alterations.

696.3. In case if no consent is reached by the parties, the decisions about continuation of legal relations and about the terms of the hire period and also about the hire continuation conditions, shall be made through judicial proceedings. In case if at the time of terminating legal relations, it is impossible to approximately calculate a period of

elimination of reasons that may lead to serious consequences for the hiring person or his family, the continuation of legal relations can be prolonged to an uncertain period. In case if prolongation of legal relations is determined upon the consent or the court decision, the hiring person can demand an additional continuation of the legal relations only when the alteration of the conditions in a considerable extent will provide grounds for such action or the circumstances, which will provide grounds for determination of prolongation terms of this relations will not arise.

696.4 In the following cases the hiring person cannot demand a continuation of legal relations:

696.4.1 in case he submits a notification on termination of legal relations;

696.4.2 in case the hiring out person has any reason that would allow him to terminate the legal relations, without observing determined notification terms.

696.5 Hiring person's notification about his intention to lodge complaint and to continue the legal relations shall be made in writing. At the request of the hiring out person, the hiring person has to immediately provide him with the grounds for the complaint.

696.6 In case if hiring person does not object the latest one month prior to the termination of legal relations or one month after receiving hiring out person notification about the right to protest, the hiring out person is entitled to refuse from continuation of legal relations.

696.7 Consents contrary to the requirement of article 696 of this Code do not have a legal force.

Article 697. Results of legal relations termination

697.1 Upon the termination of the legal relations the hiring person is obliged to return to the hiring out person the hired item. The hiring person of the land cannot keep the land upon the basis of the claims against the hiring out person. If the hiring person passes the item to the third party, upon the termination of the legal relations, the hiring out person can demand the third party to return the item.

697.2 If after the termination of the legal relations the hiring person does not return the hired item, the hiring out person can demand the determined rent payment for the period of the delay; in legal relations on premise hire he can instead demand compensation, which would be equal to the sum usually deposited in case of hiring similar premises on this territory. The right to demand compensation of other damages is not prohibited. But the hiring out person of the dwelling premises can demand the compensation of other damages, only if the item is not returned as a result of the circumstances where the hiring person is responsible; in this circumstances the damage is to be compensated fairly only in required amount. This provision shall not apply where the hiring person issues a notification on annulment of the agreement.

697.3 After the termination of the legal relations, the hiring out person has to return a preliminary rent made ahead for any term.

697.4 The hiring out person's claims to compensate the damage because of an exchange or worsening of hired out item, also the hiring person's claims about the compensation of

expenses, or to permit the seizure of some installation will lose its effect after six months due to time expiration. The term of hiring out person's claims about compensating his damages shall start from the moment of the returning the item. The term of the hiring person's claims shall start from the moment of terminating the legal relations. In case the hiring out person loses the right to return the item due to time expiration, his claims on compensation do not have a legal force.

Article 698. Hiring out person's lien right

698.1. Hiring out person of any plot of land or any premises has a right to pledge items, which are situated at this plot of land or in these premises, upon the requirements arising from the legal relations. The lien right cannot be executed on the future claims on compensation of damages and on payment of rent for a period longer than the current and next year. This right does not applied to items that cannot be pledge.

698.2 Removal of item from plot of land and premises cancels the hiring out person's right to pledge, but in case when the removal of the item is done without notifying the hiring out person or after his complaint, shall constitute an exception. If the item is removed within the framework of the lawful activity of the hiring person's enterprise or under usual conditions and the left items are sufficient enough for satisfying the hiring out person, the hiring person cannot complaint about removal of items.

698.3 Hiring out person can argue the removal of item that is under the lien right, even without referring the case to the court, and if he vacates the plot of land or premises he can start possess the item. If the property is removed without notifying the hiring out person or after his complaint, the hiring out person can demand them in order to return to the plot of land, and if the hiring person has vacated the plot of land or the premises can demand the right of possession. If he has not executed his right earlier in a judicial order, the lien right is to be cancelled a month after notifying the hiring out person about removing the item.

698.4 Hiring person prevent the execution of lien right of hiring out person by giving a guarantee; he can release any item from the lien right, by giving a guarantee in its value.

698.5 In case if any item, which is under the lien right of hiring out person, is being pledged for another creditor, the lien right, relating the rent on the period of more than one year before the sequestrate of item, cannot be used against the creditor.

Article 699. Alienation of hired out item

699.1. In case the ownership right passes to any third party (who purchased) the property after hired out of item to the hiring person, the person who purchased the property substitutes the hiring out person, with regard to all the rights and obligations, which proceed from the legal relations. In case of non-execution of obligations by the purchaser, the hiring out person bears responsibility as a purchaser's guarantor for the damage, which have to be compensated. This responsibility arises upon the conclusion of six months period, from the date that the transfer of ownership right is known to the hiring out person.

699.2 Where the ownership right transfers to any third party (purchaser) before the item is hired out to the hiring person, and if the purchaser undertakes to execute the

obligations, following from the hire agreement, the article 699.1 of this Code shall apply correspondingly.

699.3 If the hired out item is a dwelling premise and is sold by the hiring out person to the any third party, which is not the part of his family, after it is received by the hiring person, then the hiring person has a right in buying the item.

699.4 In case the already hired out item, after its assignment to the hiring out person, is encumbered by the rights or claims of the third parties, and if as a result of this the hiring person is deprived of a possibility to use the item in accordance with the agreement, article 699.1 of this Code shall apply correspondingly. If the rights or claims of the third parties prevent the hiring person from using the item in accordance with the agreement, the hiring person has a right to demand a prohibition of execution of these rights or claims.

Chapter 34. Lease

§1. General Provisions on Lease

Article 700. Lease agreement

700.1. Lease agreement is an agreement on lease of property. In accordance with the lease agreement the lessor (a person who leases property) assigns to lessee (who accepts the lease) besides the right to use the rented object or right, also the right to use and gain profits from it. Lessee is obliged to pay to lessee the determined rent.

700.2. Subjects of lease can be land, buildings, moveable items, rights and enterprises.

700.3. Unless other provisions follow from this chapter of the Code, the provisions of this Code shall apply to the lease of property, with exception of the lease of land.

Article 701. Equipment of lease item

701.1. Item for lease (lease object), as well as plot of land or enterprise shall be leased with its belongings. Where the participants of the agreement, in accordance with article 701.2 of this Code, do not make it condition to assign the belongings based on its appraised value the lessee must maintain all the belongings in the same condition as it was on a lease date. Lessor shall be obliged to replace any kind of belonging destroyed as a result of any cases for which lessee is not responsible. However, lessee is obliged to replacement items and animals related to belongings, which are subject to common wear, to an extent of proper business management.

701.2 Where the value of leased belongings is evaluated by the participants of the agreement or any third persons at the beginning of lease and lessee undertakes a liability to return the belongings upon termination of lease with its appraised value the following procedures shall be applied:

701.2.1. lessee shall be responsible for the risk of accidental destruction and accidental worsening of the belongings;

701.2.2. lessee may dispose of belongings` facilities within the framework of properly conduction of economy;

701.2.3. lessee must keep the belongings at a state corresponding to properly conduction of economy and change regularly in a needed volume. The facilities obtained by him shall be lessor`s property after they have been put together with the belongings;

701.2.4. lessee must return the current belongings to lessor upon termination of lease. Lessor may refuse from unnecessary and very expensive belongings for the leased object, in accordance with procedures of properly conduction of economy; property right to the renounced facilities shall pass to lessee from the moment of renouncement;

701.2.5. when there is a difference between general appraised values of accepted and renounced belongings it shall be compensated with money. The prices being valid at the time of termination of lease shall be taken as bases for appraised value.

Article 702. Mortgage right of lessee

702.1. In accordance to the requirement related to the animal bought by lease and aimed against lodger, the lessee of plot of land shall have the mortgage right of belongings entered his ownership.

702.2. Lessor may prevent implementation of lessee`s mortgage right only by providing a guarantee. Lessor may free from mortgage right any separate belonging by providing a guarantee in amount of its value.

Article 703. Restrictions of possession right over the belongings of leased item

The agreement provisions which entrust the Lessee of any plot of land or enterprise with the obligation not to execute possession over the belongings` facility or to execute possession over them upon the consent of the Lessor or to sell them to lessor shall be valid only in case if lessor undertakes to obtain these belongings on appraised value upon termination of lease agreement.

Article 704. Lease agreement termination

704.1. In case at the time of concluding the agreement of lease of any plot of land, right or enterprise the lease term is not determined the termination of the agreement is permitted at the end of the year, provided that at least six-month notice term is observed.

704.2. In accordance with the article 691 of this Code, Lessee does not have the right to terminate the agreement.

Article 705. Delay of leased item return

In case if after termination of legal relations of lease, lessee does not return the leased object, lessor may require payment for the term of storing of object in amount of a part of annual lease payment determined as compensation corresponding to the part on lease benefits gained or could be gained by lessee during that year. Claim for compensation of other losses is also not excluded.

§2. Land lease agreement

Article 706. Contents of land lease agreement

706.1 In accordance with land lease agreement lands of all categories under state, municipal and personal property may be leased.

706.2 Lands may be leased in accordance with the procedure established by the land legislation directly or by means of land tenders or auctions upon the decision (consent) of owners or of their authorized bodies.

706.3 Space, quality category, assignment of land, lease term, lease payment, payment procedure, terms of utilization, protection, improvement of quality of lands, as well as other conditions specified in land legislation and in this Code can be envisaged in land lease agreement.

706.4 Articles 700.1, 701, 702 and 703 of this Code and also conditions of this paragraph are applied to land lease agreements.

Article 707. Description of lease agreement

707.1. Before entering into legal relations on lease agreement lessor and lessee together must compile the description of land for lease. Size of land, as well as its state at the time of delivery shall be specified in the description. The description shall also be compiled upon termination of legal relations as well. The description has to include the composition date and to be signed by both participants of the agreement.

707.2. Where one of the participants of the agreement refuses from participation in its compiling or disputes in the process of compiling arise any participant of the agreement may require that the description be compiled by an expert, however the cases that passed more than nine months from the date of lease of land or more than three months from the date of termination of legal relations on lease shall be exception. In such cases an expert may be appointed obligatorily upon the claim of one of the parties by the decree of court. Related charges shall be paid equally by the both participants of the agreement

Article 708. Liability upon the state of leased land and its industrial assignment

708.1. Lessor must present to lessee the land of lease based on an agreement in state of fitness for use and must keep it in that condition during the whole lease period, provided that this obligation should not be imposed on lessee, in accordance with article 708.2 of this Code.

708.2. Lessee shall be obliged to use the leased land in accordance with its industrial assignment in required order. He must carry out current repair of item, as well as living and industry buildings, roads, channels, drainage systems and fences at his own account.

708.3. Instructions of articles 676 and 677 of this Code shall be applied correspondingly to lessor's responsibility for existence of faults of leased land and claims and rights of third persons, as well as to the rights and liabilities of lessee created as result of these faults.

Article 709. Forfeiture and tax

Until otherwise considered in lease agreement, lessor must pay the loading of leased land and taxes withdrawn from them, in accordance with the procedure specified by land and tax legislation.

Article 710. Land lease rent

710.1. Land lease payment shall be determined with the consent of the parties.

710.2. The lower rate on lease of land under state and municipal property shall be determined depending on their assignment, space, geographical location and quality, in accordance with the standards approved by the respective executive body.

710.3. Forms and procedures of lease rent shall be determined by land lease agreement.

Article 711. Measures for maintenance or improvement of leased land

711.1. Lessee must allow carrying out necessary works in the leased land with aim to protect it.

711.2. Lessee must allow carrying out necessary works in the leased land, provided that these works do not cause him negative results, which can be justified even with substantial interests of lessor. Lessor shall be obliged to pay to lessee compensation for the loss incurred as a result of these works in a reasonable amount possible under that condition. Lessor must pay to lessee advance at his request. Where lessee gains or can gain, in case of proper industry conduction, higher profit as a result of these works lessor may require that lessee should give consent for possible increase of lease payment, however the cases which lessee cannot allow for this kind of increase due to the state of enterprise shall be exception.

Article 712. Use of leased land by third parties

712.1. Lessee shall not have the right without lessor's permission to:

712.1.1. give land for the use of third persons, as well as lease at second hand;

712.1.2. give land completely or partially to any agricultural union for joint use.

712.2. Where lessee assigns the leased land to any third person at second hand he shall bear responsibility for the fault created as a result of impact made by third person at the time of its use, even if lessor permitted the lease of land to third person at second hand.

712.3 Lessee may change the assignment of leased land only upon the advance permission of lessor. Lessor's advance permission for changing the previous type of use of leased land shall be required only, in case this change impacts to the type of use after lease term. Construction of building by lessee shall be allowed only upon lessor's beforehand permission. In case lessor refuses from giving permission this permission may be replaced with the court decree upon the lessee's appeal, provided that the change should be useful for protection of profitability or lasting improvement and take into consideration lessor's interests. Where lease agreement is canceled or legal relations on lease are terminated earlier than three years this provision shall not be applied. Permission may be replaced by the decree of court on executing certain terms or liabilities; for example, the court may issue an order about the guarantee, as well as may

determine the sort or amount of guarantee. In case if grounds to provide a guarantee disappearance the court may issue order on reimbursement of payment based on the appeal of the party.

712.4. Where lessee, reduces the equipment price accepted on appraised value, in accordance with article 701.2 of this Code, at significant extent as a result of changing the type of use of leased land, lessor may require payment of money compensation even at the period of lease, however the cases of usage of funds from the amount gained from selling of objects of the equipment for implementation of improvement shall be the exception.

Article 713. Non-compliance use of leased land to terms and conditions of agreement

Where lessee's usage of leased land does not correspond to the terms and conditions of the agreement and in spite of lessor's warning lessee continues such usage, lessor may lay a claim about lessee's non-execution of his agreement liabilities and may require compensation for the loss incurred as a result of this and (or) terminate the agreement without waiting for the term of warning.

Article 714. Expenses and installations of land lease

714.1 Lessor shall be obliged to pay to lessee compensation for necessary expenses, in accordance with article 680 of this Code.

714.2 Where legal relations on lease are terminated lessor must compensate to lessee the agreed expenses and also other expenses that increase (increase of value) the value of leased land after lease term. In case lessor refuses to agree on expenses the agreement may be replaced by the order of court upon the lessee's petition, provided that that these expenses should be useful for profitability protection of the enterprise or appropriate for lasting improvement of it and to be suitable for lessor by taking into account his basic interests. Where the lease agreement is terminated or land lease legal relations are terminated even earlier than three years the provision shall not be applied. The consent may be replaced by the decision of court on execution of certain liabilities. The court may also make a decision about the increase of value and determine its amount. The court may define that lessor should pay the increased value in parts. At the same time the court may determine the conditions of parts payment of such values. In case at the time of termination of lease legal relations lessor is not able to compensate the value increase even in parts the lessee may only require that the previous terms of lease legal relations be continued until the compensation of value increase is compensated. In case consent is not reached, court upon the claim of the party makes a decision on continuation of lease legal relations.

714.3 Lessee shall have the right to remove the installation attached to land. Lessor may prevent the withdraw of the installation by means of permissible amount of compensation, provided that lessee doesn't have basic interest in withdrawing the installation. The consent of lessee about exception of withdraw right of installation shall be valid in case permissible amount of compensation is considered.

Article 715. Term of claim on land lease agreement

715.1. Claims of lessor on compensation for changing or becoming worse of leased land as well as lessee's claims on payment of compensation in accordance with article 714 of

this Code or withdrawal of installations shall lose force after six months because of term expiry..

715.2. Term of lessor`s claims on compensation for lease shall start since the date the land is received back. Term of lessee`s claims shall begin since the date of termination of lease legal relations.

715.3. Where right of return is revoked because of term expiry lessor shall be deprived of the claims on payment of compensation for losses as well.

Article 716. Lessor`s pledge right

In accordance with the requirements proceeding from legal relations on lease of land lessor shall have the pledge right over the items installed by lessee on the leased land, as well as the benefit gained from the leased item. ~~Pledge right cannot be exercised for future claims on compensation.~~ Pledge right shall not be applied to property of lessee and his family, which is necessary for them as a living means till next production, as well as the items necessary for current use of the leased land in accordance with economy assignment. In this case instructions of article 698 of this Code shall be applied. [\(12\)](#)

Article 717. Co-ordinations of land lease agreement

717.1. Where the terms and conditions taken into account basic for determination of agreement liabilities upon signing of agreement changed at an extent that can be the reason for creation of big disproportion among mutual liabilities, any participant of the agreement, with exception of lease term, may require changing of the agreement terms. Where income gained from leased property increases or decreases as a result of executing the economy by lessee changing of lease payment cannot be required, in case no other conditions are determined.

717.2 Changing of agreement terms cannot be required until two years pass from the date of start of lease or entering into effect of final agreement liabilities` amendment. This article shall not be applied in case devastating natural calamities not having as usual insurance protection change radically the proportion of agreement liabilities.

717.3 Changing of agreement conditions cannot be required earlier than the lease year in which the notice about it issued.

717.4 Where one of the participants of agreement doesn`t give his consent for changing of agreement terms and conditions the other participant may lay a claim to court about replacement of this consent with a decision of court.

717.5 In accordance with this article right of claim for changing agreement conditions cannot be excluded. Consent of one of the participants of this agreement considering creation of special negative results or superiority for him under exercising or not exercising of his right in accordance with this article shall not have force.

Article 718. Alienation and loading of leased land

Article 699 of this Code shall be used in case the leased land is sold or loaded by rights or requirements of third parties.

Article 719. Terminations of land lease agreement and extending of its validity. Termination of agreement

719.1 Legal relations on land lease agreement shall be terminated upon expiry of agreement term.

719.2 Where the land lease agreement is signed at least for three years term the legal relations on this agreement shall be extended for an uncertain period of time, on condition that upon one of the participants' request the other participant doesn't refuse within three months from continuation of such relations. The request and refusal shall be compiled in written. In case the request doesn't directly specify the results of non-observing it and the notice is not provided within the third year of lease it shall not be valid.

719.3 Where the lease term hasn't been defined any participant of the agreement may terminate the agreement no later than the third working day of any lease year. At the same time, termination shall enter into effect at the end of the following lease year. In case of doubt the year of lease shall be considered the calendar year. An agreement on determination of a shorter term shall be concluded in a written form. In cases of possibility of advance termination of lease agreement by taking into account the term of warnings specified by law the termination shall be allowed only at the end of the lease year; the notice related to termination must be issued no later than the third working day of the lease half-year in which lease is to be terminated.

719.4 Where the lease agreement is concluded for more than 30 years period any participant of the agreement after 30 years may submit a notice on termination of agreement no later than third working day of any year of lease by entering into effect for the end of following year of lease.

719.5 Where lessee loses working ability, in case lessor does not agree with the assignment of leased property at second hand to any third person for lease to provide necessary use of it in accordance with economy assignment, lessee may terminate legal relations on lease by taking into account the term of warning. Consent which contradicts this regulation does not have a legal force

719.6 Where the lessee dies his heirs, as well as the lessor shall have the right to issue a notice of termination of agreement six months in advance by entering into effect for the end of the quarter of the calendar year. The heirs may make a complaint about termination of agreement by lessor and require the provision of continuation of legal relations on agreement only, in case there is a probability that they or their heritage companies or any third person who are commissioned with it shall provide necessary use of leased property in accordance with its economy assignment. In case the heirs don't make a complaint at least three months before the lease term expiry and don't deliver information about the cases assuming that the leased property will be necessarily used in accordance with its economy assignment, lessor may refuse from continuing of the legal relations on the agreement. The notice or information about the refusal shall be compiled in written. In case no consent is reached the court shall make a decision based on a claim.

719.7 In cases specified by articles 677.1.4, 681.1 and 686 of this Code, termination of the agreement shall be allowed without observing the warning terms. Where lessee delays lease payment or main part of this payment for more than three months lessor may immediately terminate the agreement as well. In case the lease agreement is defined for

the term less than one year, the termination of the agreement shall be allowed only, in case lessee does not carry out lease payment for two regular terms of lease or a substantial part of it. In case the lessor is provided with payment before reaching that term the agreement termination may be excluded. In case lessee becomes free from the debt by paying it within mutual substitution and immediately delivers information about it upon the notice of termination, termination shall not be valid.

719.8. Notice of termination shall be compiled in written.

Article 720. Continuation of legal relations on land lease

720.1 Lessee may require lessor to continue the legal relations on lease agreement in the following cases:

720.1.1. in case of lease of enterprise, which founds economical base of lessee's existence;

720.1.2. in case of lease of plot of land lessee cannot keep the enterprise founding economical bases of his existence without this area and termination of legal relations on agreement can cause negative results for the lessee and his family, which cannot be justified even with lessor's basic interests.

720.2 In cases stipulated by article 720 of this Code lessee can require that the lease agreement be continued for a permissible term by taking into account all circumstances. If lessor cannot give consent for continuation of legal relations with previous conditions the lessee may only require for continuation of legal relations with conditions changed in possible manner. This kind of prolongation may be required repeatedly.

720.3 Lessee may require continuation of legal relations on lease agreement in the following cases.

720.3.1. in case he issues a notice about termination agreement;

720.3.2. in case lessor has the right of immediate termination;

720.3.3. in case agreement on lease of enterprise, additional plots of land contributing foundation of the enterprise or swamp land cultivated by lessee or virgin land is signed at least for 18 years term and an agreement on lease of other plots of land are signed at least for 12 years term;

720.3.4. in case lessor intends to return back the plot of land leased to lessee with the aim to use it again or use it for tasks specified by law or for execution of other state obligations.

720.4 The notice of lessee requiring continuation of legal relations on lease agreement shall be compiled in written form. Lessee, at request of lessor, shall immediately submit to him bases for requirement of continuation of legal relations on land lease agreement.

720.5 Lessor may deny continuation of legal relations on agreement, provided that lessee does not require continuation of legal relations within at least one year before termination of them or refuses from requirement of continuation of legal relations as a response for the request of lessor, in accordance with article 719.2 of this Code. In case the term of

warning is determined for 12 months or less than that, putting forward of the requirement on continuation of relations within one month upon receipt of notice of warning shall be valid.

720.6 Where there is no consent reached, the court based on a claim shall make a decision about continuation of legal relations, lease term and conditions of continuation of those relations. However, the court, calculating from the beginning of the start of legal relations, may make a decision about continuation of legal relations on agreement until the date not going beyond the terms specified in article 720.3.3 of this Code. Continuation of legal relations on agreement may also be limited with one part of the leased land.

720.7 Lessee must submit to court an application no later than nine months before the term of termination of legal relations on agreement (in case term of warning is defined for twelve months or more shorter term) and two months after entry of notice of termination to court. In case it is considered possible with the aim not to cause negative results and if the effective term of the land lease agreement is not expired the court may allow delay of application entry to the court.

720.8. In accordance with article 720 of this Code, right of requirement on continuation of legal relations can be excluded only, in case of submission of an application to court, with the aim to put an end to argument about legal relations and about refusal of this requirement. Consents considering creation of specific negative results or superiority for one of the participants of the agreement as a result of executing or non-executing by him his rights shall be not effective.

Article 721. Termination and liquidation of land lease agreement in advance

721.1 Where participants of land lease agreement have rights for termination of land lease agreement in advance, they will also have this right after extending the term of legal relations on lease or making amendments to the agreement.

721.2 Based on the claim of one of the participants of the agreement, the court may make a decision about the procedure of liquidation of the land lease agreement validity of which is revoked in advance or partially. In case the validity of land lease agreement is extended for any part of the leased land the court may determine lease payment for that part.

Article 722. Return of leased land

722.1. Upon termination of legal relations on the agreement, lessee shall be obliged to return to lessor the leased land in a state to be suitable for the time of return after necessary use of leased land in accordance with its assignment. Lessee shall not have the right to keep the plot of land against his claims to lessor. In case lessee has assigned the leased plot of land for the use of any third person lessor may require the same third person to return the land, upon termination of legal relations on the land lease agreement.

722.2 Where the legal relations on land lease agreement are terminated during any year of lease, lessor must pay to lessee the value of benefits not yet gained, but can be obtained by the end of the year of lease due to procedures of necessary conduction of economy. In this case the risk related to production must be taken into consideration in reasonable manner. If, determination of benefits is not possible due to reasons connected

with the season, lessor must pay compensation for lessee's expenses on these benefits at an extent corresponding to procedures of necessary conduction of economy. This regulation applies to the trees, which should be cut but not cut yet. In case lessee cut down more trees than the procedures of necessary use allow he must pay the value of trees cut down additionally. Claims on payment of compensation for other loss shall not be excluded.

722.3 Upon termination of legal relations, lessee must give production from remaining agricultural products in amount necessary for continuation of economy till the following production, even if, he did not accept such production while entering into legal relations. In connection with this, in case lessee has to give production in more amounts or with better quality compared to the production received while assigning to him land of lease, he may require lessor to pay the value.

722.4 Where upon termination of legal relations on agreement lessee does not return the leased land, lessor may require as compensation lease payment for the keeping term. Claims on payment of compensation for other loss shall not be excluded.

Chapter 35. Franchising

Article 723. Franchising agreement

Franchising agreement is a sort of long-term liabilities relation basing on which independent enterprises when necessary mutually undertake through executing of specific obligations to provide contribution in production, sale of goods and provision of services.

Article 724. Obligations of franchise assignor

724.1 Franchise assignor undertakes to deliver to receiver of franchise the non-material property rights of standard form, commodity (trade) marks, goods samples, tares, production, obtaining, selling and conception of activity organization, as well as other information necessary to help in selling in the manner he uses.

724.2. Franchise assignor undertakes to protect the joint activity system from third persons, improve it uninterruptedly and support franchise receiver by means of business practices and training.

Article 725. Obligations of franchise receiver

725.1. Franchise receiver must pay the hire calculated taking into account the trouble taken for franchising implementation system and operate as an honest entrepreneur, must receive services and obtain products directly through franchise assignor or the persons showed by him in cases directly connected with the agreement goals.

725.2. Where franchise receiver makes entry payment while signing the agreement and this fee was not included in the franchise hire account, franchise assignor undertakes to return this fee while terminating the agreement.

Article 726. Duty of nondisclosure of entrusted information

While signing franchise agreement, parties must acquaint each other plainly and completely with conditions related to franchise, especially with franchise system and

honestly inform each other. They are obliged not to disclose information even if agreement is not signed.

Article 727. Franchising agreement form

Franchising agreement must be concluded in written form. In the agreement parties must specify exactly mutual obligations, agreement term, termination or prolongation conditions and other important elements of agreement and must describe franchise agreement completely.

Article 728. Term of franchise agreement

728.1. Parties determine franchise agreement term by taking into account the demand related to sale of goods and services.

728.2. Where the term of agreement is more than ten years either party is entitled to terminate the agreement by taking into consideration one-year term necessary for termination. In case neither party exercises this right for termination of the agreement, the agreement is considered to be extended for two years. Where the agreement is terminated as a result of its term expiration or by initiative of parties, the latter must aim to extend the term of agreement with the previous or altered conditions up to the date of actual completion of mutual business relations with taking into consideration the principle of mutual confidence.

Article 729. Fair competition

729.1. Parties are obliged to compete with each other fairly even upon completion of agreement relations. In this connection, carrying out a competition by franchise receiver within the boundaries of a certain area may be forbidden for one-year term at the most.

729.2. Where prohibition of competition may cause danger for franchise receiver's professional activity it must be paid relevant financial compensation in spite of completion of the agreement term

Article 730. Responsibility of franchise assignor

Franchise assignor is responsible for rights and information stipulated by franchise system. In case franchise assignor fails to execute agreement obligations franchise receiver may reduce compensation payment. Amount of reduction must be flatly defined basing on the opinion of an independent expert. Expenses upon it are borne by parties.

Article 731. Provisions applied to legal relations of franchising

731.1. In case the subject of franchise agreement constitutes granting of rights on use of intellectual property, the provisions of legislation on copyright and related rights, as well as on patent rights are applied to such relations.

731.2. Where franchise receiver is permanently engaged in spreading products of franchise assignor or any enterprise related to franchise assignor, provisions about commercial representation and concession agreement hereof are applied.

731.3. Where participants of franchise agreement undertake other obligations (including buying and selling, property rent, contract and services provision) in respect of parties' legal relations, conditions about such contract types hereof are applied.

Chapter 36. Gratis use

Article 732. Agreement on gratis use

Under agreement on gratis use lessor undertakes to give any item for use of lessee and lessee undertakes to return the same item to lessor; at the same time parties to the agreement must execute these obligations gratis.

Article 733. Responsibility of lessor hiring out an item for gratis use

733.1. Lessor leasing an item for gratis use is responsible before lessee only for actions or faults committed deliberately or due to gross negligence.

733.2. Where lessor intentionally conceals the existence of any rights or claims of third parties in respect of or defect of an item hired out he undertakes to pay to lessee compensation for the loss incurred as a result of this.

Article 734. Keeping of an item accepted for gratis use

734.1. Lessee must pay urgent expenses that are necessary for current maintenance of an item accepted for gratis use. Lessor's obligation on payment of compensation for other charges is determined in accordance with instructions on actions in the interests of others and on unjust enrichment.

734.2. Lessee is not responsible for changing or deterioration of an item accepted for gratis use within the framework of agreement.

Article 735. Use of an item accepted for gratis use in accordance with conditions of agreement

Use of an item accepted for gratis use by lessee in the purposes other than specified in agreement is prohibited. Lessee has no right to transfer an item for use by third persons without the permission of lessor.

Article 736. Obligation of returning of an item accepted for gratis use

736.1. Lessee undertakes to return an item accepted for gratis use upon expiration of the term stipulated by agreement.

736.2. Where the term for gratis use is not determined, lessee must return an item after using it in accordance with the gratis use purposes. In case the term sufficient for gratis use of an item by lessee expires lessor may require earlier return of an item hired out.

736.3. Where the term of lease is not determined or it is impossible to define it basing on gratis use purposes lessor may require returning of an item hired out for gratis use any time.

736.4. Where lessee transfers an item accepted for gratis use to third persons' use, in case of doubt lessor may also any time require third persons to return an item.

Article 737. Untimely termination of legal relations under agreement on gratis use

Lessor may untimely terminate the agreement on gratis use in the following cases: (i) if there is a need in an item hired out for gratis use as a result of unexpected circumstances, (ii) if lessee uses an item violating terms and conditions of agreement, as well as transfers an item to third persons for use or an item runs serious danger as a result of insufficient conscientiousness of lessee and (iii) if lessee deceases.

Article 738. Terms of agreement on gratis use

Rights of lessor to repair damage incurred as a result of changing or deterioration of an item hired out for gratis use, as well as right on repairing of necessary expenses borne by lessee become invalid after six months because of expiration of statute of limitation.

Chapter 37. Loan

Article 739. Loan agreement

739.1. According to loan agreement one party (creditor) undertakes to transfer to possession of another party (borrower) money or other substitutive items, and borrower undertakes to return the same amount of money or similar quantity of items of the same sort and quality.

739.2. Where the subject of loan agreement is any money amount, it is called a credit agreement. Persons engaged in lending of money loan in the form of independent professional activity must follow provisions on lending loans additionally in professional manner.

Article 740. Form of loan agreement

740.1. *The loan agreement shall be concluded verbally or in writing by mutual agreement of the parties.*

740.2. *If the loan agreement subject exceeds the sum of three thousand manats or party of the agreement, regardless of its amount, is a legal entity, then loan agreement shall be concluded in writing. (65)*

Article 741. Interests on loan agreement

Where the participants of agreement agree upon granting interest-bearing loan, the interest must be paid in proper manner at the end of one year, in case the loan is subject to return upon ending of one year interest payment must be accomplished at the same time with the loan returning.

Article 742. Termination of loan agreement and return of loan

742.1. In case the return time is not determined by loan agreement the loan must be returned by creditor or borrower upon termination of loan agreement.

742.2. Term of notification about termination of loan agreement for loans in amount of *one hundred ten manats*, consists of three months, for less amount loans it consists of one

month. In case interest on loans were not agreed borrower is entitled to return the loan even without giving of termination notice. (32)

Article 743. Right of requirement of immediate repay of loan

Where the property condition of borrower becomes worse significantly, and this causes a danger for return of loan, creditor may require its immediate return. This right is also valid if creditor's property condition becomes worse before conclusion of agreement and for creditor it is valid only when it becomes known to creditor upon conclusion of loan agreement.

Article 744. Special right of borrower for termination of agreement

744.1. Borrower may terminate completely or partially a loan agreement with agreed constant interest for certain term in the following cases:

744.1.1. in case of complete repayment of interests before termination of the term determined for repayment of loan and if no new agreement on interest rate was approved — with coming into effect not earlier than by the end of the day of interests dependence termination, provided that one month term of termination notification is observed;

744.1.2. in case of conditionality of interest rate for certain periods of time, including year period — with coming into effect accordingly by the end of the day of termination of interests dependence, provided that one month term of termination notification is observed;

744.1.3. in case loan is given to a physical person — with coming into effect not earlier than by the end of nine months term after obtaining of loan, provided that three months term of termination notification is observed; if loan is guaranteed with right related to land ownership or is considered completely or mainly for carrying out independent craft activity in manner of mastership or professionalism;

744.1.4. in any case - ten years after obtaining of loan provided that six months term of termination notification is observed. If upon obtaining of loan the term of its recovery or interest rate is conditioned again then date of conclusion of that agreement replaces the payment term.

744.2. Borrower may terminate the agreement on changing of interest rate any time with observance of three months notification term.

744.3. If borrower by the end of completion day of the termination notification term do not repay loan to creditor then termination is considered incomplete by borrower.

744.4. Termination rights of a borrower according to this Article can not be limited or raveled. This provision do not apply to loan agreements of the Republic of Azerbaijan, its state Bodies or municipalities.

Article 745. Creditor's termination rights

If during the agreement term property condition of another participant becomes worse significantly and this may lead to problems with loan's repayment then creditor may cancel loan granting notification before granting or repayment of an item promised on loan or amount.

Article 746. Promise to grant a loan

Where the promise to grant the loan is made creditor may surrender it in case if deterioration of property condition of another party may cause danger of loan's non-repayment. Promise of loan's granting must be drawn in written.

Chapter 38. Leasing

Article 747. Leasing agreement

747.1. According to leasing agreement leasing giving person undertakes to give certain item in use of leasing obtaining person for a *specialty agreed fees, definite periods and other provisions (including granting the right for property redemption to leasing obtaining person)*. Leasing obtaining person undertakes to pay remuneration according to the periods determined.

747.2. Leasing giving person undertakes to produce or acquire property provided for in agreement.

747.3. According to leasing agreement leasing obtaining person may be entrusted with obligation to acquire or rent item to be leased after expiration of agreement term or such right may be granted under the condition that agreement does not terminate with its subject's complete depreciation. The fact of depreciation should be taken into consideration in all cases during calculation of final cost. If there is no relevant provision in agreement leasing obtaining person has a right to obtain a subject of leasing. (2)

Article 747-1. Subjects of leasing agreement

747-1.1. The subjects of the leasing agreements are the leasing provider, leasing recipient and seller (supplier).

747-1.2. Leasing provider is the legal entity or natural person, which provides the item obtained on the basis of leasing agreement with application of his own or attracted financial means and at his ownership, as an object of leasing to the leasing recipient for established fee, certain period and under certain conditions (including provisions of transfer or non transfer to the leasing recipient of ownership rights) for temporary ownership or use.

747-1.3. The leasing recipient is a legal entity or natural person, which in accordance with leasing agreement accepts the subject of leasing for certain payment, established period and provisions for temporary ownership and use.

747-1.4. Seller (supplier) is a legal entity or natural person, who is accordance with sale and purchasing agreement sells the subject of leasing to the leasing provider.

747-1.5. Any resident or non-resident of the Republic of Azerbaijan can be the subject of the leasing agreement in accordance with procedures and in cases, established under this Code. (2)

Article 747-2. Object of leasing

The objects of leasing can be movable or immovable items, classified under legislation as main assets, with exception of items, which in accordance with legislation of the Republic of Azerbaijan are excluded from free civil circulation or have a limited civil circulation. (2)

Article 747-3. Forms of leasing

747-3.1. Main forms of leasing regulated under this Code are the domestic and international leasing.

747-3.2. In implementation of domestic leasing the leasing provider and leasing recipient are the residents of the Republic of Azerbaijan.

747-3.3. In implementation of international leasing the leasing provider and leasing recipient (or both) are non-residents to the Republic of Azerbaijan. (2)

Article 747-4. Sub-leasing

747-4.1. Sub-leasing is documented by the sub-leasing contract.

747-4.2. At sub-leasing the leasing recipient under the leasing agreement shall transfer to third parties (leasing recipients under subleasing contract) to ownership and use for payment and for the period specified in the sub-leasing agreement the object of the leasing received earlier from the leasing provider under the leasing agreement.

747-4.3. During the transfer of item under sub-leasing requirements to the seller are transferred to the leasing recipient under the sub-leasing agreement.

747-4.4. During the transfer of the object of leasing under sub-leasing the written consent of the leasing provider is required. (2)

Article 747-5. Legal formats of leasing operations

747-5.1. The legal formats of leasing operations are the leasing agreement, made by and between the leasing provider and leasing recipient and sales agreement made by and between the leasing provider and seller, or three-sided agreements made between the parties in accordance with Article 747-5.2. of this Code and other provisions related to leasing.

747-5.2. The sales agreement made in regards with leasing along with provisions stipulated under this Code following shall be indicated:

747-5.2.1. object of leasing is purchased by the leasing provider specifically for provision for leasing;

747-5.2.2. *leasing recipient, unless otherwise is specified under the leasing agreement, shall hold the rights of the buyer, arising from sales agreement, made by and between the seller of the object of leasing and leasing provider. (2, 43)*

Article 748. The form of leasing agreement

748.1. *Leasing agreement is executed in writing.*

748.2. *The following should be stated in leasing agreement:*

748.2.1. *form of leasing and contract title;*

748.2.2. *precise description of the object of leasing;*

748.2.3. *scope of rights provided on the object of leasing.*

748.2.4. *location and procedure for submission of leasing object;*

748.2.5. *term of the leasing agreement;*

748.2.6. *procedure for balance registration of leasing object;*

748.2.7. *procedure for maintenance and repair of the object of leasing;*

748.2.8. *list of additional services which shall be provided by the leasing provider under the leasing agreement;*

748.2.9. *total amount of leasing payments and amount of the premium of the leasing provider;*

748.2.10. *Schedule of leasing payments, reflecting the procedure for settlements. The procedure for settlement of the leasing payments in the event of early execution of the leasing agreement;*

748.2.11. *Unless otherwise is stipulated under the agreement, responsibilities of parties for risk insurance of the object of leasing in relation with the leasing agreement.*

748.3. *In the leasing agreement shall be established circumstances which are considered by parties as an unquestionable and obvious violation of responsibilities and which result in termination of the leasing agreement, shall be indicated procedures for settlements between the parties and impressment of the object of leasing.*

748.4. *Leasing agreement may stipulate right of the leasing recipient to extend the term of leasing agreement with retention or amendment of the provisions of leasing agreement. (2)*

Article 748-1. Rights and responsibilities of the participants of leasing agreement

748-1.1. *Leasing provider shall provide to the leasing recipient the property, which forms the scope of leasing in the condition specified by the leasing agreement and destination of this property.*

748-1.2. If leasing recipient accepting the property will find any sort of deficiency he shall note about it in the protocol and inform the leasing provider to issue the requirement to sellers of such property legal entities and natural persons requirement for correction of deficiency.

748-1.3. Leasing recipient is entitled to issue directly to the seller of the object of leasing requirements for the quality and setting of the object, delivery terms and other requirements, stipulated under the sales agreements between the seller and leasing provider.

748-1.4. For insufficiencies of the object of leasing, transferred to temporary ownership and disposal, which have been indicated during making of agreement or about which the leasing recipient was informed in advance, or which can be found by the leasing recipient during the inspection of the object of leasing or during making of agreement, inspecting its order, the leasing provider has no responsibility.

748-1.5. Upon the enforcement of the leasing agreement the leasing recipient (relatively leasing provider) shall be entitled to freely require from the leasing provider (relatively leasing recipient) of implementation of obligations under the leasing agreement and in the event of their non-execution to claim in the court for compensation by the leasing provider (relatively leasing recipient) of losses, incurred during preparation for acceptance of the object of leasing, provided that costs are associated for such acceptance.

748-1.6. Guarantee maintenance of the object of leasing shall be implemented by the seller, provided that it stipulated under the sales agreement.

748-1.7. Leasing recipient shall perform the technical maintenance, middle and routing repair of the object of leasing at his own expense, unless otherwise is stipulated under the leasing agreement. Major repair of the property, which is the object of leasing, shall be provided by the leasing provider, unless otherwise is stipulated under the leasing agreement.

748-1.8. Upon the termination of the leasing agreement the leasing recipient shall return to the leasing provider the object of leasing in the condition in which he received it, with normal wear or depreciation, stipulated under the leasing agreement.

748-1.9. If the leasing recipient did not return the object of leasing or returned it not on time, the leasing provider is entitled to request payments for the time of delay.

748-1.10. In the event when the leasing recipient under the written consent of the leasing provider at his own expense has performed any improvements on the object of leasing, detached without damage to the property of leasing, the leasing recipient shall be entitled upon termination of the leasing agreement to request the compensation for the costs of such improvements, unless otherwise is stipulated under the leasing agreement.

748-1.11. In the event if the leasing recipient without written consent of the leasing provider has performed at his own expense any improvement on the object of leasing, which can not be detached from the object of leasing without its damaging, the leasing recipient shall not be entitled upon termination of the leasing agreement to request the compensation for the costs of such improvements.

748-1.12. The leasing provider is entitled in following cases and unconditionally take the funds and object of leasing, terminating the validity of the leasing agreement before time:

748-1.12.1. if operational conditions of the object of leasing by the leasing recipient is not in compliance with terms of agreement or purpose of the object of leasing;

748-1.12.2. if leasing recipient without consent of the leasing provider performs sub-leasing;

748-1.12.3. if the leasing recipient does not maintain the object of leasing in appropriate condition, deteriorating its operational/consumer properties;

748-1.12.4. if the leasing recipient failed to perform payments for use of the object of leasing, stipulated under the contract, more than two consecutive times.

748-1.13. Other rights and responsibilities of the participants of leasing agreement are regulated under the Civil Code of the Republic of Azerbaijan. (2)

Article 748-2. Ownership relations during the leasing

748-2.1. The object of leasing transferred to the leasing recipient for temporary use or ownership shall remain the property of the leasing provider.

748-2.2. Unless otherwise is stipulated under the agreement, rights for use and ownership of the object of leasing shall be transferred to the leasing recipient at full scope.

748-2.3. In events, stipulated under article 748-1.11 of the Code hereof and leasing agreement, the leasing provider is entitled to take the object of leasing from the disposal and use by the leasing recipient.

748-2.4. Detachable improvements of the object of leasing implemented by the leasing recipient shall constitute his property, unless otherwise is stipulated under leasing agreement.

748-2.5. In financial leasing the right of ownership on the object of leasing is transferred to the leasing recipient, unless otherwise is stipulated under the financial leasing agreement, before expiry of the term of agreement provided that all leasing payments are made. (2)

Article 748-3. Registration of the object of leasing

Object of leasing, transferred to the leasing recipient on the basis of financial leasing, shall be registered in the balance of the leasing provider or leasing recipient under the mutual consent of parties. (2)

Article 748-4. Concession of the object of leasing to third parties and its deposit

748-4.1. Leasing provider is entitled completely or partially transfer to third party its rights under the leasing agreement.

748-4.2. Leasing provider shall be entitled to use as deposit the object of leasing to attract additional sources. (2)

Article 748-5. Registration of property, which is the object of the leasing agreement

In cases stipulated under this Code, property rights of the leasing item shall be subject to state registration by the relevant executive authority in accordance with this Code and other legislative acts. (2)

Article 748-6. Insurance of the object of leasing and business (financial) risks

748-6.1. Object of leasing can be insured from risks of loss (destruction), insufficiency or damage from the time of delivery by the seller and until the expiry of term of leasing, unless otherwise is stipulated under the agreement.

748-6.2. Insurance of business (financial) risks can be performed by the agreement of the parties of leasing.

748-6.3. Parties, implementing obligations of the insurer and beneficiaries, as well as term of the insurance are indicated under the leasing agreement.

748-6.4. Leasing recipient, in cases stipulated under the legislation of the Republic of Azerbaijan, shall insure its responsibilities for implementation of obligations occurring as a result of damage to the health, safety or property of other persons within the term of use of the object of leasing.

748-6.5. The leasing recipient is entitled to insure the risk of its responsibility for violation of the leasing agreement in favor of leasing provider. (2)

Article 748-7. Distribution of risks between the parties of leasing agreement

748-7.1. Responsibility for preservation of property, which is the subject of leasing from all types of damages, as well as for risks, associated with its destruction, loss, deterioration, break down before time, mistakes in installation and operation, from the time of the actual acceptance of the object of leasing shall be laid on the leasing recipient, unless otherwise is stipulated under the leasing agreement.

748-7.2. Responsibility for risks associated with incapability of the seller, shall bear the party, which has selected the seller, unless otherwise is stipulated under the leasing agreement.

748-7.3. Responsibility for risks associated with incompliance of the object of leasing to operational purposes shall bear the party, which has selected the object of leasing, unless otherwise is stipulated under the leasing agreement. (2)

Article 748-8. Transfer of claims of third parties to the object of leasing

748-8.1. On item of the leasing can not be transferred claims of third parties on liabilities of the leasing recipient.

748-8.2. Claims of third parties, directed at the property of the leasing provider, can be allocated to the object of the ownership of the leasing provider towards the object of

leasing. Not only rights but also liabilities of the leasing provider are transferred to the buyer of the rights of the leasing provider. (2)

Article 748-9. Liabilities of the leasing recipient in the event of the object of leasing

Loss of the object of the leasing or loss by the object of leasing of its functions by the fault of the leasing recipient does not release the leasing recipient from liabilities under the leasing agreement, unless otherwise is stipulated under the leasing agreement. (2)

Article 748-10. Leasing payments

748-10.1. Leasing payments are the gross amount of payments under the leasing agreement for the term of the validity of leasing agreement. Leasing payments are the payments made under the leasing agreement in the favor of the leasing provider for use of the leasing objects, provided to the leasing recipient.

748-10.2. Amount, ways and forms of implementation of leasing payments, their periodicity shall be identified under the leasing agreement with consideration of provisions of this Code.

748-10.3. If leasing recipient and leasing provider perform payments on leasing by products (in kind), produced with use of the subjects of leasing, the price for such product is determined by the agreement of parties and identified in the leasing agreement.

748-10.4. Liabilities of the leasing recipient on payment of leasing shall start from the moment of start use of the object of leasing by the leasing recipient, unless otherwise is stipulated under the leasing agreement.

748-10.5. Leasing agreement may stipulate the delay of leasing payments till expiry of 6 months (180 days) from the moment of start use of the object of leasing.

748-10.6. Leasing payments are made directly to the account of the leasing provider. (2)

Article 748-11. Total amount of leasing payments

748-11.1. The total amount of leasing payments include:

748-11.1.1. payments on depreciation charges of the object of leasing;

748-11.1.2. required costs related with purchasing of the object of leasing;

748-11.1.3. interest on the credit received for purchasing of the object of leasing;

748-11.1.4. amount of leasing provider premium;

748-11.1.5. if the leasing provider insured the object of leasing, amount paid for insurance;

748-11.1.6. payments for additional services of the leasing provider;

748-11.1.7. *other costs of the leasing provider, stipulated under the leasing agreement.*

748-11.2. *Amounts included to the leasing payments shall be supported by the leasing provider with relevant documentation. (2)*

Article 748-12. Right for review of the leasing agreement

748-12.1. *Leasing provider has the right to perform the control over compliance by the leasing recipient of conditions, established in the leasing agreement towards the object of leasing.*

748-12.2. *Goals and procedures for inspection are stipulated in the leasing agreement.*

748-12.3. *Leasing recipient shall provide to the leasing provider the opportunity to have an access to review financial documents related to the leasing, and object of leasing and perform their inspection. (2)*

Article 748-13. Right of financial control of the leasing provider

748-13.1. *Leasing provider shall have the right for financial control of the activities of leasing recipient in the part, which is related to execution of liabilities related to the object of leasing under leasing agreement.*

748-13.2. *Goals and procedures for financial control shall be stipulated under the leasing agreement.*

748-13.3. *Leasing provider shall have the right to send to the leasing recipient written enquiries on provision of information required for implementation of financial control, and leasing recipient shall respond to such enquiries.*

748-13.4. *In the event of non-fulfillment by the leasing recipient of its obligations on leasing payments, the leasing provider shall be entitled to perform actions stipulated under this Code and leasing agreement and directed for provision of fulfillment of obligations. (2)*

Article 749. Responsibilities of leasing giving person

749.1. According to hire agreement leasing giving person is responsible before leasing obtaining person for delay in property delivery or for not delivery and also for delivery of property in unsuitable condition.

749.2. Parties may agree that leasing obtaining person before asserting a claim to leasing giving person asserts claim directly to property supplier.

Article 750. Responsibilities of leasing obtaining person

In case of anticipatory repudiation of agreement through the fault of leasing obtaining person leasing giving person can not make a claim not related to its own interests upon leasing. During assessment of claims depreciated cost of leasing property, remainder of percentage upon leasing fee and other saved expenses are taken into consideration.

Article 751. Other rules applied to leasing agreement

Rules of property hire agreement which are not in contradiction with articles 747 - 750 hereof can be applied to leasing.

Chapter 39. Works contract

Article 752. Works contract

752.1. According to works contract contractor undertakes to execute work provided for in agreement and customer undertakes to pay contractor the fee agreed.

752.2. If production of goods is provided for in works contract and contractor will make it from his own materials then ownership on product is given to customer. If substituted goods were made then sale and purchase rules are applied.

752.3. Estimation in connection with works contract is not paid unless otherwise stipulated therein.

Article 753. Agreement about remuneration

753.1. Customer undertakes to pay agreed remuneration to contractor. If in such condition implementation of the works contract is supposed to be only for remuneration then it is considered that remuneration is conditioned upon tacit consent. If remuneration amount is not agreed then it is considered that comprehensive remuneration is conditioned. Remuneration of the conditioned remuneration means remuneration of all contractor's works included in works volume conditioned upon agreement.

753.2. If upon agreement's conclusion on the basis of customer's instructions main conditions for determination of remuneration for execution of works volume provided for in agreement are changed then taking into consideration increase or decrease of the cost new prices must be agreed.

753.3. If customer requires execution of extra work which is not stipulated in agreement then contractor is entitled to require additional remuneration for implementation of this work. If customer does not accept remuneration of extra work additionally then contractor should provide information on his right to require additional remuneration before starting the work.

753.4. Works that are not stipulated in agreement and are not required by customer will not be paid. If it is required contractor should remove results of these works. If contractor does not do it in reasonable period of time, customer may remove them for account of contractor. In addition, contractor is responsible before customer for any other damage.

Article 754. Results of deviation from approximate estimate

754.1. If contractor deviates from approximate estimate for great extent it can require only agreed remuneration except cases when it is impossible to provide for extra expenses beforehand.

754.2. Contractor undertakes to inform immediately a customer about deviation from approximate estimate which was impossible to be predicted at the moment of

agreement's conclusion. If customer terminates agreement because of deviation from approximate estimate then it undertakes to pay work done under approximate estimate.

Article 755. Obligation of personal performance of work

Contractor undertakes to perform the work personally only in cases when it is required by agreement or by certain conditions or nature of work.

Article 756. Obligation of customer to compensate for losses

756.1. If customer does not accept work done contractor may demand to *pay for the performed work* and compensate for losses. Customer undertakes to compensate for losses also in cases of non-fulfillment of necessary actions to perform the work.

756.2. Amount of loss subject to be compensated is determined on one hand depending on term of delay and amount of remuneration and on the other hand depending on what contractor could have received by using its man power in any other way in case customer had complied with term.(12)

Article 757. Contractor's pledge right on the produced movable item

If movable item, *owned by customer*, produced or repaired by contractor is in his ownership for the purpose of its producing or repairing then contractor take its pledge right on this item to guarantee its requirements.(12)

Article 758. Mortgage right on land where construction is executed

If a building or its different parts are a subject of agreement then contractor based on the requirements following from agreement may require mortgage on land, *owned by customer*, where this building was built.(12)

Article 759. Termination of works contract

759.1 Customer may refuse from agreement any time before completing of work, provided that contractor was paid for its work done and was compensated for loss made by termination.

759.2. *If contract is terminated by customer for the reasons directly arising from actions (lack of actions) of contractor or any associated actions, the contractor shall be entitled to require only the payment for work executed provided, that such work represented any value to customer.*(12)

Article 760. Termination of contract by contractor

760.1. *If contract is terminated by contractor for the reasons not directly arising from the actions of customer or not related with such actions, the contractor shall terminate the contract until the work completion in the manner that contractor may gain works in any other manner on equal or more favorable conditions. In this the contractor may require the payment of the value of work executed provided that earlier implemented works represent any interest to customer.*

760.2. *If contract is terminated by contractor for the reasons directly arising from the actions (lack of actions) of customer or as a result of such actions, the contractor may require the payment of the value of work executed and compensation, for losses incurred as a result of contract termination.*(12)

Article 761. ~~Right of contractor to require a part of remuneration~~

~~If contractor terminates agreement according to the Article 760 hereof then it may require remuneration of its services that was already provided upon condition that customer was interested in them.~~(12)

Article 762. Obligation to execute works contract without defects

762.1. Contractor undertakes to execute works contract so that results of such execution exclude defects, rights or claims of third persons.

762.2. If the result of works contract meets agreed quality requirement then it is considered free from defects. Where quality was not conditioned the result of works contract is considered free of defects if it is suitable for use under the contract or for common use.

762.3. If the result of contract meets not ordered but another contract or if contract is performed not in conditioned quantity and it is clear that it is impossible to accept contract as executed then contract is considered executed with defects.

762.4. Where third parties can not bring any right against customer the results of contract are considered to be free from rights and claims of third parties.

Article 763. Requirement of additional execution in case of defects

763.1. If a product has defect then customer can require additional execution. Contractor on its own discretion may remove defects or produce new product.

763.2. For the purpose of additional execution contractor must pay additional expenses for work and materials and transport charges. If additional execution requires disproportionate expenses then contractor may refuse from their execution.

763.3. If contractor produces a new product, it may ask customer to return defected one.

Article 764. Correction of product's defects by customer

764.1. If contractor despite of disproportionate expenses does not refuse from additional execution, but the term, determined for execution of additional works, completed without result, customer may remove defects and require to compensate expenses.

764.2. Customer may require advanced remuneration for removing of defects.

Article 765. Termination of works contract because of defective production

Customer may terminate works contract because of defective production, *if upon the expiry of the additional term of execution, such deficiencies were not remedied.* In this case contractor undertakes to compensate customer for expenses.(12)

Article 766. Reduce of remuneration as a result of defect of product

Upon completion of defined period for additional execution customer, if it does not accept product and does not announce about termination of works contract may reduce remuneration in proportion to defect reduces value of product.

Article 767. Execution of works using contractor's materials

767.1. If contractor executes work with its materials it is responsible for their quality.

767.2. Contractor is responsible for erroneous using of customer's materials. Contractor undertakes to report to customer on using of these materials and to return unused ones.

Article 768. Obligation of contractor to notify customer in proper time

768.1. Contractor undertakes to notify customer beforehand in the following cases:

768.1.1. if materials supplied by customer are poor and unfit;

768.1.2. in case of execution of customer's order, product is expected to become unfit;

768.1.3. in cases of occurrence of any circumstances which are beyond of reasonable control of contractor and that can be dangerous for solidity and fitness of product.

768.2. If despite of duly notification by contractor customer does not change unfit and poor materials, does not change its instructions on rules of works execution or does not remove other circumstances which may lead to unfitness of product then contractor may refuse from contract and require indemnification.

Article 769. Payment of remuneration for executed work

Customer must pay for executed work after their completion unless down payment is stipulated by works contract.

Article 770. Acceptance of executed work

Customer undertakes to accept the work if it is agreed in contract or depending on nature of work. In case of accepting products customer must pay remuneration. If customer does not accept product in the period determined by contractor, product is considered accepted.

Article 771. Responsibility of contractor for destruction of customer's property

Contractor is responsible for destruction or injury of customer's property following contractor's carelessness.

Article 772. Risk of contractor

772.1. Risk for occasional destruction or injury of executed work before its presenting to customer is placed on contractor. Risk of destruction or injury at the time of presenting

the work to customer is also placed on contractor. Delay of acceptance of product by customer is equivalent to product's presentation.

772.2. Risk of unexpected destruction or injury of material is placed on the party that provides the materials.

Article 773. Results from accepting damaged product

If customer being aware about faulty unit accepts it without claim then right to require compensation for these defects does originate.

Article 774. Warranty period

If contractor has taken obligation for product according to warranty period, defects revealed in this period give rise to relevant rights.

Article 775. Consequences of willful concealment of product's defect by contractor

If contractor deliberately conceals defect then it can not refer to the agreement on limitation or exception of customer's rights related to the defect of a product.

Article 776. Claim term under works contract

776.1. Customer may lodge claim for defect of work during one year since the date of acceptance of the work and during five years since the date of acceptance of the work if claim relates to building.

776.2. If according to agreement the work was accepted in parts then duration of claim term for defect begins from the day when the work was accepted completely.

Charter 40. Order (charge)

Article 777. Order agreement

777.1. According to the order agreement, the person who undertakes to execute the order (the authorized) undertakes to fulfill deals, work and other services ordered by the other person (the authorizer), without guaranteeing achievement of concrete result.

777.2. An order agreement can be concluded in verbal as well as written form. The agreement will enter into force upon acceptance of the order by the authorized person.

~~777.3. If a person given an order does not intend to be bound by obligations to perform legal acts and acts only due to the public sense, sense of friendship or tradition, these actions do not give a rise to legal consequences of order agreement.~~

777.4. Legislation on Order Agreement applies to agreements including to any kind of agreements under this Code, as well as works agreement only in a subsidiary way (as additional means).[\(12\)](#)

Article 778. The content of an order

778.1. Authorized person must execute an order (in good faith) consciously and defend legal interests of the Authorizer.

778.2. If the content of an order has not been directly specified, it is determined by the character of concluded deals or performed services. For example, order must contain authorization for fulfillment of legal acts concerning execution of the order. With regard to the third persons, the provisions on representation are in force.

778.3 If Authorizer has given certain instructions for fulfillment of the ordered deal, authorized person can deviate from these instructions only if he/she is not able to get permission for that under the current circumstances, and moreover, in case there is a base to presume that Authorizer would have permitted such deviation from the instructions if he/she had known the condition of the case. In case authorized person without having such bases has deviated from the instructions in prejudice of authorizer *he shall compensate the losses incurred.*(12)

Article 779. Responsibilities of authorized person

779.1. Authorized person is responsible for damage caused to Authorizer as a result of not execution of the order in sufficiently good faith intentionally or by negligence. *Confidant on contract of agency shall be liable for damage incurred to principal as a result of execution of confidence with insufficient honesty deliberately or as a result of significant negligence.*

779.2. The level of good faith that authorized person is responsible for, is determined by the sort of order through taking the following into consideration:

779.2.1 risk related to the professional activity and special knowledge necessary for fulfillment of the order;

779.2.2 capacity and features of authorized person, of which Authorizer is or must be aware.(12)

Article 780. Personal obligations of authorized person. Responsibility for third persons

780.1. Authorized person must fulfill the order personally himself/herself, except the following cases:

780.1.1. if authorizer has authorized him to delegate the fulfillment of the order to third persons;

780.1.2. if the situation requires to delegate the fulfillment of the order to the third persons;

780.1.3. if such delegation of fulfillment is in compliance with to the accepted business customs.

780.2. If authorized person has delegated the fulfillment of the transaction or provision of services to the third person without being entitled to do so, the authorized person is responsible for the latter actions as his own actions.

780.3. In case authorized person has delegated the execution of deal or provision of services to the third person, being entitled to do so, he/she is responsible only for providing necessary good faith while choosing and instructing the third person, unless another condition is stipulated in the agreement or another condition arises from circumstances of the case.

780.4. In any case, Authorizer can directly address to the third parties requirements of the Authorized against the third party can be ed by the.

Article 781. Duty to inform and report the authorizer

Authorized person at the Authorizer's demand, must inform the Authorizer about the current situation with the fulfillment of the order, and report to the Authorizer upon fulfillment of the order.

Article 782. Duty to submit outcomes of fulfillment of the order

782.1. Authorized person must submit all outcomes obtained from fulfillment of the order, to the authorizer.

782.2. Authorized person must count interest (percent) on the money submission of which he/she delayed.

782.3. If authorized person has got rights to demand against third persons in his own name on Authorizer's account, these rights transfer to Authorizer after he/she in his/her turn fulfills all obligations arising from the legal relations regarding the order agreement.

782.4. If authorized person is insolvent, authorizer keeping the right of holding for authorized person, can require him/her to give movable items obtained in his name, but at Authorizer's expense.

Article 783. Compensation of the expenses of authorized person and remuneration

783.1. Authorizer must compensate expenses as well as percents incurred by the authorized while executing the order and free him/her from all obligations undertaken for this purpose.

783.2. Authorizer must pay remuneration to Authorized person, only in case it is agreed upon or accepted, particularly in cases when authorized person concludes such deals or provides services as his/her independent professional activity.

783.3. If the amount of remuneration has not been determined in cases provided for in Article 783.2 of this Code, remuneration agreed upon is deemed to be the remuneration according to the rate (tariff), if there is any, otherwise it is considered to be remuneration accepted at the place where authorized person resides.

Article 784. Responsibility of authorizer

Authorizer is responsible before authorized person for damage inflicted to the authorized during the fulfillment of the order, if he/she can not prove that this damage happened not due to his fault.

Article 785. Responsibility of several persons for order agreement

785.1. If order has been given jointly by several persons, they all are responsible before authorized person as joint debtors.

785.2. If order has been accepted for fulfillment jointly by several persons, they are responsible as joint debtors, and can oblige the authorizer only by joint actions, provided that they are not authorized to delegate fulfillment of the order to third persons.

Article 786. Termination of order agreement

786.1. Each participant of an order agreement is entitled to terminate it any time. *If contract is onerous, the party submitting the notification on termination shall compensate to other party the damage incurred, provided that it will not be able to evidence that the reason for termination of contract is directly related to actions of other parties or associated with such actions.*

786.2. If no other condition is provided for in the agreement or no other condition arises from the character of the order, in case of Authorizer's or Authorized person's death or loose of capacity to act or being announced insolvent, the order agreement terminates .

786.3. If as a result of termination of the order agreement under Article 786.2 of this Code or termination by the Authorized without fault of the Authorizer protection of the interests of Authorizer would be under threat, the authorized person, his/her heir or his/her representative must take care of continuation of these relations until authorizer, his/her heir or representative is able to continue the legal relations on order agreement.

786.4. The deals executed by the authorized before he/she became aware of the termination of an order agreement, create for authorizer or his/her heir obligations that could have been established in case the order agreement had not been terminated.

786.5. If contract is terminated by confidant for the reasons directly occurred as a result of actions of the principal or associated with such actions, the confidant shall require from principal the payment for works executed.

786.6. If contract is terminated by the confidant for the reasons not directly related with actions of the principal or not related with such action, the confidant shall require the payment of the value of works executed only in the event, if works executed represent any value to principal.[\(12\)](#)

Chapter 41. Broking

Article 787. Concept of broking agreement

787.1 Pursuant to broking agreement, broker is ordered to provide mediatory services to the customer in exchange for remuneration.

787.2. If there is not another rule provided for by the following provisions of this Chapter of the Code, rules on the order agreement apply to the broking agreement as well.

Article 788. Broker's right to get remuneration. Compensation of expenses

788.1. Broker has right to receive remuneration after fulfillment of the agreement as a result of his/her mediatory services or assistance. If the agreement is concluded with postponing condition, remuneration can be required after this condition takes place.

788.2. Compensation of Broker's expenses is paid only in case it has been agreed upon separately. This also applies to the cases when the agreement is not concluded.

788.3. If Broker has provided services to another participant in a way contradicting to the broking agreement or agreed to get remuneration from another side as well, which is incompatible with the principle of good faith, his/her right to get remuneration and compensation of the expenses is excluded.

Chapter 42. Trade representative (agent)

Article 789. Agreement on trade representative (agent)

789.1. According to the agreement on trade representative, the person engaged in independent activity as a profession (trade agent) is given a long-term order regarding provision of mediatory services on behalf and at expense of any producer, manufacturer or merchant (orderer) in concluding sale agreements as well as agreements on producing services (trade deals), and/or conclusion of these.

789.2 Natural persons as well as legal entities can be a trade agent. The following are not trade agents:

789.2.1. persons engaged in mediatory activity or negotiating deals on case to case bases (from time to time);

789.2.2. persons working at the trade and raw materials stocks;

789.2.3. persons having concluded labor agreement with the person giving order.

789.3. Agreement on trade representative is concluded in written form.

789.4 The obligations not regulated by the agreement are governed by this Code and in addition, trade customs of the place where trade representative resides at .

Article 790. Obligation of trade agent

790.1. General obligations of trade agent are provided for in Article 778 of this Code.

790.2. Trade agent has the following obligations:

790.2.1. to try to conclude or conclude deals for orderer through mediating, as well as to try to increase the number of orderer's clients in an optimal way;

790.2.2. to notify the orderer about all orders and/or concluded agreements;

790.2.3. to submit to the orderer all the necessary information;

790.2.4. to fulfill all reasoned orders of the orderer;

790.2.5. to get in advance the orderer's consent for offering products and services similar to the orderer's products and services, on his/her own or another orderer's account.

790.3. The agreement can impose on a trade agent other obligations including the following obligations:

790.3.1. to report regularly on some issues;

790.3.2. to achieve a minimum circulation (quota) for orders or agreements;

790.3.3 if necessary, to keep and send products for the orderer for additional remuneration, as well as levy amounts from his/her debtors.

790.4. Only in the following cases trade agent must guarantee fulfillment of the agreements concerning the orderer by Clients:

790.4.1. if it is agreed upon in advance in written form;

790.4.2. when guarantee applies to explicitly specified deal or several deals Clients in which are defined in advance;

790.4.3. when remuneration is agreed upon in the agreement on undertaking guarantee and the term for paying such remuneration to the trade agent becomes due immediately after conclusion of this agreement with Client. Agreements contradicting to this have no force.

Article 791. Duties of the orderer

791.1. Orderer must act toward the trade agent in accordance with the principle of good faith. Orderer must provide the following:

791.1.1. to inform the trade agent about his products, services, rules for conducting the work and prices;

791.1.2. to provide the trade agent with the information necessary to fulfill the agreement on trade representative, and where it's possible to predict, immediately inform the trade agent that volume of trade deals is going to be much less than it might be expected by trade representative in an ordinary situation;

791.1.3. to notify the trade agent within reasonable period of time about the acceptance, rejection or non-fulfillment of the deal proposed by the trade representative in a mediatory way;

791.1.4. to pay remuneration to the trade agent.

791.2. The agreement may provide for other obligations of the orderer including the obligation to respect the exclusive right (right to monopoly) of trade agent on certain territory or certain clients.

Article 792. Remuneration for trade agent

792.1. Trade agent has right to get fixed monthly remuneration and/or remuneration (commission fee) depending on the circulation or quantity of deals.

792.2. Remuneration is determined on the basis of the agreement. If it is not regulated by the agreement, trade agent has the right to get remuneration equal to the remuneration for the products presented by the trade agent or similar to those, accepted in accordance with business customs,.

792.3. Article 793 of this Code applies to the cases when remuneration is entirely or partially based on the commission principles .

Article 793. Commission fee of trade agent

793.1. Trade agent is entitled to receive commission fee for the following:

793.1.1. all trade deals concluded within the effective term of the agreement on trade agent, as a result of trade agent's activity or those concluded with persons previously involved as clients by the trade agent in order to fulfill similar deals.

793.1.2. if trade agent has monopoly right on certain geographic area or on a certain group of persons, all deals concluded in this territory or with the clients from this group.

793.1.3. trade deals concluded after the expiration of effective term of the agreement on trade representative provided that, deal is concluded due to trade agent's activity within the effective period of the agreement or upon this term in reasonable period of time, or agent or orderer gets the order from client before the termination of legal relations on the agreement on trade representative.

793.2. If trade deal is executed as a result of the activity of several trade agents, they divide the commission fee proportionally to their role in concluding this deal.

793.3. The trade agent's the claim for commission fee arises after the orderer fulfills or becomes due his/her obligations before the third persons. The claim for commission fee occurs no later than the moment, when the third person fulfills or must fulfill his/her obligations after the orderer has fulfilled his/her obligations.

793.4. If there is a certainty that the agreement between orderer and the third person will not be fulfilled and non-fulfillment is not due to the circumstances for which the orderer is in charge of, claim on commission fee is excluded. In case the trade agent has got the commission fee on the basis of this deal, he/she must return this fee.

793.5 On the next month coming after each quarter of the calendar year orderer provides accounting on the commission fee due for him/her. This accounting contains information necessary to check the amount of the commission fee and the period of payment.

793.6. The commission fee for every quarter must be paid no later than within a month after the quarter.

793.7. The period for presenting the account on commission fee and paying this fee in accordance with the Articles 793.5 and 793.6 of this Code, can be shortened or prolonged upon the agreement between parties. This period can be prolonged for up to six months.

793.8. Trade agent is entitled to review all the documents of the orderer, including the accounting documents necessary for calculating the commission fee.

Article 794. Effective term and termination of the agreement on trade representative

794.1. The agreement on trade representative is terminated in a period defined in the agreement, unless the effective date of the agreement has not been limited by any particular period. But if the trade agent continues his activity due to the orderer's silent or direct consent or if a new agreement is concluded after the preliminary one, the agreement is considered as it was concluded from the very beginning for indefinite period.

794.2. Any party of the agreement concluded for indefinite period can terminate the agreement by following the reasonable period for making notification on termination.. The reasonable period is at least one month for the first year, two months for the second year, three months in cases when the effective term of the agreement exceeds two years. If definite term agreement transfers into the definite term agreement in accordance with the Article 794.1. of this Code, the whole period of agreement's being in force is taken into consideration, while calculating the period for notification on cancellation.

794.3. Parties to the agreement can agree upon a longer period of notification on termination. This period for notification on termination must be the same for orderer and trade agent.

Article 795. Termination of the agreement on trade representative in emergency cases

795.1. In the following cases each Party of the Agreement on trade representative can terminate the agreement without waiting for the notification period to expire:

795.1.1. if one of the Parties keeps on violating his/her obligations even after the expiration of the determined term, though the party considerably infringing his/her obligations was given written notification on this;

795.1.2. in other emergency cases when non of the parties is responsible for and these cases make it unreasonable to require the party giving notification on termination to keep in force the agreement.

795.2 Claims of any party of the agreement on trade representative for compensation of the damage caused by violation of obligations by the other Party are in force.

Article 796. Compensation for clients

796.1. After termination of the agreement the trade agent has the right to get compensation for the clients attracted by him/her, provided that:

796.1.1. if he/she has attracted new clients for orderer or considerably increased the volume of the deals with present clients;

796.1.2. if orderer can continue to enjoy benefits provided for him/her in Article 796.1.1 of this Code;

796.1.3. if the trade agent loses his commission fee because of termination of the agreement.

796.2. The maximum amount of the compensation is limited by the amount of the annual fee. The annual fee of the trade agent is calculated as average fee for the recent years (maximum 5 years) prior to the termination of the agreement on trade representative.

796.3. Compensation is not paid in the following cases:

796.3.1. if legal relations on the agreement have been terminated due to the fault of the trade agent;

796.3.2. if the trade agent terminates legal relations on the agreement on personal grounds;

796.3.3. if with the consent of the orderer trade agent gives his/her rights and obligations to the third person.

Article 797. Compensation for damage

When legal relations on the agreement terminate, except the cases mentioned in Article 796 of this Code, the trade agent can require from orderer compensation for the damage made to him/her by orderer's illegal or incorrect change or termination of legal relations on the agreement.

Article 798. Results of the trade agent's death

In case of the death of the trade agent his heir can require obtaining of the compensation for clients.

Article 799. Excluding of competition upon termination of the agreement on trade representative

The trade agent can undertake not to compete with orderer after the termination of the agreement. Such excluding of the competition is valid only in cases when, firstly, it applies to the persons, sort of product and territory regarding which the trade agent has right to represent, secondly it is limited by the period of maximum two years period from the moment of termination of the agreement on trade representative.

Chapter 43. Commercial Concession[\(12\)](#)

Article 800. Concession agreement

800.1. Concession agreement is the general agreement (uniform agreement) between manufacturer or tradesman (orderer) and the person engaged in an independent activity as a profession (concessionaire), on the basis of which the concessionaire undertakes the following:

800.1.1. from time to time to purchase certain goods (contract goods) from orderer;

800.1.2. to sell these goods to others in his/her own name and on his own account;

800.1.3. to sell contract goods in certain areas and/or to certain clients (contract area and contract clients). With regard to them, orderer grants the concessionaire exclusive right (monopolistic right) to sell, and concessionaire must guarantee selling of the orderer's goods under his/her control.

800.2. Concessionaire is not entitled to sell contract goods to clients other than contract clients or outside the contract area, unless the agreement provides for another condition.

800.3. Simple purchasing for selling to others may not provide grounds for a concession agreement. Regular trade relations are not the base for concession agreement either.

Article 801. Application of provisions on commercial agency to concession agreements

801.1. If otherwise is not agreed upon, Articles 789.3, 790.2.3-790.2.5 and 791.1.1-791.1.3 of this Code apply accordingly to the legal relations between concessionaire and orderer.

801.2. Articles 794-798 apply to the legal relations on a concession agreement, provided that the following conditions are observed :

801.2.1. pursuant to Article 794.2, cross periods for the notification on termination prolongs respectively for three months;

801.2.2. Calculating of the compensation in accordance with Articles 796.1 and 796.2 of this Code is based on the fee presumed due for the concessionaire in case he/she carries out trade agent's duties.

801.3 In all other cases, the compensation is paid only if the following conditions are followed:

801.3.1. if on the moment of termination of the agreement, orderer is given notice of the scope of new clients extended by the concessionaire and if the orderer is able to send the goods in the volume sent by the concessionaire to these clients;

801.3.2. if concessionaire himself/herself does not take the advantage of the clients for selling competitive goods.

Article 802. Correlation between general concession agreement and sales agreements

802.1. Relations between orderer and concessionaire are subject to general (uniform) agreement. In addition to the provisions of Article 800.1 of this Code, uniform agreement, may provide for the following requirements:

802.1.1. a concessionaire must have a trade-service company;

802.1.2. a concessionaire must employ the necessary personnel;

802.1.3. a concessionaire carry out repairing services for sold goods;

802.1.4. a concessionaire must participate in instructing the employees and advertisement campaign;

802.1.5 a concessionaire must always keep certain volume of the goods in the warehouse;

802.1.6. each year a concessionaire must accept from orderer certain volume or certain number of goods (quota).

802.2. Concession agreements are not dependent on the general concession agreement. The general concession agreement provides for the general terms and conditions applicable with respect to all sales contracts, including:

802.2.1. sales discount granted to a concessionaire from the general price list of the orderer;

802.2.2. payment period;

802.2.3. terms of the orderer's warranty.

802.3. An orderer may not unilaterally acquire the following rights under the general concession agreement:

802.3.1. the right to determine prices for the goods for the concessionaire;

802.3.2. the right to change the agreed quota.

Article 803. Concessionaire's right to make a final decision

803.1 Concessionaire shall be entitled to organize his own commercial activity independently, including fixing resale prices for the goods purchased from the orderer.

803.2 Should the market for the orderer's goods be jeopardized due to a change by the concessionaire in its methods of trade, sale or services, the concession orderer may terminate the agreement with the agent pursuant to Article 795 having due regard to the provisions of Article 803.1.

Article 804. Protection of an concessionaire's clients

804.1. During the term of a concession agreement, it is prohibited for orderer to refer either directly or through a third party to concessionaire's clients with the purpose to sell the same or similar products.

804.2. Parties of the agreement may agree to allow the orderer in exclusive order to sells his products directly to concessionaire's clients. In such case the orderer is obliged to pay a commission to the agent in accordance with the article 793 of this Code.

Article 805. Duties of orderer to deliver goods

805.1 Orderer under a general concession agreement is obliged to deliver goods ordered by concessionaire to him.

805.2 Orderer may object making such delivery only upon reasonable grounds.

805.3 Where the delivery of goods was refused or for other reasons is not delivered, the concessionaire is relieved of its duty to purchase goods up to the agreed annual quota in the year of such refuse or default.

Article 806. Orderer's guarantee

806.1. The orderer guarantees that there are no defects with respect to the products at the time of delivery to the concessionaire. Where the concessionaire gives advance notice to the orderer that in his country there are regulations related to providing a guarantee and presents such regulation in writing, the orderer is obliged at least to give such guarantee. The period for claims under such guarantee shall begin since the date the goods are resold, but the latest at the expiry of six months since the date when the orderer dispatches the goods. No consents to waive this rule shall be valid unless it is directly conditioned and compiled in a writing form.

806.2 The concessionaire shall not modify or otherwise make any changes to the products earmarked for sale or to their packaging without the orderer's prior consent. Where changes to the products or their packaging are made by the orderer, he shall accordingly notify the concessionaire within a reasonable period.

Article 807. Consequences of the concession agreement's termination

807.0 After termination of a concession agreement between concessionaire and orderer:

807.0.1. The concessionaire may no longer hold itself out before clients as the orderer's concessionaire. In addition, he may not use the principal's trademarks and symbols. The concessionaire is obliged to transfer into the orderer's name all trademarks and symbols registered in the concessionaire's name and used before the conclusion of agreement. The orderer shall pay all expenses related to the initial registration and transfer charges.

807.0.2. If the concessionaire for the purpose of execution his obligations before the client and (or) orderer had to keep a warehouse, orderer has to purchase goods left in a warehouse. If goods are in a condition suitable for the sale, the purchase price shall be not less than the last sale price paid by the concessionaire to the orderer. The concessionaire refuse from purchase. Its provides him with the right to sell goods left in a warehouse to clients within a reasonable period of time.

Chapter 44. Commission

Article 808. Commission Agreement

808.1. Under the commission agreement, one party («commission agent»), for a commission, shall be obliged to carry out one or several transactions on its own behalf but for the account of the other party (commission principal). All agreements executed by the commission agent with the third parties shall be binding the commission agent even if the commission principal is named by the commission agent and event if the commission principal discharges its obligations under these agreements before the third parties.

~~808.2. Commission agreement shall be in writing.~~

808.3. Commission agreement may be made for a definite or indefinite term, with or without the reference to the territory within which the commission agreement shall be executed, with or without the commitment of the commission agent to authorize the third parties to represent the commission principal, and with or without the reference to the assortment of the inventory of the principal subject to the concession agreement.(12)

Article 809. General Duties of the Commission Agent

809.1. The commission agent shall be obliged to carry out the instructions and defend interests of the commission principal in a good faith.

809.2. The commission agent shall transact the business of the principal with the good faith third parties and shall not extend the credit to the third parties without the permission of the principal.

809.3. The commission agent shall account before its principal for all actions taken pursuant to the commission agreement and keep the latter posted on the status of these actions.

809.4. The commission agent shall not reveal the identity of the principal without its prior consent.

Article 810. Instructions of the Commission Principal

810.1. The commission agent shall follow the instructions of the principal and conduct its sales activities within the established price limits.

810.2. The commission principal may repudiate the agreements executed in violation with its instructions which put the commission principal in a disadvantageous position, except when the commission agent undertakes the responsibility to compensate any damages caused due to such disadvantageous position.

810.3. The commission principal shall be the only beneficiary of the agreements executed with more advantageous terms.

Article 811. Reporting of the Commission Agent

811.1. The commission agent shall account before its principal with regard to the agreements executed on its own behalf but for the account of the principal and on the actions taken pursuant to such agreements.

811.2. Unless otherwise is provided under the commission agreement, the commission agent shall not be obliged to reveal the identity of the third party, except when such third party is not believed to be creditworthy.

811.3. Enjoyment of the right not to reveal the identity of the third party, shall not prevent the commission agent from performing its duty to provide the commission principal with all other reporting information. Upon the request of the commission principal, the agent shall furnish all information, including the identity of the third party, to the notary public. The notary public shall forward the furnished information to the commission principal without revealing the identity of the third party.

Article 812. Duties of the Commission Agent with Respect to the Inventory of the Principal

812.1. Should the inventory shipped by the commission principal to the agent be damaged, the agent shall defend the rights of the principal, collect all necessary evidence regarding the conditions of the inventory and promptly notify the principal of such damage and conditions.

812.2. The commission agent shall exercise the rights and perform the duties of the seller with respect to the inventory of the principal.

Article 813. Responsibility of the Agent with Respect to the Inventory of the Principal

The commission agent shall be responsible for the loss and damage of the inventory in its possession, except if such loss or damage is caused due to the unforeseeable force.

Article 814. Responsibility of the Agent for the Performance of the Agreements by a Third Party

814.1. The commission agent shall be responsible for the performance by a third party its obligations under the agreement executed for the account of the principal, provided that such responsibility is undertaken pursuant to the agreement with the principal. The commission agent shall be hold responsible with respect to all such obligations of the third parties arising under the agreements executed for the principal.

814.2. In this case, the commission agent shall be paid the additional consideration. Unless otherwise is provided by the agreement, the amount of such additional consideration shall be equal to the amount charged by the banks for the issuance of the bank guarantees.

Article 815. Commission Fees

815.1. The commission agent shall be entitled to its commission fees upon performance by a third party its duties under the agreement with the agent executed for the account of the principal; the principal shall pay the commission fees to the agent even upon default of the third party if such default occurred due to the fault of the principal.

815.2. The amount of the commission shall be set forth under the commission agreement; if the commission fees clause is not provided under the agreement, and if the commission transactions are made within the scope of the agent's business, the amount of the commission fee shall conform to the local business practice.

815.3. In addition, the commission agent, upon consideration of all circumstances, may seek compensation of the expenses incurred in connection with the execution of the commission agreement. The agent shall not be reimbursed for the operating expenses incurred by the commission agent or its personnel within the scope of its general business as well as other expenses payable as the commission fee pursuant to the commission agreement.

Article 816. Self-Interested Transactions of the Agent

816.1. The commission agent may execute transactions for his own benefits only with respect to the inventory publicly traded on the commodity exchange unless otherwise is provided under the agreement with the principal.

816.2. The commission agent shall notify the agent on execution of the self-interested transactions and shall have the burden to prove that the inventory is listed on the commodity exchange or that it has otherwise established market price on the date such notification is issued.

Article 817. Commission Agent's Sales Right

817.1. The commission agent shall be entitled to sell the goods under the commission agreement if the principal, in violation of the commission agreement or contrary to the critical circumstances, does not take the possession over such goods.

817.2. If due to the time deficit, the agent cannot contact the principal, the agent, with an advance notice issued to the principal, may sell perishable goods and goods with newly discovered defects which may decrease the value of such goods.

Article 818. Ownership Rights over the Property Transferred for Possession to the Agent

Before the commission transaction is accomplished, the principal shall enjoy the ownership rights with respect to its property transferred for possession to the agent.

Article 819. Transactions Executed on Behalf of the Agent and for the Account of the Principal

819.1. The commission agent shall act both as a creditor and debtor under the agreements with the third parties executed on its own behalf but for the account of the principal.

819.2. The commission agent shall transfer all benefits and property gained under the commission agreement to the principal.

819.3. The commission principal shall be entitled to file claims arising under the agreement executed by the agent only upon the transfer of the rights with respect to such claims by the agent to the principal.

819.4. Any transfer of the rights by the agent arising under the commission agreement executed on behalf of the agent and for the account of the principal shall not be valid without the principal's consent, ~~even if such transfer is made to a good faith creditor~~. In case of mortgage of the property the commission principal shall be entitled to claim for mortgage cancellation. If mortgaged claim has been already sent to the creditor, the commission principal is entitled to claim the received under this claim from the creditor.

(12)

Article 820. Security Interest of the Agent

820.1. The commission agent shall have the collateral rights with respect to the goods of the principal transferred for possession and disposition to the agent under the commission agreement. *The commissioner shall be entitled to security interest on the goods* and reasonably believed by the agent to be the property of the principal and taken as such in the possession of the agent as owned bona fide.

820.2. Upon fulfillment of its duties under the commission agreement, the commission agent may have a security interest with respect to the property of the third parties.(12)

Article 821. Termination of the Commission Agreement

821.1. The commission agreement shall be terminated upon the death of the agent.

821.2. The participants of the commission agreement may terminate the agreement at any time. If the principal notifies the agent on termination of the commission agreement, the principal shall reimburse the expenses of the agent.

Chapter 45. Storage/Bailment

§1. General Provisions on Storage/Bailment

Article 822. Storage/Bailment Agreement

Under the bailment agreement, one party (bailee) shall be responsible for the storage of the movable goods delivered by the other party (bailor), and the bailee, upon expiration of the bailment agreement, shall return such goods to the bailor.

Article 823. Duties of the Bailor

823.1. The bailor shall reimburse all necessary expenses incurred by the bailee in connection with the performance under the bailment agreement.

823.2. The bailor shall pay a consideration for the services of the bailee if such payment is provided for under the bailment agreement or if it is consistent with the established practice. The consideration for the services provided by the bailee may be paid upon expiration of the bailment agreement and redelivery of the goods to the bailor. The consideration shall be paid by installments if so provided for under the agreement.

823.3. The bailor shall compensate any damages caused to the bailee due to the nature of goods delivered to the bailee for the storage, except when the bailor did not know or could not have known about the dangerous characteristics of the goods or when the bailor, even if he knew of such dangerous characteristics, accordingly notified the bailee or when the bailee should have known of such dangerous characteristics of the goods without the bailor's notification.

Article 824. Duties of the Bailee

824.1. If no consideration is payable under the bailment agreement, for the storage of the goods, the bailee shall be responsible for the loss or damage of the bailed goods *deliberate and or major negligence*.

824.2. If a storage fee is charged under the bailment agreement, the bailee shall be responsible for ordinary negligence with respect to the goods stored by the bailee within the course of its business or for slight negligence as provided under by the bailment agreement.

824.3. The bailee shall return the bailed goods upon the request of the bailor. This provision shall be applicable even if the bailment agreement is executed for a definite

term. The bailee shall not be responsible for a physical delivery of the bailed goods to the bailor. All expenses and the risk of loss associated with such redelivery shall be incurred by the bailor.(12)

Article 825. Rights of the Bailee

825.1. The bailee may change the conditions of the bailment only if the bailee, upon consideration of the new circumstances, can reasonably assume that the bailor would assent to such change. The bailee shall notify the bailor on such changes made with respect to the bailed goods and if the prompt change is not necessitated by the new circumstances associated with the risk of loss, the bailee shall await the bailor's approval.

825.2. If the bailment agreement is executed for an indefinite term, the bailee may request at any time that the bailor repossess the bailed goods, *provided that such claim is not raised within the unsuitable timeframe for depositor and shall not be executed within unsuitable term*. If the bailment is for a definite term, the bailed goods may be returned to the bailor prior to expiration of such term only upon extreme circumstances.(12)

Article 826. Bailment of the Replaceable and Non-Identifiable Goods

826.1. If the money is the subject of the bailment and if it is explicitly or implicitly agreed that the money not be identified but rather the same amount of the money be returned, legal title, possession and the risk of loss with respect to the bailed money shall be transferred to the bailee.

826.2. If other types of the replaceable property or *documentary* securities are subject to the bailment, the bailee may enjoy the disposition rights with respect to such bailed property only upon express authorization of the bailor. (57)

§2. Professional Bailment (Warehousing)

Article 827. The Owner of the Warehouse

The owner of the warehouse may act as the bailee offering its professional warehousing services to the public. The general provisions on bailment shall be applicable with respect to the professional warehousing services unless otherwise is provided under the specific provisions of this Code as set forth below.

Article 828. Title Documents

828.1. *The owner of the warehouse may issue commercial papers with respect to goods, accepted for storage. Commercial paper is a document (warehouse certificate, bill of lading, etc.) confirming the right of owner of the commercial paper for disposal of the goods specified in this paper and their receiving.*

828.2. *Commercial papers may be issued in the name of depositing person or the owner of the goods.*

828.3. *If the commercial paper is issued for any goods, the warehouse owner can and should release the specified goods only to authorized person, indicated in this document.*

828.4. *The following information shall be specified in commercial papers:*

828.4.1. *place and date of the document preparation, the signature of the issuing authority;*

828.4.2. *name and place of residence or stay of the person, issuing the document;*

828.4.3. *name of the person, storing the goods in the warehouse or the sender's name, place of residence or stay;*

828.4.4. *description of goods, stored or surrendered to the storage, with an indication of the quality, quantity and characteristics;*

828.4.5. *withheld or advance payments;*

828.4.6. *special agreements, accepted by concerned parties on the treatment of goods;*

828.4.7. *number of copies of the commercial papers;*

828.4.8. *name of the authorized person under mentioned document or clause of the bailor's order or instruction.*

828.5. *If one of the several commercial papers is provided for determining the collateral, then this document should be called as evidence of collateral (warrant) and for the rest of its information should be considered as commercial paper. The issue of warrant certificate, each collateral encumbrance with the payment deadlines should be reflected in other copies.*

828.6. *When issuing certificates for stored or sent goods in violation of legal instructions on the form of the commercial papers, they are no longer considered as commercial papers, but are regarded as receipt checks or other supporting documents.*

828.7. *If certificates, issued by the owners of warehouses without authorization, which must be provided under the law by the competent authorities, corresponds to the legal guidelines on the form, they are considered as commercial papers.*

828.8. *Bill of Lading is a commercial paper, consisting of administrative documents under the goods, affirming the right of the owner to dispose of the goods, specified in the bill of lading and receive the goods after the transportation completion. The bill of lading may be of registered and bearer types.*

828.9. *Twofold warehouse certificate is a commercial paper, acknowledging acceptance of the goods by the owner of a warehouse for storage. Twofold warehouse certificate consists of two parts - the warehouse certificate and certificate of collateral (warrant) and they are commercial papers separately.*

828.10. *Simple warehouse certificate is a commercial paper, confirming the acceptance of the goods by the owner of a warehouse for storage. ([12](#), [57](#))*

Article 829. Duties of the Owner of the Warehouse

829.1. The owner of the warehouse shall be responsible for the loss or damage of the inventory taken for the storage with the same standard of care that the commission agent is charged with respect to the inventory of the commission principal.

829.2. The owner of the warehouse shall immediately notify the bailor of any changes in the inventory and recommend the course of the preventive actions with respect to such inventory.

829.3. The owner of the warehouse shall allow the bailor to inspect and test its inventory taken for the storage in the warehouse. In addition, the owner of the warehouse shall allow the bailor to access the premises of the warehouse at any time to ensure safety of the inventory.

829.4. Commingling of the replaceable and non-identifiable inventory taken for the storage in the warehouse shall be authorized by the bailor. If such inventory is commingled, the owner of the warehouse shall replace it with the inventory of the same nature and with the same quantity.

829.5. The owner of the warehouse shall redeliver the inventory taken for the storage with the same duties that the bailee is charged with respect to the bailed property. Unlike the bailee, however, who may return the bailed property to the bailor due to unforeseeable circumstances, the owner of the warehouse may do so only upon expiration of the storage agreement.

Article 830. Storage Fees, Reimbursement of Expenses and the Security Interest of the Owner of the Warehouse

830.1. If the compensation for the storage services rendered is not provided for under the agreement, the owner of the warehouse may charge the bailor a regular fee. The bailor taking the redelivery of its inventory shall always pay the storage fees. If the term of the storage exceeds three months, the storage fees shall be paid at the end of each quarter.

830.2. The owner of the warehouse may also recover all expenses not directly associated with the storage services such as freight services charges, custom duties, repair service charges, etc. The bailor shall immediately reimburse all these expenses upon the request of the owner of the warehouse.

830.3. The owner of the warehouse shall have a security interest on the inventory taken for the storage *as commissioner* with respect to every claim arising under the storage agreement.[\(12\)](#)

§3. Bailment on the Premises of the Hotels and Restaurants

Article 831. Responsibility of the Owners of the Hotels and Restaurants

831.1. The owners of the hotels and restaurants shall offer their services to the invitees. The owners of the hotels and restaurants shall be responsible for any damage or loss of the invitees' property taken for the storage within their premises or outside the hotels and restaurants in special storage facilities designated by the owners of the hotels and restaurants and taken for the storage by their employees.

831.2. The responsibility of the owners of the hotels and restaurants for damage or loss of the invitees' property shall not be extended to any auto vehicles, items kept in such auto vehicles and animals.

831.3. The owners of the hotels and restaurants shall not be responsible for damage or loss of the invitees' property if it is proved that such damage or loss was caused by the invitees, their guests and due to unforeseeable force or the natural characteristics of the property.

Article 832. Bailment of Money, Documentary Securities and Other Types of Valuables on the Premises of the Hotels and Restaurants

The owners of hotels and restaurants shall take money, *documentary* securities and other types of valuables of their invitees for the storage except if such money, securities and valuables, due to their amount, may not be taken for the security reasons. The owners of the hotels and restaurants may require that such money, securities and valuables be deposited in the sealed boxes or containers. (57)

Article 833. Limitation of Liability of the Owners of the Hotels and Restaurants

833.1. The liability of the owners of the hotels and restaurants provided under the Article 833.1 of this Code shall be limited not to exceed the amount equal to *one thousand one hundred manats*.

833.2. The owners of the hotels and restaurants shall be liable in full if the damage or loss of the invitees' property was caused due to their fault or the fault of their personnel or if the invitees' property was taken for the storage in violation of the Article 832 of the Code.(32)

Article 834. Exoneration of the Owners of the Hotels and Restaurants from Liability

Contractual exoneration of the owners of the hotels and restaurants from liability arising under the Articles 832 of the present Code shall not be valid. The liability of the owners of hotels and restaurants with respect to other property may be limited pursuant to the Article 833.1 of the present Code. Exoneration from liability shall be effective only if it is made in writing.

Article 835. Divestment of the Entitlement for Compensation of Damages Caused to the Invitees' Property

Damage or loss of the invitees' property shall not be compensated if invitees whose property is damaged or lost do not notify the owners of the hotels and restaurants of such damage or loss.

Article 836. Security Interest of the Owners of the Hotels and Restaurants

The owners of the hotels and restaurants shall have a security interest on the invitees' property specified in the Article 831.1 of the present Code with regard to any claim arising in connection with the accommodation and other services provided to the invitees and due to unpaid debt of the invitees.

§4. Consignment Storage

Article 837. Consignment Storage Agreement

837.1. Under the consignment storage agreement, any entrepreneur (consignor) may bail its inventory at the warehouse of the seller for the final delivery of such inventory to their consumers. The seller shall be responsible for the consignment storage of the inventory and may dispose of such inventory as provided under the consignment storage agreement.

837.2. The consignment storage shall be governed by the provisions of the Code on the storage of goods at the warehouse and the consignment sale of the inventory shall be governed by the provisions of this Code on the sales contracts unless otherwise is provided under this paragraph.

Article 838. Duties of the Seller (Consignee)

838.1. The seller shall not commingle the inventory taken for the consignment storage and shall treat such inventory as the property of the consignor.

838.2. The seller shall inspect the inventory before taking it for the consignment storage; if any damages or defects in the inventory is discovered during such inspection, the seller shall notify the consignor of such damages or defects. The seller who does not comply with the above requirement shall be deemed to accept the inventory for the consignment storage.

838.3. If any defects are discovered in the inventory taken for the consignment storage, the seller shall undertake all preventive measures to secure interests of the consignor before expedition, transportation or insurance companies.

Article 839. Responsibility of the Seller

839.1. The seller shall bear the same degree of responsibility for the consignment storage as the commission agent is subjected with respect to the inventory of the principal.

839.2. Upon request and for the account of the consignor, the seller shall provide a property insurance with respect to the consignment inventory covering risks of theft, fire or damage of the inventory.

Article 840. Removal of the Consignment Inventory from the Warehouse

840.1. Before the consignment storage agreement is expired, the seller may remove the inventory from the warehouse taken for the consignment storage for its delivery to the customers within the course of its ordinary business.

840.2. The relationship between the consignor and the seller arising in connection with removal of the consignor's inventory and its delivery to the customers shall be governed by the sales contract executed between such consignor and seller. The purchase price and other terms and conditions of removal and delivery of the inventory shall be specified under the sales contract, the remaining issues shall be governed by the Code.

840.3. The consignor, with an advance notice issued to the seller, may invalidate authorization on removal of its inventory from the warehouse and its delivery to the customers provided that the consignor promptly takes repossession of the consignment inventory from the warehouse.

Article 841. Compensation for the Consignment Storage of the Inventory in the Warehouse

Unless otherwise is provided under the consignment agreement, the seller shall not be compensated for the consignment storage of the inventory.

Chapter 46. Freight

§1. Passenger Freight (Transporting)

Article 842. Passenger Freight (Transporting) Contract

842.1. Ferryman (driver) is in charge to transport (passenger and their usual luggage from stop station to the place of destination and have to get pay for that.

842.2. Passenger transporting contract is in force since passenger buys ticket from transporter for carrying him/her to the place of destination, *or pays the fare by using the payment instrument*, or since passenger get on the transportation means and his/her place.

842.3. If there is no other additional rules to this chapter of the codex, then Guarantee Contract instructions is implemented to the passenger transporting contract.(78)

Article 843. Passenger Transporting Cost

843.1. If there is no other defined payment, it is based on tariff price and if its also absent, then its depends on usual transportation fee passengers.

843.2. Transportation fee shall be paid upon requirement of the transporter, otherwise during getting off from transportation mean.

Article 844. Replacement of the Passenger with Another Person

Until the transporting starts passenger may request replace him/her with another person. If the another person does not meet the certain transport mean to use that transportation mean, transporter can reject top carry that person. Transporter can require to cover additional expenses incurred related carriage of the Third Party.

Article 845. Dissolution of the Passenger Transporting Dissolution

845.1. Until transporting starts passenger-transporting contract can be dissolute.

845.2. Concerning to the dissolution of the Contract transporter looses his/her right of payment. But he/she can require perceivable compensation. Excepting the situations that transporter saved (economized) some expenses and profit that he/she might have gained from selling ticket to another person, its determined by transportation fee.

845.3. By considering the earnings gained from selling ticket to another person and saved expenses, in every transportation mean is determined interest rate concerning to the Contract.

Article 846. Passenger Transporting Procedure and Transporter Responsibility

846.1. Transporter has to carry out the transporting procedure regarding to the instructions of the instructions and rules of the passenger transporting. If there is no other concepts in the Contract, any terms that are in force in some part of the route are agreed terms. If the transporting is carried out with reversibly to the requirement, it is considered carried with defaults.

846.2. If passenger gives the note about the defaults incurred in transporting, he/she has the following rights:

846.2.1. requiring to decrease the transport fee in perceivable rights;

846.2.2. if because of the default incurred in transporting, passenger can require the dissolution of the contract in the future.

846.3. If the dissolution is carried out regarding to the Article 846.2.2 of this Code, passenger can leave transportation means at the closest non-dangerous place. In this case transporter loses his/her rights of the getting payment for partially accomplished transporting. If the mentioned transportation services do not make any interest to passenger in result of dissolution, then transporter loses his/her rights to get remaining cost of the transporting.

846.4. Passenger can require additional compensation, because of the damage incurred by fulfilling transporting contract be the transporter and if the passenger had been given a note about this.

Article 847. Force-majeure during the Passenger Transporting

847.1. If the transporting procedure is complicated, tensed not because of the technical and exploration reasons of transport mean, but because of the outside influence and there occur danger, then contract can be dissolute both by transporter (driver) and passenger.

847.2. Upon dissolution of the contract passenger leave the transportation mean at the closest place which would not clause danger to him, and transporter loses his/her rights of getting partial payment for accomplished part of transporting procedure. Participants of the contract cover expenses incurred related to the returning route corporately. Other remaining expenses are covered by Passenger herself/himself.

Article 848. Payment of the Passengers Claims

Passenger has to state to transporter within one month after accomplishment of the contract. After expiration of the duration Passenger can state those claims immediately after the accomplishment of the contract, because he/she can not wait regarding to the outside influence. In the case of not accepting Passenger claims, those claims are paid within 6 months, with regard that this payment be not earlier than duration determined by Court.

Article 849. Limitation of the Transporters Responsibility

849.1. If there are implementation of legal and official or international instructions and conventions to the transporters services and payment of damage done to passenger considering these instructions and conventions with presence of some limitations or not,

transporter can apply to these limitations that can decrease his/her responsibility, only in the case of competing them.

849.2. In other cases transporter can restrict his/her responsibility by three (3) times of transporting cost based on the agreement between Passenger, if the incurred damage was not because of the Transporter.

§2. Freight (Transporter)

Article 850. Freight Contract

850.1. Regarding to the Freight Contract Transporter is in charge for transporting goods (items) from one place to place of destination in return of the payment (freight fee), and Owner or Receiver of the goods (items) has to make payment for that.

850.2. If there is no other rules, concepts derived from this article of the Code, then instructions about freight contract are implemented.

Article 851. Supplier and Receiver

Supplier is the initiator of the transporting and is the Contractor with the transporter. Supplier can be both who deliver goods and receiver of the goods.

Article 852. Expeditor. Transportation Commissioner

852.1. Expeditor is the person who organizes freight (supply) on behalf of himself and at the expense of the Third Parties.

852.2. In relations with the Suppliers, Expeditor has authority and obligations of the goods (products) suppliers.

852.3. Expeditor has to follow suppliers instructions. He/she selects transporter (ferryman) on his/her responsibility. If the Expeditor carries out freight partially or completely by himself/herself, then he/she gains transporters rights and obligations (duties). If the destination place of several transporters who send items (goods), then Expeditor can organize summary transport. In all cases he/she has to stand (defend) the Suppliers rights and follow his/her instructions. He/she has to inform supplier about every incurred difficulties.

852.4. Expeditor has the right to get payment for his/her rendered services and require to cover expenses payment might consist of the following:

852.4.1. interest rate of the transporters (ferryman);

852.4.2. all payments right from the beginning until end including cost of freight and expeditors payment.

852.5. Expeditor can not over gross the frame of suppliers instructions and is responsible for that. Expeditor is also responsible for the transporter except the cases when he/she did necessary conscientious attempts during selection of the suppliers information.

Article 853. Suppliers Imperative Information

853.1. Supplier has to show accurately the following to the transporter:

853.1.1. address of the Receiver;

853.1.2. place of destination;

853.1.3. number of the freight places, content and gross value;

853.1.4. duration of the delivery and transport type;

853.1.5. cost of the valuables if there are;

853.1.6. also the concrete type of the danger and necessary measures for preventing these danger, if there are specially and potentially dangerous freight.

853.2. Supplier covers expenses incurred related to the absence and non-accuracy of this information.

Article 854. Luggage Receipt (Way-Bill)

854.1. Freight contract and its fulfillment can be certified by special form document (luggage-receipt). Until proving the reverse, luggage-receipt (invoice) certifies the following:

854.1.1. contract between the supplier and transporter;

854.1.2. accepting the freight from one or several transporters for transporting;

854.1.3. acceptance of the freight from freight Buyer;

854.1.4. advertisement or notes announced by the one of the contract participants;

854.1.5. suppliers or freight receivers right to dispose the freight;

854.1.6. transporters right to pledge freight.

854.2. Luggage-receipt (invoice) must be in three copies with signatures and seals of the supplier and transporter. First copy of it is given to supplier, second one —accompanies freight and third one-to Transporter.

854.3. The following information must be included in the invoice (luggage-receipt).

854.3.1. information in Article 853 of this Code;

854.3.2. place of composing and date of the invoice (luggage-receipt);

854.3.3. name and address of the Transporter;

854.3.4. name and address of the Supplier;

854.3.5. place and date of he loading;

854.3.6. name and numbers of the freight (load) places;

854.3.7. cost of the freight (freight fee, additional expenses);

854.3.8. special instruction of the Supplier for freight procedure in the case of need.

854.4. Also can be included the following information in the case of need

854.4.1. prohibition of the loading off the freight and loading it to another transport mean.

854.4.2. expenses carried by receiving freight at the expense of own supplier or preliminary payment to freight Buyer.

854.4.3. freight Buyers (Customers) payment to transporting (payment to be carried out during submission of the freight);

854.4.4. cost of the freight (load);

854.4.5. suppliers instructions about the insurance;

854.4.6. concepts agreed for freight;

854.4.7. list of the documents given to the transporter together with the load.

854.5. supplier is responsible for the information given in invoice in front of the transporter

854.6. If the supplier gives wrong or uncompleted information mentioned in Articles 854.3.2; 854.3.4; 854.3.8 or 854.4, then he/she is responsible for the damage done Transporter.

854.7. In the case not composing (drawing) invoice, incompetence or loss of the invoice, freight contract is in force too. Contract participants can prove by any mean to the existence and terms agreed in the contract.

Article 855. Freight (Load) Packaging

855.1. Supplier has to secure the packaging of the freight in needed standard he/she is responsible for the unperceivable defects.

855.2. Also Transporter is responsible for the defects existed, while taking the freight without notes and conditions.

Article 856. Disposing Right of the Freight (Load)

856.1. Until the load is in Transporters disposal, supplier can take back change the place of destination or receiver of the freight (load) by covering expenses of the transporter. These concepts can be implemented in he following cases:

856.1.1. if only the Receiver of the freight (load) has the right to dispose the freight (load) as determined in the freight contract or invoice.

856.1.2. when the first copy of the invoice is given to the load (freight) receiver;

856.1.3. when the load receiver requires submission of the load while load comes to the place of destination;

856.1.4. when load (freight) Receiver gets receipts from transporter about accepting load and is not able to return it.

856.2. Transporter has to follow the receivers instructions without any conditions, regarding to the Articles 856.1.1-856.1.4 transporter is in charge to do this, only when receipt, regarding to the Articles 856.1.4 of this Code.

Article 857. Receipt about Acceptance of the Load

Transport has to give a receipt to load (freight) receiver immediately.

Article 858. Obstacles during Freight

858.1. If the luggage is not accepted or payment is not carried out, it is difficult to determine luggage receiver, then Transporter has to inform supplier and considering the risk and price of the luggage he/she has to take it to some place for safekeeping for the time being. If the Supplier and luggage receiver do not make any decision about at needed time, then expert as commissioner can sell to another person for the interest of that person.

858.2. If the luggage is depreciated to early or the expected cost do not meet the expenses, then Transporter with the help of the expert has to determine this fact immediately and sell them in the same way as in case with obstacles. Transporter has to give receipt to participants about decision to sell luggage.

858.3. Transporter is in charge to stand the rights of the Owner during carrying out his/her authorities. If he/she breaks off these duties because of himself/herself, then he/she has to cover expenses incurred.

Article 859. Transporters Duties

859.1. If after acceptance of the luggage by Transporter be not delivered to place of destination within 3 months, then it is considered lost.

859.2. Also the transporter is responsible for the delay off the delivery or partially destruction of the luggage.

859.3. If the Transporter prove that loss of the luggage and happened because of the following, then charges mentioned in the Articles 859.1-859.2 of this Code are not implemented.

859.3.1. character of the luggage and transport mean, unless the risk is clear;

859.3.2. instructions or the faults of the Supplier or Receiver;

859.3.3. impossibility to prevent situations, even though conscientious attempts of the transporter.

859.4. Transporter is also responsible for freight carried out not by himself/herself but also for freight carried out by another person. His/her right of regress to another person whom he/she gave luggage.

859.5. All the claims against transporter are paid after luggage is accepted without notes and terms. This concept is implemented in the following cases:

859.5.1. if the Transporter is responsible for on purpose or imprudent acts;

859.5.2. if the claims are related to the internal damages of the luggage and the luggage receiver after revealing it within the acceptable period of time give a note to Transporter about his immediately within 8 days.

Article 860. Right to Pledge the Luggage (Load)

860.1. Transporter has the right to pledge the luggage in order to compensate his/her freight fee. *For obtaining of right of mortgage on cargo provisions of Article 182 of this Code shall be applied. Right of mortgage on cargo occurs also in cases, when sender is not the owner of cargo, but the forwarder is honest towards existence of sender's authorization from cargo owner to dispose such cargo.*

860.2. If the Transporter carries out his/her pledging right, delivery of the luggage can be done only by depositing argument amount to the Court. This amount compensate freight Owners claim about pledging right.

~~860.3. In every argument situations court has the authority to deposit or sell the luggage. Sales can be stopped by paying all arguable amount or by depositing some amount.~~ (12)

Article 861. Claim Duration during Freight

Claims against Transporter are in force within one year after loss, destruction or loss of the luggage but acceptance of the damaged luggage by Receiver, makes it useless from the date of acceptance. In the form of refusal Receiver and supplier can state their claims at any time with the term that they state their claims in the form of reclamation within one year and claim should not its authority, because of luggage acceptance by Receiver. On purpose serious imprudent cases of the transporter are exceptions.

Chapter 47. Tourism services

Article 862. Tourism Securities Contract

862.1. Regarding to the tourism services contract tourism organizer is in charge to render tourism services and customer has to make payment for that.

862.2. But the concept of tourism services is to make tours, get people to different places, also back to the tour start. But tourism services are taken place only when Organizer of tourism services carries out one of the following:

862.2.1. food supply;

862.2.2. placement at hotels;

862.2.3. organizing excursions or taking place at cultural happenings.

862.3. Tourism Organizer is the person who signs the tourism contract for carrying out any tourism services.

862.4. Articles 844, 845 and 847-849 are implemented to carrying out tourism services contract.

Article 863. Making Tourism Services and Organizers Responsibility during Defaults

863.1. Tourists services has to be carried out by Organizer in way that there are not any defaults that contravene the contract and do not corresponds tour cost.

863.2. If there are any defaults mentioned in Articles 863.1 then articles 846.2-846.4 articles are implemented. But he dissolution of the contract skips to supply agreed in contract services. If it is not possible to correct the situation or Organizer refuses to do it, or dissolution of the contract is available to each of the Parties, then setting is not required.

Chapter 48. Rent

§1. General Principles about Rent

Article 864. Rent Contract

864.1. Concerning to the rent contract one Party (Owner) gives his/her property to the disposal of the second party in return to make time to time payment for using that property.

864.2. Regarding to the rent contract here is receipted to pay without duration or to pay for rent every time (lively rent).

Article 865. Rent Contract Form

865.1. Rent contract form is signed between the Parties by issuing agreed form of the contract.

865.2. Rent contracts are considered alienation of the property in order to payment is certified through Notary.

Article 866. Registration of the Contract Considered Alienation of the Property in Order to Transfer the Owners Right

Registration of the rent contract that is considered alienation of the property is hold in state registers.

Article 867. Alienation of the Property for Making Rent Contract

867.1. For carrying out rent payment alienation item, property to rent Owner instead of payment or free of charge.

867.2. During alienation of the property of the rent payer, or leaving the property to the rent owner and relations incurred related to that are regulated by the rules of the donation contract. If there is no other determined rules in this chapter of the Code.

Article 868. Loading of Movable Property with Rent

868.1. Rent shall make loaded land area, building, equipment or other property assigned for its payment. In case rent payer alienates such property it passes to the person obtaining his liabilities on rent agreement.

868.2. Person who has assigned the immovable property loaded with rent to the property of another person shall bear subsidiary responsibility with the receiver of rent on requirements created in connection with violation of rent agreement of rent receiver, provided that this Code or agreement does not specify joint responsibility on this liability.

Article 869. Provision of Rent Payment

869.1. Where plot of land or other immovable property is assigned for rent payment rent receiver shall gain the right of deposit on this property for payment of liability of rent payer.

869.2. Basic term of agreement stipulating assignment of funds or other movable property for payment of rent shall be the term determining the task of rent payer to give guarantee for execution or non-execution of his liabilities or to insure risk of responsibility for properly execution of them for the benefit of rent receiver.

869.3. Where the rent payer does not carry out obligations stipulated by article 869 of this Code, as well as the guarantee on rent terms is lost or become worse due to cases for which rent receiver is not responsible or rent receiver shall have the right to terminate the agreement and claim for payment of compensation for the loss incurred as result of termination of the agreement.

Article 870. Form and Amount of Rent

870.1. Rent shall be paid in money in amount determined by agreement. Assignment of property corresponding to money amount of rent value, its payment through carrying out works or providing services may be considered in agreement of rent.

870.2. In case not otherwise considered in agreement of rent the amount of paid rent shall be increased in proportion with increase of amount of minimum wages.

§2. Permanent Rent

Article 871. Permanent Rent Receiver

871.1. Permanent rent receivers may be only natural persons, as well as non-commercial organizations, provided that they should not be against law and correspond to aims of their activity.

871.2. Rights of permanent rent receiver may be granted to persons specified in article 871.1 of this Code by way concession of claim and may pass on inheritance or by

procedure of right of inheritance in case of reorganization of legal entities, provided that the agreement does not consider otherwise.

Article 872. Terms of Permanent Rent Payment

In case not other term is stipulated by agreement of permanent rent permanent rent shall be made at the end of each calendar quarter.

Article 873. Right of Payer to Buy Permanent Rent

873.1. Permanent rent payer shall have the right to buy it.

873.2. In case other procedure of buying is not specified in agreement, liability on rent payment shall not be terminated until rent receiver buys all rent amounts on sale.

873.3. The term permanent rent agreement about permanent rent payer's refusal of the right of buying rent shall be insignificant.

873.4. It may be considered in the agreement that right of buying of permanent rent cannot be exercised during lifetime of rent receiver or other time.

Article 874. Buying of Permanent Rent with Requirement of Rent Buyer

874.0 Permanent rent buyer may require rent payer to buy rent in the following case:

874.0.1. in case other term is not specified in permanent rent agreement, rent payer delays its payment more than one year;

874.0.2. in case rent payer violates obligations on payment of rent;

874.0.3. in case of creation circumstances which obviously prove that rent payer will not pay the amount of rent determined by agreement and will not carry it out in considered terms;

874.0.4. in vase immovable property give for rent payment included in general property or distributed among several persons;

874.0.5. in other cases stipulated by agreement.

Article 875. Purchase Price of Permanent rent

875.1. In cases stipulated by articles 873 and 874 permanent rent shall be bought at price determined in agreement related to it.

875.2. Where there is not considered a term about purchase price in permanent rent agreement taken as the bases for assignment of property for payment of permanent rent instead of payment, purchase shall be carried out at price corresponding to annual amount of rent to be paid.

875.3. Where there is not considered a term about purchase price in permanent rent agreement taken as the bases for assignment of property for payment of permanent rent

free of charge instead of payment, the purchase shall include annual amount of rent payments and the price of assigned property.

Article 876. Risk of Accidental Destruction or Accidental Damage of Property Assigned for Permanent Rent Payment

876.1. Risk of accidental destruction or accidental damage of property assigned for payment of permanent rent free of charge shall be paid by rent payer.

876.2. In case of accidental destruction or accidental damage of property assigned for payment of permanent rent in spite of payment the payer may accordingly require termination of liability of rent payment or changing of its payment terms.

§3. Lifelong Rent

Article 877. Lifelong Rent Receiver

877.1. Lifelong rent may be defined during the life time of natural person assigning property for payment of rent or for the life time of other natural person hr specified.

877.2. Determination of lifelong rent for the benefit of several natural persons shall be allowed, and if there is not otherwise stipulated in lifelong rent agreement, their shares shall be equal in the right of rent receive.

877.3. Where there is not specified otherwise in lifelong rent agreement, if one of rent receivers dies, his share in the right for rent receiving shall pass to rent receivers who live longer.

877.4. The agreement determining lifelong rent for the benefit of natural person not alive at the moment of signing of agreement shall be useless.

Article 878. Terms of Lifelong Rent Payment

In case not otherwise stipulated in lifelong renal agreement lifelong rent shall be paid at the end of every calendar plan.

Article 879. Termination of Lifelong Rent Agreement by Requirement of Rent Receiver

879.1. Where rent payer violates lifelong rent agreement to a considerable extent rent receiver may require him buy the rent or terminate the agreement and recover compensation for the loss.

879.2. Where apartment, dwelling house or other property is alienated for payment of lifelong rent, if rent payer violates the agreement to a considerable extent rent receiver may require him to return that property and compensate its value with purchase price of rent.

Article 880. Risk of Accidental Destruction of Accidental Damage of Property Assigned for Payment of Lifelong Rent

Accidental destruction of accidental damage of property assigned for payment of lifelong rent shall not free rent payer from payment of rent, in accordance with the terms stipulated by lifelong ret agreement.

Chapter 49. Transaction of armistice

Article 881. Agreement on Transaction Armistice and abstract agreement on recognition of existing debt (12)

881.1. According to agreement on transaction of armistice parties shall settle the conflict or uncertainty relate to rights or claims by way of mutual concessions.

881.2. According transaction of armistice, making reference to rights and claims previously been disputed or uncertain shall be excepted and irrespective of right status only those specified in transaction of armistice shall be valid for participants. In case of non existence of another term:

881.2.1. rights of guarantee and superiority, for example, right of deposit, reservation about keeping of rights of property and guarantee shall remain in force, on condition that such claim should be approved with transaction of armistice;

881.2.2. validity of transaction of armistice shall not be applied to claims not known to the participant of agreement at the time of signing of transaction armistice.

881.3. A form shall not be required for signing of transaction of armistice. However, in case there are specified in transaction of armistice any agreements which require following of any form, the transaction must be drawn up in accordance with the required form, however the cases in which transaction of armistice are worked out in the form of protocol in accordance with procedure of court shall be excepted.

~~881.4. Where transaction of armistice is drawn up in the form of a protocol in accordance with the procedure of court and proceedings in connection with certain claims of one of the participants of transaction armistice approved by a notary against the other party start immediately, then the proceedings shall be carried out either based on transaction of armistice or the decision of court which has legal force.(12)~~

881.5. Where participants of agreement cannot carry out legal relations or claims, especially cannot carry them out related with legal instructions having obligatory effect, the transaction of armistice shall not be valid.

Article 882. Abstract Agreement of Acknowledgement of Available Debt

882.1. Any agreement (abstract agreement of acknowledgement of current debt) stipulating acknowledgement of dept, also considering the acknowledgement in the way giving bases to the obligation shall be valid only, in case the guarantee of debt is submitted in written and in accordance with the form specified to substantiate the debt which is acknowledged. *If for occurrence of obligatory relations recognizing the existence, other form is stipulated, such form is also required for recognition.*

882.2. Where there are not available other instructions than specified in this Code, there cannot be made any objection proceeding from the main transaction against the claim based on abstract agreement on acknowledgement of available debt.

882.3. In this case article 881.5 of this Code shall be applied.

882.4. Articles 882.1-882.3 of this Code shall be correspondingly applied to the agreement (agreement of on assuming of liability) that stipulates execution of liability, also taking into account the acceptance of promise about execution in the manner creating grounds for the liability.

882.5. *If debt is recognized on the basis of settlement (payment) or by agreement, the compliance with form is not required.* ([12](#), [23](#))

Chapter 50. The insurance

§ 1. The general provisions on insurance

Article 883. The Agreement on insurance and reinsurance

883.1. *The insurance agreement is the agreement that confers the conditions of assuming liability by the underwriter with respect to the payment that is based on the determined case of indemnification or the agreed sum of money for the caused damage, losses in connection with the risks, to which the insurance object may be exposed, in exchange for the payment by the insurer of the appropriate insurance premium.*

883.2. *The reinsurance agreement is the agreement that confers the conditions of transferring the insured risks, in whole or in part, to the reinsurer or their allocation with him, in exchange for the payment by the ceding insurer of the appropriate reinsurance premium.*

Article 884. The subjects of insurance relations

884.1. *The insurance relations are based on the transfer or allocation of risks concerning the protection of property interests, which are connected with the property, life, health, the civil liability, activity that is not prohibited by the law, including entrepreneurial business of the insurer or the insured person.*

884.2. *The subjects of insurance relations are the persons, who are the parties to the insurance or reinsurance agreement, or having the rights and (or) responsibilities with regards to the implementation of such agreement.*

884.3. *Insurer shall be the party of the insurance agreement which is obliged to pay insurance compensation in case of occurrence of insured accident under compulsory insurance provided for in laws (hereinafter referred to as laws on compulsory education) regulating the exercise of types of compulsory education and for in insurance agreement under voluntary insurance.*

884.4. *The insured is the party to the insurance agreement, which pays the insurance premiums and is interested in insurance of the insurance object.*

884.5. *The insurer is the person, the property interests of whom are insured in accordance with the insurance agreement. If the personal insurance agreement does not provide for insurance of other person as an insured person, then the insurer shall, at the same time, be considered as the insured person. Irrespective of the fact, whether the property insurance agreement provides for the insurance of other person as an insured person or not, the acknowledgment of the insurer as an insured person cannot be restricted in any way, including by the terms of agreement.*

884.6. *The beneficiary is a person, who should be granted insurance indemnity in accordance with the law on compulsory insurance or the insurance agreement. If the insurance agreement does not provide for insurance of other person as a beneficiary, then the insurer and (or) the insured person shall be considered as the beneficiary.*

884.6-1. *Any person having insurance interest in connection with the property to which the damage is caused as a result of insured accident under property insurance shall be recognized as sufferer, irrespective of the fact whether he/she is an owner of that property.*

884.6-2. *As a result of insured accident under personal insurance, the person to health of whom damage is caused shall be recognized as sufferer and in case of his/her death, members of his/her family shall be recognized as sufferers.*

884.7. *The reinsurer is the party to the reinsurance agreement, which reinsures (accepts for reinsurance) the risks insured (reinsured) under the insurance or reinsurance agreement concluded by the primary underwriter or the primary reinsurer.*

884.8. *The ceding insurer is the underwriter or the reinsurer, who reinsures (transfers for reinsurance) the risks insured or reinsured by him (her) in accordance with the reinsurance agreement. ([28](#), [51](#))*

Article 885. The fields of insurance

885.1. *In terms of the areas of underwriters' activity, the insurance is divided into the life insurance and other than life insurance (general insurance), while in terms of the objects of insurance - into the personal insurance and the property insurance.*

885.2. *Every field of life insurance and other than life insurance consists of the insurance classes, as contemplated by Article 14 of the Law of Republic of Azerbaijan «On insurance activity».*

885.3. *The insurance classes that refer to the life insurance, in terms of the insurance object refer only to the personal insurance.*

885.4. *The insurance classes that refer to other than life insurance may refer to both the personal insurance and the property insurance. ([28](#), [51](#))*

Article 886. The object of insurance and the subject of insurance

886.1. *The objects of insurance are any legitimate property interests of the insurer or the insured person.*

886.2. *The objects of insurance cannot be the illegal interests, as well as the legitimate interests, the insurance of which is prohibited by the law, the fines stipulated by the Criminal Code of Republic of Azerbaijan, Code on Administrative Violations of Republic of Azerbaijan and other laws, as well as the interests connected with the participation in the games, bets, and lotteries.*

886.3. *The subjects of insurance are the individuals, property, or events, which apply to the property interests, insured under the insurance agreement. (28, 51)*

Article 887. The object of personal insurance

The objects of personal insurance are the property interests connected with the life, health, working ability and the retirement insurance of insurer or insured person. The personal insurance allows for the insurance of both the insurer and the other persons indicated (insured) in the insurance agreement.

Article 888. The object of property insurance

888.1. *The objects of property insurance are the property interests related to the stability of insurer's property, its use and (or) management, the implementation of entrepreneurial activity, causing damage to the health of other individuals or the property of individuals, as well as the compensation for damages caused to the legal entities and the operational activity. The property insurance includes the insurance of property and civil liability.*

888.2. *The property insurance allows for the insurance of risks connected with the damage, loss (destruction) and the shortage of property, as well as the forfeiture of proprietary interests.*

888.3. *The civil liability insurance allows for the insurance of liability risks (civil liability insurance for infliction of damage) that result from causing harm to the life, health or the property of third parties, as well as the liability (civil liability insurance for breach of agreement conditions) arising in connection with the civil-law agreements.*

888.4. *The objects of property insurance also include the financial risks, credit risks, commercial and the investment risks, fiduciary and underwriting risks, court costs, as well as the other risks in connection with the property interests, as contemplated by the Article 888.1 of the present Code.*

Article 889. The insurable interest

889.1. *The insurable interest is the profit that preconditions the probability of causing financial losses to the person in case of insurance event occurrence and justifying his (her) right to insure the object of insurance.*

889.2. *The availability of insurable interest is acknowledged under the law or the civil-law agreement. If there is no such acknowledged connection between the person and the insurance object, then the insurable interest shall be considered as not available.*

889.3. *The insurer has the insurable interest connected with his (her) own life, and also the life of a wife (husband), parents, children, employees, employer, debtor, guardian, a person under the ward.*

889.4. *The insurance agreement concluded without the insurable interest shall be considered as void upon its conclusion.*

889.5. *The potential for the occurrence of insurable interest in future shall not be the basis for the conclusion of the corresponding insurance agreement.*

889.6. *If during the term of insurance agreement, the insurable interest is lost, then the insurance agreement shall be terminated.*

889.7. *If upon the occurrence of case or circumstances, which may be recognized as the insurance event under the property insurance, the insurable interest is not available, then this case or circumstance shall not be considered as the insurance event and the underwriter shall be released from fulfilment of its liabilities with respect to the insurance indemnity. (28, 51)*

Article 890. The reinsurance

890.1. *The reinsurance is the allocation with the reinsurer or the transfer to the reinsurer of all or a part of the risks insured or reinsured by the underwriter under the insurance agreement ~~in accordance with the procedure set forth in the insurance legislation.~~*

890.2. *The terms of reinsurance are determined by the reinsurance agreement that is concluded in writing between the underwriter and the ceding insurer.*

890.3. *The reinsurance agreement shall include all information for the guarantee policy specified in the Article 940 of the present Code.*

890.4. *If the underwriter or the reinsurer reinsures the risks insured (reinsured) by them under the insurance or reinsurance agreement, then the consent of appropriate underwriters is not required.*

890.5. *The reinsurance may be performed in the facultative or obligatory, as well as the proportional or non-proportional form.*

890.6. *The proportional reinsurance is the form of reinsurance, which determines the liability of reinsurer with respect to the payment of insurance indemnity in the amount that is proportional to the insurance risk accepted by it under the reinsurance agreement in case of insurance event occurrence, as contemplated by the appropriate insurance agreement.*

890.7. *The non-proportional reinsurance is the form of reinsurance, which determines the liability of reinsurer with respect to the payment of insurance indemnity in the amount that exceeds the own volume of reinsurer, in case of insurance event occurrence, as contemplated by the appropriate insurance agreement.*

890.8. *The facultative reinsurance is the form of reinsurance that provides for reinsurance of risks on the basis of a separate assessment of every risk.*

890.9. *The obligatory reinsurance is the form of reinsurance that provides for reinsurance of all risks that meet the conditions determined under the reinsurance agreement. (28, 51)*

Article 891. The obligations of underwriter (reinsurer) before the insurer (ceding insurer) under the reinsurance agreement

891.1. Subject to the Article 891.2 of the present Code, the underwriter (in accordance with the reinsurance agreement - the reinsurer) that reinsures the risks insured by it under the insurance agreement shall bear the full and the direct liability before the insurer under this insurance agreement.

891.2. The underwriter shall be released from performance of its duty under the appropriate insurance agreement within the limits when the reinsurer selected on the explicit written insistence of the insurer fails to perform its obligations.

891.3. Subject to the Article 891.4 of the present Code, the reinsurer that again reinsures the risks reinsured by it under the reinsurance agreement shall bear the full and direct liability before the ceding insurer.

891.4. If the reinsurer again reinsures the respective risks with the reinsurer selected on the explicit written insistence of the ceding insurer, then it shall be released from performance of its duties under the corresponding reinsurance agreement within the limits when the second reinsurer fails to perform its obligations.

Article 892. The right of reinsurer to request the documents

The reinsurer shall have the right to request from the ceding insurer the appropriate rules and insurance agreements, and in case of insurance event occurrence - also the appropriate supporting documents or their duplicate copies.

Article 893. The coinsurance

893.1. The coinsurance is the operation that is connected with the simultaneous insurance by several underwriters of insurance risks, specified in the insurance agreement, by the way of allocating the responsibilities with respect to the insurance indemnity in accordance with the agreement concluded between them, and the relations arising in connection with this.

893.2. The object of insurance may be insured under one agreement on the part of several underwriters. This agreement shall include the conditions that define the rights and responsibilities of each underwriter on the basis of agreed shares.

893.3. Having the limited liability before the insurer to the extent of its share, one of the underwriters can represent all coinsurers in relations with the insurer.

893.4. The underwriter that does not have the permission for implementing the activity with respect to the appropriate type of insurance cannot participate in coinsurance.

Article 894. The group insurance

894.1. The group insurance allows for insurance of several objects of insurance under the single insurance agreement.

894.2. The group insurance may provide for both the personal and the property insurance.

894.3. *When the group insurance refers to the personal insurance, the insurer shall familiarize each person insured under the insurance agreement, in which the identity of insured person is indicated, with all the terms of insurance agreement that are concerned with him (her). In this case the document (the list, and etc.), which confirms the appropriate familiarization of insured persons with the insurance agreement, shall be an integral part of insurance policy. If upon the group insurance, in the personal insurance agreement the identity of insured person is indicated, or if in the property insurance agreement the insured property is indicated separately, then on the basis of the agreement between the parties, the insurance policy may be issued with regard to each insured person or each insured property, respectively.*

894.4. *If upon the group insurance, in the personal insurance agreement the identity of insured person is not indicated, or if in the property insurance agreement the insured property is not indicated separately, then the circle of insured persons or the property insured under the property insurance agreement shall be defined so concretely that it would be possible to individually identify the amount of insurance indemnity payable with respect to the insurance event occurrence, its effects and the object of insurance, with regards to each insured person or the property insured.*

Article 895. The double (multiple) insurance

895.1. *If the property is insured from similar risks at two or more insurers (in case of dual or multiple insurance) for the sum exceeding the real, i.e. insured value on the moment of conclusion of insurance agreement, each of insurers shall bear liability for damage caused as a result of occurrence of insured accident proportionally to insurance amount provided for in insurance agreement concluded with it, provided that it would not exceed the insured value in a whole.*

895.2. *If, with intent to obtain an illegal income, the insurer insures the property on the basis of one or several insurance agreements for the amount exceeding its actual value, then each insurance agreement concluded with that end in view shall be considered as void upon its conclusion. In this case, the interest of insurer in obtaining an illegal income must be proved in a judicial proceeding. ([28](#), [51](#))*

Article 896. The partial insurance

896.1. *If the insurance amount defined by the property insurance agreement is less than insurance value (in case of partial insurance), insurer shall pay the reimbursement of damage proportionally to the correlation of the insurance amount to the insurance value, provided that insurance agreement would reflect the provision on partial insurance.*

896.2. *In case of full destruction of insured property as a result of insured accident, insurance amount shall be paid in full and right to the residue of subject of the insurance shall be transferred to insurer proportionally to the correlation of the insurance amount to the insurance value.*

896.3. *In case of occurrence of insured accident on conditions referred to in Article 930.1 of the present Code, insurance provision may not be assessed as partial insurance. ([28](#), [51](#))*

Article 897. The compulsory insurance

897.1. *The implementation of compulsory insurance is required by the laws on compulsory insurance.*

897.2. *If a person, in favour of whom, the compulsory insurance agreement must be concluded, is aware that the insurance is not provided, then he (she) shall have the right to claim his (her) insurance, by judicial means, from the person, who bears the responsibility for his (her) insurance.*

897.3. *If the person, who, according to the laws on compulsory insurance, bears the responsibility for providing the compulsory insurance, fails to fulfil this responsibility or concludes the appropriate insurance agreement under the conditions aggravating the situation of insured persons in comparison with the conditions, as contemplated by mentioned laws, then upon the case or circumstance, which may be recognized as the insurance event under the appropriate compulsory insurance agreement, this person shall bear the responsibility before the insured person at least within the insurance coverage ~~set forth in the legislation~~ with respect to this type of compulsory insurance.*

897.4. *Except for cases where other provisions are provided for in laws on compulsory insurance, relationships arising from exercise of types of compulsory insurance shall be regulated by the present Code and Law of the Republic of Azerbaijan «On insurance agreement». ([28](#), [51](#))*

Article 898. The deductible amount and qualifying period

898.1. *The law on compulsory insurance and the insurance agreements on various types of voluntary insurance may provide for the conditional and unconditional amount of redemption, as well as the qualifying period.*

898.2. *The deductible amount is a part of the losses resulting from the insurance event or the caused damage, which is not encompassed by an insurance coverage and shall be incurred by the insurer. The deductible amount shall be deducted from damage amount defined in accordance with insurance agreement and shall be deducted from the share of insurer in damage amount in case of partial insurance.*

898.3. *If, in case, when the conditional deductible amount is contemplated, the volume of damage, caused as a result of insurance event occurrence, exceeds this amount or any other circumstance occurs, stipulated in the insurance agreement, then the deductible amount shall not be deducted.*

898.4. *If the unconditional deductible amount is contemplated, then this amount applies in any case.*

898.5. *If in the insurance agreement the qualifying period is contemplated, then the indemnity for damages, resulting from the insurance event occurrence during this period of time, shall be incurred by the insurer.*

898.6. *If the conditional qualifying period is contemplated, then, subject to continuation of the effects of insurance event during the period equal to this period of time or exceeding it, then the insurance claim or the insurance indemnity shall extend also to the losses occurred during the period equal to the period of time past from the moment of insurance event occurrence.*

898.7. *If in the insurance agreement the unconditional qualifying period is contemplated, then the insurance claim or the insurance indemnity shall not extend to the losses occurred during the period equal to the period of time past from the moment of insurance event occurrence. (28, 51)*

§2. The main requirements under the insurance agreement

Article 899. The form of insurance agreement

899.1. *The insurance agreement shall be concluded in writing as per one of the following forms:*

899.1.1. *by compilation, on the basis of the appropriate insurance regulations and the mutual signing by the parties, of the document referred to as the insurance agreement;*

899.1.2. *by issuing an insurance policy by the underwriter to the insurer under the condition of confirmation by him (her) of his (her) consent with the appropriate regulations of insurance;*

899.1.3. *in the other order as contemplated by the laws on compulsory insurance.*

899.1-1. *Forms of insurance agreement referred to in Article 899.1 of the present Code may be also concluded in the form of electronic document.*

899.2. *In case as contemplated by the Article 899.1.2 of the present Code, an insurance policy shall contain the definite list of risks, against which the insurance object is insured.*

899.3. *For the failure to follow the Articles 899.1 and 899.2 of the present Code, the liability shall be borne by the underwriter. (28, 51)*

Article 900. The content of insurance agreement

900.1. *In case as contemplated by the Article 899.1.1 of the present Code, the insurance agreement shall contain the following:*

900.1.1. *the name and address of the underwriter;*

900.1.2. *name and address of the insurer (and also the surname and patronymic, personal identification number, if it is an individual, as well as VAT, if it is a legal entity);*

900.1.3. *the object of insurance and the address of its location, and also the name and the address of the insured person (insured persons) (and also the surname, patronymic, and the date of birth, personal identification number if it is an individual, as well as VAT, if it is a legal entity);*

900.1.4. *the name and address of beneficiary (and also the surname, patronymic, and the date of birth, personal identification number if it is an individual, as well as VAT, if it is a legal entity);*

900.1.5. the volume of insurance amount by the separate risks with regard to each object of insurance, or its part, or each insured person;

900.1.6. the total amount of insurance premium and its amount by each object of insurance, as well as the procedure of payment;

900.1.7. the term and the territory of insurance agreement;

900.1.8. the procedure for introduction of adjustments and amendments into the insurance agreement, as well as its termination;

900.1.9. the insurance risks covered under the insurance agreement, and at the same time, if this is not agreed, the additional insurance coverage, as contemplated by the appropriate insurance regulations;

900.1.10. the procedure for issuing the insurance indemnity and the basis for its issue;

900.1.11. the basis for rejection to issue the insurance indemnity;

900.1.12. the responsibility of the parties for the default or failure to duly comply with the terms of insurance agreement;

900.1.13. the procedure for resolution of disputes;

900.1.14. other conditions ~~not contradicting the legislation and~~ determined on the basis of the mutual agreement of the parties to the insurance agreement;

900.1.15. the signatures of the parties to the insurance agreement, as well as their seals, if they are legal entities.

900.2. The procedure for conclusion of compulsory insurance agreement is governed by the laws on compulsory insurance. ([28](#), [51](#), [60](#))

Article 901. The insurance policy

901.1. Unless otherwise set forth in the Law of Republic of Azerbaijan «On compulsory insurance», the underwriter shall be responsible for issuing to the insurer the document - the insurance policy that confirms the fact of the conclusion of insurance agreement. This requirement applies to the case of concluding the insurance agreement, in accordance with the procedure set forth in the Article 899.1.1 of the present Code.

901.2. If person insured under the insurance agreement is not at the same time the insurer, then the insurance policy may also be issued to the insured person on the basis of a written request of the insurer.

901.3. Unless otherwise specified in the Law of Republic of Azerbaijan «On compulsory insurance» and the insurance agreement, then the insurance policy shall be issued on the day of payment of the first part of insurance premium or its full payment, while under the group insurance - within 3 working days from the moment of payment of the first part of insurance premium or its full payment.

901.4. *If the insurance policy is lost or destroyed, then the insurer or insured person may request its duplicate copy from the underwriter.*

901.5. *Unless otherwise specified in the agreement, then the underwriter is responsible to provide at its own expense the insurer or insured person with the duplicate copy of the appropriate insurance policy within 3 working days from the moment of receipt of the written request, as contemplated by the Article 901.4 of the present Code. (28, 51)*

Article 902. The content of insurance policy

902.1. *The insurance policy shall contain the following:*

902.1.1. *the name and address of the underwriter;*

902.1.2. *the name and the address of the insurer (and also the surname and patronymic, personal identification number if it is an individual, as well as VAT, if it is a legal entity);*

902.1.3. *the object of insurance and the address of its location, as well as the name and the address of the insured person (and also the surname, patronymic, and the date of birth, personal identification number if it is an individual, as well as VAT, if it is a legal entity);*

902.1.4. *the insurance risks;*

902.1.5. *the insurance amount;*

902.1.6. *the amount of insurance premium, the mode and the terms of its payment;*

902.1.7. *the term and the territory of insurance agreement;*

902.1.8. *if there are other persons, to whom the insurance agreement is extended (the beneficiary, insurance agent, and the insurance broker), their names and the addresses (and also the surnames, patronymics, personal identification numbers if it is an individuals, as well as VAT, if it is a legal entities);*

902.1.9. *the signatures and (or) the seals that confirm the insurance policy of the underwriter and the familiarization of the insurer with the appropriate regulations on insurance.*

902.2. *The insurance policy shall contain the clearly indicated name, address and the telephone number of the financial market supervisory authority to where the insurer or insured person may apply with the complaint in case he (she) considers that his (her) rights under the insurance agreement have been violated. (28, 60, 62)*

Article 903. The insurance premium

903.1. *The insurance premium is the amount of money payable to the underwriter from the part of the insurer in exchange for accepting or allocating the risks, in accordance with the procedure set forth in the insurance agreement.*

903.2. *The amount of insurance premium or the procedure of its calculation and payment under the voluntary insurance shall be determined by the insurance agreement, while under the compulsory insurance - by the laws on compulsory insurance.*

903.3. *Unless otherwise set forth in the Law of Republic of Azerbaijan «On compulsory insurance», the insurance agreement may allow for the agreement to pay the insurance premium in instalments.*

903.4. *Unless otherwise specified in the agreement, the insurance agreement shall become effective upon the payment of the first part of insurance premium or after its payment in full.*

903.5. *If the insurance premium or its part is not paid in time, then the underwriter may set in writing the term for its payment up to 15 days, subject to the requirements of the Article 903.6 of the present Code.*

903.6. *In any case, the insurance premium or its agreed initial part shall be paid not later than 1 month from the time of conclusion of the insurance agreement.*

903.7. *Payment of insurance fee under the insurance agreement in the form of electronic document shall certify the fact of acquaintance of the insurer with the respective insurance regulations and terms and conditions of the insurance agreement as well as the conclusion of the insurance agreement. ([28](#), [51](#))*

Article 904. The insurance amount

904.1. *The insurance amount is the final limit of underwriter's liability with respect to the insured risks.*

904.2. *The insurance amount for compulsory insurance is specified by the laws on compulsory insurance, for voluntary insurance - by the insurance agreement. ([28](#), [51](#))*

Article 905. The value of insured property as the matter of dispute

The parties shall not have the right to dispute the value specified in the property insurance agreement, except for the cases when it is proved that the insurer has intentionally presented to the underwriter the false information about the insured property. ([28](#))

Article 906. The beginning and the end of term of the insurance coverage

906.1. *Unless otherwise provided for in laws on compulsory insurance or voluntary insurance agreement, in case of payment of first part of insurance fee or its full payment, term of insurance provision shall commence from 12 a.m. of the day of conclusion of the insurance agreement and, except for cases referred to in laws on compulsory agreement, it shall be completed under the agreement at 12 a.m. of the last day of validity of that agreement.*

906.2. *In case of occurrence of any circumstance referred to in Articles 919.1.1-919.1.8 of the present Code, insurance provision under insurance agreement shall be deemed completed from the moment of occurrence of that circumstance and from the moment of*

expiry of the last day of the relevant term defined by Article 920.2 of the present Code in case referred to in Article 919.1.9 of the present Code. (28, 51)

Article 907. The enforceability of compulsory insurance agreement

907.1. The person, who, according to the laws on compulsory insurance, is entrusted with the responsibility to subscribe for insurance, shall conclude the appropriate compulsory insurance agreement by using his (her) right of free choice of the underwriter that has a permission to provide the appropriate type of compulsory insurance.

907.2. Insurer which has a permission to exercise type of compulsory insurance shall not be entitled to refuse from conclusion of compulsory insurance agreement with the person having insurable interest and addressing for insurance of respective risks.

907.3. The failure to conclude the appropriate agreement on compulsory insurance by a person, who must provide the insurance as an insurer, as well as by the underwriter, who is responsible to provide the insurance as an underwriter, shall involve the liability, as contemplated by the Code of Administrative Violations of Republic of Azerbaijan. (28, 51)

Article 908. The ineffectiveness of insurance agreement

908.1. Alongside with the common grounds for invalidity of deals, as contemplated by the present Code, the insurance agreement shall be considered as invalid from the moment of its conclusion, if:

908.1.1. the insurance object is connected with the property, which is subject to sequestration on the basis of effective judicial judgment;

908.1.2. the insurance agreement on behalf of the underwriter or the insurer is concluded by the persons, who do not have the authority to conclude the agreement;

908.1.3. at the moment of conclusion of the insurance agreement the insurance object is not available;

908.1.4. the insurance object is connected with the illegal interests of the insurer, and also with the interests, the insurance of which is prohibited by the legislation;

908.1.5. the property is insured under one or several insurance agreements for the amount that exceeds its actual value - with regard to the insurance amount that exceeds the insurable value;

908.1.6. the insurance agreement contains additional provisions that are not specified by insurance regulations and aggravate the situation of the insurer with respect to these conditions;

908.1.7. the person, who does not have the right to perform the insurance activities or does not have the permission to provide the appropriate type of insurance, concludes the insurance agreement as an underwriter (in this case the paid insurance premiums shall be fully returned to the insurer);

908.1.8. *there is no insurable interest.*

908.2. *When waiving its obligations, the underwriter shall not have the right to refer to ineffectiveness of insurance agreement due to noncompliance with the regulations that govern the procedures for the conclusion of insurance agreement, as contemplated by the Article 899.1 of the present Code. (28, 51)*

Article 909. The assignment of beneficiary

909.1. *In case of conclusion of the insurance agreement, the insurant shall be entitled to appoint any person(s) as a beneficiary as well as replace him/her prior to the occurrence of insured accident. Under insurance agreements applied as a condition of pawn and leasing relationships, beneficiary (beneficiaries) may be appointed or replaced with the permission of pawnee and leasing holder respectively.*

909.2. *Upon the conclusion of insurance agreement for the mortgaged property, the mortgagee may be recognized as the beneficiary that has the right for indemnity only in the amount of debt of the borrower (mortgager) at the moment of insurance indemnity issue. With regard to the damage that exceeds the amount of debt, the mortgager (borrower) shall be recognized as the beneficiary.*

909.3. *The individual that insures his (her) life under the appropriate insurance agreement may assign any person(s) as the beneficiary. (28, 51)*

Article 910. The written consent of the insured person in the personal insurance agreement

If upon the personal insurance the insurer is not the insured person, then the conclusion of insurance agreement shall be permitted under the condition of written familiarization of insured person (or his (her) legal representative) with the offer to conclude the agreement in his (her) favor.

Article 911. The obligation to inform upon conclusion of insurance agreement

911.1. *Upon conclusion of insurance agreement, the insurer shall have the right to familiarize with the underwriter's annual balance sheet and annual financial results certified by the independent auditor.*

911.2. *Upon conclusion of insurance agreement, the insurer shall be liable to inform the underwriter about all known to him (her) circumstances, as well as circumstances required by the underwriter in writing, that may influence the underwriter's decision to reject the agreement or conclude it under the revised content.*

911.3. *The insurer, who concludes the insurance agreement with several underwriters in connection with the same insurable interest, shall notify about it each underwriter. This notice shall indicate the name of the underwriter and the appropriate insurance amount. The appropriate documents that confirm this information shall be presented as required. (28, 51)*

Article 912. The obligation to inform about the increase in insurance risk

912.1. *Insurant shall be obliged to inform the insurer or insurance mediator acting on behalf of insurer of all changes emerged upon the conclusion of the insurance agreement*

in connection with circumstances declared in accordance with Article 911.2 of the present Code.

912.2. Under insurance agreements applied as a condition of pawn and leasing relationships, notification of insurer or insurance mediator acting on behalf of insurer on changes emerged subsequently in connection with circumstances declared in connection with Article 911.2 of the present Code shall be the obligation of pawnee and leasing holder who is aware of those changes.

912.3. Notification of insurance mediator acting on behalf of insurer of any change emerged upon the conclusion of the insurance agreement in connection with circumstances declared in accordance with Article 911.2 of the present Code shall be deemed a notification of the insurer. (28, 51)

Article 913. The responsibility to familiarize with the terms of insurance agreement

When concluding the agreement, the underwriter, the insurance broker, or the insurance agent shall familiarize the insurer with the conditions of compulsory insurance or the insurance regulations, on which the voluntary insurance agreement is based. In such case, the insurant shall be provided with commemorative booklet drafted in easy-to-follow form and reflecting the actions in case of occurrence of circumstance which may be recognized as insured accident and lawful grounds of refusal of the insurer to pay insurance compensation. (28, 51)

Article 914. The assessment of insurance risk

914.1. Upon the conclusion of property insurance agreement, the underwriter shall have the right to inspect the insured object, estimate it by defining its physical and technical properties using the different tools, by drawing schemes and diagrams, performing photo- and video shootings, and, if necessary, for the purpose of defining its actual value - to assign the independent expert, subject to the requirements of Article 10.10 of the Law of the Republic of Azerbaijan «On insurance activity».

914.2. The underwriter shall evaluate the insured property, as well as the insurance risks directly or through the agency of the assigned by him (her), subject to the requirements of Article 10.10 of the Law of the Republic of Azerbaijan «On insurance activity», an appropriate person that performs the supporting activities in the field of insurance or an independent expert.

914.3. Upon the conclusion of personal insurance agreement, for the purpose of assessing the actual health status of insured person, the underwriter shall have the right to request the medical examination at its own expense or at the expense of the insurer depending on the conditions of his (her) insurance agreement.

914.4. The independent experts and the persons that perform the supporting activities in the field of insurance, which are assigned for the assessment of insurance risks, shall enjoy the same rights as the underwriter in connection with this. (28, 51)

Article 915. The insurance regulations

Insurance regulations, on which the exercise of type of voluntary insurance offered by the insurer is based and which are set of rules and conditions under such type of insurance,

shall be defined by the insurer itself or as provided for in Article 16.5 of the Law of the Republic of Azerbaijan «On insurance activity» with due regard to the requirements of the present Code and Law of the Republic of Azerbaijan «On insurance activity». ([28](#), [51](#))

Article 916. The content of insurance regulations

916.1. The insurance regulations determine the following:

916.1.1. the insurance classes, to which refers the appropriate type of insurance or in which they are integrated;

916.1.2. the concrete class of insurance objects - the insured persons, insured property or the events;

916.1.3. the procedure for defining the insurance amounts;

916.1.4. the insurance risks;

916.1.5. the exclusions from insurance risks and (or) the limits of insurance coverage;

916.1.6. the procedure for concluding the insurance agreement, as well as the introduction of adjustments and amendments into it and its termination;

916.1.7. the rights and responsibilities of the parties;

916.1.8. the responsibilities of the insurer in case of insurance event occurrence;

916.1.9. the procedures and conditions for paying the insurance indemnity, as well as the concrete list that is required for issuing the insurance indemnity;

916.1.10. the basis for rejection to issue the insurance indemnity;

916.1.11. the time limit for making the decision to issue the insurance indemnity or reject to issue the insurance indemnity;

916.1.12. the responsibility of the parties for the default or the failure to duly comply with the terms of insurance agreement;

916.1.13. the procedure for resolution of disputes;

916.1.14. the underwriting rates and their economic evaluation.

916.2. Exceptions and restrictions referred to in Article 916.1.5 of the present Code may be included into the insurance provision through the agreement in the insurance agreement. ([28](#), [51](#))

Article 917. The additional requirements with respect to the life insurance agreements

917.1. The life insurance agreement, which is concluded under the condition of insurer's participation in the underwriter's profits, shall provide for the procedure of profit distribution.

917.2. The default of the insurer to submit the information upon the conclusion of life insurance agreement shall not be the basis for the underwriter to waive its obligations under the agreement upon the expiration of 5-year period from the time of the agreement's conclusion. However, if the insurer has intentionally failed to fulfill its responsibility with regard to the submission of information, then the waiver of the agreement is permitted.

Article 918. The conclusion of insurance agreement by drawing up the blanket insurance agreement

918.1. In accordance with the agreement between the insurer and the underwriter, the permanent insurance of different parts of homogeneous property (goods, cargo, and etc.) under the similar conditions by the separate terms may be provided on the basis of one insurance agreement by the way of drawing up the blanket insurance agreement.

918.2. The insurer shall, on the timely basis, to present the underwriter the information agreed in the insurance agreement about every part of the property, as specified in the Article 918.1 of the present Code, while if the agreement does not provide for the time limits of presentation of such information, then shall present such information immediately after it becomes available. The insurer shall not be released from the fulfillment of responsibility specified in the present Article, even in the event that it is known that the underwriter will not pay the indemnity upon the receipt of information.

918.3. If so requested by the insurer, the underwriter must issue him (her) the insurance policies for the separate parts of the property covered by the agreement, as contemplated by the Article 918.1 of the present Code.

Article 919. The early termination of insurance agreement

919.1. The early termination of insurance agreement is permitted in following cases:

919.1.1. if the insurance object no longer exists;

919.1.2. in case of death of the insurer, if this is an individual, or in case of liquidation of the insurer, if this is a legal entity, except for the following cases:

919.1.2.1. if the insurer that concluded the property insurance agreement, upon conclusion of insurance agreement has assigned any person, who accepts the insured property, and also has replaced him (her) with the consent of the underwriter before insurance event occurrence, then in case of death of the insurer, if this is an individual, his (her) rights and liabilities under this agreement shall pass to the person, who accepts the insured property in order of succession, set forth in this Code;

919.1.2.2. unless other conditions specified in the laws on compulsory insurance, then the rights and liabilities of the insurer shall pass to the new proprietor, owner or the user of property, which is the object of

insurance, by indicating in the agreement both his (her) own consent and the consent of the underwriter;

919.1.2.3. in case of death of the insurer that concluded the life insurance agreement in favor of another person, his (her) rights and liabilities shall pass to the person, in favor of whom the agreement is concluded, after presenting to him (her) and with his (her) written consent;

919.1.2.4. if the legal entity being the insurer is reorganized during the term of insurance agreement, then its rights and the liabilities under this agreement shall pass to its appropriate legal successor ~~in accordance with the legislation.~~

919.1.3. if in case of death of the insured person, who is not the insurer under the insurance agreement, the underwriter rejects the proposal of insurer to replace him (her);

919.1.4. unless otherwise specified in the Law of the Republic of Azerbaijan «On compulsory insurance» or the insurance agreement, in case of objection of the underwriter against transferring the rights and liabilities of the insurer upon the assignment of insured property to the new proprietor, owner or the user of property; if upon the assignment of property, the underwriter has no objections to transferring the rights and liabilities of the insurer to the new proprietor, owner or the user of property, then the insurer under the insurance agreement is replaced without payment of additional insurance premium;

919.1.5. if there is no potential for insurance event occurrence and the probability of insurance risk disappears owing to the circumstances that are not the cause of insurance event;

919.1.6. upon the complete fulfillment by the underwriter of its obligations before the insurer;

919.1.7. if the insurer does not pay the insurance premiums in accordance with the procedures set forth in laws on compulsory insurance and the insurance agreement;

919.1.8. if there is already no insurable interest;

919.1.9. if the insurant or insurer act with the demand of pre-term termination of the insurance agreement.

919.2. If during the term of insurance agreement, the insurer is disqualified pursuant to a judgment, or his (her) competence is disabled by judgment, then the agreement on civil liability insurance shall be considered as terminated from the effective date of an appropriate valid judgment, while in other cases, the rights and the liabilities of such insurer are exercised by his (her) guardian or trustee. (28, 51)

Article 920. The notification in connection with the early termination of insurance agreement

920.1. If, in the cases referred to in the Article 919 of the present Code, there are the conditions, which provide the basis for termination of insurance agreement, then the

party that is interested in the termination of agreement, subject to Article 920.2 of this Code, shall immediately notify about it the other party.

920.2. If the insurance agreement is terminated ahead of schedule, at the request of the insurer or the underwriter, according to Article 919.1.9 of this Code, then one of the parties shall give the other party a written notice, in which his (her) request is substantiated, not less than 30 days before this occurs (if the insurance agreement is concluded for the term of more than 5 years - 60 days, if it is concluded for the term of less than 3 months - 5 working days). ([28](#), [51](#))

Article 921. The effects of early termination of the insurance agreement

921.1. If the insurance agreement (as well as an agreement in respect of any subject of insurance in case of group insurance) is terminated earlier under the demand of insurant, the insurer shall return insurance fees to it for outstanding period of the agreement with the deduction of part of expenses for exercise of affairs proportional to that period from the returnable part of insurance fee under that agreement (proportional to insurance fee in connection with any subject of insurance in case of group insurance). If the demand of the insurant to terminate the insurance agreement is associated with the failure of the insurer to comply with the obligations under the insurance agreement, the insurer shall return insurance fees to the insurant in full (as well as insurance fees paid under any subject of the agreement in case of group insurance).

921.2. If the insurance agreement (while in case of a group insurance - the insurance agreement with respect to each object of insurance) is terminated ahead of schedule at the request of the underwriter, then the underwriter shall fully return the insurance premiums to the insurer (while upon the group insurance - also the insurance premiums paid with respect to each object of agreement); if this request is connected with a default under the insurance agreement on the part of the insurer, then the underwriter shall return the insurance premiums for the unexpired term of agreement ~~after deduction of the cost of works performed under this agreement~~ (while upon the group insurance - also the insurance premiums paid with respect to each object of agreement). In such case, the insurer may deduct a part of expenses for exercise of affairs proportional to outstanding period of the agreement from the returnable part of insurance fee under the insurance agreement (proportional to insurance fee in connection with any subject of insurance in case of group insurance).

921.3. If upon an early termination of insurance agreement (while in case of a group insurance - the insurance agreements with respect to every object of insurance) the underwriter before the moment of its termination has paid to the insurer the insurance indemnity in the amount equal or exceeding the paid insurance premium (while upon the group insurance - also the insurance premiums paid with respect to every object of agreement), then the insurance premium (while upon the group insurance - also the insurance premiums paid with respect to every object of agreement) shall not be returned to the insurer.

921.4. If upon an early termination of insurance agreement, ~~the underwriter~~ before the moment of its termination has paid ~~to the insurer~~ the insurance indemnity in the amount less than the paid insurance premium (while upon the group insurance - also the insurance premiums paid with respect to every object of agreement), then the insurance premium shall be returned to the insurer at the amount of a difference between the amount of paid insurance premium and the amount of insurance indemnity in accordance

with the procedure set forth in the Articles 921.1 and 921.2, respectively, of the present Codes returns.

921.5. If the insurance agreement is recognized as terminated pursuant to a judgment, as contemplated by the Article 919.2 of the present Code, then the underwriter subject to the Articles 921.3 and 921.4 of the present Codes, shall return to the legal representative of the insurer the insurance premiums for the unexpired term of the agreement after deduction of the cost of works performed under this agreement (while upon the group insurance - also with respect to every object of agreement). (28, 51)

§3. The insurance event and the insurance indemnity

Article 922. The insurance event

922.1. The insurance event is the event or circumstance occurred or arose during the term of insurance agreement and in accordance with the laws on compulsory insurance or the insurance agreement is the base for the payment of insurance indemnity to the insurer, insured person or the other beneficiary.

922.2. The events and circumstances, which are considered to be the insurance events with respect to the compulsory insurance shall be determined in accordance with the insurance laws, while upon the voluntary insurance - the insurance agreement based on the agreement between the parties.

922.3. The insurance event shall have the factors of probability and (or) random occurrence. (28, 51)

Article 923. The notification about the insurance event

923.1. Either the insurer or the insured person, or the beneficiary shall be responsible to notify the underwriter or its representative by any means about the occurrence of insurance event, as well as, ~~in accordance with the legislation, the authorized government agencies that shall be informed about this event immediately or as soon as possible after receiving the information about the event. The legislation on compulsory insurance and the insurance agreement may provide for the reasonable time limits and (or) methods of notification of the underwriter about the insurance event.~~

923.2. If either the insurer or the insured person, or the beneficiary upon notification of the insurer about the insurance event occurrence did not presented the information about this event to the authorized government agencies, as contemplated by the Article 923.1 of the present Code, then the underwriter shall be responsible to immediately inform the above authorities about this event.

923.3. Irrespective of the fact, whether the insurer and the insured person notify the underwriter about the insurance event occurrence or not, the notified authorized government agency shall inform the underwriter about it.

923.4. The notification of the underwriter about the insurance event occurrence by the other persons, including authorized government agencies and in the appropriate cases of the person affected, except for persons, who according to the Article 923.1 of the present Code, are entrusted with the responsibility to notify, shall be considered as the notification about the insurance event. (28, 51)

Article 924. The confirmation of insurance event

924.1. The underwriter (or the assigned independent expert, or a person that performs the supporting activities in the field of insurance) shall have the right, subject to the Article 924.2 of the present Code, to request from the insurer the documents and information that are necessary to confirm the fact of insurance event occurrence and (or) to determine the amount of insurance indemnity.

924.2. The filing of a written inquiry about the circumstances, which may be considered as insurance events and which are subject to verification or require registration ~~in accordance with the legislation~~, in order to obtain, from the authorized government agencies, the document that confirms the fact of insurance event occurrence and (or) the cause, also including the effects of such event, shall be the responsibility of the underwriter or its representative.

924.3. Competent state authorities shall be obliged to provide any information not prohibited by the Law of the Republic of Azerbaijan «On freedom of information» and requested in connection with insured accident according to written request of the insurer or its representative within the period of 10 days from the moment of arrival of the request. (28, 51)

Article 925. The assessment of damage

925.1. The extent of damage caused as a result of insurance event shall be determined by the underwriter as soon as possible, based on the insurance claim filed by either the insurer, or the insured person, or the beneficiary, or their representative.

925.2. The underwriter shall independently or through the agency of the person assigned by it, in accordance with the requirements of Article 10.10 of the Law of the Republic of Azerbaijan «On Insurance Activity», as a representative, that performs the supporting activities in the field of insurance, estimate the caused damage by using the different methods, including, by defining its physical and technical properties using the different tools, by drawing schemes and diagrams, by performing photo- and video shootings of an object, to which the damage is caused, or the place where the insurance event occurred.

925.3. If the parties cannot come to the agreement concerning the assessment made by the underwriter with respect to the damage caused as a result of insurance event, as well as its extent, then the assessment of the extent of damage shall be made by the assigned independent expert, subject to the requirements of Article 10.10 of the Law of the Republic of Azerbaijan «On Insurance Activity».

925.4. The independent experts and the persons that perform the supporting activities in the field of insurance assigned to verify the insurance event and assess the damage shall enjoy the same rights as the underwriter in connection with this.

925.5. The insurer, insured person or the third person under the property insurance agreement shall present the underwriter or its authorized person the property, to which the damage is caused, in a state after the insurance event, except for the following cases:

925.5.1. if it is impossible to save the property, to which the damage is caused, in a state after the insurance event occurrence because of the measures taken with an aim to prevent the damage or reduce its volume, elimination of the effects of

insurance event or the probability of other effects, as well as to supervise the property, to which the damage is caused, because of the potential threat for further losses, remove the obstacles caused by it to the traffic or the activity of other persons, including with regard to the withdrawal of property from the place of event for these purposes;

925.5.2. if the underwriter's representative does not inspect the property, to which the damage is caused, within 5 days from the moment when the underwriter is notified about the insurance event in accordance with the procedure set forth in the present Code;

925.5.3. in other cases, when there is a written consent of the underwriter that the property, to which the damage is caused, should not be left in a state after insurance event.

925.6. Full destruction of the property shall mean that all expenses, which are required for repair or restoration of that property with the purpose of its bringing to the state preceding the insured accident, exceed the limit defined by the insurance agreement. ([28](#), [51](#))

Article 926. The insurance indemnity

926.1. The insurance indemnity is a financial compensation paid by the underwriter in accordance with laws on compulsory insurance or the insurance agreement upon the occurrence of insurance event.

926.2. The underwriter makes the payment of insurance indemnity within the limits of insurance amount.

926.3. The amount of insurance indemnity and the procedure of its payment under the compulsory insurance are determined in accordance with laws on compulsory insurance, while under the voluntary insurance - by the insurance agreement ~~that is concluded in accordance with the appropriate insurance regulations.~~

926.4. In case of determination of several sufferers as a result of insured accident, one of those who has addressed with the insurance claim shall be deemed the beneficiary with due regard to the requirement of Article 927.3 of the present Code. ([28](#), [51](#))

Article 927. The supplementary claims with respect to the insurance indemnity under the property insurance

927.1. Upon the property insurance and the civil liability insurance, the insurance indemnity to the insurer or insured person, as well as the affected third party for the damage caused to the property cannot exceed the amount of the actual damage caused as a result of insurance event occurrence.

927.2. After the parties will come to the agreement concerning the extent of damage, the insurance indemnity under the property insurance, at underwriter's option, subject to Article 927.4 of this Code shall be effected (paid) in one of the following forms:

927.2.1. the payment to the beneficiary of the amount of damage in monetary form;

927.2.2. *the payment to the seller or the services provider for the value of supplies and services sold and rendered to the insurer (insured person or beneficiary) in order to repair the damage caused as a result of insurance event;*

927.2.3. *the repair or recovery of property, which is an object of insurance or belongs to the affected third party;*

927.2.4. *if this is provided by the agreement, the replacement of property, which is an object of insurance in accordance with the conditions determined in this agreement.*

927.3. *Except for the case provided for in Article 927.5 of this Code, upon the occurrence of insurance event under the mortgaged property insurance, no insurance indemnity can be paid to the mortgagee, who is the beneficiary, for the amount that exceeds the amount payable to him (her) by the borrower (mortgager) under the loan (credit) agreement at the moment of insurance indemnity issue.*

927.5. *In case of occurrence of insured accident which came to an end with full destruction of pawned property, pawnee which is a beneficiary under the insurance agreement shall be entitled to receive insurance compensation in the amount of outstanding part of debt of the debtor (pawner) defined under the loan (credit) agreement. (28, 51)*

Article 928. The insurance indemnity under the personal insurance

The insurance indemnity under the personal insurance shall be paid to a person, who has the right to receive it in accordance with the procedures set forth in laws on compulsory insurance or the insurance agreement, irrespective of the indemnities allowed under the social insurance, as well as the compulsory or voluntary insurance. (28, 51)

Article 929. The deduction of insurance premium from the insurance indemnity

Upon the payment of insurance indemnity, the underwriter has the right to deduct the amount of due or overdue insurance premium payable by the insurer from the amount of insurance indemnity.

Article 930. The reduction of insurance amount in connection with the insurance indemnity

930.1. *Unless otherwise provided for in laws on compulsory insurance or insurance agreement, insurance amount defined by the insurance agreement shall be deemed reduced to the amount of insurance compensation issued under that agreement, however provision under the insurance agreement shall not be deemed a partial insurance compensation. Unless otherwise provided for in laws on compulsory insurance, in such case, introduction of amendments to the insurance agreement in connection with the reduction of insurance amount shall not be required.*

930.2. *In case as contemplated by the Article 930.1 of the present Code, the insurance amount specified in the insurance agreement, may be restored by depositing an additional insurance premium in connection with the reduced part of insurance amount. (28, 51)*

Article 931. The advantage of indemnity under the compulsory insurance

If upon the payment of indemnity for the damage caused and (or) the losses occurred in connection with one insurance event, one or several underwriters accrue the obligations arising under two or more insurance agreements, then the insurance indemnities under the compulsory insurance agreements shall be paid in the first instance. In this case, the underwriter, which has concluded the voluntary insurance agreement, shall have the right, at its own discretion, to fulfill the obligations to the insurer (insured person or beneficiary) before the underwriter, which has concluded the compulsory insurance agreement.

Article 932. ~~The postponement of making decision on insurance indemnity~~

~~If against the third party under the civil liability insurance in connection with the circumstance that is considered to be the insurance event, while in other cases – against the insurer or insured person in connection with this event occurrence, has been brought an administrative or criminal case, then the underwriter shall make its own decision whether to issue or reject to issue the appropriate insurance indemnity after the final judgment of the authority on the given case. (28, 51)~~

Article 933. The basis for payment of insurance indemnity

933.1. *The insurance indemnity is performed in case of arising of each of the following cases:*

933.1.1. *the insurance claim filed by the insurer, insured person or the beneficiary to the underwriter upon the insurance event occurrence ~~within the time limits specified in the insurance agreement;~~*

933.1.2. *if ~~according to the legislation~~ any authority must be informed in connection with the circumstance, which is considered to be the insurance event, then the appropriate document on this event issued by this authority;*

933.1.3. *other documents, as contemplated by laws on compulsory insurance and the appropriate regulations on insurance, required to pay the insurance indemnity.*

933.2. *The Article 933.1.1 of the present Code shall not apply to the insurance events under the medical insurance.*

933.3. *In cases defined by the Law of the Republic of Azerbaijan «On compulsory insurance», the document referred to in Article 933.1.2 of the present Code shall not be required. Except for cases of existence of the fact of causing the damage to health, the document provided for in Article 933.1.2 of the present Code for issuance of insurance compensation may not be requested, if, under the voluntary insurance agreement, the volume of the damage caused as a result of insured accident is less than the limit defined for that purpose in the respective insurance regulations as well as in case of absence of well-grounded suspicion of the insurer concerning the reasons of occurrence of insured accident and distortion of details. (28, 51)*

Article 934. Payment of insurance compensation

934.1. *Not less than 7 working days from the moment of receipt of the last document by the insurer (with due regard to Article 933.3 of the present Code) referred to in Article*

933.1 of the present Code, the insurer shall be obliged to issue an insurance compensation or provide the insurer, insured person or beneficiary with substantiated written notification on refusal to pay insurance compensation.

934.2. If the insurer does not pay the insurance compensation within the period defined by laws on compulsory insurance or insurance agreement, it shall pay a penalty in the amount of 0,1 percent of the amount of insurance compensation for each delayed day. (28, 51)

Article 935. The basis for rejection to pay the insurance indemnity

935.1. If the Law of Republic of Azerbaijan «On compulsory insurance» does not provide otherwise, the underwriter refuses to pay the insurance indemnity in the following cases:

935.1.1. deprivation of the opportunity of the insurer to identify whether the event is an insured accident, as a result of failure to comply with Article 923.1 of the present Code;

935.1.2. with the exception of cases that exclude responsibility under this Code, the Code of Administrative Offences and the Criminal Code of Republic of Azerbaijan, due to the willful act or omission on the part of insurer aimed at respective event occurrence, while in the appropriate cases - the person affected, as well as the commitment by him (her) of intentional offence, which is in a direct causal connection with the event;

935.1.3. upon the occurrence of event as a consequence of circumstances, which are considered as military operations or military measures, if the agreement or laws on compulsory insurance does not provide for the insurance of war risks;

935.1.4. if the insurer, having the capability to take the necessary and possible measures to prevent or eliminate the volume of damage caused to the insured property, intentionally does not take these measures; in this case, to refuse to pay the insurance indemnity may be possible only to the extent, to which the volume of damage would have been reduced if the insurer had taken the possible measures;

935.1.5. full or partial deprivation of the opportunity of the insurer to identify the volume of damage as a result of the failure to comply with Article 925.5 of the present Code in connection with submission of damaged property to the insurer;

935.1.6. if subject to the Articles 935.2 of the present Code, as a result of deliberate submission by the insurer to the underwriter of a false information about the insurance object, including about the insured person and (or) the insurance event, then the underwriter, in full or in part, loses a capability to estimate the insurance risk, as well as to identify the causes of insurance event and (or) the extent of caused damage;

935.1.7. if the insurer, insured person or the beneficiary under the property insurance fully receives the indemnity for the damage from the person responsible for causing the damage; in case if the wrongdoer partially pays the compensation, then the waiver of insurance indemnity shall be permitted in the volume of amount paid.

935.1.8. if the occurred event is not considered to be the insurance event in accordance with laws on compulsory insurance or the insurance agreement;

935.1.9. in case of the failure to pay the respective part of insurance fee upon the expiry of 15 days from the moment of expiry of the term of payment of any part of insurance fee provided for in the agreement and upon the occurrence of insured accident upon the expiry of 3 days from the moment of completion of the term defined by the insurer, in case referred to in Article 903.5 of the present Code;

935.1.10. in other cases referred to in laws on compulsory insurance.

935.2. If upon conclusion of insurance agreement the insurer was aware about the unreliability of the information, provided for in Article 911.2 of this Code, or if the insured is not responsible for submission of incorrect information, as well as in the case of entering insurance agreement, despite the fact that the insured did not provide the required information, to refuse from the insurance indemnity the insurer is not entitled to rely on the submission of incorrect information or failure to submit the required information.

935.3. Even if the insurer is fully or partially deprived of the opportunity to identify the volume of the damage in cases defined by Article 935.1.5 of the present Code, it shall not be entitled to refuse from insurance compensation in the volume proved by evident facts.

935.4. Except for circumstances excluding the liability provide for in the present Code, Code of Administrative Offences of the Republic of Azerbaijan and Criminal Code of the Republic of Azerbaijan, if the insured accident has occurred as a result of deliberate action or omission directed to its occurrence and committed by the beneficiary who is not deemed an insurer and/or person insured under the insurance agreement, that beneficiary shall be deprived of the right to receive insurance compensation. (28, 51)

Article 936. The subrogation right

936.1. The subrogation right, subject to the Articles 936.6 of the present Code, is the right of underwriter, who has issued an indemnity for the use of rights and remedies, which has the person, who received the insurance indemnity, with respect to the ~~third~~ party that is responsible for the damage caused to him (her).

936.2. The right of beneficiary in connection with the request (claim) for indemnity payment against the person, who has caused the damage, shall pass to the underwriter, who has issued the insurance indemnity under the property insurance, under subrogation in the amount of insurance indemnity paid by it.

936.3. If the beneficiary receives the insurance indemnity, then he (she) shall be responsible for provision of the underwriter with all the documents available to him (her) that are necessary to exercise the right of subrogation.

936.4. If the beneficiary waives of the rights ensuring the claim or the request against the wrongdoer, or submission to the underwriter of the necessary documents, then the underwriter shall be released from the payment of insurance indemnity in the amount, which it could receive from the wrongdoer under subrogation.

936.5. *The underwriter shall have the right to exercise a right of subrogation against the wrongdoer and (or) the underwriter, which has insured the liability of this person with respect to the risks connected with the corresponding insurance event, as well as, ~~in accordance with the legislation~~, against the other person, who may bear the material liability before the insurer or the beneficiary for the damage caused.*

936.6. *In cases relating to the classes of life insurance and the personal accident insurance, the right of subrogation shall not be applied. (28, 51)*

§ 4. The insurance brokerage

Article 937. The engagement of insurance dealers in insurance relations

937.1. *The insurance agreement (reinsurance) may be concluded both directly between the parties and by using the services of insurance dealers - the insurance agents or insurance brokers.*

937.2. *The underwriter may use the intermediary services of insurance agent that acts on his (her) behalf by entering the guarantee agreement, in following insurance operations:*

937.2.1. *the conclusion of insurance agreements and effecting the transactions in connection with this;*

937.2.2. *implementing the deals connected with the extension or renewal of insurance agreement.*

937.2-1. *The following shall be reflected in the guarantee agreement on provision of mediation services concluded between the insurer and insurance agent:*

937.2-1.1. *number and date of guarantee agreement;*

937.2-1.2. *name and address of the insurer;*

937.2-1.3. *family name, first name, patronymic, place of residence, number of identity card, number of license and TIN, if the insurance agent is a natural person;*

937.2-1.4. *name, place of location, number of license, TIN, if insurance agent is a legal entity; family name, first name and patronymic of the director of the executive body, if it exclusively deals with the activity of insurance agent; family name, first name and patronymic of the employee having the license of insurance agent along with the director of the executive body, if principal activity is the other activity;*

937.2-1.5. *subject of the guarantee agreement;*

937.2-1.6. *list of types of insurance, which are offered by the insurance agent to the clients;*

937.2-1.7. *amount of commission payable to the insurance agent under the guarantee agreement;*

937.2-1.8. *rights and obligations of the parties;*

937.2-1.9. *liability of the parties for the breach of terms and conditions of the agreement;*

937.2-1.10. *territory fallen under the guarantee agreement;*

937.2-1.11. *validity period of the guarantee agreement;*

937.2-1.12. *contact details of the parties.*

937.3. *The insurance broker, when representing the insurer (ceding insurer) in relations with the underwriter (reinsurer), based on the guarantee agreement, may act as intermediary in following operations:*

937.3.1. *the conclusion of insurance (reinsurance) agreements and effecting the transactions in connection with this;*

937.3.2. *implementing the deals connected with the extension or renewal of insurance (reinsurance) agreements.*

937.3.3. *the implementation of insurance (reinsurance) agreements, including the settlement of transactions with respect to the insurance (reinsurance) claims and insurance indemnities and (or) the advisory services. ([28](#), [51](#))*

Article 938. *The conclusion of insurance or reinsurance agreements through the insurance brokerage*

938.1. *If the insurance agreement is concluded through the insurance agent, then he (she) may conclude the agreement on behalf of the underwriter only under the authority granted to him (her) in writing.*

938.2. *If the insurance (reinsurance) agreement is concluded through the insurance broker, then the agreement may be signed by the underwriter and the insurer or the insurance broker under the authority granted to him (her) by the insurer (ceding insurer) in writing.*

938.3. *If the insurance (reinsurance) agreement is concluded through the insurance brokerage, then the name of insurance agent or the insurance broker (and also the surname, if this is an individual), respectively, as well as his (her) address shall be indicated in this agreement.*

938.4. *Insurance mediator notified of any change occurred upon the conclusion of the insurance agreement in connection with circumstances declared in accordance with Article 911.2 of the present Code shall be obliged to inform the insurer of that information within the period of 1 day from the moment of its receipt. ([28](#), [51](#))*

Article 938-1. *Information which the insurance mediator is obliged to deliver to the insurer prior to the conclusion of the insurance agreement*

938-1.0. Prior to conclusion, update or amendment of each insurance agreement concluded under insurance mediation, insurance mediator shall be obliged to provide the person to be insured with the following information as a minimum:

938-1.0.1. his/her name and place of residence (place of location, in respect of legal entities);

938-1.0.2. register into which it included and methods of acquisition of information about itself from that register;

938-1.0.3. availability or unavailability of relationships with the insurer offered as a party to the insurance agreement, as a shareholder, affiliated person or dependent enterprise;

938-1.0.4. right and procedure of lodging the complaint against insurance mediators as well as methods of lodging the complaint;

938-1.0.5. exercise of insurance mediation on the basis of obligations under guarantee agreement concluded with one or several insurers (with provision of names, addresses of those insurers, objective information on their positions in the insurance market) or without the existence of such agreement;

938-1.0.6. provisions provided on the basis of types of insurance corresponding to the requirements and needs of person to be insured. ([51](#), [63](#))

Article 939. The provision of the parties to the insurance agreement with documents on the part of the insurance broker

939.1. The insurance broker, within 3 days from the moment of insurance agreement signing, concluded through his (her) intermediary, by the last party, shall provide the insurer with a duplicate copy of this agreement and (or) the appropriate insurance policy, and in case if this is impossible, to provide him (her), as contemplated by the Article 940 of the present Code, with the guarantee policy that is valid until the issue to the insurer of a duplicate copy of the appropriate insurance agreement or the insurance policy.

939.2. The insurance broker, within 10 days from the moment of reinsurance agreement signing, concluded through his (her) intermediary, by the last party, shall provide the reinsurer with a duplicate copy of the appropriate reinsurance agreement or the guarantee policy, as contemplated by the Article 940 of the present Code.

939.3. The underwriter (reinsurer) that accepts or shares the risks under the insurance (reinsurance) agreement, concluded through the intermediary of insurance broker, shall have the right to require from the insurance broker any information with respect to this agreement.

Article 940. The guarantee policy

940.1. The guarantee policy is the document issued to the insurer (ceding insurer) on the part of the insurance broker and confirming the placement of insurance risks.

940.2. The guarantee policy shall contain the following:

940.2.1. *the full name and address of the underwriter (reinsurer) that accepts or shares the risks under the insurance (reinsurance) agreement;*

940.2.2. *the full name and address of the insurer (ceding insurer);*

940.2.3. *the term and the territory of insurance agreement;*

940.2.4. *the insurance risks covered under the insurance (reinsurance) agreement;*

940.2.5. *the volume of insurance (reinsurance) amount proportional to the insurance or reinsurance risk accepted or shared by the underwriter (reinsurer) by the separate risks with regard to each object of insurance, or its part, or each insured person;*

940.2.6. *the amount of insurance premium in full and in part with respect to each object of insurance and the procedure of its payment;*

940.3. *If the insurance risk is shared with several underwriters (reinsurers), then the information, as contemplated by the Articles 940 of the present Code, shall be indicated separately with respect to each underwriter (reinsurer).*

Article 941. *The engagement of insurance dealers in the payment of insurance premium and insurance indemnities*

941.1. *The insurance agent may accept the insurance premium on behalf of the underwriter under the authority granted to him (her) in writing.*

941.2. *If the insurance (reinsurance) agreement is concluded through the insurance broker, depending on the agency agreement concluded between him (her), the insurer (ceding insurer) and (or) the underwriter (reinsurer), then the insurer (ceding insurer) may pay the insurance premium directly to the underwriter (reinsurer), or through the insurance broker.*

941.3. *The insurance (reinsurance) premium shall be considered as paid under the appropriate insurance (reinsurance) agreement from the moment of its receipt by the insurance broker.*

941.4. *The insurance broker shall hold the funds paid to him (her) as the insurance (reinsurance) premiums on the bank account that is separate and different from other accounts and in the form of the «insurance premiums' account», for the purpose of payment to the underwriter (reinsurer) and shall not use these funds for other purposes.*

941.5. *The insurance broker that collects the insurance premium must transfer it in its entirety to the appropriate bank account of the respective insurer within 5 working days from the date of premium acceptance. Insurance broker, accepted reinsurance fee, shall transfer it to the appropriate bank account of the reinsurer in the manner and within the time agreed with the reinsurer. For delay of terms of transfer to the insurer (reinsurer) of the insurance (reinsurance) premium, specified in the first and second sentences of Article 941.5 of the present Code, the insurance broker shall pay a penalty equal to 0.1 percent from non-transferred amount for each day of delay.*

941.6. *The amount of commission established under the relevant agreement between insurance broker and reinsurer may be deducted from the reinsurance premium when transferring this contribution in the manner prescribed in Article 941.5 of the present Code.*

941.7. *The insurance broker shall hold the funds paid to him by the underwriter (reinsurer) in connection with the insurance indemnities, on the bank account defined as the «insurance indemnities' account», that is separate and different from other accounts, for the purpose of transferring to the insurer (ceding insurer) or the beneficiary and shall not have the right to use these funds for other purposes.*

941.8. *The insurance broker must transfer the funds, as contemplated by the Article 941.7 of the present Code, to the appropriate insurer (ceding insurer) or the beneficiary not later than 3 days from the moment of their receipt to the insurance indemnities' account. (28, 51, 60)*

Article 942. *The subsidiary liability of insurance brokers before the insurer or the ceding insurer*

For violation of the interests of insurer (ceding insurer) under the insurance or reinsurance agreement concluded through his (her) intermediary with the person, who, in its turn, does not have the license to perform the activity on insurance or reinsurance, or under the agreement concluded with the underwriter, which does not have the permission to provide the appropriate type of insurance, and also due to noncompliance with the Articles 941.5 and 941.8 of the present Codes, the insurance broker shall bear before him (her) the subsidiary liability as the underwriter (reinsurer) with respect to the performance of responsibilities, specified with respect to the underwriter (reinsurer) under this insurance (reinsurance) agreement.(28)

Chapter 51. Bank deposit

Article 943. *General provision on bank deposit*

Provisions of this Chapter of this Code relating to banks shall also apply to other credit organizations *and national mail service operator* accepting funds (deposits) from legal entities. (34)

Article 944. *Contract of bank deposit*

944.1 Under the contract of bank fund (deposit), one party (bank) shall, by accepting from the other party (from depositor) or for the other party (for depositor) an incoming monetary amount (fund), undertake upon itself a return of a deposit amount to a depositor and payment of interest to him in accordance with the terms and procedure stipulated in the contract.

944.2 Provisions relating to the contract of bank account shall apply to relations between a bank and a depositor in respect of an account into which the deposit has been made, unless provided otherwise in the provisions of this Chapter of this Code or otherwise follows from the nature of the contract of bank deposit. ~~Legal entities shall not have the authority to transfer monetary funds in funds (deposits) [deposit accounts] to other persons.~~ (12)

Article 945. Right to obtain monetary funds as deposits

945.1 Right to obtain monetary fund as deposits shall belong to banks and *the national mail service operator* having such right in accordance with a permit (license) issued in a special order provided by law.

945.2 In the event of acceptance of deposit from physical person by a person not having such right or in violation of procedures established by law or of banking procedures adopted in accordance with *law*, a depositor may demand an immediate return of the amount of the deposit, as well as interest in its respect, and may, in addition, demand compensation for all damage caused to him. In the event of acceptance by such person of monetary funds from a legal entity on the basis of terms of the contract of bank deposit, such contract shall be invalid.

945.3 Unless provided otherwise by law, the consequences stipulated in Article 945.2 of this Code shall also apply to the following circumstances:

945.3.1. in the event of obtaining of monetary funds of physical and legal entities by sale to them of stock and other securities the issuance of which has been found illegal;

945.3.2. in the event of obtaining of monetary funds of physical persons against the drafts and other promissory notes not allowing receipt by their holders of the deposit on first demand nor the exercise by the depositor of other rights specified in this Chapter. ([12](#), [34](#))

Article 946. Form of contract of bank deposit

946.1 The contract of bank deposit shall be concluded in a written form. The written form of the contract of bank deposit shall be considered observed in the event the making of a deposit is confirmed by a bank-book, bank or deposit certificate or other document issued by a bank to a depositor that meets the requirements provided for such documents by law, bank rules established in accordance with law or customs of trade applied in banking practice.

946.2 Non-observance of the written form of the contract of bank deposit shall result in the invalidity of this contract. Such contract shall be void.

Article 947. Types of deposits

947.1 The contract of bank deposit shall be concluded on condition of return of deposit on first demand (demand deposit) or upon expiry of a period stipulated in the contract (time deposit). The contract may contain provisions for making deposits on other return conditions not contradicting to law.

947.2 Under the contract of bank deposit of any type, the bank shall be obligated to return *not less than one-fourth part of the amount of deposit forthwith, and the rest part not later than within five banking days*, with the exception of deposits made by legal entities with differing contractually agreed terms of return. Term of a contract relating to the waiver by a physical person of his right to receive a deposit on first demand shall be void.

947.3 With the exception of a demand deposit, in the event of return of a time or other deposit to a depositor upon his demand prior to the expiry of a time period or before the occurrence of other circumstances specified in the contract of bank deposit, interest on the deposit shall be paid at the rate corresponding to the rate of interest paid by the bank on demand deposits, unless other rate of interest has been provided by the contract.

947.4 In the event a depositor has not demanded the return of the amount of a time deposit upon the expiry of time period or the amount of a deposit made on other conditions of return upon occurrence of circumstances stipulated in the contract, the contract shall be considered extended on a demand deposit terms, unless provided otherwise by the contract.[\(12\)](#)

Article 948. Interest in respect of the amount of deposit

948.1 Bank shall pay a depositor interest on the amount of the deposit at the rate provided by the contract of bank deposit. In the event of absence in the contract of provisions relating to the rate of interest to be paid, the bank shall pay the interest at the rate determined in accordance with Article 449.1 of this Code.

948.2 Bank shall have the right to change the rate of interest payable on demand deposits, unless provided otherwise by the contract of bank deposit. Upon reduction by the bank of the interest rate, the new rate of interest shall apply to the deposits made to the bank prior to the notice in respect of the reduction of the rate of interest upon the expiry of 1 month from the time of respective notice, unless provided otherwise by the contract.

948.3 The rate of interest established in the contract of bank deposit in respect of a deposit made by physical person on the condition of its return upon the expiry of a time period or occurrence of a circumstance provided in the contract may not be unilaterally reduced by the bank. Where the contract does not provide otherwise, the rate of interest in respect of such contract of bank deposit between the bank and a legal entity cannot be unilaterally changed.

Article 949. Procedure for calculation and payment of interest on amount of deposit

949.1 Interest on the amount of a bank deposit shall be calculated from the day following the day of the deposit of that amount to the bank [account] until the day preceding the day of return of the deposit to the depositor or its deduction from the depositor's account due to other grounds. This procedure shall not apply in respect of one-day deposits.

949.2 Unless provided otherwise by the contract of bank deposit, interest on the amount of bank deposit shall be paid to the depositor upon his demand at the expiry of each quarter separately from the amount of the deposit, and interest not claimed at this time shall increase the amount of the deposit on which interest is calculated. Upon return of the deposit, all interest accrued up to that time shall be paid.

Article 950. Guarantee of the return of deposit

950.1 Banks shall be obligated to ensure the return of deposits of physical persons by compulsory insurance, and where provided in law — by other methods. The return of deposits to physical persons by banks, over fifty percent of the participation shares or charter capital of which belongs to the Republic of Azerbaijan or municipalities, shall be

guaranteed by their subsidiary liability on the claims of depositors against the bank by procedure provided in Article 453 of this Code.

950.2 Methods of return of deposits of legal entities by bank shall be determined by the contract of bank deposit.

950.3 At the time of conclusion of the contract of bank deposit, a bank shall provide a depositor with the information on ways of guarantee of return of bank deposit.

950.4 In the event of non-fulfilment by bank of obligations stipulated by the contract of bank deposit in respect of guarantee of return of deposit as well as in the case of loss of guarantee for the return of deposit or worsening of its conditions, the depositor shall have the right to demand from the bank an immediate return of the amount of deposit, payment of interest on it at the rate determined in accordance with Article 948.1 of this Code and compensation for caused damage.

Article 951. Depositing by third persons of monetary funds to depositor's account

Unless provided otherwise by the contract of bank deposit, monetary funds received by the bank to the name of a depositor from third persons with an indication of necessary information in respect of the depositor's deposit account shall be credited to the deposit account. It shall be also assumed that the depositor has expressed his consent to the receipt of monetary funds by providing these persons with necessary information in respect of a deposit account.

Article 952. Deposits in favor of third persons

952.1 A deposit can be made in the bank in the name of a specific third person. Unless a different term has been specified in the contract of bank deposit, such person shall obtain the right of a depositor from the time of his tendering to the bank of the first demand based on these rights or of expression by him to the bank in another manner of the intent to use such rights. Indication of the name of physical person or legal entity in whose favor a deposit is made shall be a material term of the contract of bank deposit. The contract of bank deposit in the name of a physical person having deceased by the time of its conclusion or a legal entity not existing at the time of its conclusion shall be void.

952.2 A person concluding the contract of bank deposit may, until expression by a third person of his intent to use the rights of a depositor, enjoy the rights of a depositor in respect of monetary funds deposited by him to the account.

952.3 Provisions relating to the third party beneficiary contracts shall apply to the contract of bank deposit for the use of third person, provided that such application does not contradict the provisions of this Article and a nature of a bank deposit.

Article 953. Bank-book

953.1 Unless provided otherwise by the agreement of parties, conclusion of the contract of bank deposit with physical person and a deposit of monetary funds to a deposit account shall be confirmed by a bank-book. The contract of bank deposit may provide for issuance of a named bank-book or a bearer bank-book. The name and location of the bank and, where a deposit has been made at a branch — also the name and location of respective branch, number of the deposit account, as well as all amounts of monetary

funds deposited to the account, all amounts of monetary funds withdrawn from the account, and the balance of the monetary funds on the account at the time of presentation of the bank-book to the bank shall be indicated in the bank-book and confirmed by the bank. Unless proven otherwise, information in respect of deposit indicated in the bank-book shall be the basis for settlements in respect of deposit between the bank and the depositor.

953.2 Bank shall execute a return of a deposit, payment of interest on it and orders of a depositor in respect of transfer of monetary funds from a deposit account to other persons upon presentation of a bank-book. In the event of loss of a named bank-book or its being in a condition unsuitable for presentation, the bank shall issue a new bank-book upon a depositor's application. Restoration of rights in respect of a lost bearer bank-book shall be carried out in order stipulated for *documentary* bearer securities.

953.3. If bank performs payment by bankbook to person who obtained the bankbook illegally, including the loss by someone else, it shall be released from liability provided that it was not aware of any such circumstances. However, if bank does not have any such information as a result of significant negligence, it shall not be released from liability.

953.4. New creditor, who obtained in accordance with procedures of this Code the claim to the Bank via cession, may require the issuance of savings book to him. ([12](#), [57](#))

Chapter 52. Bank account

Article 954. Contract of bank account

954.1 Under the contract of bank account, a bank shall undertake an obligation upon itself to accept and credit monetary funds received to the account opened for the client (accountholder), to execute client's orders relating to transfer and issuance of certain amounts from the account and on execution of other operations on the account.

954.2 Bank may, by guaranteeing the client's right of unhindered disposition of monetary fund in bank account, use these funds.

954.3 Bank may not determine or supervise the direction of use of client's monetary funds or impose other limitations on client's right to dispose of the monetary funds at his discretion not specified in the contract of bank account.

954.4 Provisions of this Chapter relating to banks shall also apply to other credit organizations entering into contract[s] of bank account and managing bank accounts in accordance with a special permit (license).

Article 955. Form of the contract of bank account

955.1 The contract of bank account shall be concluded in a written form.

955.2 Non-compliance with the written form of the contract of bank account shall result in invalidity of the contract. Such contract shall be void.

Article 956. Conclusion of the contract of bank account

956.1 Upon conclusion of the contract of bank account, a bank account shall be opened for client or a person designated by client on terms agreed upon between the parties.

956.2 The bank shall conclude the contract of bank account with a client making a proposal to open an account on terms expressed by the bank for the opening of an accounts of the given type, corresponding to the requirements set forth by law and banking rules established in accordance with the law.

956.3 The bank shall not have the right to refuse to open an account where carrying out of certain operations in respect of the account has been provided for by law, the charter of bank and a special permit (license) issued to it, except where such refusal is caused by the bank's incapability to accept for banking services or is allowed by law or other legal act.

956.4 In the event of bank's ungrounded evasion of conclusion of the contract of bank account, client shall have the right to apply to court with a claim of forceful conclusion of the contract.

Article 957. Confirmation of the right to dispose of monetary funds in account

957.1 The rights of persons giving in the name of a client orders in respect of transfer and release of funds from the account shall be confirmed by presentation by the client to the bank of the documents specified in law, banking rules established in accordance with the law and the contract of bank account.

957.2 A client may give an order to a bank on writing-off of monetary funds from the account on demand of third persons, including a demand relating to performance by the client of his obligations to these persons. The bank shall accept such orders only on the condition of indication in them in a written form of necessary information allowing identification, upon presentation of a corresponding demand, of person having the right to present it.

957.3 The contract may provide for the verification of the rights to dispose of monetary funds in a bank account by electronic means of payment and other documents with use in them of analogues of handwritten signature, codes, passwords and other means confirming that an order has been given by an authorized person.

957.4. If bank writes-off monetary means on the basis of instructions that do not reflect the actual will of the account owner, it shall bear liability provided that he cannot prove the issuance of such instruction at the fault of account holder. [\(12\)](#)

Article 958. Operations with account carried out by bank

The bank shall be obligated to carry out for the client the operations provided for the same type accounts by law, banking rules established in accordance with the law and by customs of trade applied in banking practice, unless provided otherwise in the contract of bank account.

Article 959. Time periods for account operations

959.1 The bank shall deposit monetary funds received to the account of client not later than the day following the day of receipt by the bank of respective payment document, provided that the law or the contract of bank account do not provide a for shorter period.

959.2 The bank shall, upon client's order, issue or transfer the from the account monetary funds of the client not later than the day following the day of receipt by the bank of payment document, provided that the law, banking rules established in accordance with the law or the contract of bank account do not provide otherwise.

Article 960. Giving credit to account

960.1 In the event where, in accordance with the contract of bank account, the bank makes payments from the account (giving credit to the account) despite the absence in it of monetary funds, the bank shall be considered to have granted the client a credit in the relevant amount from the day of making of such payment.

960.2 The rights and obligations of parties relating to giving credit to an account shall be determined by the rules applicable to debt and credit, provided that the contract of bank account does not provide otherwise.

Article 961. Payment of service fees by bank in respect of operations with account

961.1 ~~In cases provided in the contract of bank account,~~ the client shall pay for the services of the bank for performing operations with monetary funds in the account

961.2 Payment for services of the bank provided in Article 961.1 of this Code may be deducted by the bank from the account of a client upon completion of each transaction, unless provided otherwise by the contract of bank account.[\(12\)](#)

Article 962. Interest for the use by the bank of monetary funds

962.1 Unless provided otherwise in the contract of bank account, the bank shall pay interest for the use of monetary funds in the client's account and the amount of such interest shall be deposited into account.

962.2 The interest specified in Article 962.1 of this Code shall be paid by the bank at the rate determined in the contract of bank account, and where the relevant term is missing in the contract — it shall be paid at the rate set in respect of the bank's demand deposit.

962.3 The amount of interest shall be deposited to the account within periods specified in the contract, and where such periods have not been provided for — at the end of each quarter.

Article 963. Setoff of mutual claims of bank and client in respect of account

963.1 Monetary claims of bank against client connected with giving credit to the account and payment of fees for bank services shall be terminated through setoff of claims of the client against the bank in respect of payment of interest for the use of monetary funds, unless provided otherwise by the contract of bank account. The said claims shall be setoff by the bank.

963.2 The bank shall inform the client of the carried out setoff in order and within the time periods established by the contract, and where the parties have not agreed the relevant terms — in order and within the time periods customary in the banking practice for providing clients with the information on the status of monetary funds in relevant account.

Article 964. Grounds for writing off of monetary funds from account

964.1 The bank shall carry out the writing off of monetary funds from the account on the basis of the client's instruction.

964.2 The writing off of monetary funds from the account without the client's instruction shall be allowed through the court decision, as well as in circumstances specified by law or contract between the bank and the client.

Article 965. Priority of writing-off of monetary funds from account

965.1 In the event of sufficiency in the account of monetary funds for the payment of all claims brought against the account, the writing off of these funds from the account shall be carried out in order of receipt of the client's instructions and other documents relating to the writing off (calendar order), provided that the law does not provide otherwise.

965.2 In the event of insufficiency in the account of monetary funds for the payment on the client's instructions and for the satisfaction of all claims brought against it, the monetary funds from the account shall be written off in the following order:

965.2.1. in the first place, the writing off shall be carried out in respect of the execution document providing for the transfer or issuance of monetary funds for the satisfaction of claims in respect of compensation for harm caused to life and health, as well as for satisfaction of claims in respect of withholding of alimonies, *or execution documents issued on the basis of these documents*;

965.2.2. in the second place, the writing off shall be carried out in respect of the execution document providing for the transfer or issuance of monetary funds for the payment of severance payments and salaries under employment contract, and for the payment of authorship royalties under the contract of authorship, including carrying out of the writing off of bank credits from the account issued for these purposes, *or execution documents issued on the basis of these documents*;

965.2.3. in the third place, the writing off shall be carried out in respect of payment documents providing for the payments to the state budget, *off-budget state fund for obligatory social insurance payments* and the municipal budgets;

965.2.4. in the forth place, the writing off shall be carried out in respect of payment documents providing for the satisfaction of claims of the bank in respect of the issued credits;

965.2.5. in the fifth place, the writing off shall be carried out in respect of execution document providing for the satisfaction of other monetary claims;

965.2.6. in the sixth place, the writing off shall be carried out in respect of other payment documents in calendar [chronological] order.

965.3. The writing off of funds from the account on claims relating to the same order shall be carried out in calendar [chronological] order of receipt of documents. ([13](#), [43](#))

Article 966. Liability of bank for improper conduct of operations on account

In the event of untimely depositing into the account of monetary funds arriving for the client or of ungrounded writing off by the bank from the account, as well as in the case of improper execution of the client's instructions in respect of transfers and payment of monetary funds from the account, the bank shall be obliged to pay interest on that amount in order and amount provided in Article 449 of the is Code.

Article 967. Bank secret

967.1 The bank shall guarantee the secrecy of bank account and bank deposit, operations on the account and information about the client.

967.2 *Information constituting a bank secret may only be provided to clients and their representatives, as well as to external auditors and the financial markets supervisory authority.* Such information may be provided to the state bodies and their officials only in cases and procedure provided in law.

967.3 In the event of disclosure by the bank of information constituting a bank secret, the client whose rights have been violated may demand from the bank compensation for the cased damage.

Article 968. Limitation of disposition in respect of account

Limitation of the client's rights to dispose of the monetary funds in the account shall not be prohibited, however, the circumstances of imposition through the court decision of an arrest on the monetary funds and suspension of operations on account in cases specified in law shall constitute the exception.

Article 969. Termination of the contract of bank account

969.1 The contract of bank account may be terminated at any time upon the client's application.

969.2 Unless provided otherwise in the contract of bank account, the contract of bank account may be terminated by court upon the demand of the bank in the following circumstances:

969.2.1 where the amount of the monetary funds held by the client on the account is below the minimum amount established by the banking rules or the contract, provided that such amount has not been reinstated within one month of the day of the issuance of warning by the bank;

969.2.2 where no operations have been carried out in respect of that account in the course of one, provided that the contract does not provide otherwise.

969.2.3. *In the event of strong reasons, in particular if bank will prove the use by account holder of his account for illegal purposes.*

969.3 The remainder of the monetary funds on the account shall be given to the client or transferred to another account within 7 days of the receipt of a relevant written application from the client.

969.4 Termination of the contract of bank account shall serve as the basis for closure of the client's account. [\(12\)](#)

Article 970. Accounts of banks

Unless provided otherwise in law, other legal acts or banking rules established in accordance with the law, procedures of this Chapter of this Code shall apply to the correspondent accounts, correspondent sub-accounts and other accounts of banks.

Chapter 53. Settlements between participants of civil circulation

§1. General provisions on settlements

Article 971. Cash and non-cash settlements

971.1 Where settlements with participation of physical persons are not connected with a conduct by them of entrepreneurial activity, settlements may be carried out without limitation of the amount in cash or in the non-cash order.

~~971.2 Settlements carried out among legal entities as well as settlements with participation of physical persons connected with a conduct by them of entrepreneurial activity shall be executed in a non-cash order. Unless provided otherwise by law, settlements between these entities may also be carried out in cash.~~

971.3 Non-cash settlements shall be carried out through banks, other credit organizations (hereinafter - banks) *and the national mail service operator*, where relevant accounts have been opened, unless another procedure has been provided by the used form of settlements. [\(12, 34\)](#)

Article 972. Forms of non-cash settlements

972.1 In the course of carrying out of non-cash settlements, settlements by payment orders, letters of credit, encashment, checks, payment cards, settlements in electronic form, as well as settlements in other forms provided by law, banking rules established in accordance with the law and customs of trade applied in the banking practice shall be permitted.

972.2 Parties to a contract shall have the right to select and specify in the contract any one of the forms of settlements specified in Article of 972.1 of this Code.

§2. Settlements by payment orders

Article 973. General provisions on settlements by payment orders

973.1 In the course of settlement by payment orders, a bank shall undertake upon itself an obligation to transfer, upon the payer's instructions and at the expense of the funds on his account, a certain monetary amount to the account of a person indicated by the payer in this or another bank within the timeframe provided by or established in accordance with the law, unless a shorter time period is provided in the contract of bank account or a shorter time period is determined by the customs of trade applied in the banking practice.

973.2 Procedures of this paragraph of this Code shall apply to the relations connected with the transfer through bank of monetary funds by a person not having an account in the bank, unless provided otherwise by law, banking rules established in accordance with it, or otherwise follows from the nature of these relations.

973.3 Procedure of carrying out of settlements by payment orders shall be regulated by law, as well as by the banking rules established in accordance with it and customs of trade applied in the banking practice.

Article 974. Conditions for the execution of payment orders by bank

974.1 The content and the form of a payment order and settlement documents presented together with it shall conform to the requirements stipulated by law and the banking rules established in accordance with it.

974.2 In the event of non-conformity of a payment order with the requirements specified in Article 974.1 of this Code, a bank may clarify the order's content. Such inquiry to the payor shall be made immediately after the receipt of the order. In the event of absence of a reply within a time period established by law or the banking rules established in accordance with it, and in the case of absence of such — within a reasonable time period, a bank may return the payment order to the payer without execution, provided that the law, the banking rules established in accordance with it or the contract between the bank and the payer do not provide otherwise.

974.3 Bank shall execute the payer's orders in case of availability of funds in the payer's account, unless provided otherwise by the contract between the bank and the payer. Bank shall execute the orders with the observance of the order of write-off of monetary funds from the account. *In the event of absence of funds on payer's account bank shall inform him.*[\(12\)](#)

Article 975. Execution of orders

975.1 Bank accepting a payer's payment order shall transfer the relevant monetary amount to the bank of a recipient for its deposit into the account of the person indicated in the order within the time period specified in Article 973.1 of this Code.

975.2 Bank may involve other banks for performance of operations of the transfer of monetary funds to the accounts indicated in client's order.

975.3 Bank shall be obligated to immediately notify the payer of execution of the order upon the payer's demand. Procedures for drafting of a notification of execution of the order and requirements relating to its content shall be provided for by law, banking rules established in accordance with the law or by the agreement of parties.

Article 976. Liability for non-execution or improper execution of the order

976.1 In the event of non-execution or improper execution of a client's order, a bank shall bear liability on the grounds and in the amount stipulated in Chapter 23 of this Code.

976.2 In the event of non-execution or improper execution of the order due to violation of the rules of carrying out of settlement operations by a bank involved in the execution of

the payer's order, a court may impose the liability provided for in Article 976.1 of this Code on that bank.

976.3 In the event a violation of the rules relating to carrying out of settlement operations by bank has led to an illegal seizure of monetary funds, bank shall be obligated to pay interest through the procedure and in the amount provided for in Article 449 of this Code.

§3. Settlements by letter of credit

Article 977. General provisions on settlements by letter of credit

977.1 At the time of settlement by letter of credit, a bank acting upon an order and instruction of a payer for the opening of a letter of credit (issuing bank) shall be obligated to pay monetary amount to a recipient of the amount, or to pay, accept or register the transfer promissory note or to transfer these authorities to another bank (executing bank). The rules applicable to the executing bank shall apply to the issuing bank paying monetary amount to a recipient, or paying, accepting or registering the transfer promissory note.

977.2 Procedure for carrying out of settlements by letter of credit shall be regulated by law, banking rules established in accordance with it and customs of trade applied in the banking practice.

Article 978. Revocable letter of credit

978.1 A revocable letter of credit shall be a letter of credit capable of being changed or revoked by the issuing bank without prior notification of a recipient of funds. Revocation of letter of credit shall not create any obligation of the issuing bank to the recipient of funds.

978.2 Executing bank shall be obligated to carry out payment or other operations in respect of revocable letter of credit, provided that it has not received by the time of execution any notification on change of terms or revocation of letter of credit.

978.3 Letter of credit shall be revocable letter of credit *if this case is established directly* in its text.[\(12\)](#)

Article 979. Irrevocable letter of credit

979.1 An irrevocable letter of credit shall be a letter of credit that cannot be revoked or changed without consent of a recipient of funds.

979.2 The executing bank participating in carrying out of a letter of credit operation may, upon request of the issuing bank, confirm the irrevocable letter of credit (confirmed letter of credit). Such confirmation shall denote the acceptance by the executing bank of an obligation complimentary to the obligation of the issuing bank to make payment in accordance with the terms of the letter of credit.

979.3 An irrevocable letter of credit confirmed by the executing bank may not be changed or revoked without the consent of the executing bank.

Article 980. Execution of letter of credit

980.1 For the purposes of execution of a letter of credit, the recipient of funds shall present to the executing bank documents confirming the performance of all terms of the letter of credit. A letter of credit shall not be executed where even one of these terms have been violated. *Executing bank shall only inspect formally whether these documents are in order.*

980.2 In the event the executing bank has made a payment or has carried out another operation in compliance with the terms of a letter of credit, the issuing bank shall be obligated to compensate it for the expenses incurred by the executing bank in connection with the execution of a letter of credit. The indicated expenses as well as all other expenses of the issuing bank connected with the execution of a letter of credit shall be compensated by a payer.[\(12\)](#)

Article 981. Refusal to accept documents

981.1 In the event the executing bank has refused to accept documents not corresponding to the terms of a letter of credit by its external characteristics, it shall be obligated to immediately notify the recipient and the issuing bank in that respect with indication of reasons for refusal.

981.2 In the event the issuing bank considers, after receiving documents accepted by the executing bank, them not corresponding to the terms of a letter of credit by their external characteristics, it may refuse to accept them and may demand from the executing bank the amount paid to the recipient of funds in violation of the terms of a letter of credit, and for an unpaid letter of credit - may refuse from compensation of paid amount.

Article 982. Liability of bank for violation of terms of a letter of credit

982.1 With the exception of circumstances stipulated in this Article, liability for the violation of the terms of a letter of credit shall be borne in front of a payer - by the issuing bank and in front of the issuing bank — by the executing bank.

982.2 In the event of an unfounded refusal of the executing bank from payment under a paid or confirmed letter of credit, liability in front of recipient may be imposed on the executing bank.

982.3 In the event of incorrect payment by the executing bank of monetary funds under a paid or confirmed letter of credit as a result of violation of terms of a letter of credit, liability in front of a payer may be imposed on the executing bank.

Article 983. Closure of a letter of credit

983.1 The letter of credit in the executing bank shall be closed in the following circumstances:

983.1.1. upon expiry of term of a letter of credit;

983.1.2. upon application of a recipient of funds on refusal from the use of a letter of credit before the expiry of its term of validity, provided that such possibility of refusal has been provided for in the terms of the letter of credit;

983.1.3. upon demand of a payer on full or partial revocation of a letter of credit, provided that such revocation has been provided for in the terms of the letter of credit.

983.2 The executing bank shall notify the issuing bank of the closure of a letter of credit.

983.3 The unused amount of a paid letter of credit shall be immediately returned to the issuing bank simultaneously with the closure of the letter of credit. The issuing bank shall deposit the returned amount to the account of a payer from which the funds have been deposited.

§4. Settlements by encashment

Article 984. General provisions on settlements by encashment

984.1 Under the settlements by encashment, a bank (issuing bank) shall be obligated on client's instructions and at the client's expense to carry out actions for the receipt from a payer of payment and (or) receipt of acceptance of payment.

984.2 The emitting bank receiving instructions from the client may, for the purposes of execution of the client's instructions, involve another bank (executing bank). Procedure for carrying out settlements by encashment shall be regulated by law, banking rules established in accordance with the law, and customs of trade applied in the banking practice.

984.3 In the event of non-performance or improper performance of the client's instructions, the issuing bank shall bear liability in front of the client on the bases and in the amount stipulated in Chapter 23 of this Code.

984.4 In the event the non-performance or improper performance of the client's instructions has occurred due to the violation by the executing bank of procedures for carrying out of accounting operations, liability in front of the client may be imposed on that bank.

984.5 Relations connected with the settlements by collection and not regulated by this Code shall be regulated by legislation on banks.

Article 985. Execution of encashment orders

985.1 In the absence of any document or in the event of non-correspondence of documents to encashment order by their external characteristics, the executing bank shall immediately notify person from whom it has received the encashment order. In the event of a failure to eliminate these defects, the bank may return the documents without execution.

985.2 The documents shall be presented to the payer in the form they have been received, with the bank notes and writings necessary for the formalization of encashment operations constituting an exception.

985.3 In the event the documents are to be paid upon presentation, the executing bank shall be obligated to present the documents for payment immediately after the receipt of the encashment order. In the event the documents are to be paid at another time, the

executing bank shall, for the purposes of receiving the acceptance by the bank payer, be obligated to present the documents for acceptance immediately after the receipt of the encashment order, and the payment shall be demanded not later than the day of the occurrence of the time of payment indicated in the document.

985.4 Partial payments may be accepted if provided for in banking rules or in cases of the presence of special permission in the encashment order.

985.5 Received (encashed) amounts shall immediately be transferred by the executing bank to disposition of the issuing bank, and that bank shall deposit that amount to client's bank account. The executing bank may withhold from the encashed amounts compensation due to him and reimbursement for expenses.

Article 986. Notice in respect of performed operations

986.1 In the event a payment and (or) acceptance have not been received, the executing bank shall immediately notify the issuing bank of the reasons of non-execution of a bank payment or refusal of acceptance. The issuing bank shall, by immediately notifying a client about it, request from him instructions in respect of future actions.

986.2 In the event instructions in respect of future actions have not been received within a period established by banking regulations, and where no such period exists — within reasonable time period, the executing bank shall have the right to return the documents to the issuing bank.

§ 5. Cheque (57)

Article 986-1. Concept of cheque and its contents

986-1.1. Cheque consists of an unconditional written order of the drawer of a cheque to the bank to make payment of an amount specified therein to the holder of a cheque.

986-1.2. The following details are indicated in the cheque:

986-1.2.1. "cheque" name included in the text of document;

986-1.2.2. simple and unconditional written order to pay a certain amount of money;

986-1.2.3. name of the payer's bank;

986-1.2.4. place of payment;

986-1.2.5. date and place of receipt;

986-1.2.6. signature of the drawer of a cheque.

986-1.3. Banks are allowed to issue only such cheque forms with the following data printed typographically: name, address and telephone number of the payer's bank, title (name) and address of the drawer of a cheque (account holder), as well as the account number of the payer's bank.

986-1.4. *Pay cheque, bank cheques, cash cheques or travel cheques are qualified as cheques.*

986-1.5. *Pay cheque - a cheque purporting non-cash payments from accounts.*

986-1.6. *Bank cheque - the cheque is submitted by one bank to another for interbank payments.*

986-1.7. *Cash cheque - a cheque comprising of a written order for the customer to withdraw cash from the bank account.*

986-1.8. *Trip cheque - a cheque that is a commitment the organization undertaken the payment of the amount specified in the cheque to the holder of cheque, whose specimen signature is indicated in the cheque issued in one point and cashed in another point. Payment of travel cheque is effected by the cheque issuer, its affiliates, or other organization specified by the issuer on the basis of the holder's signature. (57)*

Article 986-2. Application of the Provisions on Bills to cheques

Except for the provisions on acceptance of a bill, the provisions of Articles 1005.2.4, 1006, 1009-1012 of the present Code apply also to the settlement of relations arising out of cheques. (57)

Article 986-3. Cheque security demand

986-3.1. *A cheque may be issued only in those cases where the issuer has the funds at the bank accounts, which he is entitled to dispose of by issuing cheque.*

986-3.2. *The Bank has the right to repudiate payment of a cheque in the event that funds of drawer of a cheque or its received credit are not sufficient for payment. Rights of a holder of a cheque are transferred to the bank that has paid an unsecured amount. In the event that the bank repudiates payment of the cheque in whole or in part following consequences shall occur:*

986-3.2.1. *cheque issuer or the person that signed instead of him wholly or partly unpaid cheque, as joint debtors shall reimburse the cheque holder against losses in amount of 6 percent of the outstanding amount of the cheque. Cheque holder reserves a right to claim for other losses;*

986-3.2.2. *the bank must write on the cheque that it is wholly or partially outstanding due to lack of security, immediately send a cheque to the cheque holder and immediately notify the financial market supervisory authority, which prepares a register of cheque drawers that signed unsecured cheques;*

986-3.2.3. *a person who issued unsecured cheques is not permitted to issue cheques within a period of one year, while it shall immediately return all cheque forms available with him to the payer's bank and all other banks of which he is a client. Payer's bank shall immediately demand that in writing from the drawer and all persons empowered to dispose of the available funds on the accounts, and then forbid them to issue cheques;*

986-3.2.4. *in the event that the issuer within one month after such demand proves to the payer's bank in respect of the cheque holder that outstanding part of amount of the cheque is paid, as well as the losses reimbursed in accordance with Article 986-3.2.1 of the Code, or that he made sure that that the payer's bank had sufficient funds for full payment of those amounts, then a ban on the issuance of cheques in accordance with Article 986-3.2.3 of the Code would not be valid for the future.* (57)

Article 986-4. Exclusion of acceptance of cheque

The payer shall not accept a cheque. Inscription on acceptance made on the cheque shall be deemed invalid. (57)

Article 986-5. Name of the person authorized to receive payment against cheque

986-5.1. *A cheque may be issued with payment:*

986-5.1.1. *to a certain person;*

986-5.1.2. *bearer (bearer cheque).*

986-5.2. *A cheque issued in favor of a particular person with a note "or bearer" or equivalent note is deemed a bearer cheque.*

986-5.3. *A cheque issued without the recipient indicated therein is deemed a bearer cheque.*

986-5.4. *A cheque may be issued to the drawer itself.* (57)

Article 986-6. Invalidity of percentage indication

Any indication of the percentage contained in the cheque shall be deemed invalid. (57)

Article 986-7. Cheque transfer

986-7.1. *Cheque, presented for payment which issued with payment to a certain person can be transferred to another person by endorsement.*

986-7.2. *Cheque may also be transferred by endorsement to cheque drawer or to any person binding by a cheque. Such persons may, in turn, endorse the cheque.*

986-7.3. *Endorsement of payer's bank is invalid. An endorsement to bearer has a force of blank endorsement. An endorsement to the bank is effective only when released, except in cases where the bank has a number of offices (branches) and endorsement is made in favor of branch other than that for which a cheque was issued.*

986-7.4. *Except for the provisions of the bill acceptance, the provisions of Article 993.3, 993.4, 1018 and 1020 of the Code shall apply to the cheques.* (57)

Article 986-8. Assumption in favor of the holder of a cheque. Loss of a cheque

986-8.1. *Article 1019.1 of the Code applies to an assumption in favor of the holder of a cheque.*

986-8.2. *If a cheque is lost by the holder of a cheque, the person with a cheque in his hands, regardless of whether it is specified a cheque to bearer or cheque transferred by endorsement, shall give a cheque only if he acquired it in bad faith or, in acquiring it, committed gross negligence. (57)*

Article 986-9. Cheques guarantee (surety)

Payment against cheque may be guaranteed by the guarantor in whole or in part by surety (aval) (cheque guarantee). Such a payment guarantee may be provided by any third party or a person whose signature is already available on the cheque, except for the payer's bank. (57)

Article 986-10. Presentation of cheque

986-10.1. *A cheque is payable upon presentation. Any other indication is deemed invalid.*

986-10.2. *A cheque, which is paid in the country of issue, shall be presented for payment within one month. A cheque, which is paid in a country other than the country of issue, shall be presented for payment within two months, if place of issue and place of payment are located in the same part of the world, and within three months, if the place of issue and place of payment are located in different parts of the world. At the same time the cheques issued in the one of the member states of the Commonwealth of Independent States with a payment in another member state of the Commonwealth of Independent States, are deemed issued and payable in the same part of the world. The above-mentioned period runs from the date specified on the cheque as a date of the cheque.*

986-10.3. *If cheque is issued payable in a place of which calendar is different from that of the place of issue, a day and date of maturity depending on that and is recalculated as of the corresponding day on the calendar in the place of payment. (57)*

Article 986-11. Withdrawal of a cheque

986-11.1. *Withdrawal of a cheque is only valid upon deadline for presentation.*

986-11.2. *If a cheque is not withdrawn, the bank can make the payment even upon expiry of the deadline for presentation.*

986-11.3. *A drawer of a cheque, confirming the loss of cheque by him or some other person can prohibit the payer to make payment. (57)*

Article 986-12. Consequences of the death, disability and insolvency of the drawer of a cheque

Neither death nor incapacity or insolvency of the drawer of a cheque that occurred upon issue of cheque shall not affect validity of the cheque. (57)

Article 986-13. Payment against cheque and payment receipt. Cheques, issued in foreign currency

Articles 1028, 1029.4 and 1030 of the Code apply to payment against cheque, to payment receipt, to cheques in foreign currency, respectively. (57)

Article 986-14. Crossed cheques

986-14.1. A drawer of a cheque or any holder of a cheque can cross cheque with the consequences, provided for by Articles 986-14.2-986-14.6 of this Code. Crossing is made by two parallel lines in front of the cheque. crossing can be general or specific. crossing is a common, if there is no any sign two lines do not have or marked as "bank" or equivalent mark. Crossing is special if between the two lines inscribed name of the bank. Total crossing can be converted into a special one, however, special crossing may not be converted into common one. Strikethrough, crossing or name of the bank shall be deemed invalid.

986-14.2. A cheque with total crossing can be paid by the payer only to the bank or payer's customer.

986-14.3. A cheque with a special crossing may be paid by the payer only to the bank specified therein or, if such latter is the payer himself, to its customer. However, the specified bank may charge acceptance of a cheque to another bank.

986-14.4. The bank may accept crossed cheque only from one of its customers or other banks.

986-14.5. If there are several crossings on the cheque, cheque can be paid by the payer only in case of no more than two crossings.

986-14.6. Payer or the bank that failed to comply with above provisions shall reimburse losses caused within limits of the amount of the cheque. (57)

Article 986-15. Pay cheque

986-15.1. Drawer of a cheque or any cheque holder can prohibit payment of cheque in cash by making on the front of the cheque inscription "pay" or an equivalent label. Payer in this case can only pay a cheque by records per account (pay, transfer, non-cash works). Record per account is deemed a payment. Crossing of "pay" exception is deemed invalid. A payer that failed to comply with this provision shall reimburse losses within limits of the amount of the cheque.

986-15.2. In the event that payer has been declared insolvent or suspended payment or enforcing recovery on his property ended without results, the holder of pay cheque from the payer is entitled to demand payer to pay a cheque in cash, and in case of failure - exercise his right of recourse. This rule applies even when the drawer of a cheque cannot dispose of their accounts at the payer resulting from measures taken by the Law on Banks.

986-15.3. Holder of pay cheque, in addition, is entitled to put in a claim, but he must prove that the payer refuses to make a simple and unconditional record on the cheque or cheque has been declared unfit for cashless payments to repay liabilities by the relevant executive authority at the place of payment. (57)

Article 986-16. Claim for non-payment of cheque

986-16.1. *In case of failure to pay a cheque timely presented for payment of the holder of a cheque can put a claim against the endorser, drawer of a cheque and other liable parties by cheque.*

986-16.2. *Cheque holder shall be entitled to call a person against whom he puts a claim for payment of:*

986-16.2.1. *an amount of outstanding cheque;*

986-16.2.2. *interests;*

986-16.2.3. *costs;*

986-16.2.4. *a fine in amount not exceeding one-third per cent.*

986-16.3. *In case of force majeure that prevents a cheque from being presented in due time, Article 1042 of the Code applies to extension of term. (57)*

Article 986-17. Forged cheque

Losses related to the payment of a forged or counterfeit cheque are borne by the payer, unless drawer of a cheque specified on the cheque is not guilty, in particular, has not shown negligence in keeping cheque forms entrusted to him. (57)

Article 986-18. Change of text of the cheque

Article 1045 of the Code applies to change of text of the cheque. (57)

Article 986-19. Limitation periods for cheques liabilities

Claims to the holder of the cheque to the endorsers, drawer of a cheque and other liable parties by cheque, arising out of the cheque, are discharged after one year from the date of expiry of the presentation. Claims of persons liable to each other are discharged after one year from the date on which the liable person must pay cheque or from the date of recovery a payment by cheque from him through the courts. (57)

Article 986-20. Declaration of cheque invalid

Article 1047 of the Code applies to declaration of cheque invalid. (57)

Article 986-21. Computation of terms for presentation of cheque

Presentation of cheque may occur only on working days. If the last day of term of presentation falls on a Sunday or other non-working day, such period shall be extended to the next working day. Non-working days falling at period of term are counted within a term". (57)

Chapter 54. Securities

§1. General provisions on securities

Article 987. Notion of security

987.1. A security is a document proving the existence of a contractual relationship between its owner and the issuer and the rights of owner arising from the said contract. The issuer is an entity, carrying out the emission, issue or giving out of securities.

987.2. Types of securities, the obligatory requisites, requirements, securities and relations associated with the securities market shall be established by this Code and the Law of Republic of Azerbaijan «On the Securities Market».

987.3 Absence of a security's obligatory requisites or non-compliance of a security with the form specified for it shall lead to its invalidity. (57)

Article 988. Obligations in respect of a security and their performance

988.1. Any approved claim to the issuer, indicated in the security, shall be certified by that security. The validity of this claim does not depend on the existence or validity of the transaction, creating this claim. Refusal to comply with the claim, approved by the security with reference to its invalidity or nullity, is not allowed.

~~988.2 Debtor shall carry out the performance in respect of a security only simultaneously with the issuance to him of a security. The issuer shall be exempt from his obligation to the extent to which he has carried out the performance to the owner of security.~~

988.3 The issuer issuing a security and all persons endorsing it shall bear joint liability in front of its owner. In the event of performance of a claim of the owner of a security by one or several persons taking upon themselves obligation in respect of a security, he (they) shall have the right of claim-back (right of recourse) in front of the rest of persons undertaking obligation in respect of a security.

~~988.4 Refusal from an execution of an obligation certified by a security due to non-existence of its ground or due to its invalidity shall not be allowed.~~

988.5 In the event of a discovery by a security's owner of a fraud or falsification in a security, he may bring forward against a debtor issuing to him that security a claim on proper performance of the obligation certified by a security and compensation for loss. (57)

Article 989. Registered securities

989.1. A security, stating the name of the owner or the ownership right of which is registered in the central depository shall be considered a registered security.

989.2. Execution under the registered security must be made by the debtor under the registered security only in the capacity of the person in whose name it is issued, or the person who received the ownership right of a security in a different order, or in the capacity of a confirmed assignee of such person. A debtor, who has made the execution without such confirmation, is not exempt from the obligation to a third person, who proved his authorization under the security.

989.3 In the event a debtor has retained in a registered security the right to carry out the execution to any possessor of a document, he shall have the right but shall not be obligated to carry out the execution to a document possessor. (57)

Article 990. Bearer securities

990.1 A security shall be considered to be a bearer security where according to it a *issuer* undertakes upon himself performance of an obligation in respect of any person presenting that bearer security.

990.2 *Issuer* shall not carry out subsequent payments in respect of a bearer security in the event prohibited on the basis of a court decision or any other legal instruction. (57)

Article 991. Documentary securities

991.1. *Documentary security* — is a security, printed on letterhead paper (certificates), manufactured in a special procedure in order to eliminate the possibility of forgery.

991.2. *Requirements for the paper forms of documentary securities and manufacturers are set by the financial market supervisory authority.* (57, 62)

Article 992. State registration of securities

State registration of the securities (excluding equity investment unit) is carried out by the financial market supervisory authority. (57, 62)

~~Article 992-1. Securities market and participants of the securities market~~

~~992-1.1. The securities market is totality of juridical and economic relations among the subjects on paper issue, capital issue, payoff issues, purchasing issues, care of securities, concluding of contracts, carrying out other operations.~~

~~992-1.2. Participants of the securities market are the self-regulating organizations on paper issue, circulation, payoff, purchasing, care of securities, finance with issues, acting as the subject or part, even carry out regulation on securities market State and non-profit organizations being are the organization, which regulate of participants of securities market.~~

~~992-1.3. Issuer is person, corresponding board of the executive power and the State structure or municipality authorized according to standard.~~

~~992-1.4. Professional activities on securities market is the business activity of juridical and natural persons at securities market based on special permission (license).~~

~~992-1.5. Professional participants of securities market are the juridical and natural persons engaging in business activity based on special permission.~~

~~992-1.6. Nominal shareholder of the securities on the instructions of juridical owner and for his good registers in the list of holder of securities and he is not the juridical owner of the securities.~~

~~992-1.7. Broker activity is professional activity or on the base of commission contract at the expense of customer as a representative or as a commissioner directed to make a contract on purchase of securities in the interests of the customer at securities market.~~

~~992-1.8. Dealer activity is professional activity at securities market on concluding a contract on purchase of securities according to purchase price mass declared earlier on one's behalf and at one's own expense. Public announcement is offer made in open announcement form.~~

~~992-1.9. Securities control is a professional activity on securities market consisting of the transactions in the interests of customer or in the interests of third party indicated by customer using cash resources, securities and other assets established by the law, given for administration, the exclusive object of which belongs to the customer.~~

~~992-1.10. Clearing activity is professional activity on definition of mutual obligations (collection, checking, and collation of information, preparation of bookkeeper's documents), account management and security of fulfilment of mutual obligations on contracts of securities.~~

~~992-1.11. Depository activity—professional activity on providing services in connection with the storage of securities, registration and certification of the rights to them and facts of their encumbrances with obligations, as well as opening, maintaining cash accounts and money transfers in the manner prescribed by law.~~

~~992-1.12. Depository system is the uniform system of bailees acting relatively according to setting up «depot» accounts.~~

~~992-1.13. Registering of the holders of securities is the professional activity on collection of information about securities, their issuer, holders, nominal shareholder, registration, processing and leaving.~~

~~992-1.14. Stock exchange is the professional activity on creation of requirement for conclusion of contracts with securities, definition of their market price, and dissemination of necessary information about them.~~

~~992-1.15. Investor is a person purchased securities to property.~~

~~992-1.16. Self regulating organization of securities market's professional participants is the nongovernmental public association based on the free will, non-commercial principles of the professional participants of securities market.~~

~~992-1.17. Manipulation with prices in securities market is artificial changing beforehand agreed with any method of market price of securities actions made knowingly on securities contracts of participants of securities market, caused breaching stability of securities market. (3, 42)~~

Article 993. Emergence of ownership right to security and its transfer

993.1. An ownership right to the uncertificated securities emerges from the record in the central depository upon alienation of mentioned securities to the first owner on issue. An ownership right to certificated securities emerges from alienation of mentioned securities to the first owner.

993.2. An owner may transfer ownership right to security to another person by close a transaction in the procedure provided for in Article 1078-20 of the Code.

993.3. Ownership right of the person who acquired the uncertified securities in accordance with the procedure provided for in Article 993.2 of the Code emerges upon registration of transfer of the mentioned securities in the central depository, while the ownership rights of the person who received certificated securities upon closing relevant transaction.

993.4. When transfer of ownership of a security to another, and the other conditions provided for by Article 1078-21 of the Code, all rights confirmed by securities transferred to the recipient, provided the availability of the right to transfer such securities to another.

993.5. If stipulated for in the agreement or the security itself, participation of other persons, in particular issuer is necessary for transfer of ownership to the security. (57)

Article 994. Damage and deterioration of documentary securities

In the event of a *documentary security's* uselessness for circulation due to damage to it or its deterioration, it's *owner* may demand from a *issuer* by returning to him a damaged or deteriorated security the issuance of a new security, provided that it is still possible to clearly establish in that security its main content and distinguishing features. Expenses in respect of a substitution of a damaged or deteriorated *documentary security* shall be borne by its *owner*. (57)

Article 995. Announcement of a documentary security as invalid

995.1 In the event of loss of a *documentary security*, a court may by motion of *its owner* announce that security as invalid in place of residence of a physical person - *issuer* or place of location of a legal entity - *issuer*. In the event of loss of *bearer* securities, a court may by demand of a plaintiff prohibit an *issuer* to make payments on it.

995.2 A motion in respect of announcement of a *documentary security* as invalid may be filed by a person being *its owner* at the moment of loss or discovery of loss of a security. A plaintiff shall be obligated to prove a *right of ownership* of a security and its loss. ~~In the event a possessor of a security being a coupon slip or stock coupon has only lost a coupon slip or stock coupon, submission of a security itself shall be sufficient for justification of a motion.~~ (57)

Article 996. Non-documentary securities

996.1. *Non-documentary security* - is a security in the form of an electronic document, the name and other details of the owner of which are reflected in the records of the central depository. Legislation on the electronic document shall not apply to the non-documentary securities.

996.2 A person ensuring the right in a non-documentary form shall, upon a demand of the right's possessor, produce the document certifying the right ensured to him.

~~996.3 Rights confirmed by the way of the said ensuring, procedure for official ensuring of rights and possessors of rights, procedure for confirmation of records in a documentary order and procedure for the conduct of operations with non-documentary securities shall be determined by law or in order specified in law.~~

~~996.4 Operations with non-documentary securities may only be carried out by application to a person carrying out the registration of rights. Transfer of rights to another person, their presentation and limitation, safety of official records, guaranteeing of their confidentiality, giving of correct information about such records shall be officially ensured by the person liable for putting down of official records about conducted operations. (3, 57)~~

Article 997. Types of securities

997.1. Bonds, stocks, promissory notes, depositary receipt, investment share, mortgage, hypothec sheet and a certificate for property shall relate to securities.

997.2 Bonds and stocks shall be investment securities. Investment securities are located with issuing and are securities which volume and term is equal of realizing its rights within one issuing not depending upon term of obtaining the securities. Capital issue is totality of securities concerning to one type of securities of issue and having same state registration number. Investment securities are issued in non-documentary or documentary registered form. The procedure of issue of investment securities is determined by the Law of the Republic of Azerbaijan "On securities market".

997.3 Promissory notes shall be payment securities.

997.4. Depositary receipt - is a security that certifies an underlying asset right (foreign issuer security) and entitles an owner to claim foreign issuer securities being an underlying asset of the specified receipt and rights confirmed by them from the issuer which issued them. Terms of issue of depositary receipts, their state registration and circulation are defined by the financial market supervisory authority.

997.5. Investment equity share is non-documentary registered security that certifies the owner' property right to a share in a mutual investment fund, a right to appropriate funds in its share from the sale of the fund's assets after liquidation of a mutual investment fund, as well as other rights stipulated for by the Law of Republic of Azerbaijan «On Investment Funds».

997.6. Obligatory requisites of securities certificate and rules of preparing its letterhead are determined by the financial market supervisory authority.

997.7. Accused for violating this Code and other legislation act of the Republic of Azerbaijan on securities market, are liable subject to civil, administrative and criminal legislation of Republic of Azerbaijan.

997.8. Damage caused as a result of violation of the legislation of the Republic of Azerbaijan on securities market, will be paid subject to this Code and the Law of Republic of Azerbaijan «On Securities Market».

~~*999.9 One can make complaint administratively and/or judicially about applying administrative reproach, termination and annulling of respective license, limitation operations with securities, and other measures to participants of securities market by respective board of executive power carrying out state control in securities market. Making such complaint does not stop the force of measure applied until decree of court is pronounced. (3, 23, 25, 43, 57, 62, 66)*~~

Article 997-1. Government and municipal securities

997-1.1. *Government securities are securities issued by respective board of executive power and duly authorized structure.*

997-1.2. *Municipal securities are securities issued by municipality subject to legislation.* (3, 62)

§2. Order

Article 998. Notion of order

998.1 ~~Order shall be such a document, on the basis of which one person (drawer) instructs another person (payer) to give at the drawer's expense money, securities or other replaceable items to a remittent. Order may be issued in the name of a remittent, on bearer or in accordance with the order with note condition. In the event an order has been shown as a «promissory note» or «check», then the provisions of this Code relating to promissory notes and checks shall apply in the first place.~~

998.2 ~~By receiving an order, a remittent shall acquire the right to demand on his own name a performance of an obligation from the payer.~~

998.3 ~~A payer shall be obligated to perform an obligation in respect of a remittent.~~ (57)

Article 999. Acceptance of order by a payer

999.1 ~~A payer shall perform an execution to a remittent only in the event of acceptance of an order by him. However, in the event a payer is a drawer's debtor, the payer may perform an execution even without acceptance.~~ (57)

999.2 ~~Acceptance may be announced before or during performance. In the event the acceptance has been announced prior to execution, a payer shall write in an order a note on acceptance. In the event a note in an order has been written prior to its presentation to a remittent, the acceptance in respect of a remittent shall enter into force only from the moment of presentation.~~ (57)

999.3 ~~In the event an order has been accepted for a payer, there shall emerge a direct obligation in respect of a performance of the execution by a remittent. After acceptance of an order, he may make to a remittent objections relating only to the validity of acceptance or arising out of the acceptance's content.~~ (57)

Article 1000. Refusal from the acceptance or payment

~~In the event a payer refuses from accepting an order or making a payment prior to the term of payment, a remittent shall immediately notify a drawer in that respect. The same procedure shall apply where a remittent cannot implement his right arising out of an order or where he has no intention to implement it.~~ (57)

Article 1001. Relationships of a drawer with a remittent

~~1001.1 In the event a drawer's debt is to be paid out by a payer's performance of an execution, a payment shall be considered performed only after execution by a payer of an order to a remittent.~~

~~1001.2 A remittent may, by accepting an order, implement his right of demand in respect of a drawer only by demanding from a payer a performance of payment and by not receiving it after the expiry of the term specified in the order.~~

~~1001.3 An order shall attest to the fact of existence of an authorized person's demand against a drawer in respect of a main transaction. (57)~~

Article 1002. Withdrawal of an order

~~A drawer may withdraw an order from a payer prior to a payer's acceptance of an order or his execution of payment. (57)~~

Article 1003. Transfer of an order to another person

~~1003.1 A remittent may transfer an order to any third person where it has not even been accepted.~~

~~1003.2 A drawer may exclude the transfer of an order. Such exclusion shall be effective in respect of a payer only in the event it has been conditioned in an order or where a drawer has informed a payer about it prior to the payer's acceptance of an order or execution of a payment. (57)~~

§3. Promissory note

Article 1004. Notion of promissory note

Promissory notes shall be *registered securities*; a person issuing a promissory note shall, by their means, instruct a person (payer) to pay a certain amount to a certain person (transfer promissory note), or shall undertake upon himself a payment to any certain person or to this person's disposition of a certain amount (simple promissory note). (57)

Article 1005. Transfer promissory note

1005.1 A transfer promissory note shall be a document having the following requisites:

1005.1.1. name «promissory note» included in the text of a document;

1005.1.2. simple and unconditioned by anything instruction of a person issuing a promissory note to pay a certain amount;

1005.1.3. name of a person (payer) responsible for payment;

1005.1.4. name of a person to whom or upon whose instruction a payment is to be carried out;

1005.1.5. date of drafting of a promissory note;

1005.1.6. signature of a person issuing a promissory note;

1005.1.7. place of drafting of a promissory note;

1005.1.8. term of payment of a promissory note (period of payment in respect of a promissory note);

1005.1.9. place of execution of payment.

1005.2 A document lacking any of the requisites specified in Article 1005.1 of this Code shall, with the exception of the following circumstances, not have a force of a transfer promissory note:

1005.2.1. upon presentation of a transfer promissory note lacking a term of payment, it shall be considered to be a promissory note upon which a payment should be carried out (a promissory note determined by presentation of term of payment);

1005.2.2. in the event a place of payment has not been specifically indicated, the place indicated near a payer's name shall be considered as a place of payment, and together with it, as a payer's place of residence or place of stay;

1005.2.3. a transfer promissory note lacking a place of its drafting shall be considered signed at the place indicated near the name of a person issuing a promissory note;

1005.2.4. in the event a transfer promissory note not completely filled in at the moment of its issuance has been issued to another person and where these persons have been granted with the right to subsequently add the information missing in a promissory note, it shall have the force of a blank promissory note.

Article 1006. Types of transfer promissory notes

1006.1 A transfer promissory note may be issued upon personal instruction of issuing it person.

1006.2 A transfer promissory note may be issued to a person issuing it.

1006.3 A transfer promissory note may be issued at the expense of a third person.

Article 1007. Place of payment in respect of a transfer promissory note

A transfer promissory note may be payable at a third person, at the place of residence or place of stay of a payer, or at any other place.

Article 1008. Interest on a promissory note

1008.1 A person issuing a promissory note may include in a transfer promissory note payable upon presentation or within a certain time period after presentation a condition on accrual of the interest on a promissory note's amount.

1008.2 The rate of interest shall be indicated in a promissory note; in the event of absence of such indication the condition shall be considered to be non-written.

1008.3 In the event a day of accrual of interest has not been specified, it shall accrue from the day of drafting of a promissory note.

Article 1009. Amount of a promissory note

1009.1 In the event the amount of a promissory note has been specified in words and in numbers, the amount of a promissory note indicated in writing shall have preponderance in the event of a discrepancy between them.

1009.2 In the event the amount in a transfer promissory note has been specified several times in writing and several times in numbers, the lesser amount of a promissory note shall have preponderance in the event of a discrepancy between them.

Article 1010. Invalid signatures in a transfer promissory note

In the event a transfer promissory note has signatures of persons not capable of undertaking obligations in respect of a promissory note, has false signatures or signatures of fictitious persons, or where the signatures are not capable of obligated persons putting signatures or on whose behalf the signatures has been put on any other ground, signatures of other persons shall not lose their force.

Article 1011. Signing of a transfer promissory note by a person not having a representative authority

Any person signing a transfer promissory note as a person's representative without obtaining an authority to act on his behalf shall personally bear obligations in respect of a promissory note, and where he has carried out payment in respect of a promissory note, he shall possess the rights which a person represented by him could have. Representative exceeding his authority shall equally be in the same position.

Article 1012. Liability of a person issuing a promissory note

1012.1 Person issuing a promissory note shall bear liability for acceptance and payment.

1012.2 Person issuing a promissory note may exempt himself from the liability for acceptance but may not be exempt from the liability for payment.

Article 1013. Acceptance of a promissory note

1013.1 A payer shall, by the way of acceptance, undertake upon himself an obligation to timely pay a transfer promissory note. In the event of non-performance of payment, a person issuing a promissory note may file in a court a claim against the acceptor.

1013.2 Acceptance shall be expressed in a promissory note by way of a written declaration.

1013.3 In the event a promissory note is to be paid within certain period from its tender or where a promissory note is to be tendered for acceptance within certain period pursuant to a special term, there shall be included the date of its tender for acceptance, provided that a promissory note holder has not demanded the inclusion of a date of tender of acceptance.

1013.4 In the event a person issuing a promissory note has indicated in a transfer promissory note another place instead of place of residence or place of stay of a payer as a place of payment and where he has not specified at which third person a payment is to be made, a payer may specify that person at the time of acceptance.

1013.5 In the event a promissory note is to be paid at the place of residence or place of stay of a payer, a payer may indicate in the acceptance any address at the place where the payment is to be made.

1013.6 A payer may restrict an acceptance by one part of the amount of a promissory note.

1013.7 The acceptance should be simple and should not be conditioned upon anything in other matters. Any other change made by the acceptance in the content of a transfer promissory note shall be equal to a refusal from acceptance.

Article 1014. Tender of a transfer promissory note for acceptance

1014.1 A promissory note holder or any person having a promissory note may, for the purposes of its acceptance, tender a transfer promissory note prior to its expiration time to a payor at his place of residence.

1014.2 A person issuing a promissory note may carry out the following activities:

1014.2.1. may specify a condition in a transfer promissory note to the effect that a promissory note may be tendered for acceptance with or without specification of a time period;

1014.2.2. may prohibit in a promissory note its tender for acceptance, with the exception of a transfer promissory note payable at a third person, or a promissory note payable at a place different from the place of residence or place of stay of a payer, or a promissory note payable within certain time of tender;

1014.2.3. may specify a condition to the effect that a promissory note may not be tendered for acceptance prior to a specified period.

1014.3 Any endorser may specify a condition to the effect that a promissory note may be tendered for acceptance with or without specification of a time period, provided that a person issuing a promissory note has not prohibited its tender for acceptance.

1014.4 A transfer promissory note payable within a certain time of its tender shall be tendered for acceptance within one year of its issuance. A person issuing a promissory note may specify another time period. Endorsers may shorten this time period.

Article 1015. Revocation of acceptance in respect of a transfer promissory note

1015.1 In the event a payer that has entered a note in a promissory note about his acceptance has stroke that note through prior to the revocation of a promissory note, acceptance shall be considered to have been refused.

1015.2 However, in the event a payer has informed in writing a promissory note holder or any one of the persons signing a promissory note about his acceptance, he shall bear liability in front of them in accordance with terms of his acceptance.

Article 1016. Aval (a promissory note surety)

1016.1 Payment in respect of a transfer promissory note may wholly or partially be ensured through a promissory note surety (aval).

1016.2 Aval may be issued by a third person or one of the persons signing a promissory note.

1016.3 A promissory note surety shall be issued in a transfer promissory note or on additional paper sheet. A signature of a payer or an guarantor not being a person issuing a promissory note put on the cover page of a promissory note shall be sufficient for aval.

1016.4 Aval shall contain information about a person to whose account it is to be issued. In the event it has not been indicated, it shall be considered that aval has been issued to the account of a person issued a promissory note.

1016.5 Guarantor shall bear the same liability as a person on whose behalf he has issued an aval. His obligation shall remain in force even in the event of invalidity of an obligation guaranteed by him.

1016.6 Guarantor shall, by payment of a transfer promissory note, acquire the rights arising out of that promissory note against a person for whom he has given a guarantee and against all persons obligated in front of him in accordance with a transfer promissory note.

Article 1017. Transfer of a promissory note to another person

1017.1 Any transfer promissory note may be transferred to another person by its endorsement.

1017.2 Endorsement may also be executed for the benefit of a person issuing a promissory note or any other person obligated in accordance with a promissory note. This shall be in force in respect of a payer regardless of his acceptance or non-acceptance of a promissory note. These persons may also endorse a promissory note.

Article 1018. Liability of endorser

Endorser shall bear liability for acceptance and payment unless provided otherwise in the agreement. In the event an endorser has prohibited in his endorsement a subsequent endorsement, he shall not bear liability to the persons in to whose benefit a promissory note has been endorsed.

Article 1019. Presumptions in favor of a promissory note holder

1091.1 In the event a person having a transfer promissory note has justified his right in respect of the order of priority to the endorsements, he shall be a legal promissory note holder event where the last endorsement is a blank endorsement. At that time, endorsements that have been stroke through shall be considered as non-written. In the

event there comes another endorsement after a blank endorsement, a person signing this last [endorsement] shall be considered an acquirer of a promissory note in respect of a blank endorsement.

1091.2 In the event a previous promissory note holder has lost a transfer promissory note for any reason, a new promissory note holder proving his right on the basis of Article 1019.1 of this Code shall be obligated to return a promissory note only where he has unfairly acquired a promissory note or has shown a gross un-cautiousness in the course of its acquisition

Article 1020. New-instruction-endorsement

1020.1 In the event there has been provided in an endorsement any condition consisting of a simple instruction, a promissory note holder may carry out all rights arising out of a transfer promissory note, but he may endorse it only in order of new instruction.

1020.2 Instruction contained in a new-instruction-endorsement may be terminated in the event of a death or loss of action capacity a person giving new instruction.

Article 1021. Pledge endorsement

In the event there has been provided a condition in an endorsement, a promissory note holder may carry out all rights arising out of a transfer promissory note, however, an endorsement he has signed shall only have a force of a new-instruction endorsement.

Article 1022. Endorsement after a payment period

1022.1 Endorsement executed after a payment period shall lead to the same consequences as an endorsement executed performed prior to that period.

1022.2 Undated endorsement shall be considered executed prior to the expiry of a time period, unless proved otherwise.

Article 1023. Period of maturity (periods for payment) of a transfer promissory note

1023.1 A transfer promissory note may be issued with the following period of maturity:

1023.1.1. at the moment of its tender;

1023.1.2. within a certain time period after its tender;

1023.1.3. at the exactly specified time after its drafting;

1023.1.4. at a certain day.

1023.2 Transfer promissory notes having other periods of maturity or having several consequent periods of maturity shall be invalid.

Article 1024. A transfer promissory note with a period of maturity occurring at its tender

1024.1 A transfer promissory note with a period of maturity occurring at its tender shall be paid immediately upon tender. That promissory note shall be tendered for payment

within one year of its drafting. A person issuing a promissory note may shorten or extend this period. These periods may be shortened by endorsers.

1024.2 A persons issuing a promissory note may provide [for a condition] that a transfer promissory note with a period of maturity occurring at its tender may not be tendered for payment prior to a certain time period. Continuity of the period of tender in this case shall start from that moment.

Article 1025. A transfer promissory note payable within a certain time period after its tender

1025.1 A period of maturity of a transfer promissory note issued with a certain period of maturity after its tender shall be established by the date specified in acceptance.

1025.2 In the event no date has been specified in the acceptance, a promissory note shall be considered accepted in respect of an acceptor on the last day of the time period provided for tender for acceptance.

Article 1026. Calculation of periods of payment in respect of a promissory note

1026.1 A period of payment in respect of a transfer promissory note issued for one or several months after drafting or tender shall mature on a relevant day of the month on which a payment is to be executed. In the event of absence of a relevant day in that month, a period of payment shall be shall be the last day of that month.

1026.2 In the event a transfer promissory note has been issued after its drafting or tender for a one and half month or several months and half, the full months shall be calculated first.

1026.3 In the event a period of payment has been appointed at the beginning, middle or end of a month, these expressions shall denote the first, the fifteenth and the last day of a month.

1026.4 An expression « eight days» or « fifteen days» shall not denote a week or two weeks, but shall denote the full eight or fifteen days.

1026.5 An expression «half month» shall denote a period of fifteen days.

1026.6 In the event a transfer promissory note is be paid on a certain day in a place having different calendar than the place where it has been issued, a period of payment shall be considered appointed in accordance with a calendar applicable at the place of payment.

1026.7 In the event different calendars are in force at the place of issuance and the place of payment of a transfer promissory note issued with a certain period of payment after drafting, a date corresponding to a date of issuance in accordance with a calendar of a place of payment shall be determined and a period of payment shall be established in accordance with it.

1026.8 Periods for tender of transfer promissory notes shall be calculated on the basis of Article 1026.7 of this Code.

Article 1027. Tender of a promissory note for payment

1027.1 A holder of a transfer promissory note issued with a certain period of payment after drafting or tender shall tender a transfer promissory note for payment either at the day it should be paid, or within the one of the two working days next to that day.

1027.2 In the event a transfer promissory note has not been tendered for payment within a time period specified in Article 1027.1 of this Code, a debtor may give the amount of a promissory note for a deposit to a court at the place of residence of a creditor.

Article 1028. Tender of a receipt on receipt of payment. Partial payment

1028.1 In the course of payment of a transfer promissory note a payer may demand from a promissory note holder a tender of a promissory note to him together with a receipt in respect of a receipt of payment.

1028.2 A promissory note holder may not refuse from receipt of a partial payment.

1028.3 In the event of a partial payment of a promissory note, a payer may demand an introduction in a promissory note of a record in respect of such payment and issuance to him of a receipt about it.

Article 1029. Payment prior to and upon maturity of a promissory note

1029.1 A promissory note holder shall not be obliged to accept a transfer promissory note for payment prior to its maturity.

1029.2 A person paying a promissory note prior to its maturity shall do so at his own risk.

1029.3 A person paying a promissory note in time shall be exempt from an obligation.

1029.4 A payer shall be obliged to verify a correctness of an order of priority of endorsements, but shall not be obliged to verify signatures of endorsers.

Article 1030. Promissory notes issued in a foreign currency

1030.1 In the event a transfer promissory note has been issued in a foreign currency, its amount may be paid in manats in accordance with the exchange rate at the date of its maturity. In the event a debtor has delayed a payment, a promissory note holder may demand at his discretion a payment of an amount of a transfer promissory note in manats in accordance with either the exchange rate existing at the maturity date or the exchange rate on payment date.

1030.2 The *Central Bank* of the Republic of Azerbaijan shall establish the exchange rate of a foreign currency. However, a person issuing a promissory note may provide for a condition that a payable amount to be calculated in accordance with the exchange rate specified in a promissory note.

1030.3 In the event a person issuing a promissory note has provided for an obligatory condition to the effect that a payment is to be carried out in a certain currency specified in a promissory note, provisions of Articles 1030.1 and 1030.2 of this Code shall not apply.[\(39\)](#)

Article 1031. Refusal from payment or acceptance of a promissory note

1031.1 In the event of refusal from payment of a transfer promissory note, a promissory note holder may, upon maturity of a promissory note, enforce his rights of recourse against endorsers, a person issuing a promissory note and other persons having obligations in respect of a promissory note.

1031.2 In the event of a complete or partial refusal of a payer from the acceptance of a transfer promissory note, a promissory note holder shall have the same right until the date of maturity.

Article 1032. Refusal from acceptance or payment in respect of an official act (protest)

1032.1 Refusal from acceptance or payment shall be certified by an official act drafted in accordance with Article 1033 of this Code (protest against refusal from acceptance or payment).

1032.2 Protest against refusal from acceptance shall be issued within time periods specified for tender of a promissory note for acceptance. In the event a first tender of a promissory note for acceptance has occurred on the last day of a time period, a protest may also be issued on the next day.

1032.3 Protest against refusal from payment of a transfer promissory note having a certain payment date or certain period of payment after its drafting or tender shall be issued within the next two working days after the date when a transfer promissory note ought to be paid. Protest in respect of a transfer promissory note with a period of maturity occurring at the moment of its tender shall be issued within the time periods specified in Article 1032.2 of this Code.

1032.4 Issuance of a protest against refusal from acceptance shall exempt from the protest against refusal from tender of a promissory note for payment and refusal from payment.

1032.5 In the event a payer has stopped payments, a promissory note holder may enforce the rights belonging to him only after tender of a promissory note to a payer for payment and after issuance of a protest, regardless of a payer's acceptance or non-acceptance of a promissory note.

Article 1033. Issuance of a protest against refusal from acceptance or payment in respect of a promissory note

1033.1 A protest shall be drafted by the *executive officer*, notary public or another person authorized by the *financial market supervisory authority* for drafting of official documents.

1033.2 A protest shall contain the following information:

1033.2.1. name of a person filing a protest;

1033.2.2. name of a person against whom a protest has been directed;

1033.2.3. indication of vainness of requests to a person against whom a protest had been directed on carrying out of a payment or execution of acceptance; or indication of impossibility of finding him at his place; or indication of

impossibility of determination of the place of residence or place of stay of a person against whom a protest has been directed;

1033.2.4. indication of a place and date of a made request or of a made attempt left without a result.

1033.3 A person drafting a protest shall sign it and stamp or seal a transfer promissory note's backside or a page appended to it.

1033.4 In the event a protest has been issued upon tender of several copies of a same transfer promissory note or upon tender of its original or copy, it shall be sufficient to record a protest on one of the copies or on an original of a promissory note. Other copies or a copy of an original shall indicate a copy on which a protest has been recorded or a record made on an original of a promissory note. This record shall be signed by a person drafting a protest.

1033.5 In the event a protest has been issued because of a restriction of an acceptance to one portion of a promissory note's amount, there shall be drafted a copy of a transfer promissory note and a protest shall be recorded on that copy or on a page appended to it. Endorsements and other notes on a transfer promissory note shall be contained on its copy as well.

1033.6 In the event several claims arising out of a transfer promissory note are to be brought forward against several persons or against the same person, drafting of a one protest shall be sufficient for numerous claims.

1033.7 A person drafting a protest shall keep one copy of it. This copy shall contain the following information:

1033.7.1. an amount of a promissory note;

1033.7.2. period of payment;

1033.7.3. place and date of drafting of a protest;

1033.7.4. name of a person issuing a promissory note and name of a payer, as well as a name of a person to whom or upon whose instruction a payment is to be carried out. ([41](#), [62](#))

Article 1034. Notice of refusal from acceptance or payment in respect of a promissory note

1034.1 A promissory note holder shall notify his endorser and a person issuing a promissory note on refusal from acceptance or payment within four working days after a protest day. Any endorser shall, within next two working days after a receipt of a notification, give his endorser information on this notification with indication of names and addresses of persons sending previous notifications as well as of a person issuing a promissory note.

1034.2 In the event of a dispatch to a person signing a transfer promissory note of a notification in accordance with Article 1034.1 of this Code, the same notification shall be sent within the same term to a person giving an aval for a promissory note.

1034.3 In the event any of endorsers has not indicated or has indirectly indicated his address, dispatch of a notification to a previous endorser shall be sufficient.

1034.4 Notification may be given in any desirable form, even through a simple return of a transfer promissory note.

1034.5 A person required to send a notification shall prove its dispatch within a specified time period. A time period shall be considered observed in the event of a dispatch of a letter consisting of a notification by mail within a specified period.

1034.6 A person not sending a notification within a time period indicated above shall not lose his rights, but shall bear liability in the amount of a promissory note for damage that can be caused due to his negligence.

Article 1035. Exemption from issuing a protest against refusal from acceptance or payment in respect of a promissory note

1035.1 A person issuing a promissory note, an endorser or an avalor may, by included in a promissory note and signed condition, exempt a promissory note holder from an obligation to issue a protest against refusal from acceptance or payment.

1035.2 This condition shall not release a promissory note holder from an obligation to tender a transfer promissory note within a specified time period or to dispatch of notification. A non-observance of periods in dispute with a promissory note holder shall be proved by a person relying on this circumstance.

1035.3 In the event a condition has been included by a person issuing a promissory note, this condition shall be in force in respect of all persons signing a promissory note. In the event a condition has been included by an endorser or an guarantor, that condition shall be in force only in their respect.

Article 1036. Liability of persons having obligations in respect of a promissory note

1036.1 All persons issuing, accepting, endorsing a transfer promissory note or putting an aval on it shall bear liability in front of a promissory note holder as joint debtors.

1036.2 A promissory note holder shall have the right to initiate a claim against each of these persons individually or all of them jointly without observance of their order or priority.

1036.3 Any person signing a transfer promissory note shall have equal right after paying on it.

1036.4. If there is stipulated about its acceptance in the bill, protest to non-payment on the bill in case of its acceptance is executive instrument and it is the base for undisputed withdrawing means from payer account. If there is no means in the account of payer, protesting applicant has right to require directing undertakings on the bill to property of debtor on the bill.

1036.5 The right of billholder for paying his requirements at the expense of property of payer on the bill is carried out on the execution of court decision excluding the case stipulated in Article 1036.4 to this Code. Excluding bill deemed as invalid, court has to

pronounce decision in favour of billholder (within 7 working days) on anticipatory procedure on the base of bill protested and registered subject to requirement of legislation not depending upon terms of contract on issuing the bill. (3)

Article 1037. Right of a promissory note holder upon refusal from acceptance or payment

1037.0 A promissory note holder may demand from a person against who he has initiated a claim the followings:

1037.0.1. an unaccepted or unpaid amount of a transfer promissory note, and where agreed upon — interest;

1037.0.2. interest starting from the day of maturity;

1037.0.3. expenses relating to protest and dispatch of a notification, as well as other expenses.

Article 1038. Rights of a payer

A payer may demand from persons having obligations to him the entire amount paid, interest accrued upon that amount from the date of payment and incurred expenses.

Article 1039. Tender of a promissory note documents

1039.1 Any obligated person against whom a claim has been or could be initiated may demand, in exchange for payment of an amount of a promissory note, a transfer to him, together with a protest and payment receipt, of a transfer promissory note.

1039.2 Any endorser paying on a transfer promissory note may strike through his endorsement and other endorsements made by subsequent endorsers.

Article 1040. Recourse claim after partial acceptance

In the event of initiation of a recourse claim after partial acceptance, a person paying a promissory note's unaccepted amount may demand recordation of that payment in a promissory note and issuance of a receipt to him in that respect. In addition to that, a promissory note holder shall give to him a certified copy of a promissory note and a protest act, for him to be able to enforce a subsequent recourse claim.

Article 1041. Backwards draft

A person having the right to initiate a claim may, unless agreed otherwise, receive a payment through issuance to one of the persons having obligation to him of a new promissory note with a period of maturity occurring at its tender and payable at the place of residence of that person.

Article 1042. Loss of billholder's rights upon expiration of terms

1042.1 A promissory note holder shall lose his rights against endorsers, a person issuing a promissory note, except for an acceptor, and all other persons having obligations in respect of a promissory note, upon expiry of specified periods for the below:

1042.1.1. for a tender of a transfer promissory note payable at the time of its tender or within a certain time period after its tender;

1042.1.2. for issuance of a protest as a result of a refusal from acceptance or payment;

1042.1.3 for tender for payment in case of existence of a relevant condition.

1042.2 In the event of failure to tender a promissory note for acceptance within the time period specified by a person issuing a promissory note, a promissory note holder shall lose his rights arising out of refusal from payment and refusal from acceptance.

1042.3 In the event a period of a tender of a promissory note for payment has not been specified in an endorsement, only an endorser may rely upon it.

1042.4 In the event there exist an irresistible obstacle for a tender of a transfer promissory note or issuance of a protest within a specified time period, the periods stipulated for such actions shall be extended for the duration of effect of an irresistible force and 14 days shall be added to this period. Circumstances relating to a person personally holding a promissory note or to a person instructed by him to tender a promissory note or to issue a protest shall not be considered irresistible force.

Article 1043. Issuance of several copies of a promissory note

1043.1 A transfer promissory note may be issued in several identical copies. These copies shall be numbered in a promissory note itself in a consecutive order; otherwise, each of them shall be considered a separate transfer promissory note. In the event it has not been indicated in a promissory note that it has been issued in one copy, a promissory note holder may demand an issuance of several copies of it at his expense. For these purposes, he shall directly address a previous endorser. That endorser shall assist him in respect of his endorser and previous endorsers, including a person issuing a promissory note. Endorsers shall be obliged to repeat their endorsement on new copies.

1043.2 Carrying out of a payment in respect of one of the copies shall terminate all rights arising out of the rest of the copies, even where a loss of force of the rest of the copies resulting from a carrying out of a payment in respect of one of the copies has not been specified. However, a payer shall bear liability for each copy accepted by him and unreturned to him. An endorser giving a copy to different persons, as well as subsequent endorsers shall bear liability in respect of all signed by them and unreturned copies.

1043.3 A person sending one of the copies for acceptance shall indicate in the other copies a person holding that copy. A person holding that copy shall be obligated to give it to a person legally holding another copy. In the event he refuses from doing so, a promissory note holder may realize his right of claim only after certification of the followings with a protest:

1043.3.1. where a copy sent for acceptance has not been given to him despite of his demand;

1043.3.2. where an acceptance or payment could not be received by another copy.

Article 1044. Copies of a promissory note

1044.1 Any person holding a transfer promissory note may make a copy of it.

1044.2 A copy shall exactly repeat the original together with endorsements and all other remarks on it. A copy shall indicate until which endorsement a copy is valid.

1044.3 A copy may be endorsed and avaled in the same procedure and with the same results as the original.

1044.4 A copy shall indicate a person holding the original of a document.

1044.5 In the event there is a condition in the original of a document made after the last endorsement made prior to making its copy to the effect that only an endorsement on a copy is to be valid, an endorsement made on the original of a document after that shall be invalid.

Article 1045. Modification of a promissory note's content

In the event of modification of a transfer promissory note's content, persons putting their signatures after these modifications shall bear liability in accordance with a modified content; persons putting their signatures prior to a modification shall bear liability in accordance with a previous content.

Article 1046. Periods in respect of claims arising out of a transfer promissory note

1046.1 Claims against an acceptor arising out of a transfer promissory note shall be paid in 3 years after a period of payment.

1046.2 Claims of a promissory note holder against endorsers and a person issuing a promissory note shall be paid at a specified period in one year after the day of issuance of a protest.

1046.3 Claims of endorsers against each other and against a person issuing a promissory note shall be paid in six months after the day of payment by an endorser of a promissory note and after the day of initiation of a claim against him.

1046.4 In the course of calculation of statutory periods or periods specified in a promissory note, the day of commencement of a continuity of that period shall not be counted.

Article 1047. Announcement of a promissory note invalid

A lost or destroyed promissory note may be announced invalid by a court at the place of payment.

Article 1048. Simple promissory note. Requisites

1048.1 A simple promissory note shall contain the followings:

1048.1.1. a 'promissory note' inscription included in the text itself;

1048.1.2 a simple and unconditional promise to pay a certain amount;

1048.1.3 requisites specified in Articles 1005.1.4-1005.1.9 of this Code.

1048.2 Any document lacking any one of the requisites specified in Article 1048.1 of this Code shall not have a force of a simple promissory note.

1048.3 A person issuing a simple promissory note shall bear liability on the same grounds as an acceptor of a transfer promissory note.

1048.4 Simple promissory notes with a specified period shall be tendered after presentation to a person issuing a promissory note within the periods specified in Article 1014.4 of this Code. A person issuing a promissory note shall confirm [it] by indicating the date of its tender and putting his signature. A continuity of a specified period after a tender shall commence from the day of making a remark on tender.

1048.5 Provisions applicable to transfer promissory notes shall apply to simple promissory notes in the remaining matters.

Article 1048-1. Treasury bill

1048-1.3. Pay period of treasury bill may be as follows:

1048-1.3.1. within certain period after being worked out

1048-1.3.2. within certain day

1048-1.4. Treasury bill must be paid within the fiscal year in which it is issued.

1048-1.5. Treasury bill may be utilized as payment means for purchased goods, carried out works or rendered services.

1048-1.6. Treasury bill may be registered in cost centre.

1048-1.7. Treasury bill may be purchased in recurrent market observing respective legislation. In order to carry out these operations, billholder will transfer the bill on behalf of person by means of endorsement.

1048-1.8. Treasury bill may be submitted to treasure-house by legal entities instead of tax and other debts to budget.

1048-1.9. Treasury bill will not be submitted to treasure-house for payment before payment date.

1048-1.10. Treasury bill will be submitted to issuing treasure-house for payment during pay period. If Treasure-house refuses to pay treasury bill, billholder will confirm the refusal of payment with official protest statement subject to legislation.

1048-1.11. On purpose of involving free money means of legal entities and natural persons, treasury bill is issued as discount securities and is actualized with low price from its nominal value by treasure-house and but during payment bill amount is fully paid to billholder by payer. ([3](#), [57](#))

Article 1048-2. Discount.

1048-2.1. Discount is bill transfer from billholder to discount organization and receipt the rest amount excluding discount amount deducted from bill sum prior to payment term.

1048-2.2. In Republic of Azerbaijan only discount organization (credit organization, discount house and other financial investment institutions) registered by financial market supervisory authority may carry out bills' discount, addressing, collection, payment services and other bill operations.

1048-2.3. Rediscount is bills' purchase by Central Bank from discount bank by means of discount payment prior to payment date.

1048-2.4. Regulatory acts of the financial market supervisory authority and Central Bank determine discount and rediscount procedures. ([3](#), [39](#), [62](#))

§ 4. Check

Article 1049. Notion of a check and its content

~~1049.1 Check shall be an order security consisting of a written order to a bank of a person issuing a check to pay a specified amount of money to a possessor of a check without any conditions.~~

~~1049.2 The following requisites shall be indicated in a check:~~

~~1049.2.1. a word «check» included in the content of a document;~~

~~1049.2.2. simple and unconditioned with anything order to pay a specific amount of money;~~

~~1049.2.3. name of a bank to carry out the payment;~~

~~1049.2.4. indication of a place of payment;~~

~~1049.2.5. indication of a date and place of issuance of a check;~~

~~1049.2.6. signature of a person issuing a check.~~

~~1049.3 Banks shall be permitted to issue only the check blanks [books?] containing the following information printed in typographical manner: name of a paying bank, its address and telephone number, name and address of a person issuing a check (account holder), as well as a paying bank's account number.~~

~~1049.4. Checks include clearing checks, bank checks, currency checks and travel checks.~~

~~1049.5. Clearing check is the check for cashless settlement.~~

~~1049.6. Bank check is the check presented by any bank for settlement with other bank.~~

~~1049.7. Currency check is the check of written order presented by client to the bank to receive cash from account.~~

~~1049.8. Travel check is the check cashed in other point, and is the liability of institution engaged to pay amount indicated on the check to check owner, which has signature example on the check given in any point. Travel check is paid on the basis of the check owner signature by check issuer, its branch or other organization appointed by the issuer.~~

~~1049.9. In Republic of Azerbaijan standard acts of corresponding Executive power body regulating securities market determine checks' issue and turnover procedures. (3, 57)~~

Article 1050. Application to checks of provisions relating to promissory notes

~~With exception of provisions relating to the acceptance of a promissory note, provisions of Articles 1005.2.4, 1006, 1009-1012 of this Code shall apply to regulation of relations arising out of checks. (57)~~

Article 1051. Requirement of a check's security

~~1051.1 Check may be issued only where a person issuing a check has monetary funds in his bank accounts and has the right of disposition of these monetary funds by means of checks.~~

~~1051.2 In the event of insufficiency of monetary funds of a person issuing a check or a credit issued to him for the purposes of payment on check, a bank shall have the right to refuse from payment of check. In the event of payment by a bank of an unsecured amount, the rights of a possessor of a check shall transfer to it. In the event of a bank's refusal to fully or partial pay a check, the following results shall occur:~~

~~1051.2.1. a person issuing a check or a person signing a fully or partially unpaid check on behalf of a person issuing a check shall as joint debtors pay to a check holder a compensation for the damage in the amount of 6 percent of the unpaid amount. A check holder shall retain the right to demand compensation for other damage;~~

~~1051.2.2. a bank shall be obligated to make a note on a check itself to the effect that a check has not been fully or partially paid due to absence of a security and shall immediately send it to a check holder, and shall immediately send a notification to that effect to the *Central Bank* of the Republic of Azerbaijan charged with compilation of a register of persons issuing such checks signing checks;~~

~~1051.2.3. a person issuing an unsecured check shall not be permitted to issue checks for a period of one year, and shall be obligated to immediately return all check blanks [checks] to a paying bank and all other banks of which he is a client. A paying bank shall immediately demand it in writing from a person issuing a check and all persons authorized to dispose the funds in accounts, and shall prohibit them from issuance of checks;~~

~~1051.2.4. in the event a person issuing a check proves to a paying bank, within one month of that demand, that he has already paid the unpaid amount of a check in respect of a check holder, as well as that he has paid a compensation for damage in accordance with Article 1051.2.1 of this Code or that he has made sure that a paying bank has sufficient funds to fully pay these amounts, then~~

prohibition to issue checks in accordance with Article 1051.2.3 of this Code shall not have force in future. (39, 57)

Article 1052. Exception of acceptance of a check

~~A payer shall not accept a check. A written on a check note about acceptance shall be considered invalid.~~

Article 1053. Name of a person having the right to receive a payment upon a check

1053.1 A check may be issued:

1053.1.1. to the name of a certain person;

1053.1.2. to a presenter (bearer).

1053.2 In the event a check has been issued to a certain person with a notation «or to a presenter» or other notation denoting such meaning, it shall be considered a bearer check.

1053.3 A check not having a name of its possessor shall be considered a bearer check.

1053.4 A check may be issued to a person issuing a check himself. (57)

Article 1054. Invalidity of written on a check notations relating to interest

~~A written on a check notation relating to interest shall be considered invalid. (57)~~

Article 1055. Transfer of a check to another person

1055.1 A check issued to a certain person and tendered for payment may be transferred to another person through endorsement.

1055.2 A check may also be transferred through endorsement to a person issuing a check and any person having obligation in respect of a check. These persons may, on their turn, endorse this check.

1055.3 Endorsement of a paying bank shall be invalid. Nameless endorsement shall be considered as blank endorsement. Except for circumstances of existence of several departments (branches) of a bank where an endorsement has been made in favor of a branch different from a branch issuing a check, for a bank the endorsement shall only have a force of a payment slip [receipt].

1055.4 Except for provisions relating to acceptance of a promissory note, provisions of Articles 993.3-993.4, 1018 and 1020 of this Code shall apply to checks as well. (57)

Article 1056. Presumption in favor of a check holder. A loss of a check

1056.1 Article 1019.1 of this Code shall apply in respect of a presumption in favor of a check holder.

1056.2 In the event of a loss of a check by a check holder, a person having that check shall, regardless of whether that check is a bearer check or a check transferred through

endorsement, be obligated to return it only where he has obtained it in a bad faith or has committed gross negligence in the course of its acquisition. (57)

Article 1057. Check surety (aval)

Payment of a check's amount may be fully or partially guaranteed by an avalor through an aval (check surety). Such guarantee for payment may be given, except for a paying bank, by any third person or by a person already having his signature in a check. (57)

Article 1058. Presentation of a check for payment

1058.1 A check shall be paid upon presentation. Any other instruction shall be considered invalid.

1058.2 A check payable in country of its issuance shall be presented for payment within one month. A check payable in country other than the country of its issuance shall be presented for payment within two months—where its place of issuance and place of payment are located on the same continent, and within three months—where its place of issuance and place of payment are located on different continents. Additionally, checks issued on the territory of one country member of the Commonwealth of Independent States and payable on the territory of another country members of the Commonwealth of Independent Countries shall be considered as checks issued and payable on the same continent. Continuity of periods indicated above shall commence from the date shown on a check as the date of its issuance.

1058.3 In the event a check is payable on a location having a calendar different from the calendar at the place of its issuance, a date corresponding to the date of its issuance and depending on its payment period shall be determined in accordance with the calendar of the place of payment. (57)

Article 1059. Taking of a check back

1059.1 Taking of a check back shall be effective only after expiry of a period for its presentation.

1059.2 In the event a check has not been taken back, a bank may carry out payment even after expiry of a period for a presentation of a check.

1059.3 In the event a person issuing a check has confirmed a loss of a check by him or by any third person, he may prohibit a payer an execution of payment. (57)

Article 1060. Consequences of a death, loss of action capacity and loss of payment capacity of a person issuing a check

Death, loss of action capacity or loss of payment capacity of a person issuing a check after issuance of a check shall not affect the validity of a check. (57)

Article 1061. Payment on a check and a payment receipt. Checks issued in a foreign currency

Articles 1028, 1029.4 and 1030 of this Code shall apply in a relevant order to payments on checks, issuance of a payment receipt and checks in a foreign currency. (57)

Article 1062. A check with lines

1062.1 A person issuing a check, as well as any check holder may put lines on a check with the consequences stipulated in Articles 1062.2-1062.6 of this Code. Putting lines [lining] on a check shall be carried out by the way of drawing two parallel lines on a front side of a check. A lining may be general or special. In the event of absence between the lines of any instructions or a 'bank' notation or other notation with similar meaning, a lining shall be considered general. In the event a bank's name has been written between the lines, a lining shall be considered special. A general lining may be transferred into a special lining, whereas a special lining may not be transferred into a general lining. Striking through of a lining or of a name of indicated bank shall be considered invalid.

1062.2 A payer may pay a check having general lines only to a bank or to his client.

1062.3 A payer may pay a check having special lines only to an indicated bank or, where that bank is a payer itself, to that bank's client. The specified bank may instruct another bank to accept the check.

1062.4 A bank may accept a check with lines only from its own client or another bank.

1062.5 A payer may pay a check having several special lines only where a check does not have more than two lines on it.

1062.6 A payer or a bank not fulfilling the instructions specified above shall be obligated to compensate a caused damage in the amount not exceeding the amount of a check. (57)

Article 1063. A settlement check

1063.1 A person issuing a check as well as any check holder may, by writing a «settlement» notation or another notation with the same meaning on the front side of a check, prohibit payment of check in cash. In such case, a payer may carry out a payment on check only by the way of a transfer from one account to another (settlement, transfer, non-cash settlements). Writing in the account shall be considered payment. Striking through of a «settlement» notation shall be considered invalid. A payer not fulfilling the instructions specified above shall be obliged to compensate a caused damage in the amount not exceeding the amount of a check.

1063.2 In the event of announcement of a payer as lacking a payment capacity or of his stopping of the execution of payment, or of ineffectiveness of direction of a seizure to his property, a holder of a settlement check may demand from a payer a payment of a check in cash, and in the event of non-payment of a check, may realize his right of recourse. This procedure shall also apply in the event of a check holder's inability of disposition in respect of his accounts located with a payer resulting from actions carried out on the basis of the law on banks.

1063.3 Additionally, a settlement check's holder shall have the right to file a claim. But he shall be obligated to prove that a payer has refused from writing a simple and unconditioned remark in the account, or a relevant accounting body at the place of payment has announced a check useless for the conduct of non-cash settlements for the purposes of payment of obligations. (57)

Article 1064. Claim resulting from non-payment in respect of a check

1064.1 In the event of non-payment of a check timely presented for payment, a check holder may file a claim against endorsers, a person issuing a check and other persons having obligations.

1064.2 A check holder may demand the followings from a person against whom he has filed a claim:

1064.2.1. where a check has not been paid — a payment of a check's amount;

1064.2.2. payment of interest;

1064.2.3. payment of expenses;

1064.2.4. a penalty in the amount not exceeding one third of the amount of interest.

1064.3 In the event of an obstruction of a timely presentation of a check by an unpreventable obstacle [force majeure], Article 1042 of this Code shall apply to the extension of periods for presentation of a check for payment. (57)

Article 1065. Forged check

1065.1 Damage relating to payment in respect of a false or forged check shall be borne by a payer, provided that a person indicated in a check as a person issuing a check is not faulty, for example, that he has not held check blanks given to him negligently. (57)

Article 1066. Modification of a check's content

Article 1045 of this Code shall apply to modification of a check's content. (57)

Article 1067. Period of limitation in respect of check obligations

Claim demands of a check holder against endorsers, a person issuing a check and other persons having obligations in respect of a check shall be paid one year after expiry of a presentation period. Claim demands of one person having obligations in respect of a check to another person having obligations in respect of a check shall be paid one year after the day of payment of a check by a person having obligations or the day of seizure of a payment from him in a court order. (57)

Article 1068. Announcement of a check invalid

Article 1047 of this Code shall apply to announcement of a check invalid. (57)

Article 1069. Calculation of periods relating to presentation of a check for payment

Check shall be presented for payment only during workdays. In the event the last day for presentation falls on Sunday or another non-workday, a period shall be extended till the next workday. Non-workdays during duration of a period shall be taken into account upon its calculation. (57)

§ 5. Bond

Article 1070. A concept of the bond

Bond is a debt investment security that confirms debt obligation of the issuer to the owner of the bonds and against which, depending on conditions interest (coupon) or discount and principal amount shall be paid on the specified date. (3, 57)

~~1070.2 Bonds may be in form of a bearer debt obligations, debt bonds, pledge certificates, debt obligations granting a right of partaking in a profit of a joint stock society, new non-monetary stocks, stocks with stable dividends and so forth. (3)~~

Article 1071. Payment of claims arising out of debt obligation in form of a bond

~~Claim demands arising out of debt obligation in form of a bearer bond shall be paid in 30 years from the time of commencement of a period established for performance of an obligation, provided that a document has not been tendered to issuing it person for payment prior to the expiry of these thirty years. In the event a document has been tendered [for payment], a claim shall lose its force in 2 years after expiry of a period established for tender due to the expiry of a period. Realization in a court order of a right of claim arising out of a document shall be equated to a tender of a bond. A period for tender of interest-bearing security coupons, rent papers [securities] and dividend coupons shall be four years. Continuity of a period shall commence after expiry of a year of commencement of a performance period in respect of an obligation. A period for tender and its commencement may be altered by a person issuing a document. Commencement and continuity of a period for tender as well as continuity of a term for expiry of a period may be suspended due to commencement of a proceeding in respect of announcement of a document invalid in accordance with Article 995 of this Code. (3)~~

Article 1072. Announcement of a bond invalid

~~1072.1 Interest-bearing security coupons payable at the time of their tender, rent papers [securities] and dividend coupons, as well as non-interest debt obligations in form of a bond may not be announced invalid. It [the rule] shall also apply to debt obligations in form of a bond a front side of which contains a remark that it can not be announced invalid.~~

~~1072.2 In the even a debt obligation in form of a bond has been announced invalid, a person succeeding in giving this announcement may demand from a person issuing a bond an issuance to him of a new debt obligation in form of a bearer bond instead of a document announced to be invalid. (3)~~

Article 1073. Interest-bearing security coupons, rent papers [securities] and dividend coupons

~~1073.1 In the event coupons in respect of payment of interest have been issued for debt obligation in form of bearer bonds, they shall, unless provided otherwise in these coupons, be in force even in case of payment for main obligation or termination or modification of obligation in respect of calculation of interest. In the event such coupons have not been returned at the time of payment for main obligation, a drawer shall have the right to withhold an amount payable by him for coupons.~~

~~1073.2 In the event of loss or destruction of interest-bearing security coupons, rent papers [securities] and dividend coupons and where their previous holder has notified a drawer about loss prior to expiry of a period for their tender, he may demand from a bond drawer~~

their payment after expiry of a period. In the event a lost coupon has been tendered to a drawer for payment or where a payment has been withheld from him in a court order, a claim shall be excluded, provided that a bond's tender or commencement of a court claim is not carried out after the expiry of a period. A claim shall lose its force due to the expiry of a period in four 4 years. This requirement may be exclusion for interest bearing security coupons, rent papers [securities] and dividend coupons.

1073.3 New interest bearing security coupons or new rent papers for debt obligation in form of a bearer bond shall not be permitted to be transferred to a holder of a document (certificate in respect of a prolongation) authorizing him to buy coupons, provided that a holder of debt obligation in form of a bond has not consented to their transfer. In the event of consent, coupons shall be transferred to a holder of debt obligation in form of a bond, provided that he tenders an obligation. (3)

Article 1074. Cards, marks and similar documents

Instructions in respect of debt obligations in form of a bond shall, regardless of a circumstance, apply in a relevant order to cards, marks and other similar non shown documents of a creditor issued by a drawer and indicating an intention of that person to be obliged to carry out the execution. (3)

Article 1075. Public debt bonds. Obligatory character of an emission prospectus [prospectus before public offering]

1075.1 Debt obligations (debt bonds) issued for purposes of borrowing may be admitted for open subscription or permitted to enter the exchange only on the basis of an emission prospectus. All emissions not stipulated for certain persons shall be considered public.

1075.2 Emission prospectus shall contain the following information:

1075.2.1. debts, calculation of interest and terms for sale and purchase;

1075.2.2. established for bonds special guarantees;

1075.2.3. upon necessity, representation of creditors in respect of debts.

1075.3 For other instances, the provisions of Articles 1077.3 and 1077.4 in respect of issuance of stocks shall apply in relevant order. (3)

Article 1076. Convertible debt bonds

1076.1 Convertible debt bonds shall be debt obligations issued by *open* joint stock societies providing not only the right to demand a calculation of interest but also giving a pre-emptive right to exchange them with same type securities or to acquire new stocks.

1076.2 Convertible debt bonds may be admitted to open subscription or exchange only on the basis of an emission prospectus. *Article 1078.12* shall apply in a relevant order to emission prospectus. Prospectus shall, in addition, contain the followings:

1076.2.1. period for exchange of bonds or acquisition of stocks;

~~1076.2.2. proportionality of exchange of convertible debt bonds into stocks or the amount of stocks available for acquisition on the basis of pre-emptive right connected with debt obligation in form of a convertible debt bond;~~

~~1076.2.3. the size of possible additional payment.~~

~~1076.3 Holder of a convertible debt bond may be satisfied with the rights arising out of a bond and shall not be obliged to realize his pre-emptive right of exchange or acquisition. (3, 57)~~

Article 1076-1. Secured bonds

1076-1.1. Secured bonds are the bonds, obligations of which are secured by collateral, guarantee, including state or municipal guarantee.

1076-1.2. Guarantee rights are transferred with the rights on secured bonds. Rights on secured bonds transferred without guarantee rights are invalid.

1076-1.3. Information about guarantee on secured bonds shall be indicated in the bonds issue order and issue prospectus.

1076-1.4. If the guarantee of secured bonds is presented by third person he/she will sign the loan issue order. If the person providing collateral is a legal entity, then decision to issue bonds shall be signed by the sole executive body or all members of the collegial executive body of this legal entity and sealed.

1076-1.5. Guarantee value of secured bonds shall be less than total nominal value and interest paid (in case of existing).

~~*1076-1.6. In any case including non-fulfillment of issuer liabilities on secured bonds owing to failure in comparison with other creditors of issuer investors have privilege to purchase the guarantee subject. (3, 57)*~~

Article 1076-2. Superintendent of guarantee on guaranteed loans.

1076-2.1. Manager of security for secured bonds is an investment company, central depository or bank, acting as a holder of a pledge on its own behalf for the benefit of the owners of the bonds to control compliance of this provision with legal requirements and issue prospectus. There should not be any interdependency between issuer and manager.

1076-2.2. A manager is determined in the decision on the bond issue, taken by the issuer and operates under an agreement with the issuer.

1076-2.3. In case of action or inaction of the manager that does not comply with the requirements of law and issue prospectus, or non-compliance with the rules established by this Code in respect of manager, the issuer shall, upon request of the financial market supervisory authority replace manager to another person.

1076-2.4. A manager is not responsible for damage caused resulting from actions or inactions in exercising him of his rights and duties, provided that it will not be proved that these actions or inactions are not a result of illegal or unfair actions. (3, 57, 62)

Article 1076-3. Bonds guaranteed by mortgage

1076-3.1. Mortgage subject of bonds guaranteed by mortgage may be investment securities, certificates of real estate, movable objects, on which in the register of real estate and the official register are recorded ownership rights, as well as mortgage collateral, established in Article 1076-6 of this Code.

1076-3.2. During one issue of bonds guaranteed by mortgage, the owner of each bond has the same rights on mortgaged property with other owners of this issue.

1076-3.3. Mortgage of property upon bonds provided by guarantees is carried out according to the procedures specified in legislation for mortgage.

~~*1076-3.4. Securities, which are the subject of bonds guaranteed by mortgage have to undertake obligations by means of depositing at deposits as provided by legislation.*~~

1076-3.5. Prior to the state registrations of bonds, guaranteed by mortgage, that are the subject of mortgage (including bearer securities), shall be deposited in accordance with the Law of Republic of Azerbaijan "On the Securities Market" in the depository system, after which their mortgage shall be recorded.

1076-3.6. After limiting the rights to the securities being the mortgage subject the depositor will report to superintendent.

1076-3.7. In case of non-fulfillment or insufficient fulfillment by issuer of its obligations under bonds guaranteed by mortgage, the property that is the subject of mortgage, at the written request of the owner of any of these bonds, addressed to the administrator, in accordance with the laws may be directed to the administrator for the collection. The administrator investigates the facts of non-fulfillment or insufficient fulfillment by issuer of its obligations, specified in the written request of the owner of the bonds and only after confirmation of these facts the administrator may direct the mortgage subject for collection.

1076-3.8. Funds obtained from sale of mortgaged property are transferred to the owners of the bonds guaranteed by mortgage. If the amount of funds obtained from sale of mortgaged property exceeds the amount of non-fulfilled obligations this difference will be returned to issuer after complete fulfillment of obligations.

1076-3.9. Owners of bonds guaranteed by mortgage are entitled to setup a claims indicated in Article 1076-3.7 in terms as provided by legislation since the last date of obligations fulfillment duration. ([3](#), [23](#), [57](#))

Article 1076-4. Bonds guaranteed by guarantee

1076-4.1. The guarantee given for obligations fulfillment under bonds to be registered in accordance with established by legislation.

1076-4.2. The guarantee given for obligations fulfillment under bonds may not be recalled until complete fulfillment of obligations under these loans.

1076-4.3. Superintendent keeps the guarantee until complete fulfillment of obligations under bonds by issuer. ([3](#))

Article 1076-5. Bonds guaranteed by State or Municipal guarantee

Issue procedures of bonds guaranteed by State or Municipal guarantee are regulated by corresponding legislation. (3)

Article 1076-6. Mortgage bonds

1076-6.1. Mortgage bonds are bonds secured by mortgage collateral.

1076-6.2. Mortgage collateral includes fixed and additional assets.

1076-6.3. Fixed assets are the rights of the issuer related to loans issued for purchase of a residential area and secured by a mortgage of the same or other residential land (mortgage loans).

1076-6.4. Additional assets may comprise of the following, provided that they will not exceed 20 percent of the nominal value of mortgage collateral:

1076-6.4.1. Government securities of the Republic of Azerbaijan;

1076-6.4.2. Securities of the Central Bank of the Republic of Azerbaijan or deposits of the issuer stored in the Central Bank of Azerbaijan;

1076-6.4.3. securities issued by states, defined by the relevant executive authorities and the central banks of these countries.

1076-6.5. Mortgage bonds, unless otherwise stipulated for by the regulatory acts of the financial market supervisory authority, can only be in the currency of the underlying assets (mortgages) that are incorporated into the mortgage collateral.

1076-6.6. Term of payment of mortgage bonds, calculated by the weighted average may not exceed a term of payment of the mortgage loans included in mortgage collateral, calculated by the method of weighted average. Rules for calculation of term of payment by a weighted average are established by the financial market supervisory authority.

1076-6.7. Mortgage bonds are issued only by credit institutions and entities established by the relevant executive authority for the purpose of issuing mortgage loans.

1076-6.8. Liabilities of the issuer on mortgage bonds along with the assets included in the mortgage collateral of these bonds may be fully or partially transferred to third parties entitled to issue mortgage bonds, set forth by the article 1076-6-7 of the Code, provided that such provision is stipulated for by an issue prospectus. In case of bankruptcy of the issuer, established by Article 1076-13 of the Code or default of liabilities, his liabilities shall transfer to third parties only in the order established by the above Article. (57, 62)

Article 1076-7. Interest on mortgage bonds

1076-7.1. Mortgage bonds shall vest in their owners the right to receive interests in amount and order established in the issue prospectus of mortgage bonds. In such a case, payment of interest is effected in accordance with the terms of issue of mortgage bonds, but at least once a year.

1076-7.2. *Payment of interest on assets included in the mortgage collateral shall ensure payment of interest on mortgage bonds.*

1076-7.3. *In case of providing mortgage loans, included in the mortgage collateral by stable interests except as otherwise provided by the regulatory act of the financial market supervisory authority, a mortgage bonds interest shall be stable. In case of issue of mortgage loans included in mortgage collateral with varying interests, then mortgage bonds interests shall be varying. In case of varying interest fixed, mortgage bond interests, included in the mortgage collateral, shall be tied to the same base rate of interest as mortgage bond interests. ([57](#), [62](#))*

Article 1076-8. Features of mortgage bonds issue

1076-8.1. *In addition to the data provided for in Article 5.3 of the Law of the Republic of Azerbaijan "On Securities Market" the issue prospectus of mortgage bonds shall contain the following particulars:*

1076-8.1.1. *information related to the assets included in the mortgage collateral (cost, structure, conditions and procedures for payment of debts);*

1076-8.1.2. *if advance payment of mortgage bonds is provided for, terms of payment or if advance payment is not permitted, information about it;*

1076-8.1.3. *information in the media, which publishes information on payment of mortgage bonds;*

1076-8.1.4. *information about manager.*

1076-8.2. *In case of advance payment of mortgage bonds, advance payment applies to all bonds of the one issue pari passu.*

1076-8.3. *One issue of mortgage bonds of Issuer's issue is secured by one mortgage collateral. Secure of several issues of mortgage bonds by one mortgage collateral is permitted only when such provided for in the preliminary approved issue prospectus. ([57](#), [68](#))*

Article 1076-9. Mortgage collateral requirements

1076-9.1. *Assets included in the mortgage collateral cannot be burdened with other liabilities and assets included in the mortgage collateral, decision cannot be taken without permission of the manager. Cash received from the assets included in the mortgage collateral before events provided for in Article 1076-13 occurred, are kept on the account of the issuer and used at his discretion.*

1076-9.2. *When issuing a mortgage loan the rights related to immovable property of which market value was assessed only by an independent appraiser are included in the mortgage collateral.*

1076-9.3. *Rights related to loans secured by a mortgage of immovable property not intended for residence, empty plot of land and unfinished building cannot be included in the mortgage collateral.*

1076-9.4. If lower limit of the percentage is not intended by the regulatory act of the financial market supervisory authority aimed at increasing liquidity of mortgage bonds, then the rights on mortgage loan issued in amount of more than 85 percent of the calculated market value of the mortgage subject are not included in the mortgage collateral.

1076-9.5. Value of assets included in the mortgage collateral on the principal amount of the debt shall be at least 110 per cent of the nominal value to be paid by the issuer of mortgage bonds. In such a case, only a portion of the principal debt under each loan not exceeding 80 percent of the market value of the mortgaged property that secures the specified loan is included in calculation.

1076-9.6. Terms of mortgage loans related to the rights included in the mortgage collateral shall provide for partial payment of principal debt and interests only in cash at least once a quarter within a term of the loan.

1076-9.7. Rights on loans classified by the financial markets supervisory authority as a non-standard loans cannot be included in the mortgage collateral.

1076-9.8. Immovable property related to the rights included in the mortgage collateral, for all duration of the mortgage liability is insured against the risk of destruction or damage, taking as a basis the market value in the amount not less than the residual value of loan, which it provides.

1076-9.9. Mortgage agreement relating to the rights included in the mortgage collateral, shall contain a condition prohibiting the alienation by the mortgagor of the mortgage without the consent of the mortgagee, encumber other obligations, as well as other disposal (except for the last will cases), including actions which cause damage to or deteriorate an integrity of the mortgage. (57,62,72)

Article 1076-10. Mortgage collateral register

1076-10.1. When taking decision on the issue of bonds each issuer of mortgage bonds shall compile and maintain a register of the of mortgage collateral register that secures a bond under supervision of manager.

1076-10.2. Since relevant record in the mortgage collateral register assets are deemed to be included in the mortgage collateral.

1076-10.3. Mortgage collateral register to include at least the following information:

1076-10.3.1. Details of the documents certifying issuer's right on assets included in the mortgage collateral;

1076-10.3.2. amount of assets included in the mortgage collateral (principal amount and interest rate), terms of payment, or conditions to determine these amounts;

1076-10.3.3. status of fulfillment of obligations under the assets included in the mortgage collateral;

1076-10.3.4. name of the mortgage related to the rights included in the mortgage collateral, a description sufficient for identification and location;

1076-10.3.5. mortgage subject value assessed by independent appraiser to the rights included in the mortgage collateral.

1076-10.4. Mortgage collateral register is maintained in paper and electronic form in the order established by the financial market supervisory authority. Mortgage collateral register and amendments thereto are submitted to the financial market supervisory authority.

1076-10.5. Assets included in the mortgage collateral can be excluded from the mortgage collateral register and replaced with another asset only with the manager's permission. The manager considers an application of the issuer in this respect within five working days and notifies the issuer of the result in writing.

1076-10.6. Manager may authorize the issuer to dispose of the assets included in the mortgage collateral provided that such disposal is not contrary to the present Code and issue prospectus. ([57](#), [62](#))

Article 1076-11. Rights and responsibilities of the mortgage collateral manager

1076-11.1. When issuing mortgage bonds Manager shall verify compliance of the mortgage collateral with the requirements of Articles 1076-6 and 1076-9 of the Code at least once a year, unless a shorter period is provided by the regulatory act of the financial market supervisory authority.

1076-11.2. In the event that the mortgage collateral does not comply with the requirements of Articles 1076-6 and 1076-9 of the Code, Manager shall notify the issuer in writing and asks to make good all the violations revealed. The Issuer within ten working days upon receipt of the request make good all the violations revealed and submits relevant information and documents thereof to the Manager.

1076-11.3. The manager is audit report mortgage pool in the financial market supervisory authority in a form and manner prescribed by that authority.

1076-11.4. The manager shall publish a drawn up notice on violations revealed in respect of mortgage collateral, however not made good by the issuer in the order compliant with this Code article 1076-11.2 and pose a serious threat to redemption in Azerbaijani language and other languages, in which the issue prospectus was issued in mass media, in which the issue prospectus was published (if specified mass media does not operate, in other media) not later than five working days before the deadline for making good of violations and submits to the relevant executive authority. The financial market supervisory authority within three working days upon receipt of the notice posts it on its website in Azerbaijani language and other languages, in which the issue prospectus was issued.

1076-11.5. Manager may at any time ask the issuer for information on payments on mortgage bonds and review relevant documents of the issuer. The issuer shall submit the information and documents required by the manager no later than three working days upon receipt of the application. If the issuer does not respond to application or respond

incompletely, the manager shall immediately notify the financial market supervisory authority in writing.

1076-11.6. Manager, in order to protect the owners of mortgage bonds shall cover the rights and obligations on mortgage collateral established by the Code and the Law "On Securities Market". ([57](#), [62](#))

Article 1076-12. Record and pledge of assets included in the mortgage collateral

1076-12.1. Since inclusion of assets in the mortgage collateral their records are kept separately from other assets of the Issuer. Assets included in the mortgage collateral cannot be seized to pay off the claims of other creditors, other than the bonds owners and claim for such assets sent.

1076-12.2. Assets included to the mortgage collateral under this Code since the date of approval of the issue prospectus of mortgage bonds are deemed pledged by law for the benefit of bonds owner. In accordance with the subsequent change of pledge under the Law, disposal of assets included in the mortgage collateral, in accordance with Articles 1076-10.5 and 1076-10.6 of this Code will apply to these changes since written permission.

1076-12.3. Bond owners have the benefit of an equal right over other creditors of the issuer in relation to the nominal value and the interest paid on mortgage bonds at the expense of the assets included in the same mortgage collateral. Pre-emptive right of owners of bonds applies equally to all assets included in mortgage coverage (primary and secondary), including income derived from these assets.

1076-12.4. Bond owners have priority of equality over other creditors of the issuer with respect to the balance of assets included into this register upon the full satisfaction of claims of the bond owners secured by another mortgage collateral register of issuer.

1076-12.5. The bonds owners of which claims are not fully satisfied at the cost of mortgage collateral shall have equal rights with other creditors of unsecured covenants of the Issuer in respect of the issuer's assets not included in the mortgage collateral. ([57](#), [68](#))

Article 1076-13. Bankruptcy, forced liquidation of the mortgage bonds issuer and default of obligations

1076-13.1. If the issuer is declared bankrupt or liquidated compulsorily, none of the assets included in the mortgage collateral, cannot be distributed among the other creditors of the issuer to comply with requirements of mortgage bonds owners.

1076-13.2. If the issuer is declared bankrupt, liquidated compulsorily, failed to comply with any provision of the issue prospectus relating to the fulfillment of obligations or continuously violated the obligations established by the Code (for the purposes of this article hereinafter specified default of obligations), the bonds owners cannot ask for making payments against their bonds ahead of schedule. In this case, the bonds owners shall comply with the requirements of this Article relating to the sale of assets included in the mortgage collateral and other measures being implemented in this regard.

1076-13.3. If the issuer is declared bankrupt, liquidated compulsorily, or has not fulfilled obligations, the manager shall notify in writing the financial market supervisory authority by attaching data and available documents certifying the facts of bankruptcy, forced liquidation or default. Owner of any bonds can submit such information to the financial market supervisory authority.

1076-13.4. The financial market supervisory authority within five business days upon receipt of the information specified in Article 1076-13.3 of the Code shall review the above information and in the event that fact of bankruptcy, forced liquidation, or default of obligation by the issuer is confirmed, shall take a decision on the transfer of assets included in mortgage collateral under manager's control and such decision shall be communicated to the manager and the issuer within one working day.

1076-13.5. Income generated from the assets included in the mortgage collateral from the date the decision specified in Article 1076-13.4 of the Code have been communicated to manager and the issuer is included in the assets included in the mortgage collateral, and from that moment is deemed pledged by law in favor of the mortgage bonds owners. In this case, the manager shall take steps to take in possession, storage and collection of the income derived from mortgage collateral.

1076-13.6. To protect the rights of bond owners within five working days upon receipt of the decision specified in Article 1076-13.4 of the Code manager shall prepare terms and conditions for sale or management of assets included in mortgage collateral and submit to the financial market supervisory authority for approval. The financial market supervisory authority shall review that submitted request within five working days and take an appropriate decision. Once the above decision has been taken the assets included in the mortgage collateral may be sold under these conditions.

1076-13.7. Manager operates under supervision of the financial market supervisory authority and could refer to it at any time for instructions. Manager is entitled to hire independent lawyers, accountants and other professionals in respect of sale and management of the assets included in the mortgage collateral under conditions approved by the financial market supervisory authority where required.

1076-13.8. Funds from the sale of the mortgage collateral are distributed as follows, and the remaining part of funds is included in the total assets of the issuer by the manager:

1076-13.8.1. payment of services specified in the contract concluded by the manager in advance with the issuer relating to management and sale of mortgage collateral;

1076-13.8.2. fulfillment of current obligations related to the implementation of the mortgage collateral;

1076-13.8.3. fulfillment of obligations on the bonds.

1076-13.9. In case of bankruptcy or forced liquidation of the issuer, interference of property administrator to the activities of manager is respect of management, sale of assets included in mortgage collateral, distribution of funds obtained and for any other reason is not allowed until obligations established by Article 1076-13 of the Code will be fulfilled in full.

1076-13.10. Upon complete sale of the assets included in the mortgage collateral hands over documents related to mortgage collateral and remaining assets to the issuer, and in case of bankruptcy or forced liquidation — to the property administrator, and shall notify the financial market supervisory authority on the execution of their duties.

1076-13.11. If the issuer disagrees with the decision specified in Article 1076-13.4 of the Code, he may file an action with the court to cancel the decision following administrative procedure. Issuer or any Bonds owner may file an action with the court in respect of implementation of the procedures provided for in Article 1076-13 of the Code related to sale or management of the assets included in the mortgage collateral under supervision of court, or replacement of the manager with other person. When considering issue regarding replacement of the manager, the financial market supervisory authority introduces a new candidate to the court. ([57](#), [62](#))

§6. Shares

Article 1077. Notion of a share and its content

1077.1 Share is an investment security, which certifies its owner participation in the authorized capital of the joint-stock company that issued the share, in proportion to the nominal value of this share, the right to receive dividends from income and the part of remaining property after the liquidation, as well as the right to participate in management of the joint-stock company. Share issuer can be only joint-stock company.

1077.2. Shares may be issued as ordinary or privileged shares. Shares nominal value is its money means of share cost determined in the Charter of company. Shares nominal value is denominated in national currency of Republic of Azerbaijan. It cannot be allowed initial floatation of shares with the cost lesser than its nominal value.

1077.3. Each ordinary share with the same nominal value entitles its owner with the same rights.

1077.4. Each privileged share with the same nominal value within one issue entitles its owner with the same rights.

1077.5. Ordinary share entitle its owner to receive part of benefit as dividends, participate in management of issuer actions and receive part of property after issuer disposition.

1077.6. Privileged share is a kind of share, ~~as a rule~~ guaranteeing the owner, regardless of its ~~economie~~ activities, to receive a dividend in the form of a stable percentage of the nominal value of the shares, giving the preemptive right to purchase the property after the liquidation of the issuer before the other shareholders, as well as other rights stipulated in the conditions of issue of shares and the Charter of the issuer.

1077.7. In accordance with decision of general meeting of shareholders of joint-stock company the company may combine different kinds of shares within the same share and exchange this share by means of change into several same shares. If decision on combining or exchange of shares was taken on the general meeting corresponding amendments will be introduced into the Charter of the company. The financial market supervisory authority determines the procedures of combining or exchange of shares of joint-stock company. ([3](#), [57](#), [62](#))

§7. Commodity papers

Article 1078. Notion of commodity papers and their types

~~1078.1 In commodity papers (i.e. securities (stock certification, bill of lading etc.) determining the holder rights to deal and receive the commodity indicated in securities) issued by a warehouse owner or a freight issuer shall contain the following information:~~

~~1078.1.1. place and date of drafting of a document, signature of a person issuing a document;~~

~~1078.1.2. name and place of residence or place of stay of a person issuing a document;~~

~~1078.1.3. name, place of residence or place of stay of a person keeping goods in warehouse or a person sending the goods;~~

~~1078.1.4. name of goods stored or given for storage with indication of their quality, quantity and distinguishing marks;~~

~~1078.1.5. duties and payments to be withheld or paid in advance;~~

~~1078.1.6. special agreements of interested persons in respect of taking care of goods;~~

~~1078.1.7. quantity of copies of commodity documents;~~

~~1078.1.8. indication of name of a person authorized in respect of that document or condition in respect of an order or indication of a person tendering documents.~~

~~1078.2 In the event one of the several commodity documents has been stipulated for determination of a pledge, such document shall be called a pledge certificate (warrant) and shall be in form of a commodity document in respect of the rest of its information. Another copies shall contain a notation on issuance of a pledge certificate, and shall reflect each pledge with indication of an amount of claim and period for payment.~~

~~1078.3 In the event of issuance of certificates in respect of stored and dispatched goods with violation of legal requirements relating to form of commodity documents, they shall be considered to be not commodity documents but receipts on receipt of goods or other confirming documents.~~

~~1078.4 In the event certificates issued by warehouse owners without obtaining required by law permission from the authorized bodies conform to legal requirements in respect of a form, they shall be considered to be commodity documents.~~

~~1078.5 A bill of lading shall, by being a commodity paper consisting of an order document in respect of goods, certify the right of its holder to dispose of the goods indicated in a bill of lading and to receive goods after completion of their transportation. A bill of lading may be to a bearer, ordered or named.~~

~~1078.6 A joint warehouse certificate shall be an order security that certifies acceptance of goods by a goods warehouse for storage. A joint warehouse certificate shall consist of~~

~~two parts—a warehouse certificate and pledge certificate (warrant); they shall both separately be securities.~~

~~1078.7 A simple warehouse certificate shall be a bearer security that certifies acceptance of goods by a goods warehouse for storage. (3, 57)~~

§ 8. Immovable property certificate

Article 1078-1. Immovable property certificate

1078-1.1. Immovable property certificate are securities placed among the citizens and legal entities that entitle their owners subject to this provisions defined in the Terms and Conditions of issue, ask the issuer for their redemption by giving premises into ownership (residences, non-residential areas), of which construction (reconstruction) was funded through finances received from the placement of those securities.

1078-1.2. Immovable property certificate is a registered security. Procedure for issue, state registration and circulation of immovable property certificate is governed by the financial market supervisory authority. (3, 57, 62)

§9. Mortgage list and hypothec certifications (23)

Article 1078-2. Mortgage list and hypothec certifications

1078-2.1. Mortgage list and hypothec certifications are the securities indicating obligations guarantee.

1078-2.2. Mortgage list is registered security confirming existence of monetary and other obligations provided by hypothec agreement and guaranteed by property hypothec and the rights of its owner to demand for fulfillment of these obligations and its mortgage rights under agreement on property hypothec without presenting any evidences.

1078-2.3. Mortgage list is a registered security, indicating the pawning of property and rights and obligations arising out of it between the mortgagor and the mortgagee and if the mortgagor is not the debtor, then also between the debtor.

1078-2.4. Description of mortgage list or hypothec certification may legalize and confirm the rights of pawnbroker or hypothec holder under obligations guaranteed by mortgage or hypothec of property or rights.

1078-2.5. ~~Debtor, depositor and hypothec depositor~~ under obligations guaranteed by mortgage or hypothec is the person responsible by mortgage list or hypothec certification. Debtor, depositor and hypothec depositor may be the same or different persons.

1078-2.6. Owner (pawnbroker or hypothec holder (mortgagee) of mortgage list or hypothec certification indicating the mortgage or hypothec right under the property may transfer his demand for debt to other person by means of written note on mortgage list or hypothec certification without approval of debtor or mortgagor only on conditions that this written note (endorsement) does not conflict with obligation essence, its approval by debtor and mortgagor or hypothec depositor and legislation in force.

~~1078-2.7. In case of transfer of demand under guaranteed debt belonging to mortgage or hypothec to other person the rights of pawnbroker or hypothec holder under mortgage list or hypothec certification shall also be transferred to this person.~~

1078-2.8. Mortgage list or hypothec certification may be deposited on hypothec to guarantee the obligations under agreement between the owner of mortgage list or hypothec certification (pawnbroker or hypothec holder) and other person. In this case mortgage or hypothec right has to be passed generally State Registration.

1078-2.9. The state registration of mortgage list and hypothec certificate shall be executed in the official register. Execution of state official registration shall be carried out by the financial market supervisory authority.

~~1078-2.10. Execution of state official registration is specified for the purpose of collecting the information in a centralized form regarding the limitation of rights upon mortgaged documents. (3, 23, 57, 62)~~

§ 10. ~~Subsidiary securities~~

~~Article 1078-3. Subsidiary securities.~~

~~1078-3.1. Futures, options and other securities specified in accordance with legislation are included to the subsidiary securities.~~

~~1078-3.2. Future is a security stating standardized exchange agreement consolidating purchase or sale obligation of a definite base asset under prior fixed amount within a determined period.~~

~~1078-3.3. Option is a security stating the rights of sale or purchase of its holder under prior fixed amount upon base assets within a determined period.~~

~~1078-3.4. Foreign exchange, securities, stock indexes, commodity and others may act as a base asset for subsidiary securities.~~

~~1078-3.5. Other specification related with circulation of subsidiary securities shall be determined by the corresponding executive power bodies. (3, 57)~~

§ 11. Privatization securities

Article 1078-4. Privatization securities

1078-4.1. Privatization securities are type of securities issued for the purpose of alienation of a state property while privatization of a state property in accordance with valid legislation.

1078-4.2. Types, emissions, circulation rules and other matters related with issue of securities while privatization of a state property shall be set force with this Code and other normative legal acts including regulatory acts. (3, 62)

§ 12. Deposit certificate

Article 1078-5. Deposit certificate

~~1078-5.1. Deposit certificate is securities consolidating the rights to purchase interests and money (deposit) entered to the bank from the depositor or for depositor.~~

~~1078-5.2. Deposit certificates shall be issued disposable or in series and in a documented form.~~

~~1078-5.3. Issuing of deposit certificate, registration and turnover rules are determined by the corresponding body of executive power. (3, 57)~~

§13. Securities capital

~~Article 1078-6. Bases of issue of investments securities~~

~~1078-6.1. Issue of securities is sum total of passing decision about issue of securities, making issue prospect within considered case by this Code, capital issue, setting and other arrangements determined by this Code.~~

~~1078-6.2. Form of investment securities and issue provisions shall be determined in single-valued in the decision about issue of investment securities and in issue prospect of investment securities (if issue of investment securities is observed by issue prospect).~~

~~1078-6.3. Investment securities can be issued in one of the following forms:~~

~~1078-6.3.1. documentary registered securities;~~

~~1078-6.3.2. not having document registered securities;~~

~~1078-6.3.3. documentary unregistered securities.~~

~~1078-6.4. These amendments can be amended in the corresponding body of executive power by the decision about issue of issuer of investment securities form. Article 992 of this Code regulates turning of registered securities into unregistered securities.~~

~~1078-6.5. Investment securities having the same state registration shall be issued in the same form.~~

~~1078-6.6. Excepting national and shares nominal of investment securities can be expressed in free turning currency.~~

~~1078-6.7. Issue specification corresponding to converting of investment securities is determined by the corresponding body of executive power. (3, 57)~~

~~Article 1078-7. Stages of issue of investment securities~~

~~1078-7.1. Issue of investment securities consists of the following stages:~~

~~1078-7.1.1. passing decision about issue of investment securities by issuer;~~

~~1078-7.1.2. making issue prospect of issue of investment securities (if issue of investment securities is observed by issue prospect);~~

~~1078-7.1.3. state registration of issue of investment securities;~~

~~1078 7.1.4. explanation of information being in issue prospect of investment securities (if issue of investment securities is observed by issue prospect);~~

~~1078 7.1.5. setting investment securities;~~

~~1078 7.1.6. registration of report about totals of issue of investment securities;~~

~~1078 7.1.7. explanation of information being in report about totals of issue investment securities (if issue of investment securities was observed by issue prospect);~~

~~1078 7.2. State registration of shares during establishment of stock companies, reorganization of stock companies and other juridical persons (excepting reorganization case in joining form) is carried out after payment of value of the same securities by founders. (3, 57)~~

~~Article 1078-8. Decision about issue of investment securities~~

~~1078 8.1. Separate decisions about every type of investment securities shall be passed.~~

~~1078 8.2. The following information shall be prescribed in the decision about issue of investment securities:~~

~~1078 8.2.1 full name and palace of birth of issuer;~~

~~1078 8.2.2. date of passing decision;~~

~~1078 8.2.3. name of management body passed decision;~~

~~1078 8.2.4. type of security;~~

~~1078 8.2.5. form of security;~~

~~1078 8.2.6. nominal value of security;~~

~~1078 8.2.7. number and total amount of securities including to the same issue;~~

~~1078 8.2.8. rule of setting of securities;~~

~~1078 8.2.9. rights prescribed by one security;~~

~~1078 8.2.10. obligations of issuer in front of owners of securities;~~

~~1078 8.2.11. name, surname, signature confirmed by the seal of issuer leader.~~

~~1078 8.3. While decision about issue of converting debt loans is passed, decision about issue of shares directed to their payment shall be passed. (3, 57)~~

~~Article 1078-9. Issue of state securities~~

~~1078 9.1. Issue of state securities is carried out by the corresponding body of executive power and other state body authorized to this within the corresponding rule.~~

~~1078-9.2. Issue and turnover of state securities are regulated by the normative legal acts passed by the corresponding body of executive power with getting opinion. (3, 57)~~

Article 1078-10. Issue of municipal securities

~~Rules of issue and turnover of municipal securities are determined by the corresponding executive power. (3, 57)~~

Article 1078-11. State registration of issue of investment securities

~~1078-11.1. Issue of investment securities shall be state registered in the corresponding body of executive power.~~

~~1078-11.2. The following documents shall be submitted to the corresponding body of executive by issuer for state registration of issue of investment securities.~~

~~1078-11.2.1. application for registration of investment securities;~~

~~1078-11.2.2. decision about issue of investment securities;~~

~~1078-11.2.3. copies certified within notary rule of certificate and foundation documents about state registration of issuer as juridical person;~~

~~1078-11.2.4. issue prospect of investment securities (if issue of investment securities is observed by issue prospect);~~

~~1078-11.2.5. model of certificate of investment securities (investment securities are issued in documentary form);~~

~~1078-11.2.6. document certifying payment of state custom duty for registration of issue prospect of investment securities (if issue of investment securities is observed by issue prospect).~~

~~1078-11.3. State of issue provided loans is carried out after making official of provision given for them within determined rule.~~

~~1078-11.4. The documents submitted for state registration of issue of investment securities are considered within fifteen days since their representation and when there wasn't base for objection from registration capital issue is taken state registration. When it was objected to take state registration of issue of investment securities, the official notification is submitted to issuer about this. State registration of issue of investment securities consists of issuing state registration number to the same issue and including to state registration of these information. Issuing state registration and taking register rule are determined by corresponding body executive power.~~

~~1078-11.5. When total nominal value of loans issue been more than charter capital amount together with total nominal value of loans not paid of issuer or provision measure issued by the third persons in order to this purpose, the state registration of the same loans isn't made away.~~

~~1078-11.5. Rules of the requirements regarding the maximum amount of bond issuer sets the appropriate executive authority.~~

~~1078-11.6. Advertising of securities, giving official offer to any investor and submission of issue prospect to the potential investor are banned till issues of investment securities are taken state registration.~~

~~1078-11.7. Responsibility for completeness and true of the information prescribed in the documents for issue of securities by the issuer to the corresponding body of executive power is undertaken by the ranking persons signed the same documents. (3, 40, 57)~~

~~Article 1078-12. Common requirements for issue prospect of investment securities~~

~~1078-12.1. Issue of investment securities (exception closed setting) is observed by issue prospect.~~

~~1078-12.2. The following information shall be in the issue prospect of investment securities:~~

~~1078-12.2.1. full name, organizational legal form and living place of issuer;~~

~~1078-12.2.2. information about issuer in state registration of juridical person;~~

~~1078-12.2.3. information about person having shares give vote right in amount not less than ten percent of charter capital of issuer (herein after referred as loud shares);~~

~~1078-12.2.4. information about management, executive and control bodies of issuer;~~

~~1078-12.2.5. information about branch and representative's office of issuer;~~

~~1078-12.2.6. lists and properties of juridical persons not less than ten percent of issuer in charter capital;~~

~~1078-12.2.7. information about charter capital and its structure, including amount of charter capital, amount of shares, their nominal value and types, privileges of separate types of shares (for stock company);~~

~~1078-12.2.8. the last balance of issuer and common finance report;~~

~~1078-12.2.9. information about dividends paid for shares by issuer since issuer is founded date or during the last five financial years;~~

~~1078-12.2.10. information about securities of issuer issued before;~~

~~1078-12.2.11. General information concerning issue of investment securities;~~

~~1078-12.2.12. Distribution form of investment securities;~~

~~1078-12.2.13. Credit debt of issuer, interest amount to be paid and purchase terms (upon loans);~~

~~1078-12.2.14. Fixed specific guarantees upon loans (if any);~~

~~1078-12.2.15. Information regarding manager of guarantees on provided loans;~~

~~1078-12.2.16. Payment rules of investment securities;~~

~~1078-12.2.17. Information concerning professional participant of equity market to participate in distribution of investment securities;~~

~~1078-12.2.18. Date and number securities emission resolution and the name of the body received it;~~

~~1078-12.2.19. Content of rights consolidated under preference shares;~~

~~1078-12.2.20. Limitation for receive of investment securities (if any). (3, 57)~~

~~Article 1078-13. Waiver from state registration of investment securities issue~~

~~1078-13.1. Waiver from state registration of investment securities issues shall be provided in the following cases:~~

~~1078-13.1.1. If document presented for state registration of investment securities issue does not meet demands of valid legislation;~~

~~1078-13.1.2. If statement (for share issue) concerning the summary of previous emissions of issuer has not been registered;~~

~~1078-13.1.3. If distorted or inaccurate information is amended to emission prospect of investment securities or resolution about emission of investment securities (other necessary documents for state registration of investment securities issue);~~

~~1078-13.1.4. If serious law breaches were committed by issuer in equity market.~~

~~1078-13.2. Waiver from state registration upon other reasons otherwise than specified in this Code of investment securities issue is not allowed.~~

~~1078-13.3. Notification concerning waiver from state registration of investment securities issue are submitted to the issuer by proper executive power bodies.~~

~~1078-13.4. Issuer shall raise claim administratively and/or judicially against resolution concerning waiver from state registration of investment securities issue in accordance with court principles. (3, 25, 57)~~

~~Article 1078-14. Comment the information regarding the issue of investment securities~~

~~1078-14.1. If emission of investment securities is followed with emission prospect, issuer shall comment the information contained in emission prospect to the corresponding executive power bodies prior to their distribution.~~

~~1078-14.2. Emission prospect of investment securities shall be bared in the address of issuer and at purchase places of investment securities and shall be submitted without any payment for familiarity by issuer or professional participant of investment equity market~~

~~providing the distribution. Issuer shall ensure required condition for familiarity with emission prospect and announce time and place in MASS media. (3, 57)~~

~~Article 1078-15. Distribution of investment securities~~

~~1078-15.1. Distribution of securities is alienation of issuer's securities to their primary holders. The issuer get the distribution right of investment securities after state registration.~~

~~1078-15.2. Distribution of investment securities is realized through MASS proposal or suggestion method to limited circuit of investors (close distribution).~~

~~1078-15.3. Close distribution of open typed joint stock companies' shares (while establishment and reorganization of open typed joint stock companies, exclusive conversion cases of shares), as well as distribution of close typed joint stock companies' by the way of mass proposal is not allowed.~~

~~1078-15.4. The number of distributed investment securities shall not overcome the number specified in emission prospect or resolution concerning the emission of investment securities. But the issuer may distribute investments securities being in less number that are determined in emission prospect or resolution concerning the emission of investment securities. In this of main part by stock exchange shall be carried out within a year since state registration of securities issue.~~

~~1078-15.7. Issuer shall provide the inclusion information about shareholder into the register of securities holders (in case of distribution of registered securities) not being later than fifteen days since the payment of investment securities value by its initial holder, as well as submit securities certificate to the bearer of investment securities or issue the extractions from depot accounts.~~

~~1078-15.8. if the investment securities are in a document form the issuer presents the securities certificate (certificates) to their owner.~~

~~1078-15.9. If the investment securities are not in a document form certificate reflection the issued securities are submitted to their owner by depositary.~~

~~1078-15.10. Rights over investment securities bearing one or more state registration numbers simultaneously shall be issued through one certificate. Rights over one-investment securities shall be authenticated through one certificate.~~

~~1078-15.11. The value of shares distributed under mass proposal are paid by cash.~~

~~1078-15.12. The issuer is to submit statement regarding the distribution of investment securities to the appropriate executive bodies. Submission rule shall be in accordance with legislation of statement regarding the distribution of investment securities.~~

~~1078-15.13. Appropriate executive power bodies shall fixed distribution principle of securities of Republic of Azerbaijan's issuer outside the borders of Republic of Azerbaijan. case, the distributed part of securities for consideration the emission of investment securities valid shall be determined by appropriate executive power bodies .~~

1078-15.5. While distribution investment securities through mass proposal it is prohibited to give preference for one customer than the others. This provision is not applied while accepting resolution concerning the emission of investment securities of share holders of stock company are given preference right for purchase of new emission with proportionate to their shares.

1078-15.6. Distribution of shares of stock companies by way of mass proposal is realized through stock exchange. For considering the emission of shares taken place the distribution (3, 57)

~~Article 1078-16. Termination of investment securities emission~~

~~1078 16.1. Termination of investment securities emission is the termination of other arrangements related with securities publication, advertising and distribution under the resolution of corresponding executive power bodies.~~

~~1078 16.2. Emission of investment securities shall be terminated by appropriate executive bodies under the following conditions:~~

~~1078 16.2.1. If the terms of registered emission, as well as the terms of this Code or the terms of other normative legal acts related with emission of securities are breached;~~

~~1078 16.2.2. If the investment securities are distributed in number more than that state registration.~~

~~1078 16.3. After the issuer received the official notification from appropriate executive bodies concerning the termination of securities emission he shall give information through MASS media and remove breaches committed while emission of securities within a period fixed by executive bodies~~

~~1078 16.4. After the breaches committed while emission of securities are removed the emission shall be kept on under the resolution of corresponding executive power. In this case, distribution period of securities shall be prolonged to termination period of emission.~~

~~1078 16.5. If investment securities are distributed more than in number that in state registration, within two month since date determined by appropriate executive power bodies issuer is to provide the repurchase and termination of the mentioned securities. Otherwise, the appropriate executive power bodies may appeal to the court for bringing back the amount got illegally to the investors.~~

~~1078 16.6. Bring back of charges related with termination of investment securities emission and subsequent means to investors shall be provided in the expense of issuer. (3, 57)~~

~~Article 1078-17. Statement of investment securities emission results~~

~~1078 17.1. After completion of investment securities distribution issuer is to submit statement about results concerning investment securities emission to the appropriate executive power bodies within thirty days.~~

~~1078-17.2. The following data is to be included to the statement of investment securities emission results:~~

~~1078-17.2.1. Commencement and completion date of investment securities distribution;~~

~~1078-17.2.2. Number of distributed investments securities;~~

~~1078-17.2.3. Total amount of incomes received from investment securities;~~

~~1078-17.2.4. Data concerning negotiations concluded between investors and issuer while distribution of investment securities.~~

~~1078-17.3. The appropriate executive power bodies shall revise the statement on results of investment securities emission within fifteen days and registers it when there is no ground for waiver from state registration.~~

~~1078-17.4. The appropriate executive power bodies may repudiate the registration of statement on results of investment securities emission only under the case if any breach relating with securities emission was committed.~~

~~1078-17.5. While distribution the investment securities under mass proposal method it shall be commented to MASS media by issuer after registration the statement on result of emission. (3, 57)~~

Article 1078-18. Failure of investment securities emission

~~1078-18.1. Investment securities emission shall be considered failed if distributed in a less amount than specified in legislation or by the appropriate executive power bodies.~~

~~1078-18.2. Issuer is to announce about failure of emission by MASS media and repurchasing the sold securities shall give back means to the investors and submit information regarding it to the corresponding executive power bodies. (3, 57)~~

Article 1078-19. Invalidity of investment securities issue

~~While emission of investment securities the mentioned issue shall be considered invalid by the court decision under the claim of appropriate executive power bodies in case of breach of this Code and the requirements of the valid legislation. In this regard, all securities in that issue shall be returned to issuer and income received from distribution of securities to investors. (3, 57)~~

§14. Circulation of securities

Article 1078-20. Deeds concerning securities

1078-20.1. Circulation of securities is based on transfer and registration process of property rights as the result of conclusion with securities and civil-legal deeds after distribution.

1078-20.2. Deeds concerning securities are concluded and carried out in accordance with this Code and the Law of Republic of Azerbaijan «On securities market».

~~1078-20.3. Property rights of the person received registered securities are established with registration of transfer of rights over securities.~~

1078-20.4. When discovering violations of the requirements for the conclusion and execution of securities transactions, provided by this Code and the Law of Republic of Azerbaijan "On Securities" within circulation of securities the financial market supervisory authority shall suspend conclusion of transactions, involving violation of the law, or when clearing, freezes accounts of the parties.

1078-20.5. Purchase deed conclusion principles upon security types shall be in accordance with this Code and as determined by the financial market supervisory authority.

1078-20.6. Making official and payment the debts of juridical and physical persons by securities shall be carried out as fixed by the financial market supervisory authority.

1078-20.7. If deeds with investment securities are concluded by the investment company or one of the parties in the mentioned deeds is an investment company those deeds are to be certified in a notarial way.

1078-20.8. Addressed purchase exclusively, purchase deeds with distributed shares of stock companies with more than fifty shareholders purchase deeds stock companies are concluded through stock exchange. Addressed purchase transaction is a contract of sale of securities concluded on a pre-agreed price and conditions, in which the parties are known to each other.

1078-20.9. When transferring bills, mortgage deed and encumbrance an inscription of assignment on the back of a security shall be made (endorsement). Endorsement made on security, transfers all rights certified by the security to the person whom or by whose order security rights are transferred (endorsee).

1078-20.10. An endorsement may be blank (without person whom endorsement is to be made) or order (indicating the person whom or by whose order which endorsement is to be made). Endorsement may be limited only by order to exercise the rights certified by the security, without transfer of those rights to the endorsee (inscribed endorsement). In such a case, the transferee acts as a representative.

1078-20.11. An endorsement shall comply with the requirements as follows:

1078-20.11.1. contain information on the endorsement and its signature;

1078-20.11.2. be simple and unconditional. (Any condition restricting an endorsement shall be deemed invalid; partial endorsement is void as well);

1078-20.11.3 be made on security or on sheet attached thereto (additional page);

1078.20.12. A person that caused damage as result of Insider trading or manipulation is liable to the person who suffered damage in threefold amount of damage. ([3](#), [57](#), [62](#))

Article 1078-21. Transfer of rights, confirmed by securities

1078-21.1. Rights, confirmed by securities are transferred in accordance with Article 993 of this Code or with specifications determined in this article.

1078-21.2. Rights, confirmed by documentary securities are transferred by issuing its certificate to its new holder.

1078-21.3. Rights, confirmed by bearer documentary securities hold at central depository, are transferred to «depot» account of its new holder.

1078-21.4. Rights, confirmed by bearer securities in the depository system of securities are transferred from «depot» account of securities owner to «depot» account of new owner.

1078-21.5. Rights, confirmed by registered documentary securities are transferred with the recording of the respective entry in the register of securities owners or on the basis of an endorsement with the transfer of securities (certificates) to the new owner. Rights confirmed by registered documentary securities, hold at the central depository, are realized by transfer of securities from «depot» account of the owner to «depot» account of the new owner.

1078-21.6. Rights, confirmed by the securities, are transferred to the person, purchasing them from the moment of transfer of the right of ownership upon these securities to him.

1078-21.7. Rights, confirmed by the bill, mortgage and encumbrance securities are transferred to new owner by regulation of owner's securities.

1078-21.8. Taking into consideration the terms of this Code in accordance with legislation additional method and specifications on transfer of rights over different types of securities shall be determined.

1078-21.9. While transfer of rights, confirmed by registered documentary securities, the process of making official the securities certificate to the name of its new owner shall be carried out in a form set out by the financial market supervisory authority.

1078-21.10. The new owner acquires the rights, confirmed by securities, after the registration of the rights and execution of actions defined by the legislation on the transfer of rights.

1078-21.11. A person (endorser) that transfers the right certified by bill, mortgage and encumbrance securities is responsible not only for existence of right, but for its exercise as well. A person that transfers the right certified by other kind of security shall be responsible for invalidity of corresponding claim, however, is not responsible for its exercise. ([3](#), [57](#), [62](#))

Article 1078-22. Execution of rights, confirmed by securities

1078-22.1. Rights, confirmed by documentary securities shall be realized by submission of certificate by its owner.

1078-22.2. Rights, confirmed by non-documentary securities are provided with identification of the information kept in register or «depot» accounts concerning owner

or nominal holder of the mentioned securities with information contained in the register about registered person.

1078-22.3. If certificates of documentary securities are kept at the central depository, the rights confirmed by these securities, are carried out under the submission of the certificate of securities held at the central depository (with a list of owners) by depository upon the instruction of the owner. ([3](#), [57](#))

Article 1078-23. Charge securities with obligations

1078-23.1. Securities may be pledged and other obligations under this Code and such pledge shall enter into force at a date of registration in the securities depository system.

1078-23.2. Charging rules the securities with obligations are determined in accordance with this Code and other legislative acts.

~~*1078-23.3. Information regarding resolutions taken by authoritative bodies concerning the mortgage of securities shall be reflected in the register hold by the appropriate executive power bodies.*~~

1078-23.4. Collection turning towards immovable made official by securities being the subject of mortgage (hypothec) over securities or transfer of rights is the collection turning towards the mentioned property or transfer of rights. Transfer of property to owner upon the rights made official under securities (hypothec of immovable inclusively) is realized by the issued of the mentioned securities.

1078-23.5. Circulation principles of mortgage list and hypothec certificate shall be resolved by the financial market supervisory authority.

1078-23.6. Rights to securities pledge are registered in the depository system only on behalf of their owners.

1078-23.7. Order provided for in Article 1078-23.6 of the Code shall contain as follows:

1078-23.7.1. data relating to the owner and third parties in whose favor the rights have been transferred (in case of legal entity - full name, address, and in case of natural person - name, surname, first name, address)

1078-23.7.2. personal identification numbers of the owner and a third party in whose favor the rights have been transferred in the central depository;

1078-23.7.3. type, form, registration number and quantity of securities;

1078-23.7.4. type of the rights pledged by securities and expiry date (if any);

1078-23.7.5. documents certifying the transfer of rights to securities;

1078-23.7.6. signature of the owner.

1078-23.8. The right of pledge on securities arises from the moment of registration in the depository system. If mortgagee is entitled to profit by pledged securities, then the specified rights are registered in the depository system with collateral.

1078-23.9. Turning collection to subject of pledge with securities is made in the cases established by the Code through non-judicial procedure.

1078-23.10. In the event that debtor fails to fulfill obligations, the mortgagee shall send notification to the pledgor about turning of collection to subject of pledge to contain the following data:

1078-23.10.1. date of records of pledge in the central depository;

1078-23.10.2. Data on the subject of mortgage (name of the issuer of securities, registration number of securities, type, form, number, nominal value);

1078-23.10.3. information on obligation to be fulfilled;

1078-23.10.4. a proposal for notary certification of the agreement to turn collection to subject of pledge, or notary record on subject of pledge on execution or notice on turning collection to through the courts, except in cases where turning collection to subject of pledge is provided for by the pledge agreement or the issue of mortgage;

1078-23.10.5. the date of notification, position, name and signature of the person sent notification.

1078-23.11. The pledgee shall, within seven working days from the date of delivery to mortgagor send notification in respect of turning collection to subject of pledge to the Central Depository.

1078-23.12. Central Depository within three working days shall register the notification, suspends transactions with mortgage securities and inform the mortgagee.

1078-23.13. In the event that turning collection to subject of pledge is made through non-judicial procedure, a subject of pledge is put up for sale on a stock exchange with consent of mortgagor and the mortgagee.

1078-23.14. In the event that court has taken a decision to sell a subject of pledge, subject of pledge is put up for sale on a stock exchange on behalf of bailiffs at the price specified in the pledge agreement.

1078-23.15. In the event that price of subject of pledge is not fixed by the pledge agreement, securities are put up for sale at nominal value.

1078-23.16. In the event that subject of pledge is not sold on the stock exchange, securities constituting the subject of pledge are offered to the pledgee.

1078-23.17. Procedure for registration of securities pledge and its termination and turning collection to subject of pledge is determined by the financial market supervisory authority.

1078-23.18. In case of pledge agreement is made to fulfill financial obligations throughout the regulated markets and money or securities traded on a regulated market or derivatives constitute a subject of pledge in the above agreement and the mortgagee or the mortgagor is the Central Bank of the Republic of Azerbaijan, Central Depository, bank, insurance company or investment company and debt secured by pledge is used

solely for purchase and sale on a regulated market, such a pledge is deemed a financial pledge.

1078-23.19. In the event that a debtor fails to fulfill obligations on financial pledge, a subject of pledge passes into ownership of the pledge through non-judicial procedures, if such is provided for by the pledge agreement made between the mortgagee and the mortgagor. Notary certification of the agreement under this Article is not required. (3, 23, 57, 62)

Article 1078-24. Permission rules of foreign issuers' securities to circulation in Republic of Azerbaijan

Permission rules of foreign issuer' securities to circulation in Republic of Azerbaijan shall be determined by the financial market supervisory authority. (3, 62)

Article 1078-25. Receive of securities by foreign investors

The specified cases being exclusively receive of securities of Republic of Azerbaijan issuers' by foreign investors are not limited. (2)

Article 1078-26. Unification, division and conversion of securities

1078-26.1. The unification of securities means modification of all securities of the same type by the way of reduces of number in securities of all the holders within one issue. In the case of nominal value of the securities the unification is followed by increase of their nominal value.

1078-26.2. Division of securities is a change to some securities of the same type by the way of distribution of nominal value of a security in a proportional way.

1078-26.3. Conversion of securities is a change of same typed investment securities of one issuer to other typed investment securities or change to other issuer's securities indispensably. In this case changed securities are liquidated.

1078-26.4. Distribution of unification, division and conversion of securities does not reflect in the change of means amount attracted by the issuer while the distribution process and is not base for bringing back the value of securities taken back from their owners and securities are realized by their owners without any other expenditures.

1078-26.5. Resolution regarding unification, division and conversion of issuer's distributed securities shall be registered in the financial market supervisory authority in accordance with valid legislation.

1078-26.6. Unification, division and conversion rules of securities shall be settled by appropriate executive power body.

1078-26.7. Unification, division, conversion and payment of securities shall be followed by liquidation of the mentioned securities' certificates. (3, 57, 62)

Article 1078-27. Withdrawal of securities from circulation ~~and their liquidation~~

1078-27.1. ~~Withdrawal of securities from the circulation and their liquidation shall be provided in the following events:~~

~~1078-27.1.1. Subject to the resolution of the general meeting of shareholders on the shares;~~

~~1078-27.1.2. Subject to the resolution of the financial market supervisory authority regarding the emission failure of the securities;~~

~~1078-27.1.3. If the court decides the issue of securities illegal;~~

~~1078-27.1.4. If the activity of the issuer is terminated in manner specified in the valid legislation;~~

~~1078-27.1.4-1. In the case of payment of securities after the completion of circulation;~~

~~1078-27.1.5. Other case determined in the legislation.~~

~~1078-27.2. If the state registered securities are withdrawn from the circulation ~~or liquidated~~, the financial market supervisory authority shall make necessary notes in the state registration of securities.~~

~~1078-27.3. Information regarding withdrawal of securities from circulation ~~or their liquidation~~ (withdrawal from circulation as the result of payment exclusively) shall be published in mass media by the financial market supervisory authority within seven working days since appropriate notes made in the state register related with securities.~~

~~1078-27.4. Since the publication of the information concerning withdrawal of securities from circulation ~~or their liquidation~~ their circulation shall be disallowed. Upon the publication of the above-mentioned information the contracts concluded with those securities are unimportant.~~

~~1078-27.5. Withdrawal of securities from circulation ~~or their liquidation~~ shall be carried out after the information regarding it to be published.~~

~~1078-27.6. Withdrawal rules of securities from circulation ~~or their liquidation~~ shall be determined by the financial market supervisory authority. ([3](#), [57](#), [62](#))~~

§15. Professional participants of equity market

~~Article 1078-28. Types of professional activity at equity market~~

~~1078-28.1. The followings are included to the types of professional activities at equity markets:-~~

~~1078-28.1.1. Broker activity;~~

~~1078-28.1.2. Dealer activity;~~

~~1078-28.1.3. Activity on assets management;~~

~~1078-28.1.4. Clearing activity;~~

~~1078-28.1.5. Depository activity;~~

~~1078-28.1.6. Activity on carrying registration of securities holders;~~

~~1078-28.1.7. Stock exchange.~~

~~1078-28.2. Other types of professional activity in equity market shall be determined under legislations.~~

~~1078-28.3. Professional activities in equity market shall be realized upon the corresponding specific agreement (license) of the appropriate executive power body.~~

~~1078-28.4. Engagement principles in different types of professional activities in equity market simultaneously shall be determined by corresponding executive power bodies. Professional participants of equity market, except for banks are not allowed to be engaged simultaneously in other types of entrepreneur activity not related to the equity market.~~

~~1078-28.5. Issue, termination and liquidation rules of special agreement (license) for provision of professional activity in equity market shall be determined by the appropriate executive power bodies.~~

~~1078-28.6. Central Bank of Republic of Azerbaijan may carry out professional activity types in equity market or other operations within the frames of the mentioned activities without any agreement (license) as specified in the legislation. ([3](#), [39](#), [40](#), [43](#), [57](#))~~

Article 1078-29. Broker activity

~~1078-29.1. Broker activity shall be realized only by juridical persons.~~

~~1078-29.2. If there is any interest to protect the plausible task of broker's client, the broker terminating the execution of the task shall inform the client and execute the new task of the client.~~

~~1078-29.3. Accepting the corresponding task if the Broker hasn't informed the client regarding the disputes among them and it caused damage to the interest of the client, the broker is to have pay the mentioned expense in his own cost as specified in the legislation.~~

~~1078-29.4. Upon the responsibilities of Broker regarding the execution of client's task financial penalty applied to the broker shall not be directed to the means hold at the broker.~~

~~1078-29.5. If the broker acts as a commissioner, as specified in the commission agreement, client may apply the bankrolls (securities deemed for investment or received from securities purchase) given in his command in operations related with securities up to their return in accordance with the terms of the agreement. Utilization principles of the mentioned income received as the result of the activity shall be specified in accordance with the agreement.~~

~~1078-29.6. If the broker is engaged in dealer activity as well and the directions and terms of act correspondence to the operations related with execution of dealer activity determined in the order given to him by the client, in this case he shall provide firstly the task of the client.~~

~~1078-29.7. If the broker announced bankruptcy, the bankrolls of the client is to be given back subject to the broker service agreement.~~

~~1078-29.8. Rules regulating broker activity and demands concerning the agreement concluded between broker and the client shall be decided by the appropriate executive power bodies.~~

~~1078-29.9. Broker is obliged to fulfill the requirements set for him by applicable law in order to prevent the legalization of monetary funds or other assets obtained by criminal means and the financing of terrorism. (3, 35, 57)~~

~~Article 1078-30. Dealer activity~~

~~1078-30.1. Dealer activity shall be carried out only by the juridical persons.~~

~~1078-30.2. Dealer shall not waive purchase agreements the terms of which coincide to the demands announced preciously, with the alteration in the mentioned terms.~~

~~1078-30.3. Rule regulating dealer activity shall be set force by the corresponding executive power bodies. (3, 57)~~

~~Article 1078-31. Activity on asset management~~

~~1078-31.1. Asset management activities can only deal with legal entities. Professional participant of equity market engaged in the management of assets is called manager.~~

~~1078-31.2. Transfer of securities, bankrolls and other assets, provided by law, to the manager for management does not entail the emergence of his ownership to these securities, cash and assets.~~

~~1078-31.3. If any disputes arise between manager and client or between some clients of the manager, he shall promptly inform his clients concerning this matter. In other case, the damage caused to the client shall be paid by the expense of the manager.~~

~~1078-31.4. Penalty measures upon the responsibilities of the manager shall not be directed towards the property given to the client for management.~~

~~1078-31.5. Principles regulating the activity of the manager and terms concerning the agreement concluded between manager and client shall be specified by appropriate executive power bodies.~~

~~1078-31.6. Executor is obliged to fulfill the requirements set for him by applicable law in order to prevent the legalization of monetary funds or other assets obtained by criminal means and the financing of terrorism. (3, 35, 43, 57)~~

~~Article 1078-32. Clearing activity~~

~~1078-32.1. Only juridical persons (herein after referred as clearing organizations) carry out clearing activity.~~

~~1078-32.2. Clearing organizations carrying out settlements for acts with securities shall create guarantee fund for reduction of execution of the acts with securities. Minimal amount of guarantee fund shall not be less than not provided part of act will be concluded.~~

~~1078-32.3 Corresponding body of executive power determines rule of carrying out clearing activity. (3, 57)~~

~~Article 1078-33. Bailee activity~~

~~1078-33.1. Bailee activity can be carried out only by juridical persons.~~

~~1078-33.2. Corresponding body of executive power determines Standards and rules carrying out bailee activity.~~

~~1078-33.3. Person using from the services for holding and record of the securities of bailee is called bailer.~~

~~1078-33.4. Conclusion of bailee contract isn't base for transferring of property right to bailee on securities.~~

~~1078-33.5. Critical arrangements for bailee obligations can't be directed to securities of bailee.~~

~~1078-33.6. Bailee shall provide completeness and accuracy of the writings for depository accounts and he/she is responsible for not fulfillment of his/her obligations necessarily and completeness and accuracy of the writings on depository accounts.~~

~~1078-33.7. Requirements being to structure of bailee system, principals of his/her members mutual relations, subject and form, their activity rules are determined by corresponding body of executive power.~~

~~1078-33.8. In the same case when bailee carried out his/her register keeping professional activity, according to contract concluded with issuer and depository accounts of ownership of securities and (or) nominal keepers he/she carries register. In this case securities kept in other bailees is prescribed in nominal keeper account in bailee carrying out register of owners of securities.~~

~~1078-33.9. Republic of Azerbaijan Central Bank has right to carry separate bailee operations for the same securities based on contract concluded with bailee carrying record of rights to state securities. (3, 39, 57)~~

~~Article 1078-34. Activity for taking of register of security owners.~~

~~1078-34.1. Only juridical persons can be engaged in activity for taking register of security owners.~~

~~1078-34.2. Person (herein after referred as register keeper) carrying out activity for taking register of security owners can't conclude acts with securities of issuer registered in system taking register of security owners.~~

~~1078-34.3. Register of security owners is list providing identification of security owners and nominal keepers registered to corresponding date and number and type of securities belonging them. Information about issuer, number, nominal value, type, form, loading with obligations of securities belonging to every security owner and nominal keepers and other information determined by the legislation shall be prescribed in the register of securities.~~

~~1078-34.4. Rules of carrying out activity for taking register of security owners are determined by corresponding body of executive power.~~

~~1078-34.5. Register of unregistered security owners isn't taken.~~

~~1078-34.6. While number of registered investment securities owners of one issuer been more than twenty taking register of security owners shall be carried out by only register keeper being professional participant of securities market. While number of registered securities owners of one issuer been twenty or least, either register keeper being professional participant of securities market, or issuer can carry out their register.~~

~~1078-34.7. Register of the same kind of securities of issuer shall be taken only by one register keeper in the same case.~~

~~1078-34.8. Register keeper shall provide completeness and accuracy of the writings for extracts gave from register and he/she is responsible for not fulfillment of his/her obligations or necessarily within rule determined by law.~~

~~1078-34.9. When issuer changed register keeper, he/she shall advertise in the Mass Media or sent writing notification to his/her means to all security owners.~~

~~1078-34.10. In person of nominal keeper of securities broker (only for lodged securities) or bailee can participate in the register of security owners.~~

~~1078-34.11. When securities are lodged in bailee, bailee is registered as nominal keeper in the register of the same securities owners.~~

~~1078-34.12. Nominal keepers of securities can carry out the rights prescribed with the same securities when he/she was entitled about this only by their proprietor.~~

~~1078-34.13. Notifying name of nominal keeper in the system of taking register isn't base for transferring of property right on securities to nominal keeper.~~

~~1078-34.14. Results of acts among security owners being clients of one nominal keeper aren't prescribed in the register.~~

~~1078-34.15. Information about transferring to nominal keeper other than one nominal keeper of the securities shall be represented to register keeper during three business days by the nominal keepers.~~

~~1078-34.16. Nominal keeper shall submit list of persons being nominal keeper to him/her during seven business days till the corresponding date by the requirement of register keeper for provision of carrying out the rights for securities by the securities owners. (3, 57)~~

Article 1078-35. Stock exchange

~~1078-35.1. Stock exchange is trade organizer established in closed stock company form, organizing trade with securities among its members and providing execution of the concluded acts.~~

~~1078-35.2. Person carrying out only stock exchange professional activity can use «Stock exchange» in his/her name.~~

~~1078-35.3. Stock exchange shall establish internal rule regulating its activity based on standards determined by the corresponding body of executive power.~~

~~1078-35.4. Minimal amount of charter capital of stock exchange is determined by corresponding body of executive power.~~

~~1078-35.5. Stock exchange can issue only normal registered shares.~~

~~1078-35.6. Each stockholder of stock exchange can be owners of shares not being more than twenty percent of number of exchange.~~

~~1078-35.7. Stock exchange organizes trade among its members. Within exception rule Republic of Azerbaijan Central Bank can participate without being stock member in stock trade.~~

~~1078-35.8. Employees of stock exchange can't be professional participants of securities market and their founders and participate in the stock exchange activity as owners too. (3,39, 57)~~

Article 1078-36. Members of stock exchange

~~1078-36.1. Members of stock exchange are the broker or offerors having right to participate directly in stock trade under the internal rules of stock.~~

~~1078-36.2. Rules of entering stock exchange membership, discharging stock exchange membership and keeping membership in the stock and activity of members in stock exchange are determined by normative legal acts of corresponding body of executive power, stock charter and other internal documents.~~

~~1078-36.3. Special agree (licenses) of members of stock exchange shall be for broker and offeror activity and they shall respond to special requirements determined for organization of their activity and payment ability by stock.~~

~~1078-36.4. Membership in stock is put an end in the following cases:~~

~~1078-36.4.1 In case of voluntarily discharge from stock membership;~~

~~1078-36.4.2 In case of special agreement (license) issued to broker and offeror being member of stock is abolished at the result of decision of corresponding body of executive power;~~

~~1078-36.4.3. In case of member of stock violated the stock rules by the decision of corresponding management body of stock or not respond to specialty requirements determined by stock;~~

~~1078-36.4.4. In case of put an end to the stock activity.~~

~~1078-36.5. Stock exchange has right to limit number of its members. (3, 57)~~

Article 1078-37. Payments collected by stock exchange

~~1078-37.1. Money payments can be determined in the following cases by stock exchange:~~

~~1078-37.1.1. for joining member of stock;~~

~~1078-37.1.2. for data sheet of securities;~~

~~1078-37.1.3. for organization of stock acts.~~

~~1078-37.2. Getting of payments can be determined within the rule determined by corresponding body of executive power and other cases considered with charter and rules of stock.~~

Article 1078-38. Stock acts

~~1078-38.1. Contract concluded between participants of stock exchange is stock act.~~

~~1078-38.2. All acts concluded in stock exchange shall be registered and became official by the legislation and within stock rules.~~

~~1078-38.3. Corresponding authorized body of stock can discharge stock member temporary from conclusion stock acts according to stock rules. (3, 57)~~

Article 1078-39. Stock rules

~~1078-39.1. Stock exchange receives rule of issuing of securities to turnover in stock, and other rules concerning with including them to the list of securities making quotation in stock (data sheet) and discharging them from prescribed list (delisting), conclusion, registration, execution and provision of acts in stock, carrying settlement for acts, resolution of disputes created during carrying out stock operations among the stock members and activity of the stock exchange under the normative legal acts of corresponding body of executive power.~~

~~1078-39.2. Stock exchange shall provide transparency of carrying trade with submission of information about date of carrying trade, list and prices (quotation) of securities issued to trade in stock, result of trade session and other information considered by the legislation. (3, 57)~~

§16. Regulation of securities market

Article 1078-40. State regulation of securities market

1078-40.1. Regulation of securities market consists of the followings:

1078-40.1.1. receiving of normative legal acts for regulation of securities market and carrying out control to guarding them;

1078-40.1.2. determination requirements to participants of securities market and their activity rule;

1078-40.1.3. taking state registration of capital issue;

1078-40.1.4. giving special agree (license) for carrying out professional activity in securities market;

1078-40.1.5. protection of rights of investors and securities owners in securities market;

1078-40.1.6. carrying out state control to activity of participants of securities market;

1078-40.1.7. taking corresponding measures for calling into account of persons violated legislation in securities market;

1078-40.1.8. taking corresponding measures for increasing of profession level of participants of securities market;

1078-40.1.9. determination of development direction of equity market;

1078-40.1.10. creation of health competition condition in equity market;

1078-40.1.11. determination of requirements for conclusion of acts with securities;

1078-40.1.12. making official of debt liability of juridical and natural persons with securities and determination of payment rules;

1078-40.1.13. carrying out regulation of debt liabilities market made official with securities;

1078-40.1.14. preparation of measures for integration to world financial market of Republic of Azerbaijan securities market and submission to corresponding body of executive power for confirmation, carrying out corresponding measures;

1078-40.1.15. loading securities with liabilities and taking registration and record of mortgage of turnover property made officially with securities;

1078-40.1.16. taking corresponding state register concerning with securities (state register of capital issue, state register of bill and checks, official register of deposit with securities, state register of mortgage of property made official with securities and etc.)

~~1078 40.1.17. determination of insurance standards of risks shall be insured in securities market;~~

~~1078 40.1.18. determination of rules for clearing of information and its system in securities market;~~

~~1078 40.1.19. regulation of activity for publishing of blanks of securities (certifications) and bringing them to the country and taking;~~

~~1078 40.1.20. ordering being compulsory of their execution within rule determined by the legislation to the participants securities market;~~

~~1078 40.1.21. creation of using funds in order to development of securities market and their infrastructure within rule determined by the legislation and regulation their activity;~~

~~1078 40.1.22. taking measures for not making way to the manipulation with prices in securities market.~~

~~1078 40.2. State regulation is carried out by the corresponding executive power in securities market. (3, 57)~~

Article 1078-41. Organizations regulating professional participants of securities market

~~1078 41.1. Organizations regulating professional participants of securities market are established and act under the legislation of Republic of Azerbaijan and its charters.~~

~~1078 41.2. Activity of organizations regulating professional participants of securities market has the following goals:~~

~~1078 41.2.1. creation condition for beneficially professional activity of professional participants of securities markets;~~

~~1078 41.2.2. protection of interests of investors and other participants in securities market;~~

~~1078 41.2.3. determination of regulation rules of mutual relations among the members of organization regulating professional participants of securities market;~~

~~1078 41.2.4. determination ethic norms of members activity of their organizations regulating professional participants of securities market and provision of observations to these norms~~

~~1078 41.2.5. The information about activities of organizations regulating professional participants of securities markets shall be explained by body of executive power. (3, 57)~~

§17. Protection of interests of investors in securities market

Article 1078-42. Explanation of information in securities market

~~1078-42.1. Explanation of information in securities market consist of provision of meeting facility with the same information.~~

~~1078-42.2. Issuer and professional participants of securities market shall explain the information in Mass Media concerning with organization activity regulating securities market within rule determined by this CODE and corresponding body of executive power. Information being for everybody is considered explained information. (3, 57)~~

~~Article 1078-43. Explanation of information by issuer~~

~~1078-43.1. Issuer of securities set by public propose are to explain information about its securities and financial economy activity with publishing and submission to body of corresponding executive power:~~

~~1078-43.1.1. annual report of issuer;~~

~~1078-43.1.2. information about necessary events and movements influencing to the its financial-economic activity;~~

~~1078-43.1.3. issue prospect of securities;~~

~~1078-43.1.4. report about totals of issue of securities.~~

~~1078-43.2. Annual report about securities shall be explained of issuer, round of information about corresponding events and movements influencing to financial-economic activity, requirements about there are determined by body of corresponding executive power.~~

~~1078-43.3. Annual report of issuer is prepared for the results of year, it's confirmed by its supreme administration body and explained since confirmed day not less than thirty days.~~

~~1078-43.4. Information about necessary events and movements influencing to the financial-economic activity of issuer is submitted to the corresponding body of executive power not less than fifteen days since happened day.~~

~~1078-43.5. Explanation rules of information by the banks and other credit organizations are determined by corresponding body of executive power with getting opinion of Republic of Azerbaijan Central Bank. (3, 39, 57)~~

~~Article 1078-44. Explanation of information by stock exchange~~

~~Stock exchange shall explain the charter, rules, list of members, securities issued for turnover and concluded acts. (3, 57)~~

~~Article 1078-45. Explanation of information by organization regulating professional participants of securities markets~~

~~Organization regulating professional participants of securities shall explain information about its charters, rules, standards and members. (3, 57)~~

§18. Service information in securities market

~~Article 1078-46. Conception about service information in securities market~~

~~1078-46.1. Service information is an information not explaining for subjects of securities market, securities, operations with them, prices and other specifications and while using providing higher stage than other participants in carrying out of operations with securities to information owner according to contract got or concluded with issuers concerning with rank in organizations being participants of securities market, not getting within common rule or corresponding state bodies.~~

~~1078-46.2. Insider according to Article 1078-46 of this Code is a person having service information. (3, 57)~~

~~Article 1078-47. Insiders~~

~~1078-47.1. The followings are belonging to insiders:~~

~~1078-47.1.1. members of Board of Directors (control) (when been these bodies) of issuer and executive bodies;~~

~~1078-47.1.2. persons controlling to the activity of issuer;~~

~~1078-47.1.3. persons having facility to get title, contract or issuer for service information or at the result of giving corresponding right by other insider;~~

~~1078-47.1.4. persons having more part than ten percent of charter capital of issuer;~~

~~1078-47.1.5. persons being under the influence of 1078-47.1.1.-~~

~~1078-47.1.4 Articles of this Code during the last six months.~~

~~1078-47.2. Insiders shall not make the for the followings:~~

~~1078-47.2.1. operations with using of service information can influence to the turnover of securities;~~

~~1078-47.2.2. to be obliged them concluding the acts concerning with producing service information to other persons.~~

~~1078-47.3. Insider shall explain the information about the operation carried out with securities belonging to himself/herself within the rule determined by the corresponding rule of executive power.~~

~~1078-47.4. When conclusion of acts fact or effort of conclusion such act was cleared professional participants of securities market shall stop conclusion and execution of act and give information about this immediately to corresponding body of executive power.~~

~~1078-47.5. Maintenance and submission rules of service information are determined by corresponding body of executive power. (3, 57)~~

Chapter 55. Public announcement of a special reward. Contest

Article 1079. Notion a public announcement of a special reward

A person appointing through public announcement a reward for performance of any action, for example, for the achievement of any specific result shall pay a reward to a person performing that action. This order shall be in force even where a person performing that action has not expected to receive a reward.

Article 1080. Revocation of a public announcement of special reward

1080.1 Promise of a reward may be revoked until performance of an action specified in public announcement.

1080.2 Revocation of a reward stipulated in public announcement shall be valid only where the announcement of revocation is carried out in the same order as the announcement of a reward. Alternatively, a revocation may be announced in a special information release.

1080.3 Public announcement of a reward may provide an exception to possibility of revocation. Such exception shall be allowed in the event of doubt only where a period for performance of an action provided in public announcement has been specified.

Article 1081. Presentation of a reward stipulated in public announcement

1081.1 In the event of performance by several persons of an action for which a reward has been appointed, a person first performing that action shall receive the reward.

1081.2 In the event several persons have simultaneously performed the action, a reward shall be equally divided between them.

1081.3 In the event several persons have partook in achievement of a result for which a reward has been appointed, a person appointing a reward shall, by taking into account each of their share of participation in achievement of a result, fairly divide it between them. An obviously unfair division shall not have a binding power and may be changed by a court decision upon a petition of any of participants. In the event any one of participants has refused from accepting a binding power of a division, a person appointing a reward shall have a right to refuse from giving a reward until settlement between participants of a dispute in respect of their respective entitlement to a share of a reward. Any one of the participants may demand placement of a reward in a deposit for the benefit of all.

1081.4 In the event in circumstances stipulated in Articles 1081.2 and 1081.3 of this Code, a reward is indivisible due to its nature or according to an announcement is envisaged for one person, it shall be given through a draw.

Article 1082. Notion of a contest and its legal consequences

1082.1 Contest shall be a public announcement on a reward for performance of certain action; in this event, persons performing an action (participants) shall, for the purposes of receiving a reward given by a jury consisting of one or several persons or a person appointing a reward, submit an application on submission of their works for participation in a contest. A prize may also consist of a promise to give an assignment to a winner.

1082.2 If there is an application on submission of works for participation in a contest where a prize, being a subject of an open announcement for awarding, that announcement is valid only in case of specifying of term for submission of those works.

1082.3 Decision on compliance of a timely submitted with the terms of a contest and a decision as to which of participants deserves to prevail in contest shall be made by a person specified in terms of a contest, and where such has not been specified in the terms - by a person announcing a contest. In the event procedure and terms for grant of a prize has been regulated in another manner, that order shall not apply.

1082.4 In the event the works are of the same worth, the provisions of Articles 1081.2 and 1081.4 shall apply to awarding of a contest's prize.

1082.5 A person announcing a contest may demand a transfer to him of right of ownership to a work presented by one of participants for receiving a reward only in the event the terms of a contest have provisions in respect of such transfer of right.

1082.6 In the event of specification in terms of a contest relating to preparation of a project of an intent of a person announcing a contest to assign a subsequent preparation of a project to a person receiving a prize, a person announcing a contest shall be obligated to assign a project's subsequent preparation after its implementation to one of persons receiving a prize.

1082.7 In the event a participation in a contest is conditioned with purchase from a person announcing a contest of goods or other services, its conduct shall be prohibited. Agreements concluded for the purchase of goods or other services in connection with participation in a contest shall be void.

Chapter 56. Conduct of games and wagers

Article 1083. Notion of games and wagers

1083.1 Games and wagers shall be agreements not having any economic purpose. Pursuant to them, participants receive profit or incur loss depending, even though partially, on uncertainty and chance. *The provisions of this section shall not apply to derivative financial instruments.*

1083.2 The followings shall be considered as games and wagers:

1083.2.1. conscious giving of a credit and advance for games and wagers;

1083.2.2. commodity transactions or operations with securities having a nature of games and wagers. (57)

Article 1084. Exception of claims in respect of games and wagers

No claim shall emerge out of games and wagers.

Article 1085. Voluntary payments

1085.1 Payments made voluntarily in the process of games and wagers shall not be claimed back.

1085.2 An agreement on acknowledgement of an existing debt signed by a player or a wager for the purposes of payment of an amount lost in a play or a wager may not be realized despite of its issuance.

Article 1086. Lottery Requirements

Suspension of the lottery in cases stipulated by the legislation or discontinuation of the lottery holding shall not preclude the owner of lottery-ticket (any other information-carrier equaling to it) from the claim to the organizer of the lottery for issue (payment) of the prizes.(8)

Section eight. Obligations arising out of law

Chapter 57. Conduct of another's works without instruction

Article 1087. Good faith conduct of another's work without instruction

1087.1 A person (performer) conducting works of another person (owner) without instruction or upon another ground shall be obligated to conduct them in good faith.

1087.2 In the event an owner has subsequently liked [approved] the conduct of works without instruction, the provisions on instruction shall apply instead of the provisions of this section.

Article 1088. Duty to notify

1088.1 A performer shall notify an owner about acceptance by him of works for management within the shortest period possible, and shall wait for the owner's decision where a delay is not connected with any risk.

1088.2 A performer shall continue commenced by him works until an owner's ability to act personally.

Article 1089. Liability of a performer

1089.1 A performer shall bear liability before an owner for compensation for damage inflicted by him in the course of management of works intentionally or due to negligence.

1089.2 In the event a purpose of management of works is a protection of an owner from an approaching threat, a performer's liability shall be limited by limits of liability for intent or *gross* negligence.

1089.3 In the event *if implementation* of works conflicts with announced or otherwise revealed management of an owner, a performer shall bear liability before an owner even where he has caused damage not intentionally or due to negligence, however, circumstances where a performer has proven a probability of damage even without a performer's involvement shall constitute an exception.

1089.4 In the event a performer is a person without action capacity or a person with limited action capacity, he shall bear liability only in the event of his illegal actions and pursuant to the provisions relating to unjust enrichment.(12)

Article 1090. Rights of a performer

1090.1 In the event if *implementation* of works conforms to an owner's interest and his presumed will, a performer may demand compensation for expenses and release from liability. In the event a performer has acted in good faith, this procedure shall apply even where results of carried out works are not those that were expected.

1090.2 In the event acceptance of works for *implementation* does not conform to an owner's interest and his presumed will, a performer may demand from an owner compensation for expenses and release from liability of where *implementation* of works has led to the owner's enrichment.

1090.3. In execution of business without assignment, the interests of owner and his assumed wish shall not be considered in the event if execution of such deal is related with performance of public functions or other owner requirements.(12)

Chapter 58. Unjust enrichment

Article 1091. Notion of unjust enrichment

1091.1 A person shall be considered as unjustly enriched (enriched person) where he has *gained property at someone's expense* without existence of a legal basis.

1091.2 An unjust enrichment shall occur only in the absence of a legal basis or a contractual basis justifying the enrichment. An enrichment without existence of a legal basis shall be considered as occurred also where such enrichment relies on unrealized basis or basis that has subsequently been eliminated.(12)

Article 1092. Duty to return items obtained as a result of unjust enrichment

1092.1 An enriched person shall return obtained items to a deprived person upon his demand. A duty to return shall also apply to the followings:

1092.1.1. *with consideration of provisions of Article 157.5 of this Code*, to profit taken from obtained items;

1092.1.2 to obtained by an enriched person items or items intentionally not obtained as a compensation.

1092.2 In the event of impossibility of return of obtained items, their value shall be paid.

1092.3 In the event an enriched person has proven that he is not rich anymore at the time of claim of return of items, initiation of claims in accordance with Articles 1092.1 and 1092.2 of this Code shall be excluded. *This procedure is not applied to the person who reached wealth, who new before or during reaching of health about the absence of legal grounds.*(12)

Article 1093. Demand of return

1093.1 A deprived person giving anything to an enriched person not for performance of obligation but for performance or non-performance of any action by an enriched person

may demand an item back in the event of nonconformity of action of an enriched person to a purpose.

1093.2 A demand of return shall be excluded in the following circumstances:

1093.2.1. where a purpose was unattainable in advance and a giving person knew about it;

1093.2.2. where a giving persons has obstructed attainment of a purpose in bad faith.

Article 1094. Compensation for expenses of enriched person

Compensation of costs on item, received by groundlessly enriched person without any legal basis, in implemented in accordance with procedures stipulated under Articles 157.6 and 157.7 of this Code.[\(12\)](#)

Article 1095. Expiry of a period for return of an object of unjust enrichment

Right of return of an object of unjust enrichment shall expire within at the most two years from the time a deprived person has become aware of that right. In other circumstances, expiry of a period shall be determined in accordance with general instructions.

Section nine

Chapter 59. Violation of Civil Rights (Delicts)

Article 1096. Definition of the Civil Rights Violation (Delicts)

1096.1 Violation of civil rights (delict) is a lawless performance (in violation of the civil rights norms) (by way of action or inaction), leading to direct harm or damage caused to another person (victim), protected by law.

1096.2 The person committing the delict is subject to a civil law liability.

~~1096.3 In cases envisaged by law, liability for the lawless actions may occur in an objective form.~~[\(12\)](#)

Article 1097. Grounds for the Civil Liability

1097.1 Any harm caused to a person or property of a private person, as well as harm caused to the property and business reputation of a legal entity, in result of a civil rights violation (delict), shall be subject to complete compensation by the person, causing such harm. The law may lay the obligation to compensate the harm to a person, who did not cause the harm.

~~1097.2 The person, committing the civil right violation (delict), shall be indemnified from compensating the harm, provided he proves that he was not to blame for the harm caused.~~

1097.3 Compensation of harm may also be envisaged in absence of the fault of the person causing such harm (lawless action in objective form).

~~1097.4 The harm caused by lawful actions shall be subject to compensation as envisaged by the law.~~

1097.5 Compensation may be refused if the harm was caused upon a request or a consent of the victim.[\(12\)](#)

Article 1098. Harm Causing Warning

1098.1 The danger of harm causing in future may be deemed as a ground for an action to terminate such activity, which may cause such danger.

1098.2 If the harm caused results from the operation of an enterprise, a facility or any other manufacturing activity, which continues to cause harm or threatens to cause new harm, the court shall be entitled to obligate the defendant, besides the compensation of harm, to halt or terminate such activity.

1098.3 The court may remit the claim to halt or terminate such activity only in the event such halt or termination shall be in conflict with the state interests. The refusal to halt or terminate such activity shall not deny the victim of his right for compensation of the harm caused by such activity.

Article 1099. Liability of a Legal Entity or a Private Person for the Civil Violation (Delict) Caused by its Employee

1099.1 The legal entity or the private person shall be liable for any violation of the civil law (delict) caused by its employee in the course of the labor (business, occupational) obligations performance and shall have to compensate the damage.

1099.2 As applied to the rules of this Chapter hereof, the employees shall be deemed those private persons, performing work on the basis of labor contract, as well as private persons, performing work under a civil right contract, if they acted or had to act upon an assignment of a relevant legal entity or a private person and under its control over the safe conduct of work.

Article 1100. Liability for the Damage Caused by the State Authorities, Local Authorities as well as by their Officers

The damage caused to a legal entity or a private person in result of unlawful actions (inaction) of the state authorities, local authorities or the officers of such authorities, including issuance of an act of the state authority or the local authority, which is contrary to the law or other legal acts, shall be subject to compensation by the Republic of Azerbaijan or the relevant municipality.

Article 1101. Liability for the Damage Caused by Unlawful Actions of the Inquisitive Authorities, Pretrial Investigation, Office of Public Prosecutor and Court

1101.1 The damage caused to a private person in result of an unlawful conviction, call to criminal responsibility, unlawful detention or recognizance not to leave, unlawful imposition of administrative action, shall be compensated at the expense of Republic of Azerbaijan in full, irrespective of the fault of the officers of the inquisition, pretrial investigation, prosecution or court in due process of law.

1101.2 The damage caused to a private person or a legal entity in result of unlawful activity of the inquisition, pretrial investigation or prosecution, not bringing consequences envisaged by Article 1101.1 hereof, shall be compensated in due process of law.

1101.3 The damage caused in the course of the delivery of justice, shall be compensated in the event the guilt of the judge is established by the court judgment duly entered into effect.

Article 1102. Compensation of Damage by the Insurer of its Own Liability

~~The private person or the legal entity, which had insured its liability in the form of voluntary or obligatory insurance to the benefit of the victim, in the event the insurance compensation is insufficient for the complete compensation of damage caused, shall compensate the balance between the insurance compensation and the actual extent of damage.~~[\(12\)](#)

Article 1103. Liability for the Civil Law Violation by Minors at the Age of up to Fourteen

1103.1 In the event damage is caused in result of the civil law violation conducted by a minor not reaching fourteen years of age, his parents (adopters) or trustees shall be liable, unless they prove that the damage did not happened due to their fault.

1103.2 In the event a minor, requiring guardianship was resident of a relevant guarding or medical institution or other similar facility, which by the definition of law is his trustee, then such institution shall be obliged to compensate the damage caused by the minor, unless the institution proves that the damage did not happen due to its fault.

1103.3 In the event the minor caused damage at the time he was under the supervision of an educational, guarding, medical or other institution, bound to perform supervision thereunder, or a person performing supervision under a contract, such institution or person shall be liable for the damage, unless they prove that the damage did not happen due to the fault thereof in the course of supervision.

1103.4 The duty of the parents (adopters), trustees, educational, guarding, medical and other institutions to compensate the damage caused by the minor, shall not terminate as the minor reaches the age of eighteen or receives property sufficient for the compensation of damage.

1103.5 In the event parents (adopters), trustees or other private persons indicated in Article 1103.3 hereof, have departed or do not have sufficient means for the compensation of damage, caused to the life or health of the victim, while the damage performer, have become completely capable, possessing such means, the court accounting for the material condition of the victim and damage performer, as well as other circumstances, shall have the right to award complete or partial compensation of the damage at the expense of the damage performer.

Article 1104. Liability for the Civil Law Violation by Minors at the Age from Fourteen through Eighteen

1104.1 Minors at the age from fourteen through eighteen shall bear independent liability for the damage causing civil law violations on common basis.

1104.2. In the event a minor at the age from fourteen through eighteen does not have any income or other property, sufficient for the damage compensation, such damage shall be compensated completely or in part remaining uncovered, by his parents (adopters) or trustees, unless they prove that the damage did not happened due to their fault.

1104.3. In the event a minor at the age from fourteen through eighteen requiring guardianship, was resident of a relevant guarding or medical institution or other similar facility, which by the definition of law is his trustee, then such institution shall be obliged to compensate the damage caused by the minor, unless the institution proves that the damage did not happen due to its fault.

1104.4 The duty of the parents (adopters), trustees, educational, guarding, medical and other institutions to compensate the damage caused by the minor at the age from fourteen through eighteen, shall terminate as the minor reaches the age of eighteen or in cases when prior to the age of eighteen he receives income or other property sufficient for the compensation of damage, or when prior to the age of eighteen he *does not* acquire capability.[\(12\)](#)

Article 1105 Liability for the Civil Law Violation by a Private Person Acknowledged as Incapable

1105.1 The damage, caused in result of the civil law violation by a private person acknowledged as incapable, shall be compensated by its trustee or the organization, responsible for the supervision thereof, unless they prove that the damage did not happen due to their fault.

1105.2 Responsibilities of the trustee or the organization responsible for the supervision over the compensation of the damage, caused by the private person acknowledged as incapable, shall not terminate in the event of any subsequent acknowledgment of such person's capability.

1105.3 In the event the trustee dies, or does not have sufficient means to compensate the damage caused to the life and health of the victim, and the damage performer himself possesses such means, the court accounting for the material condition of the victim and the damage performer, as well as other circumstances, shall have the right to award complete or partial damage compensation at the expense of the damage performer.

Article 1106 Liability for the Civil Law Violation by a Private Person Acknowledged as of Limited Capability

The damage, caused in result of the civil law violation by a private person acknowledged as of limited capability, shall be compensated by the damage performer.

Article 1107 Liability for the Civil Law Violation by a Private Person Incapable of Realizing the Meaning of His Actions

1107.1 A capable private person, as well as a minor at the age from fourteen through eighteen, causing damage in result of a civil law violation, in a state when he was not realizing then meaning of his actions or not having control over them, shall not be responsible for the damage caused. In the event damage was caused to life or health of the victim, the court, accounting for the material condition of the victim and the damage

performed, as well as other circumstances, may award complete or partial damage compensation at the expense of the damage performer.

1107.2 The person, performing the civil law violation, shall not be released from the liability, in the event such person brought himself in a state when he was not realizing then meaning of his actions or not having control over them, by way of consuming alcohol, *narcotic drugs or narcotic substances* or otherwise.

1107.3 In the event the civil law violation was performed by the person, which was not realizing then meaning of his actions or not having control over them due to lunatic behavior, the court may lay the responsibilities for the damage compensation upon the capable husband or wife living together with such person, or relatives, or children of age, who were aware of the damage performer's lunatic conduct but did not raise the issue of acknowledging him as incapable. (22)

Article 1108 Liability for Losses due to the Activity Causing High Risk to the Surrounding People

1108.1. The private person or legal entities, performing civil law violations in result of their activities, being a source of high risk (use of transportation means, mechanisms, high voltage electricity, atomic energy, explosives, venom, etc., performance of construction works and other related activities), shall be obliged to compensate the damage caused by the source of high risk, unless they prove that the damage happened due to an insuperable force or the victim's intent. ~~The holder of the high risk source may also be completely or partially released from responsibility by court, pursuant to Article 1116.2 and 1116.3 hereof.~~ The responsibility to compensate the damage shall be laid upon the private person or the legal entity, having a property right, a management right, an operating right or any other legal right (right of lease, power of attorney to drive the transportation vehicle, etc.) over the source of high risk.

1108.2 The holder of the source of high risk shall not be liable for the damage caused by such source, if he proves that the source was beyond his possession due to unlawful performance of other parties. The liability for the damage caused by such source of high risk, in such event shall be borne by the party, which unlawfully ceased the source. In the event of any fault of the holder of the source of high risk in the course of the unlawful removal of the source from his possession, the liability may be laid both on the holder and the person unlawfully taking possession of the source of high risk.

1108.3 Holders of the sources of high risk shall bear joint liability for the damage caused in result of the interaction of such sources (transport vehicles collision, etc.) to any third person, in accordance with Article 1108.1 hereof. The damage caused to the holders of the sources of high risk, in result of the interaction of such sources, shall be compensated on common grounds.(12)

~~*Article 1109 Compensation of Damage Caused by Fire*~~

~~The damage caused to other people in the course of the fire extinguishing and prevention from the fire spreading to other apartments and buildings, shall be compensated by the person at whose fault the fire happened.(12)~~

Article 1110 Compensation of Damage Caused by Animals

The owner of the animal shall be obliged to compensate the damage caused by his animal. The location of the animal, it being under supervision, or its disappearance, or flight shall not be taken into account. In the event the owner of the animal undertakes the necessary actions to protect the third persons, then the obligation of the damage compensation may not be applied.

Article 1111 Compensation of Damage Caused by the Collapse of a Building

1111.1 The owner of the building shall be obliged to compensate the damage, caused in result of a complete or partial collapse of the building, except the cases when the damage did not result from the wrong maintenance or the defects of the building itself.

1111.2. If the damage is caused by a throw out, or a fall out or a leak from the building, the liability shall be on the person occupying the corresponding room, however, cases of damage caused by an insuperable force or at the fault of the victim, shall make an exception.

Article 1112 Compensation of Damage Caused by a Medical Institution

The damage caused to health of a person undergoing treatment at a medical institution (due to a surgical operation, wrong diagnosis, etc.), shall be compensated on common grounds. The damage performer shall be released from liability if he proves that the damage was not his fault.

Article 1113 Liability for the Civil Law Violations

1113.1. Persons, jointly committing civil law violations, shall be jointly liable before the victim.

1113.2 Upon the victim's statement and in the interest thereof, the court shall have the right to place shared responsibility on the persons jointly causing damage, by determining such shares pursuant to the rules envisaged by Article 1114.2 hereof.

Article 1114 Recourse Toward the Person Causing Damage

1114.1 The person who compensated the damage, caused by the other person (employee in the course of his official duties or a person driving a vehicle, etc.), shall have recourse to such person in the amount of the compensation paid, if no other amount is set forth by law.

1114.2 The damage performer, who compensated the jointly caused damage, shall be entitled to demand from each of the other damage performers the share of the compensation paid to the victim, in the amount relevant to the extent of the guilt of such damage performer. In the event the extent of guilt can not be determined, the shares shall be deemed equal.

1114.3 Republic of Azerbaijan in the event of compensation of the damage caused by an official of the inquisition, pretrial investigation, prosecution or court, shall have recourse to such person, if his guilt is established by the duly effective court judgment.

1114.4 The persons compensating the damage on the grounds set forth by Articles 1103 through 1105 hereof, shall have no recourse to the damage performer.

Article 1115 Ways of Damage Compensation

Satisfying the damage claim, in accordance with the circumstances of the case, the court obligates the person responsible for the damage, to compensate such damage in kind (by providing the property of the same type and quality, or by improving the damaged property, etc.) or in cash.

Article 1116 Account of the Victim's Guilt and of the Material Condition of the Damage Performer

~~1116.1 The damage caused by the victim's intent shall not be subject to compensation.~~

~~1116.2 If any gross negligence of the victim promoted the development or increase of the damage, the amount of compensation shall be reduced depending on the extent of the victim's and the damage performer's guilt. In the event of the gross negligence of the victim and no guilt on the part of the damage performer, when he becomes liable irrespective of the guilt, the amount of compensation must be reduced or any compensation may be refused, if nothing otherwise is set forth by the law. In the event of damage caused to health or life of a private person, no damage compensation refusal is allowed. The victim's guilt shall not be taken into account at the compensation of additional expenses, loss of a breadwinner, as well as funeral expenses.~~

~~1116.3 The court may reduce the amount of damage compensation, caused by a private person, accounting for his material condition, except for the cases when the damage was caused on purpose.~~ [\(12\)](#)

Chapter 60. Compensation of Damage, Caused to Life and Health of Private Person

Article 1117. Compensation of Damage, Caused to Life and Health of Private Person, in the Course of Performance of Contractual or Other Obligations

Any damage, caused to life or health of a private person in the course of performing contractual obligations, as well as obligations under the service in the army, police and other corresponding obligations, shall be compensated in accordance with the rules, envisaged by this Chapter of this Code, unless a higher extent of liability is stipulated by the law or contract.

Article 1118. Volume and Nature of Compensation of Damage, Caused to Health

1118.1 In the event of any injury caused to a private person, or other damage to the health thereof, the subject of compensation shall be the salary (income) lost by the victim, which he had or could have had, as well as additional expenses, caused by the health damage, including the costs of medical treatment, additional meals, purchase of drugs, prosthetic appliance, additional care, sanitary treatment, acquisition of special vehicles, training for a different profession, in the event it is established, that the victim needs such types of remedy and care and does not have the right to acquire them for free.

1118.2 In the determination of the lost salary (income), the pension on invalidity, granted to the victim in result of the injury or any other damage to health, like other pensions, allowances or other similar benefits, appointed both prior and after the health damage, shall be accounted for and shall not entail any reduction in the volume of the

compensation (shall not be set off). Neither the salary (income), received by the victim after the damage, shall be set off toward compensation.

1118.3 The volume and the extent of compensation due payable to the victim in accordance with Article 1118 hereof, can be increased by law or contract.

Article 1119. Determination of the Salary (Income), Lost in Result of Damage Caused to Health

1119.1 The volume of salary (income) lost by the victim and due compensated, shall be determined in percentage toward its average monthly salary (income) prior to injury or other damage to health, or loss of ability to work. Such percentage shall correspond to the extent of the loss of the victims professional ability to work, and in the event of his professional ability absence — to the extent of general ability to work.

1119.2 The content of the victim's lost salary (income) shall include all types of payments due under his labor and civil contracts both at the place of the main work and at combined work, subject to income tax. The one-time payments, in particular compensations for the non used vacation and severance payment shall not be accounted for. The maternity and birth grants, as well as temporary disability benefits shall be taken into account. The profits from business activity, as well as an author's fee shall be included into the lost income. The profits from business activity shall be included on the basis of the data provided by the *respective executive authority*. All types of salaries (income) shall be accounted in the tax accruals.

1119.3 The average monthly salary (Income) of the victim shall be determined by way of dividing by twelve the total income amount for twelve months of work preceding the health damage. In the event by the time of the health damage the victim worked less than twelve months, the average monthly salary (Income) shall be determined by way of dividing the total income amount for the actual months of work preceding the health damage, by the amount of such months. The months of the victim's incomplete work, at his discretion, can be substituted by the preceding months of complete work, or shall be excluded from calculation due to the impossibility of its substitution.

1119.4 In the event the victim did not work at the time of the health damage, then at his discretion either the salary prior to his dismissal or the common salary of the workers his qualification in the particular area shall be taken into account, however not less than the *six manats*, established by law.

1119.5 In the event prior to the health damage there were stable changes in the victim's salary (income) improving his material condition (wage increase within the current position, or raise to a higher compensated position, or admission to work after graduating internal education institution and in other cases, when the stable change or possibility of such change in the victim's salary is proved), the determination of his average monthly salary (income) shall account only his salary (income), which the victim received or was supposed to receive after such relevant change.[\(32\)](#)

Article 1120. Compensation of Health Damage Caused to a Person Not Being of Age

1120.1 In the event of injury or other damage, caused to a minor not reaching the age of fourteen and not having any salary (income), the person responsible for the damage caused, shall be obliged to compensate for the expenses related to the health damage.

1120.2 Upon the victim reaching the age of fourteen, as well as in the event of damage caused to the health of a minor in the age from fourteen through eighteen, having no salary (income), the person responsible for the damage caused, shall be obliged to compensate besides the expenses related to the health damage, also the damage related to the victim's lost or reduced ability to work, on the basis of the *six manats*, established by law.

1120.3. If by the time of health damage the minor had an income, then the damage shall be compensated on the basis of his income, but not less than the *six manats*, established by law.

1120.4 After the start of labor activity, the minor, which health was previously damaged, shall be entitled to demand increase in the amount of compensation on the basis of the income received, but not less than the amount of compensation set for the position thereof or the salary of worker of the same qualification at the place of work thereof.(32)

Article 1121. Compensation of Damage to Survivors

1121.1 In the event of the victim's (breadwinner's) death, the following persons shall have the right to compensation:

1121.1.1 disabled persons, being dependents of the deceased, or having by the date of his death, the right to receive the maintenance therefrom;

1121.1.2 a child of the deceased, born after the death thereof;

1121.1.3 one of the parents, a husband or other member of the family, irrespective of his ability to work, who does not work and is busy by taking care of the children, grand children, brothers and sisters, being dependents of the deceased, not reaching the age of fourteen, or, although reaching the said age, requiring outside care, in then opinion of medical authorities, due to their health condition;

1121.1.4 persons, being dependents of the deceased and becoming disabled within five years after his death.

1121.2 One of the parents, a husband or other member of the family, irrespective of his ability to work, who does not work and is busy by taking care of the children, grand children, brothers and sisters of the deceased, becoming disable in the course of such care, shall preserve the right for the compensation of damage after the completion of providing care to such persons.

1121.3 Damage shall be compensated to:

1121.3.1 minors, until they reach the age of eighteen;

1121.3.2 pupils at the age of over eighteen, prior to graduating internal education institutions, but not exceeding the age of twenty three;

1121.3.3 women over fifty and men over sixty five, for life;

1121.3.4 invalids, for the term of invalidity;

1121.3.5 one of the parents, a husband or other member of the family, irrespective of his ability to work, who does not work and is busy by taking care of the children, grand children, brothers and sisters, being dependents of the deceased, until they reach the age of fourteen.

Article 1122. Amount of Compensation of Damage to Survivors

1122.1 Persons, having the right for compensation of damage to survivors, shall be compensated for the damage in the amount of an income share of the deceased, determined under the rules of Article 1119 hereof, which they received or had the right to receive the maintenance, when the deceased was alive. In the determination of the damage compensation to such persons, the income of the deceased, besides his salary, shall include the pension and other similar payments, received by him when he was alive.

1122.2 The pension, assigned to persons in relation to the death of the breadwinner, as well as other types of pensions, assigned both prior or after the death of the breadwinner, as well as the salary (income) and allowances, received by such persons, shall not be accounted in the determination of the damage compensation volume.

1122.3 The amount of compensation set to each of the persons having the right for the damage compensation in connection with the death of the breadwinner, shall not be recalculated, except for the following cases:

1122.3.1 birth of a child after the breadwinner's death;

1122.3.2 assignment or termination of the damage compensation payment to persons busy by taking care of the children, grand children, brothers and sisters of the deceased breadwinner.

1122.4 The law or the contract may increase the volume and amount of compensation.

Article 1123. Subsequent Change of the Damage Compensation Amount

1123.1 The victim, who partially lost ability to work, shall be entitled any time to demand from the person on whom the obligation of damage compensation was placed, the corresponding increase of such compensation volume, if the victim's ability to work further decreased in connection with the damage caused, in comparison with the working ability he had at the time he was assigned the damage compensation.

1123.2 The person, on whom the obligation of damage compensation, caused to the victim's health, was placed, shall be entitled to demand the corresponding reduction of the damage compensation volume, if the victim's ability to work increased in comparison with the working ability he had at the time he was assigned the damage compensation.

1123.3 The victim shall have the right to demand increase of the damage compensation volume, if the material condition of the person, on whom the obligation of damage compensation was placed, improved, while the volume of damage compensation was decreased in accordance with Article 1163.3 hereof.

1123.4 The court, at the demand of a private person who caused damage, shall reduce the damage compensation volume, if the material condition of such person worsened, due to invalidity, ***due to limitation of level of health***, or pension age, in comparison with the

condition at the time he was assigned the damage compensation, except for the cases, when the damage was caused by deliberate actions.(30)

Article 1124. Damage Compensation Volume Increase in Connection with the Increase of the Level of Living and the Minimum Wages

1124.1 The amounts of the compensation paid in connection with the damage, caused to the victim's life or health, shall be subject to duly indexation in the event of the living level increase.

1124.2 In the event of duly increase of the minimum wage amount, the amounts of the lost salary (income) compensation, other payments assigned in connection with the health damage or death of the victim, shall be increased in proportion to the duly increase of the minimum wage amount.

Article 1125. Damage Compensation Disbursements

1125.1 Compensation of damage, caused by the reduction of ability to work or by the death of the victim, shall be performed by monthly disbursements. In presence of reasonable excuses, the court, accounting for the abilities of the person who caused damage, may at the request of the person having the right to damage compensation, award the amount due payable in a lumpsum, but not more than for three years.

1125.2 Amounts in compensation of additional expenses can be further awarded within the terms, determined on the basis of medical expertise, as well as in the event of the necessary prepayment for the corresponding services and property, including vouchers, traveling expenses and payment for the special transportation means.

Article 1126. Damage Compensation in the Event of Legal Entity Termination

1126.1 In the event of reorganization of the legal entity, duly deemed responsible for causing damage to health or life, the obligation to perform the relevant payments shall pass to the successor thereof. The latter shall also face the demands for damage compensation.

1126.2 In the event of liquidation of the legal entity, duly deemed responsible for causing damage to health or life, the relevant payments shall be capitalized for the payment to the victim under the duly set rules. The law may set other cases, when capitalization of payments may take place.

Article 1127. Compensation of Funeral Expenses

The persons, responsible for the death of the victim, shall be obliged to compensate for the necessary funeral expenses. The funeral donation received by the private person, incurring such funeral expenses, shall not included in the damage compensation.

Chapter 61. Compensation of Damage Caused in Result of Defective Goods, Works and Services

Article 1128. Ground for the Compensation of Damage, Caused in Result of Defective Goods, Works and Services.

1128.1 Any damage caused to life, health ~~or property of a private person~~, or to property of a legal entity, in result of constructive, prescriptive or other defects of the goods, works or services, as well as resulting from unreliable or inadequate information of the goods (works, services), shall be subject to compensation by the seller or the producer of the goods, by the work performer or service provider (performer), irrespective of their fault and of whether the victim had any contract relations therewith or not. *In the event of incurred damage to property as a result of deficiencies of commodity, work or service, this procedure is applied only with condition that non-quality product has caused the damage to other property and this other property was used fit to purpose mainly for consumption purposes.*

~~1128.2 The rules, set forth in Article 1128 hereof, shall be applicable only in cases the goods (works, services) are acquired for consumer purposes and not for business activity.~~

1128.3 The product, which does not provide the anticipated reliability, accounting for all the circumstances, shall be deemed of poor quality.

1128.4 The product shall not be deemed of poor quality in result of the consequent introduction of a better quality product.

1128.5 In accordance with this Code, the product shall mean any movable thing, both whether it makes part of another movable or immovable thing, as well as electric current. Any cultivated but not processed agricultural product, or any stockbreeding product, or product of apiculture or fishing, shall not relate to products. Identical rules shall apply to products of hunting.

1128.6 In accordance with this Code, the producer shall mean a person manufacturing the final product, main components or parts of product. Any person acting on his own behalf as producer with a trade mark or other identifying mark, shall be deemed producers.

1128.7 In addition tot that, a person offering products for business purposes in its industry for sale, rent, leasing or in other form, in compliance with the terms and conditions set forth by this Code, shall be deemed producer.

1128.8 In the event there is no chance to identify the producer, the supplier of any product shall be deemed producer (except for cases, when within one month after the claim, he informed the victim of the producer) or the supplier of such product thereto. In the event there is no chance to identify the initial producer, this rule shall apply to import products, even if the producer's name is known.[\(12\)](#)

Article 1129. Persons, Liable for the Damage Caused in Result of Defective Goods, Works and Services.

1129.1 Any damage, caused in result of the goods' defect shall be subject to compensation either by the seller or the producer, at the discretion of the victim.

1129.2 Any damage, caused in result of the defects of work or services, shall be subject to compensation by the person performing the work or providing the service (performer).

1129.3 Any damage, caused in result of not providing complete or reliable information of the goods (works, services), shall be subject to compensation by persons, indicated in Articles 1129.1 and 1129.2 hereof.

1129.4. In the event of compensation of damage caused as a result of non-quality product, provisions of Article 1114.2 of this Code shall apply.(12)

Article 1130. Terms for Compensating Damage Caused in Result of Defective Goods, Works and Services.

1130.1 Any damage caused in result of the defects of goods, work or services, shall be subject to compensation, if such damage appeared within the good's (work's or service's) validity term, and if such term is not established, then within ten years from the good's (work's or service's) manufacturing date.

~~1130.2 In the following cases the damage is subject to compensation, depending on the time of causing damage:~~

~~1130.2.1 in the event of not indicating the validity term, in violation of the law;~~

~~1130.2.2 when the person, to whom the product was sold, for whom the work was done or service provided, was not reminded of the necessary actions to be taken after the validity term expiration and of the possible consequences in the event of not performing such actions. (12)~~

Article 1131. Grounds for Indemnification from Damage Caused in Result of Defective Goods, Works and Services.

The seller or producer of a product, the performer of a work or service, shall be indemnified in the event he proves, that the damage appeared in result of an insuperable force, or due to customer's violation of the rules set for the use of goods, work and service results or of the rules of their storage.

Article 1132. Burden of Evidence

In cases of liability for the damage, caused in result of defective goods, works or services, the victim shall bear the burden of evidence.

Section Ten. Inheritance law

Chapter 62. General Provisions of inheritance law

Article 1133. Inheritance conception

1133.1. Property of the deceased (testator (testatrix) is devolved to other persons (heirs) according to law or testament or on both grounds.

1133.2. Intestate succession (devolution of decedent's property to persons indicated in law) is effective in case of an intestacy or if testament is declared invalid entirely or partly.

Article 1134. Heirs

1134.1. Under intestate succession persons who were alive at the time of death of testator (testatrix) and also children of testator (testatrix) who were born after his (her) death can be heirs.

1134.2. Under testamentary succession persons who were alive by the time of death of testator (testatrix) and also persons who were conceived during the life of testator (testatrix) and born after his (her) death not depending on whether they are his (her) children or not and whether they are legal entities or not can be heirs.

Article 1135. Legal entities as heirs

Under testamentary succession legal entities established before commencement of inheritance are called to inheritance.

Article 1136. Illegitimate children as heirs of father

Illegitimate child is recognized an heir of father if fatherhood is determined in order stipulated by law.

If that child dies before his father then his children may require inheritance share that is due to their father.

Article 1137. Unworthy heir

Person (unworthy heir) who purposely hinders in realization of testator (testatrix)'s last will and thus assists to call himself (herself) or his (her) relatives to inheritance or increase inheritance shares, or person that committed intentional crime or other immoral acts against testator (testatrix)'s last will, provided that such circumstances are judicially confirmed, can not inherit neither at law nor at testament.

Article 1138. Parents who can not be heirs

Those parents who were deprived of parental rights and did not restore them up until the day of inheritance commencement can not be lawful heirs of their children. Those persons who fraudulently evaded to perform obligations they were entrusted with in respect of inherited person's maintenance can not be heirs, provided that this case is judicially confirmed.

Article 1139. Deprivation of succession by court

Circumstance of unworthy heir's succession deprivation shall be defined by court based on a claim of a person who has respective property consequences of such succession deprivation of unworthy heir.

Article 1140. Pardon of unworthy heir

If testator (testatrix) pardons a person who committed acts that caused the loss of succession and clearly expresses this decision in his (her) testament, that person may be allowed for inheritance despite his (her) actions. Revocation of a pardon is inadmissible.

Article 1141. Succession on another testator (testatrix)'s property

Deprivation of succession doesn't prevent deprived person from being an heir for another testator (testatrix)'s property.

Article 1142. Obligations of unworthy heir

If a person after inheritance was adjudicated an unworthy heir by court, he/she is bound to return everything acquired by inheritance.

Article 1143. Term of claiming for adjudication of unworthy heir

Persons interested in inheritance shall claim for adjudication of unworthy heir during five years since the date of coming of this person into possession of the property.

Article 1144. Inheritance share of a person deprived of succession

Inheritance share of a person deprived of succession is devolved to the rest of heirs of inheritance and is shared *pro-rata to their shares*.[\(12\)](#)

Article 1145. Inheritance commencement

Inheritance is commenced upon decease of a physical person or upon declaration of him deceased by court.

Article 1146. Time of inheritance commencement

The day of testator (testatrix)'s decease or the day on which the court judgment on declaration of a physical person's decease comes into force are considered the time of inheritance commencement.

Article 1147. Place of inheritance commencement

1147.1. Testator (testatrix)'s residence, or if it is unknown, the place where inheritance is situated are considered the place of inheritance commencement.

1147.2. If inheritance is situated in different places the place of inheritance commencement shall be the place where immovable property or its most valuable part is located or in absence of aforementioned the place where movable property or its most valuable part is located.

Article 1148. Place of inheritance commencement of persons having residence abroad

Upon decease of a citizen of the Republic of Azerbaijan who had temporary residence abroad and deceased there, his (her) residence in the Republic of Azerbaijan where he lived before leaving for abroad or if aforementioned is unknown the place of inheritance or its main part shall be considered the place of inheritance commencement.

Article 1149. Place of inheritance commencement of persons having permanent residence abroad

Upon decease of the citizen of the Republic of Azerbaijan who had permanent residence abroad country of his (her) residence is considered the place of inheritance commencement.

Article 1150. Inheritance commencement abroad

The citizen of the Republic of Azerbaijan who had residence in the Republic of Azerbaijan inherits in a foreign country in accordance with the legislation of that country.

Article 1151. Inheritance property

1151.1. Inheritance contains aggregate of property rights [inheritance assets] and obligations [inheritance liabilities] pertaining to testator (testatrix) until the moment of his (her) decease.

1151.2. Inheritance contains the portion of common property due to decedent and in case of property indivisibility in nature - of this property value.

Article 1152. Making testament on impending property

Testator (testatrix) may stipulate in his (her) testament property which is not in his (her) ownership by the moment of testament drawing up in case if such property will be in his (her) possession before inheritance commencement.

Article 1153. Inadmissibility of personal rights and obligations devolution upon inheritance

Personal property rights and obligations pertaining only to testator (testatrix), as well as those rights and obligations provided for in law or in contract, remained in force during life time of creditor and debtor and terminated with their decease are not included in inheritance.

Article 1154. Protection of testator (testatrix)'s non-property rights

The heirs may realize those non-property rights of the inherited person which are not included in legacy and defend them in the way meant in law.

Article 1155. Property not included in inheritance

1155.1. Family books [or writings], chronicles, tokens, other cult objects and graves are not included in inheritance and are not distributed among heirs. According to the tradition established these objects are delivered to heir's ownership. Aforementioned objects can be accepted by heir that relinquished succession.

1155.2. All the documents pertaining to the personality, family of testator (testatrix) or to the whole inheritance remain as common assets.

Article 1156. Consequences of increasing of property stipulated in testament

If testator (testatrix) increases immovable property provided for in testament through obtaining of property concerning to that property then in absence of new prescription in respect of property obtained after testament making new obtained property is not included in inheritance.

Article 1157. Inheritance associates

If there are few heirs then property before its sharing between heirs pertains to all of heirs in form of indivisible [common] property. Necessary expenses for looking after testator (testatrix) and for his (her) treatment during the last disease, for funerary, protection and administration of inheritance, for salary and implementation of testament may be paid out of this property. These requirements must be paid out of inheritance value preferably in

comparison with the rest of requirements, including demands provided with mortgage and other deposits.

Article 1157-1. Control of legacy by heirs

1157-1.1. Co-heirs before distribution of legacy shall perform its joint control. Decisions on control are adopted by heirs pro-rata to their share in the heir by majority of votes.

1157-1.2. Without consent of other co-heirs each heir shall be entitled to perform actions related to protection (security) of will.

1157-1.3. Heirs shall bear costs related with legacy control pro-rata to their shares. (12)

Article 1158. Right to demand an item from inheritance

1158.1. If testator (testatrix) was mistaken in allotting an item for an heir then an owner of that item may require it in common way.

1158.2. If decedent's property includes in latent form another person's assets then above mentioned part of property must be revealed and given to appropriate person.

Chapter 63. Intestate succession

Article 1159. Heirs at law

1159.1. During intestate succession following persons are considered as equal heirs.

1159.1.1. First of all children of decedent, child born after testator (testatrix)'s decease, wife [husband], parents [adoptive parents];

1159.1.2. Adopted person and his (her) children are considered equal with children and grandchildren of adoptive person as his (her) heirs or relatives.

1159.1.3. Grandchildren, great-grandchildren and their children are heirs at law if by time of inheritance commencement their parents who would be an heir are deceased. They inherit in equitable proportions share that would be due to their parents in case of intestate succession.

1159.1.4. The grandchildren, great-grandchildren and their children are not entitled to be heirs if their parents had relinquished succession.

1159.1.5. Adoptive person and his (her) relatives are equated with relatives and other blood relatives as heirs of adopted person and his (her) children. Parents of adopted person and other of his (her) blood relatives in ascending line as well as his (her) blood brothers and sisters do not have a right to inherit at law.

1159.2. In the second place - sisters and brothers of decedent. Children of testator (testatrix)'s brother or sister and their children are heirs at law if by the time of inheritance commencement their parents who would be heirs. They inherit in equitable proportions share that would be due to their parents in case of intestate succession.

1159.3. In the third place - grandmother and grandfather on both mother's and father's sides, mother and father of grandmother, mother and father of grandfather. Grandmother's mother and father, grandfather's mother and father are considered heirs at law if grandmother and grandfather are deceased at the time of inheritance commencement.

1159.4. In the fourth place - aunts [mother's sisters and father's sisters] and uncles [mother's brothers and father's brothers].

1159.5. In the fifth place — cousins (aunts and uncles' children) on father's and mother's side then their children if they are deceased.

Article 1160. Sequence in intestate succession

The existence of at least one heir of the previous priority of heirs excludes the heirs of the following priority.

Article 1161. Rights of disabled persons in inheritance

If testament mentions the names of persons who have been dependent to testator (testatrix) and who are not able to maintain themselves then they may require provision of maintenance (alimony) from inheritance. The amount subject to be paid as maintenance may be decreased with taking into account volume of inheritance assets.

Article 1162. Right of surviving spouse to joint property share

Succession of surviving spouse does not relate to the part of spouses joint property that is due to he/she.

Article 1163. Position of divorced spouses in inheritance

Divorced spouse can not be an heir of his (her) spouse.

Article 1164. Disinheritance in case of actual termination of marital relations

If actual marriage termination of spouse with testator (testatrix) and separate residence of spouses during not less than three years before inheritance commencement are confirmed then spouse may be disinherited upon court decision.

Article 1165. Transition of heirless property to treasury

1165.1. Heirless property is devolved to the state in case of absence of heirs at law and heirs at testament or if no one of heirs accepted inheritance or all of heirs are deprived of succession; if testator (testatrix)s were dependent to state institutions for aged persons and cripples *and children with limited levels of health*, medical, educational or social maintenance institutions then their property is devolved to above mentioned institutions. (30)

1165.2. In absence of heirs property in the form of share, stock or part of joint property is devolved to those legal entities. (12)

Chapter 64. Testamentary succession

Article 1166. Testament conception

Physical person can give by a will his (her) property or its part to one or more persons among his (her) heirs or to one or more persons who are not among his (her) heirs.

Article 1167. Person who can give by a will

A capable person having the ability to sober discourse of his (her) actions, able to express clearly his (her) will and who has come of age at the moment of making of testament can give by a will.

Article 1168. Making of testament personally by testator (testatrix)

Testament must be made only by testator (testatrix). It's inadmissible to make testament by mean of a representative.

Article 1169. Joint testament

In testament there must be only an order of testator (testatrix). It's inadmissible to make testament by two or more persons. Only spouses have a right to make a joint testament on counter inheritance. This testament may be terminated at the request of either spouse but in life time of both of them.

Article 1170. Defining the shares by testator (testatrix)

1170.1. Testator (testatrix) may determine inheritance shares of heirs designated in testament or may indicate concrete property given to each heir. In absence of such instructions in testament the inheritance is shared among heirs in equitable proportion.

1170.2. If there are few heirs designated in testament, but share of only one of them is determined then other heirs inherit the rest of property in equitable proportion.

Article 1171. Sharing of inheritance among heirs in accordance with testament

If a few heirs were designated in testament but the share due to one of them includes all the inheritance then all heirs designated in testament inherit in equitable proportion.

Article 1172. Inheritance of property not covered by testament

If shares of heirs designated in testament do not include the whole inheritance then intestate succession is implemented in respect to property not included in testament and if otherwise is not stipulated in testament such inheritance also concerns heirs at law to whom the certain inheritance property part was given by a will.

Article 1173. Proportional increase of shares among testamentary heirs

In the presence of testamentary heirs and if their shares are determined in testament but in aggregate the shares do not cover the whole inheritance then their shares are proportionally increased.

Article 1174. Inadmissibility of third person's participation in inheritance share determination

Testator (testatrix) may not entrust another person to determine who and in which proportion inherits its share of inheritance.

Article 1175. Impossibility of exact identification of heir

If testator (testatrix) defined personality of a heir with characteristics suitable to a few different persons and if it is impossible to specify who of them was meant then all of them are considered heirs with equal share rights.

Article 1176. Deprivation of succession by testament

1176.1. Testator (testatrix) may disinherit with his (her) testament any or all of his (her) heirs at law without proving his (her) decision.

1176.2. Person disinherited by direct stipulation in testament may not inherit at law part of the property not included in testament even if testamentary heirs relinquished succession.

Article 1177. Reservation of succession

Heirs at law not indicated in testament reserve succession to inheritance part not specified in testament; if all testamentary heirs are deceased or all of them had relinquished succession by the moment of inheritance commencement they also inherit property provided for in testament.

Article 1178. Inadmissibility of intestate succession

If the whole inheritance property is divided in testament between all heirs at law but one of them is deceased by the moment of inheritance commencement then intestate succession does not occur and his (her) property share is obtained by other testamentary heirs *pro-rata to their shares*.[\(12\)](#)

Chapter 65. Testament form

Article 1179. Notarial form

1179.1. Testament must be made in written form. Written testament is allowed in notarial form as well as without it.

1179.2. Notarial form requires testament to be made and signed by testator (testatrix) and approved by notary and in absence of latter by the *respective executive authorities*. [\(42\)](#)

Article 1180. Making of testament by notary

1180.1. It is admissible a notary to make testament from testator (testatrix)'s words in presence of two witnesses. Generally accepted technical facilities may be applied for testament making.

1180.2. Testator (testatrix) must read a testament made by notary from testator (testatrix)'s words and sign it in presence of notary and witnesses.

Article 1181. Persons equal to notary

The following persons are considered equal to notary in witness of testament:

1181.1. head physician, chief or their deputies on medical department and doctor on-duty of hospital, military hospital, other medical institution, sanatorium or head physician of invalids, *children with limited levels of health and old people's home, head of a special educational institution* — if testator (testatrix) is treated in such institutions or lives there;

1181.2. chief of reconnaissance or geographical or any other similar expedition — if testator (testatrix) is in such expedition;

1181.3. captain of a ship or an aircraft - if testator (testatrix) is on a ship or an aircraft;

1181.4. commander (chief) of a military unit, body of troops, enterprise or school — if there is no notary at disposition points of military units or if testator (testatrix) is a serviceman or a civilian employee in a military unit or a member of his (her) family;

1181.5. chief of place of imprisonment — if testator (testatrix) is at place of imprisonment.[\(30\)](#)

Article 1182. Signing of testament by another person

If for any reason testator (testatrix) can not sign a testament himself then another natural person may sign it on testator (testatrix)'s request. In this case the reason for which testator (testatrix) can not sign his (her) testament himself must be indicated.

Article 1183. Testament of deaf-mute and blind person

1183.1. If testator (testatrix) is a deaf-mute or deaf-mute and illiterate person then he (she) must make his (her) will in notary office in presence of two witnesses and one person who is able to explain to testator (testatrix) the fact of the matter and who can approve by his (her) signature that substance of testament complies with testator (testatrix)'s will.

1183.2. Blind or illiterate testator (testatrix) must make his (her) testament in notary office in presence of three witnesses. Relevant explanatory note on this matter must be written and read to him.

1183.3. If testator (testatrix) is a deaf-mute and blind or a deaf-mute, blind and illiterate person, he (she) must make his (her) testamentary prescription in notary office in presence of four witnesses and one person who is able to explain to testator (testatrix) the fact of the matter and who can approve by his (her) signature the compliance of a testament with testator (testatrix)'s will.

1183.4. Testament can be read and written by witnesses but it cannot be read by a person it was written by.

1183.5. A person who wrote a testament and a person who read it to a testator (testatrix) must be indicated in explanatory note. Explanatory note must be signed by witnesses and attested by notary.

Article 1184. Witnesses of testament

Underage persons, disabled considered persons, testamentary heirs and their relatives in ascending and descending lines, sisters, brothers, spouses and persons received testamentary order can not be testament witnesses.

Article 1185. Testament secret

Notary, other person that approved a testament, witness as well as a persons who signed a testament instead of testator (testatrix) must not disclose the information regarding the content of testament, its making, alteration or cancellation until inheritance commencement.

Article 1186. Home testament

Testator (testatrix) can make a testament with his (her) own hand and sign it.

Article 1187. Transfer of testament to deposit

1187.1. Testator (testatrix) may seal up in envelope a testament written by his (her) own hand and signed by him (her) and in presence of three persons may hand over it to notary or other relevant officials of the consulates of the Republic of Azerbaijan. Presence of three persons thereat is confirmed by their signatures on envelope, duly certified by the notary.

1187.2. Such kind of keeping must be provided by its placing on official deposit at notary (or *consulates of the Republic of Azerbaijan*). [\(42\)](#)

Article 1188. Testament making using technical facilities

Content of testament can be expressed using generally accepted technical facilities but testator (testatrix) must sign it himself. In this case a testament must be made and signed by testator (testatrix) in presence of two witnesses. These witnesses must confirm that in their presence a testament was made using technical facilities. Immediately as soon as testator (testatrix) signs a testament witnesses must confirm a testament by an appropriate notice with indication of their first names, family names and residences on it.

Article 1189. Sealed testament

1189.1. By testator (testatrix)'s will witnesses must confirm testament without getting acquainted with its content (sealed testament). In this case witnesses must be near testator (testatrix) during his (her) testament making.

1189.2. Witnesses confirming a sealed testament must indicate that testament was made by testator (testatrix) in their presence but they are not familiar with its content.

Article 1190. Testament making date

Testament making date must be indicated in testament. Non-indication of date causes invalidity of testament only when there are doubts relating to testator (testatrix)'s capability during testament making, alteration or cancellation as well as when there are several testaments.

Article 1191. Familiarization of persons concerned with testament content

After testator (testatrix)'s decease notary sets the date for familiarization of persons concerned with testament's content. Relevant protocol must be made on this event. If an envelope containing a testament was sealed then safety of a seal must be noted.

Article 1192. Reserve heir

1192.1. Testator (testatrix) can indicate another heir (reserve heir) in testament for the cases when heir defined by him dies until inheritance commencement, or relinquish succession, or is disinherited.

1192.2. According to the articles 1134 - 1136 hereof any person who can be an heir may also be a reserve heir.

Chapter 66. Obligatory inheritance share

Article 1193. Definition of obligatory inheritance share

Irrespective of testament's content testator (testatrix)'s children, parents and spouse have obligatory share of inheritance. According to the law this share makes up to the half of the share due to them (obligatory share) during intestate succession.

Article 1194. Moment of arising of right to require obligatory share

The right to require the obligatory share arises at the moment of inheritance commencement. Such requirement right is assigned under inheritance. *Other heirs act before the person holding the right of request of mandatory share, as joint debtors.*([12](#))

Article 1195. Determination of the obligatory share volume

The total volume of the obligatory share is estimated of the total inheritance including also the property envisaged for execution of testament order or of any other action for generally useful purposes.

Article 1196. Determination of each heir's obligatory share

In determination of each heirs' obligatory share all heirs subject to be called to inheritance as intestate heirs must be taken into consideration. Testamentary heirs are not taken into consideration.

Article 1197. Inclusion of accepted property into obligatory share

Person entitled to get an obligatory share is obliged to include into obligatory share all property received from testator (testatrix) in lifetime of latter provided that this property to be included in the obligatory share.

Article 1198. Results of relinquishment of testament commission

Person entitled to accept an obligatory share and at the same time having obtained testament commission (legate) can require an obligatory share if it relinquish testament commission. If that person does not relinquish testament commission then it loses the right to accept an obligatory share in the limits equal to the cost of testament commission.

Article 1199. Separation of obligatory share from property not provided for in testament

~~If not all inheritance property is provided for in testament then in the first place obligatory share is separated from property that is not provided for in testament and if it is not sufficient it is completed at the expense of property provided for in testament.~~(12)

Article 1200. Increasing of obligatory share at the expense of presented item

If testator (testatrix) presents an item to a third person then a person having right for obligatory share can require to complete his (her) obligatory share in the amount of expected increase of his (her) obligatory share in case of presented item's inclusion into inheritance. If two years term passes since the date when an item was presented till the moment of inheritance commencement then such present is not taken into consideration.

Article 1201. Right to require share completion

If a person, entitled to receive obligatory share, inherits property less in a half of the share that he could obtain in intestate succession then he/she can require failing part of share obtained by testament in comparison with the half of expected share in intestate succession.

Article 1202. Relinquishment of obligatory share acceptance

1202.1. Heir, entitled to obtain obligatory share, can relinquish to accept it but such relinquishment does not cause increasing of obligatory shares of other heirs. This share is handed down to heirs according to testament.

1202.2. Acceptance or relinquishment of obligatory share must be carried out within the terms provided for acceptance or relinquishment of succession.

Article 1203. Deprivation of obligatory share acquiring right

1203.1. Generally deprivation of obligatory share acquiring right is possible in cases causing succession deprivation.

1203.2. Deprivation of obligatory share acquiring right may be implemented by testator (testatrix) during his (her) lifetime through applying to Court.

1203.3. Court judgment on deprivation of obligatory share acquiring right comes into force since the moment of inheritance commencement. The same result occurs in case when testator (testatrix) applies to court during his (her) lifetime but the judgment is delivered after testator (testatrix)'s decease.

Article 1204. Devolution of obligatory share to testamentary heirs

~~The share of an heir deprived of obligatory share acquiring right is devolved to testamentary heirs.~~(12)

Chapter 67. Testamentary commission (legate)

Article 1205. Conception of testamentary commission

Testator may charge an heir with execution of any obligation in favor of one or several persons at the expense of inheritance (testament commission - legate).

Article 1206. Subject of testament commission

Devolution of inheritance property items into the ownership or use, or devolution by any other proprietary interest to a person obtaining testamentary commission (legatee), devolution to legatee the property not included into inheritance, carrying out of certain activity, rendering services and etc. may constitute the subject of testamentary commission.

Article 1207. Use of living quarters according to testamentary commission

Testator may entrust an heir who inherits a dwelling house, flat or other living quarters with a task to provide a person, who had joint residence with testator with right of life-long use of living quarters or its certain part on a period not less than one year until inheritance commencement. If later the property right is devolved to another person, the right of life-long use of living quarters remains valid.

Article 1208. Inalienability of the right for life-long use of living quarters

1208.1. The right for life-long use of living quarters is not alienated and not devolved to heirs (heiresses) of legatee.

1208.2. The right of life-long use of living quarters does not give grounds to members of legatee's family to live at the same living quarters, unless otherwise stipulated in testament.

Article 1209. Limits of testament commission's execution

Heir (heiress) charged by testament commission should execute his (her) task acting within real cost of inheritance left after deduction of part due to be paid to cover testator (testatrix)'s debts.

Article 1210. Testament commission's execution by other heirs (heiresses)

If heir (heiress) charged by testament commission deceases before inheritance commencement or relinquishes succession then the responsibility to execute testament commission is devolved to other heirs (heiresses) who obtained his (her) share, unless otherwise stipulated by testament.

Article 1211. Cancellation of testament commission's execution

In case an heir (heiress) charged by testament commission deceases then testament commission is cancelled if its execution is impossible without his (her) participation.

Article 1212. Testament commission's execution in proportion to inheritance share

When several heirs (heiress) are in charge for testament commission's execution then everyone of them executes his (her) task in proportion to his (her) inheritance share unless otherwise stipulated by testament.

Article 1213. Term of testament commission's execution

Person charged by testament commission may require testament commission's execution within three year claim period following the inheritance commencement day.

Article 1214. Testament commission when accepting the obligatory share

If testamentary heir charged with testament commission has also the right to accept an obligatory share according to testament he executes testament commission only within a part of property inherited besides an obligatory share.

Article 1215. Responsibility of a person charged by testament

Person charged by testament is not responsible for testator (testatrix)'s debts.

Article 1216. Rejection of testament commission

Person charged by testament commission can reject to accept it. In this case respective part of inheritance remains to heir (heiress) who becomes testament commission's executor.

Article 1217. Exemption from execution of testament commission

If person charged by testament commission rejects its acceptance then heir (heiress) who were entrusted with execution of testament commission is exempted of its execution.

Article 1218. Devolution of testament commission to heirs (heiresses)

If person charged by testament commission deceases after inheritance commencement before giving his (her) consent to accept testament commission, the right to obtain testament commission is devolved to heirs (heiresses) who accepted commission instead of him (her).

Article 1219. Testament commission for generally useful purposes

1219.1. Testator (testatrix) may charge an heir (heiress) to carry out any action for generally useful purposes. This action may be both of property and non-property nature.

1219.2. If action charged is property concern then norms relating to testament commission are applied.

1219.3. If heir (heiress) charged by testament with execution of any actions for generally useful purposes deceases then execution of this obligation is devolved to other heirs (heiresses) who accepted inheritance.

1219.4. Executor of testament, in absence of such person — any heir (heiresses) as well as concerned political party, public association, trade union and religious organization, fund, government or local governing institutions may require through court execution by heir (heiress) of an action he was charged with.

Chapter 68. Alteration or cancellation of testament

Article 1220. Possibilities of testament cancellation

1220.0 Testator (testatrix) may always alter or cancel a testament as follows:

1220.0.1. compiling a new testament which cancels directly the previous one or its part which is in contradiction with the new testament;

1220.0.2. putting in an application to notary office;

1220.0.3. destroying all testament copies by testator (testatrix) or by notary according to his (her) order.

Article 1221. Inadmissibility of cancelled testament's restoration

Testament that was cancelled by a new one can not be restored even if the latter afterwards was cancelled itself by putting in the application.

Article 1222. Several testaments

If testator (testatrix) compiled several testaments but they accomplish each other but do not substitute completely then all the testaments remain valid. All instructions of the previous testament not altered by the next one remain valid.

Article 1223. Privilege of notarial testament

1223.1. If one person compiled several testaments and only one of them is in notarial form then the latter prevails.

1223.2. The notarial testament may not be cancelled by testament of another form.

Article 1224. Grounds to consider testament invalid

1224.0 Testament becomes invalid in following cases:

1224.0.1. when person in whose favor the testament was compiled deceases earlier than testator (testatrix);

1224.0.2. when inherited property is lost during testator (testatrix)'s life time or alienated by him (her);

1224.0.3. when a single heir (heiress) relinquishes succession.

Article 1225. Invalidity of testament

1225.1. Generally testament is considered invalid in cases when it causes the invalidity of transactions.

1225.2. Illegal testament orders, as well as unclear or contradicting with each other conditions are invalid.

1225.3. Testament may be declared invalid by court if it was compiled with violation of rules stipulated hereby as well as if it was compiled by a person that was unable to realize and control his (her) own actions during testament compiling.

Article 1226. Invalidity of different testament orders

1226.1. Testament order giving grounds to call to inheritance an item that is not in inheritance is invalid.

1226.2. If some amount of money, which is not at inheritance property was bequeathed to someone then such type of testament order is invalid.

1226.3. Testament order providing for that heir (heiress) can obtain inheritance not in a certain period or not after the day of testator (testatrix)'s decease but later as well as defining the person to whom the inheritance is devolved after heir (heiress)'s decease is invalid.

Article 1227. Invalidity as a result of impossibility to execute testament order

If testament order cannot be executed by heir (heiress) for reasons of his (her) health or due to other objective reasons it can be considered invalid according to heir (heiress)'s claim.

Article 1228. Consequences of one of testament orders' invalidity

If one or several testament orders are invalid or became invalid and testator (testatrix) made no other orders then all other testament orders remain valid.

Article 1229. Acceptance of inheritance in case of testament invalidity

In case when testament is considered invalid an heir (heiress) deprived of succession by such testament can obtain inheritance on general grounds.

Article 1230. Discussion on testament validity

Heirs (heiresses) at law and other respective persons can discuss testament's validity upon cases that entailed contract invalidity.

Article 1231. Claiming period

1231.1. Action on declaration of testament's invalidity may be claimed within two years following the inheritance commencement day.

1231.2. If testator (testatrix) by mistake bequeathed another person's property as his (her) own property then claiming period provided for in the Article 1231.1 hereof does not apply to owner's claim.

Chapter 69. Testament execution

Article 1232. Subjects of testament execution

If there are no instructions in testament then heirs (heiresses) are entrusted with its execution. Heirs (heiresses) upon mutual agreement may commit testament's execution to one of them or to another person.

Article 1233. Setting of testament's execution

Having the purpose prompt execution of testament orders testator (testatrix) may appoint one or several testament executors among heirs (heiresses) or another person who is not an heir (heiress). Appointment of another person requires to get testament executor's consent. Testament executor should express his (her) consent in written in testament itself or in application attached to it.

Article 1234. Rejection to execute testament

At any time testament executor may reject to carry out his (her) duties he (she) was entrusted with by testator (testatrix). According to testament he (she) should inform heirs (heiresses) about it in advance.

Article 1235. Appointment of testament executor by a third person

Testator (testatrix) may charge a third person with appointing testament executor. This person should appoint testament executor immediately after inheritance commencement and inform heirs (heiresses) about it. He (she) may reject to execute this commission and in such case also has to inform heirs (heiresses) about it.

Article 1236. Complete or partial execution of testament

Testament executor may be committed to execute testament completely or to execute its different orders.

Article 1237. Inheritance protection and administration

Testament executor should start protection and administration of inheritance from its commencement date; he (she) is authorized to undertake any necessary actions to execute testament. Heirs (heiresses) forfeit the right to administer inheritance within such authority.

Article 1238. Protection and administration of inheritance by several executors

If there are several testament executors individual actions are permitted only for protection of inheritance, otherwise it is necessary to get agreement between them.

Article 1239. Testament execution costs' reimbursement

1239.1. Testament executor fulfills his (her) duties free of charge, however, he (she) may be paid if it is provided for in testament.

1239.2. Testament executor is entitled to require reimbursement of all necessary costs incurred for protection and administration of the property at the expense of inheritance.

1239.3. Testament executor who is not an heir (heiress) can not reimburse costs at the expense of inheritance excluding cases provided for in the Article 1249 hereof.

Article 1240. Executor's report

Upon completion of testament execution testament executor is obliged to submit a report on his (her) activity to heirs (heiresses) due to their request. Testament executor performs his (her) functions until all heirs (heiresses) accept inheritance.

Article 1241. Testament executor's dismissal

If testament executor does not discharge his (her) duties then a person concerned may apply to Court with request to dismiss him (her).

Article 1242. Testament executor's responsibility

If testament executor intentionally or because of his (her) gross negligence fails to meet his (her) obligations he (she) was entrusted with by testament and it caused damage to heirs (heiresses) then he (she) bears responsibility for that.

Chapter 70. Acceptance and relinquishment of succession

Article 1243. Acceptance of inheritance

1243.1. Heir (heiress) accepts inheritance either according to law or to testament.

1243.2. Heir (heiress) is considered to accept inheritance upon handing in an application on his (her) acceptance of inheritance to notarial office that is in charge of particular place where inheritance commencement took place, or upon his (her) practical commencement of owning and administration of property and thus demonstrated undoubtedly that he (she) accepted inheritance.

1243.3. When heir (heiress) begins to own practically a part of inheritance, it is considered that he (she) completely accepted inheritance irrespective of its nature and location.

~~1243.4. If one of heirs (heiresses) relinquishes succession in favor of another heir (heiress) then such action is considered acceptance of inheritance.(12)~~

Article 1244. Acceptance of inheritance by incapable person

Inheritance can be accepted by capable person. Disabled persons and persons with limited abilities may accept inheritance through their representatives.

Article 1245. Acceptance of inheritance through representative

Heir (heiress) may accept inheritance personally or through his (her) representative.

Article 1246. Inheritance acceptance term

Heir may accept the legacy within three months from the date of obtaining of knowledge or supposed obtaining of knowledge on legacy. The acceptance of legacy six months upon its availability is not allowed.(12)

Article 1247. Special period for inheritance acceptance

If right to accept inheritance arises as a result of other heirs (heiresses) succession relinquishment then inheritance should be accepted within the remaining part of the set time period and *if this time is less than six weeks then it should be extended up to six weeks.*(12)

Article 1248. Extension of period for inheritance acceptance

1248.1. Court may extend the fixed period for inheritance acceptance if it declares that reasons of delay are valid. On termination of the period, upon the agreement of all other heirs (heiresses) who accept inheritance it may be accepted without applying to court.

1248.2. In case provided for in the Article 1248.1 hereof heir (heiress), who delayed with acceptance of inheritance obtains his (her) property share from the property remained of those that was accepted by other heirs (heiresses) or that was devolved into state property; he (she) also obtains value of the remaining part of property due to him (her) in terms of money.

Article 1249. Inadmissibility to dispose of inheritance

Heir (heiress) who does not wait for other heirs (heiresses) arrival or who has begun to own and control inheritance can not give an order regarding it within six months following the inheritance commencement day or until he (she) gets the certificate on inheritance right except expenses on care of testator (testatrix) during his (her) illness, funeral expenses, expenses on maintenance of his (her) dependants, expenses on payment of salaries and inheritance protection and administration expenses.

Article 1250. Right to profit received before claim lodging

If heir (heiress) at law being not aware of presence of testament, if testamentary heir (heiress) being not aware of testament's invalidity or if heirs (heiresses) at law and by testament being not aware of existing of more close heirs (heiresses) at law or existence of another testament come into inheritance possession, they reserve profit from inheritance received before claim lodging; they can also require to recover all their capital invested into inheritance.

Article 1251. Consequences of control by unauthorized person of separate items forming part of the legacy

If unauthorized person has implemented control over the item forming the legacy, which belongs to heir, he shall transfer such item to legal heir. (12)

Article 1252. Inheritance transmission

If heir (heiress) deceases after inheritance commencement but before its acceptance then succession of his (her) share is devolved to his (her) heirs (heiresses) (inheritance transmission). Heirs (heiresses) of deceased heir (heiress) should accept the inheritance within the remaining time of the period provided for inheritance acceptance. If given term is less than three months then it should be extended up to three months.

Article 1253. Consequences of inheritance non-acceptance by inheritance transmission

1253.1. Non-acceptance of inheritance by inheritance transmission does not deprive heir (heiress) of opportunity to accept the inheritance due directly to deceased heir (heiress).

1253.2. Upon relinquishment to accept the property by inheritance transmission it is devolved to persons who were called to accept it together with deceased heir (heiress).

Article 1254. Inheritance list

Heir (heiress) may require to make inheritance list. Two months time is given for this purpose and this term is included into the total period provided for inheritance acceptance.

Article 1255. Arising of ownership to inheritance

Accepted inheritance is considered heir (heiress)'s property since the day of its commencement.

Article 1256. Succession relinquishment term

Heir (heiress) may relinquish succession within three months following the day of appeal for inheritance not depending on whether he (she) was aware about appeal or not. In case of valid reason the court may extend this period for no more than two months. Succession relinquishment should be registered officially at notarial body.

Article 1257. Inadmissibility of partial inheritance acceptance

1257.1. It is inadmissible to accept inheritance under any condition or for any period or relinquish succession partially.

1257.2. If heir (heiress) relinquishes succession partially or makes any condition then it is considered that he (she) relinquished succession.

Article 1258. Relinquishment by heir (heiress) to accept lands of agricultural purposes

Relinquishment by heir (heiress) who is not engaged with agriculture of agricultural purposes lands, equipment, tools and cattle is not considered succession relinquishment.

Article 1259. Acceptance of several shares from inheritance

If several shares on different grounds are due to heir (heiress) then he (she) may accept one share and relinquish another one or relinquish all shares.

Article 1260. Relinquishment of some part of inheritance

Regardless of the rest of inheritance heir (heiress) may relinquish part of inheritance pertaining to him (her) according to integration right.

Article 1261. Relinquishment in favor of other persons

Heir (heiress) may relinquish inheritance in favor of persons who are not among testamentary heirs (heiresses) and heirs (heiresses) at law. It is inadmissible to relinquish inheritance in favor of heir (heiress) declared unworthy or a person deprived of

succession according to direct testament order. Other heirs (heiresses) may lodge a complaint to court about such relinquishment.

Article 1262. Integration of share during inheritance relinquishment

If heir (heiress) relinquished inheritance but did not indicate in whose favor it was done, his (her) share is added to shares of heirs (heiresses) at law or in case when all property is divided according to testament it is added to shares of testament heirs (heiresses), and is divided among heirs (heiresses) in proportion to their shares unless otherwise stipulated in testament.

Article 1263. Inheritance relinquishment by a single heir (heiress)

If heir (heiress) who relinquished inheritance is a single heir (heiress) among those of the same order then inheritance is devolved to heirs (heiress) of the next order.

Article 1264. Relinquishment in favor of several heirs (heiress)

Since heir (heiress) relinquishes inheritance in favor of several persons, he (she) may indicate the share of each of them. If there is no such instructions his (her) share is divided equally among heirs (heiresses) in whose favor relinquishment was made.

Article 1265. Relinquishment of inheritance in favor of grandchildren

It is admissible to relinquish inheritance in favor of a grandchild in cases when his (her) parent who had to be an heir (heiress) of testator (testatrix) is deceased by the inheritance commencement day or when a grandchild himself (herself) is a testamentary heir (heiress).

Article 1266. Inadmissibility of state's succession relinquishment

State can not relinquish succession devolved to it.

Article 1267. Inadmissibility of relinquishment after presenting of application to notarial body

It is inadmissible for heir (heiress) to relinquish succession after presenting application on inheritance acceptance or on obtaining of succession certificate to notarial body in the area where inheritance commencement took place.

Article 1268. Irreversibility of inheritance relinquishment

1268.1. Heir (heiress) can not take back his (her) application on succession relinquishment.

1268.2. It is admissible to relinquish succession by court's permission if an heir (heiress) is an incapable person or a person with limited capability.

Article 1269. Relinquishment of inheritance during its actual possession

Heir (heiress) who actually began to own and administer the inheritance may relinquish it within the period fixed for its acceptance. He (she) should appeal with an application about it to the notarial body.

Article 1270. Devolution of relinquishment right by inheritance

1270.1. Right to relinquish succession is devolved by inheritance.

1270.2. If heir (heiress) deceased before expiration of the term fixed for succession relinquishment then given term continues after heir (heiress)'s decease till the expiration date of the term fixed.

1270.3. Everyone of several heirs (heiresses) of the deceased heir (heiress) may relinquish only his (her) inheritance share.

Article 1271. Succession relinquishment through representative

It is possible to relinquish succession through representative if relinquishment authorities are specified in commission (power of attorney).

Article 1272. Period to open a discussion on succession acceptance or relinquishment

Discussion on succession acceptance or relinquishment may commence within two months following the day when a person concerned is aware about appropriate ground for that.

Article 1273. Period of occurrence of legal consequences of inheritance acceptance

Legal consequences of inheritance acceptance or succession relinquishment occur since the moment of inheritance commencement.

Article 1273-1. Silence of heir

If within terms established under this Code the heir will not accept nor reject the legacy, Article 1262 and 1262 of this Code shall apply.[\(12\)](#)

Chapter 71. Inheritance Division

Article 1274. Definition of Inheritance Division

Inheritance is divided according to agreement between heirs (heiresses) in proportion to shares due to each heir (heiress) by law or by testament.

Article 1275. Establishment of rule for division of inheritance by testator (testatrix)

Testator (testatrix) may establish rule for inheritance division in testament as well as may entrust a third person with dividing of inheritance. If a third person's decision is obviously unfair it is not obligatory for heirs (heiress). In this case the division is made by court's judgment.

Article 1276. Separation of share in kind from inheritance

Any heir (heiress) may require to separate his (her) share in kind from both movable and immovable property, provided that this type of separation is possible or not prohibited by law.

Article 1277. Inclusion of a gift into heir (heiress)'s share

~~Cost of the property received as a gift from testator (testatrix) within two years before the inheritance commencement should be included into each heir (heiress)'s share during dividing the inheritance.~~[\(12\)](#)

Article 1278. Sale of inheritance according to its joint owners' agreement

It is admissible to sell all the inheritance according to its joint owners' agreement and divide money among heirs (heiresses) in proportion to their shares.

Article 1279. Devolution of inheritance to one of its joint owners

Devolution of all the inheritance to one of its joint owners is possible according to agreement of inheritance's joint owners. In his (her) turn he (she) is obliged to provide the relevant compensation to other inheritance joint owners.

Article 1280. Ceasing of inheritance dividing

Joint owners of inheritance may agree to cease its dividing for certain period.

Article 1281. Share possession relating to indivisible property

Property the division of which may cause the loss or decrease of its economical purpose is not divided and becomes the common property of heirs (heiresses) in proportion to their shares unless otherwise stipulated by agreement of all the heirs (heiresses) accepting inheritance.

Article 1282. Dividing of agriculture purposed land among heirs (heiresses)

1282.1. If landowner descended upon testament agriculture purposed land with peasant farm to several heirs (heiresses) or if in existence of several heirs (heiresses) there is no testament then it is possible to divide the agriculture purposed land with the peasant farm located therein among heirs (heiresses), provided that lands devolved to each heir (heiresses) ensure existence of viable agriculture thereon.

1282.2. Division is admissible only in case if heirs (heiresses) intends to occupy themselves with farming. If none of heirs (heiresses) wants to be occupied with his (her) farm, the land together with the farm located thereon may be sold according to an agreement between them, and heirs (heiresses) can obtain their shares in terms of money.

Article 1283. Inadmissibility of agriculture purposed land's division

If division of the agriculture purposed land is impossible, it should be given to heir (heiress) who lived at peasant farm and kept it together with testator (testatrix); in absence of such heir (heiress) the land should be devolved to a person having ability and wish to keep the farm.

Article 1284. Share compensation

Heir (heiress) who did not obtain land receives relevant share from other property and when this property is not sufficient he (she) receives an appropriate compensation according to the rule determined.

Article 1285. Devolution of peasant farm according to testament

1285.1. If peasant farm is a homestead and in absence of testament of the last homestead's member the aggregate property is devolved to heirs (heiresses) according to law provided that homestead will be kept.

1285.2. If last member of homestead appointed several testamentary heirs (heiresses) then an order relating to land is applied.

Article 1286. Aggregate possession of peasant farm

Land and the peasant farm thereon may remain in possession of inheritance joint owners according to their agreement.

Article 1287. Inheritance share of conceived heir (heiress)

1287.1. If heir (heiress) was conceived but is not yet born division of inheritance is possible only after his (her) birth.

1287.2. If heir (heiress) conceived but not yet born is born alive then other heirs (heiresses) may divide the inheritance only after apportionment of his (her) share. In the purpose of defense of newborn's interests his (her) representatives should be invited to participate in inheritance division.

Article 1288. Entrusting one of heirs (heiresses) with debts demand

It is admissible to entrust one of heirs (heiresses) with complete payment of all debt requests and instead of it to provide him (her) with the inheritance share accordingly increased in accordance with inheritance joint owners' agreement.

Article 1289. Obligation of ensuring of share acceptance

Any joint owner of inheritance should ensure the acceptance of relevant shares by other inheritance joint owners. If inheritance joint owner acquires chose in action following the division then other joint owners in proportion to their shares should render assistance in maintaining debtor's solvency at the moment of division and in case of late beginning of such obligation's execution term — at the moment of obligation's execution.

Article 1290. Balanced share decreasing

If it becomes clear that aggregate of shares specified by testament is more than the whole inheritance then each heir (heiress)'s share is decreased accordingly.

Article 1291. Consideration of disputes during property division

Disputes between joint owners of inheritance on division of inheritance are considered in court. During property division the court should take into consideration nature of the

property to be divided as well as activities of each joint owner of inheritance and other specific conditions.

Article 1292. Right to make arrangements regarding share

1292.1. Any joint owner of inheritance can make arrangements regarding his (her) inheritance share. An agreement on disposal of his (her) share by one of inheritance joint owners must be notarially attested.

1292.2. Joint owner of inheritance can not make arrangements regarding separate items from his (her) share.

1292.3. If joint owner of inheritance makes arrangements regarding his (her) share then other joint owners have pre-emption. Pre-emption should be realized within two months. This right is devolved by testament.

Article 1293. Repeal of pre-emption

Pre-emption is repealed by granting a share to joint owner of inheritance.

Article 1294. Creditors satisfaction under alienation of share

In case of share alienation the obligation to meet the creditor's claim in proportion to that share is devolved to a person who obtained the share.

Article 1295. Share equalization

~~To equalize their shares before inheritance division heirs (heiresses) called to inheritance should consider all the property received from testator (testatrix) during his (her) lifetime as inheritance property, separating it from their parents property, unless otherwise stipulated by testator (testatrix). (12)~~

Article 1296. Consequences of descendant's removal

~~If a descendant obliged as an heir (heiress) to equalize share, leaves heirs (heiresses) list before or after the inheritance commencement then an heir (heiress) obtaining his (her) share is entrusted with this obligation. (12)~~

Article 1297. Taking in consideration special contribution when equalizing the inheritance share

Descendant (descending line relative) who made a special contribution by his (her) own work in family household or by taking part in testator (testatrix)'s professional or commercial activity or by his (her) own expenses or by protection and expansion of testator (testatrix)'s property, may require during testator (testatrix)'s inheritance division to equate him (her) with heirs (heiresses) at law and relatives requiring inheritance together with him (her).

Article 1298. Inadmissibility of demand to equalize inheritance share

If a relative received reward for his (her) services or if reward was specified beforehand or if he (she) can make any demand based on the services rendered or on other legal grounds then equalizing of the inheritance share may not be demanded.

Article 1299. Demand of fair division

1299.1. Equalizing of the inheritance share should be carried out fairly according to the services rendered and the inheritance volume.

1299.2. When dividing the property, the inheritance share equalizing sum is deducted from the total sum of the inheritance and is added to the share of the joint owner of inheritance entitled to demand equalizing.

Article 1300. The obligation to ascertain the place of heir (heiress)'s residence

If there are persons among heirs (heiresses) whose places of residence are unknown then other heirs (heiresses) are obliged to take reasonable measures to ascertain the places of their residence and to call them for inheritance.

Article 1301. Results of heirs (heiresses)'s failure to appear

1301.1. If heir (heiresses) who was called for inheritance was absent at his (her) place of residence but whose place of residence was ascertained does not relinquish inheritance during three months then other heirs (heiresses) should send him (her) a notice on their intention to divide the inheritance.

1301.2. If such heir (heiress) does not inform other heirs (heiresses) about his (her) wish to participate in agreement on property division within three months after receipt of the notice then other heirs (heiresses) upon mutual agreement may divide the property and separate the share of absentee.

1301.3. If the absentee's residence is not ascertained and there is no information on his (her) relinquishment of inheritance within six months after the inheritance commencement then other heirs (heiresses) may divide the property according to the order specified in the Article 1301.2. hereof.

Article 1302. Right of priority in inheritance

Heirs (heiresses) having right to general property possession together with the testator (testatrix) have the right of priority to inherit the property included into general possession.

Article 1303. Right of priority to obtain a dwelling house

Heirs (heiresses), who lived together with testator (testatrix) at least one year before the inheritance commencement, have the right of priority to inherit a dwelling house, an apartment or any habitable room, as well as a household articles during property division.

Article 1304. Taking into account heirs (heiresses) property interests

Property rights of other heirs (heiresses), participating in the inheritance division, should be taken into consideration when the right of priority is applied. If the property to be

received by them is not sufficient then heirs (heiresses), implementing the right of priority, must provide them with monetary or property compensation.

Article 1305. Granting respite for compensation

At the request of heirs (heiresses) implementing the right of priority Court may grant him (her) respite for the period not more than ten years taking into consideration the amount of compensation.

Chapter 72. Creditors satisfaction by heirs (heiresses)

Article 1306. Heirs (heiresses) responsibility before creditors

1306.1. Heirs (heiresses) are obliged to pay fully the interests of testator (testatrix)'s creditors in proportion to shares of each of them in the assets received *as single debtors*.

1306.2. If testator (testatrix) had jointly debts regarding debts inherited by heirs (heiresses) then the latter bear joint responsibility.

~~1306.3. Heirs (heiresses), who get an obligatory share also bear responsibility for testator (testatrix)'s debts. (12)~~

Article 1307. Burden of proof in creditors' satisfaction by heirs (heiresses)

Heir (heiress) must prove excess of testator' (testatrix)'s debts over inheritance excluding cases when inheritance list is made by notary public.

Article 1308. Charging an heir (heiress) with payment of debt

Testator (testatrix) may charge one or several heirs (heiresses) with payment of the whole debt or any part of the debt.

Article 1309. Obligation to inform creditors on inheritance commencement

Heirs (heiresses) are obliged to inform testator (testatrix)'s creditors about the inheritance commencement if they are aware of decedent's debts.

~~*Article 1310. Term provided for creditors to make demands*~~

~~1310.1. Testator (testatrix)'s creditors should make their demands to heirs (heiresses) who accepted inheritance within six months following the day they were informed about the inheritance commencement irrespective of whether this term is sufficient for that or not.~~

~~1310.2. If heirs (heiresses)'s creditors was not aware about the inheritance commencement, they should present their demand to heirs (heiresses) within one year from the date of its commencement.~~

~~1310.3. Non observance of this rules leads to the lost of the right to demand by creditors. (12)~~

~~*Article 1311. Application of general periods of limitations*~~

~~1311.1. The period provided for the creditors to make demands does not extend to the demands associated with the expenses, incurred for the service and medical treatment of testator (testatrix) during his (her) last illness, for payment of wages, for his (her) funeral and protection and management of inheritance as well as for the recognition of the third persons' rights to possess the property and to demand the property due to them.~~

~~1311.2. General periods of limitations are applied to demands specified in the Article 1311.1 hereof.~~[\(12\)](#)

Article 1312. Execution period postponement

If creditor made his (her) demand before the beginning of the execution period then heir (heiress) may postpone its execution until the period starts. Upon coming of the term creditor may demand execution within general period of limitation.

Article 1313. Testator (testatrix)'s creditors privilege

Testator (testatrix)'s creditors have privilege over heir (heiress)'s creditors during demands payment.

Article 1314. State's Responsibility to the Creditors

When non-inherited property is devolved to the state the latter is responsible for testator (testatrix)'s debts as an heir (heiress).

Article 1315. Consequences of inheritance receipt by creditor

If testator (testatrix) gave by a will his (her) property to creditor this may not be considered a substitution of creditor's right to demand.

Article 1316. Rule to satisfy creditors

~~Heirs (heiresses) must satisfy creditors' demands through single repayments unless otherwise provided for by the agreement between them.~~[\(12\)](#)

Chapter 73. Protection of inheritance

Article 1317. Definition of the inheritance protection

1317.1. If necessary before acceptance of legacy, the notary authority of the area of opening of legacy shall take actions for legacy protection. This procedure also applied for cases, when heir is not known or it is not known, whether he accepted the legacy.

1317.2. Notary office may register the will to provide its security.[\(12\)](#)

Article 1318. Search of heirs

Notary office implements actions to locate heirs residing outside of the place of legacy.[\(12\)](#)

Article 1319. Appointment of property administrator

Notary authority may appoint the property administrator for implementation of activities stipulated under this Chapter.(12)

Article 1320. Costs associated with activities stipulated under this Chapter

Costs associated with activities stipulated under this Chapter shall be included as heir liabilities.(12)

Chapter 74. Certificate of inheritance

Article 1321. Definition of inheritance certificate

1321.1. Persons who were called for inheritance may demand a certificate of inheritance from the notarial body at the place of inheritance commencement.

1321.2. Obtaining of inheritance certificate is obligatory in cases provided for in law.

1321.3. Person noted in the certificate of will as a heir, the right indicated in certificate shall be identified. It is also valid towards the person obtaining any time from the person indicated as heir in the will, the right on subject item or any deprivation of any rights on any item included into the will provided that authenticity of the will certificate is not established.(12)

Article 1322. Term for issue of inheritance certificate

The inheritance certificate is issued to heirs (heiresses) any time *on expiry of* six months following the day of inheritance commencement. If the notarial body has information that there are no other heirs (heiresses) besides the persons demanding certificate then inheritance certificate is issued even sooner than six months.(12)

Article 1323. Consent to be included into the certificate

Heirs (heiresses) who have not accepted the inheritance within the period specified herein may be included into the inheritance certificate upon the consent of all heirs (heiresses) who had accepted the inheritance. The consent must be expressed in written before the inheritance certificate is issued.

Article 1324. Issue of the inheritance certificate to heir (heiress)'s heir (heiress)

If heir (heiress) who was called for inheritance deceases before having an opportunity to accept it after inheritance commencement within the period specified then his (her) heirs (heiresses) may obtain the inheritance certificate for the property left after the initial testator (testatrix)'s decease.

Article 1325. Issue of the inheritance certificate to the inheritance joint owners

The inheritance certificate may be issued for the whole inheritance as well as for its part. The certificate is issued both to all heirs (heiresses) in common and to each of them separately in accordance with their will. Issue of the inheritance certificate for some part of the inheritance to one of the heirs (heiresses) does not deprive other heirs (heiresses) of the right to obtain certificate for the remaining part of the inheritance.

List of Changes and Amendments to this Code

1. The Law of the Republic of Azerbaijan of December 6, 2002, No. 399-IIQD — «Azerbaijan» newspaper (December 29, 2002, No. 300).
2. The Law of the Republic of Azerbaijan of June 17, 2003, No. 479-IIQD — «Azerbaijan» (August 9, 2003, No. 181).
3. The Law of the Republic of Azerbaijan of December 23, 2003, No. 566-IIQD — «Azerbaijan» (March 6, 2004, No. 55).
4. The Law of the Republic of Azerbaijan dated April 20, 2004, No. 639-IIQD — «Azerbaijan» newspaper (May 14, 2004, No.112).
5. The Law of the Republic of Azerbaijan dated June 1, 2004, No. 677-IIQD — «Azerbaijan» newspaper (June 20, 2004, No. 142).
6. The Law of the Republic of Azerbaijan dated October 26, 2004, No. 782-IIQD — «Azerbaijan» newspaper (November 10, 2004 , No. 262).
7. The Law of the Republic of Azerbaijan dated September 7, 2004, No. 731-IIQD — «Azerbaijan» newspaper (October 22, 2004 , No. 246).
8. The Law of the Republic of Azerbaijan dated December 24, 2004, No. 815-IIQD -- «Azerbaijan» newspaper (February 10, 2005, No. 31).
9. The Law of the Republic of Azerbaijan dated April 15, 2005, No. 890-IIQD — «Azerbaijan» newspaper (June 11, 2005 , No. 132).
10. The Law of the Republic of Azerbaijan dated June 10, 2005, No. 925-IIQD — «Azerbaijan» newspaper (August 29, 2005 , No. 199).
11. The Law of the Republic of Azerbaijan dated June 24, 2005, No. 948-IIQD — «Azerbaijan» newspaper (September 3, 2005, No. 204).
12. The Law of the Republic of Azerbaijan dated June 24, 2005, No. 949-IIQD — «Azerbaijan» newspaper (August 12, 2005, No. 185).
13. The Law of the Republic of Azerbaijan dated September 20, 2005, No. 995-IIQD — «Azerbaijan» newspaper (November 24, 2005, No. 272).
14. The Law of the Republic of Azerbaijan dated October 21, 2005, No. 1038-IIIQD — «Azerbaijan» newspaper (December 14, 2005, No. 289).
15. The Law of the Republic of Azerbaijan dated December 23, 2005, No. 39-IIIQD — «Azerbaijan» newspaper (February 16, 2005, No. 34).

16. The Law of the Republic of Azerbaijan dated March 3, 2006, No. 82-IIIQD — «Azerbaijan» newspaper (April 1, 2006, No. 69).
17. The Law of the Republic of Azerbaijan dated March 3, 2006, No. 82-IIIQD — «Azerbaijan» newspaper (May 13, 2006, No. 104).
18. The Law of the Republic of Azerbaijan dated 21 April, 2006, No. 100-IIIQD — «Azerbaijan» newspaper (25 June 2006, No. 139).
19. The Law of the Republic of Azerbaijan dated 30 May, 2006, No. 122-IIIQD — «Azerbaijan» newspaper (4 August, 2006, No. 172).
20. The Law of the Republic of Azerbaijan dated 20 October, 2006, No. 167-IIIQD — «Azerbaijan» newspaper (30 December, 2006, No. 294).
21. The Law of the Republic of Azerbaijan dated 1 February, 2007, No. 234-IIIQD — «Azerbaijan» newspaper (21 February, 2007, No. 38).
22. The Law of the Republic of Azerbaijan dated 17 April, 2007, No. 313-IIIQD — «Azerbaijan» newspaper (29 June 2007, No. 140).
23. The Law of the Republic of Azerbaijan dated 17 April, 2007, No. 315-IIIQD — «Azerbaijan» newspaper (19 August, 2007, No. 184).
24. The Law of the Republic of Azerbaijan dated 9 October, 2007, No. 428-IIIQD — «Azerbaijan» newspaper (28 October, 2007, No. 242).
25. The Law of the Republic of Azerbaijan dated 9 October, 2007, No. 430-IIIQD - «Azerbaijan» newspaper (27 November, 2007, No. 267) (This Law comes into force at the same day with the Code of Administrative Procedure of the Republic of Azerbaijan).
26. The Law of the Republic of Azerbaijan dated 7 December, 2007, No. 506-IIIQD - «Azerbaijan» newspaper (30 December, 2007, No. 294).
27. The Law of the Republic of Azerbaijan dated 7 December, 2007, No. 510-IIIQD - «Azerbaijan» newspaper (30 December, 2007, No. 294).
28. The Law of the Republic of Azerbaijan dated 25 December, 2007, No. 520-IIIQD - «Respublika» newspaper (14 March, 2008, No. 57).
29. The Law of the Republic of Azerbaijan dated 30 May, 2008, No. 610-IIIQD - «Azerbaijan» newspaper (24 June, 2008, No. 136).
30. The Law of the Republic of Azerbaijan dated 13 June, 2008, No. 648-IIIQD - «Respublika» newspaper (10 July, 2008, No. 149).
31. The Law of the Republic of Azerbaijan dated 28 October, 2008, No. 711-IIIQD - «Azerbaijan» newspaper (11 December, 2008, No. 279).
32. The Law of the Republic of Azerbaijan dated 16 December, 2008, No. 742-IIIQD - «Respublika» newspaper (17 February, 2009, No. 37).

33. The Law of the Republic of Azerbaijan dated 3 April, 2009, No. 782-IIIQD - «Respublika» newspaper (16 May, 2009, No. 104).
34. The Law of the Republic of Azerbaijan dated 26 May, 2009, No. 821-IIIQD - «Respublika» newspaper (26 June, 2009, No. 137).
35. The Law of the Republic of Azerbaijan dated 30 June, 2009, No. 856-IIIQD - «Respublika» newspaper (22 July, 2009, No. 158).
36. The Law of the Republic of Azerbaijan dated 1 February, 2010, No. 950-IIIQD - «Azerbaijan» newspaper (24 February, 2010, No. 43).
37. The Law of the Republic of Azerbaijan dated 1 February, 2010, No. 951-IIIQD - «Respublika» newspaper (18 March, 2010, No. 60).
38. The Law of the Republic of Azerbaijan dated 12 February, 2010, No. 952-IIIQD - «Azerbaijan» newspaper (18 April, 2010, No. 82).
39. The Law of the Republic of Azerbaijan dated 5 March, 2010, No. 972-IIIQD — «Azerbaijan» newspaper (17 April, 2010, No. 81).
40. The Law of the Republic of Azerbaijan dated 23 February, 2010, No. 960-IIIQD — «Azerbaijan» newspaper (22 April, 2010, No. 85).
41. The Law of the Republic of Azerbaijan dated 17 May, 2011, No. 115-IVQD — «Azerbaijan» newspaper (7 July 2011, No. 145).
42. The Law of the Republic of Azerbaijan dated 10 June, 2011, No. 159-IVQD — «Azerbaijan» newspaper (10 August, 2011, No. 174).
43. The Law of the Republic of Azerbaijan dated 15 November, 2011, No. 247-IVQD — «Azerbaijan» newspaper (29 December, 2011, No. 289).
44. The Law of the Republic of Azerbaijan dated 30 September, 2011, No. 201-IVQD — «Azerbaijan» newspaper (29 December, 2011, No. 289).
45. The Law of the Republic of Azerbaijan dated 30 December, 2011, No. 287-IVQD — «Azerbaijan» newspaper (21 January, 2012, No. 15).
46. The Law of the Republic of Azerbaijan dated 20 April, 2012, No. 332-IVQD — «Azerbaijan» newspaper (7 June, 2012, No. 124).
47. The Law of the Republic of Azerbaijan dated 6 April, 2012, No. 321-IVQD — «Azerbaijan» newspaper (12 May, 2012, No. 103).
48. The Law of the Republic of Azerbaijan dated 11 December, 2012, No. 496-IVQD — «Azerbaijan» newspaper (23 January, 2013, No. 15).
49. The Law of the Republic of Azerbaijan dated 31 May, 2013, No. 672-IVQD — «Azerbaijan» newspaper (30 June, 2013, No. 140).

50. The Law of the Republic of Azerbaijan dated 22 October, 2013, No. 764-IVQD — «Azerbaijan» newspaper (19 November, 2013, No. 253).
51. The Law of the Republic of Azerbaijan dated 29 October, 2013, No. 804-IVQD — «Azerbaijan» newspaper (12 December, 2013, No. 274).
52. The Law of the Republic of Azerbaijan dated 22 November, 2013, No. 819-IVQD — «Azerbaijan» newspaper (31 December, 2013, No. 291).
53. The Law of the Republic of Azerbaijan dated 27 December, 2013, No. 879-IVQD — «Azerbaijan» newspaper (5 February, 2014, No. 24).
54. The Law of the Republic of Azerbaijan dated 20 June, 2014, No. 990-IVQD — «Respublika» newspaper (15 July, 2014, No. 149).
55. The Law of the Republic of Azerbaijan dated 24 February, 2015, No. 1197-IVQD — «Azerbaijan» newspaper (30 March, 2015, No. 64).
56. The Law of the Republic of Azerbaijan dated 15 May, 2015, No. 1283-IVQD — «Respublika» newspaper (24 May, 2015, No. 110).
57. The Law of the Republic of Azerbaijan dated 15 May, 2015, No. 1285-IVQD — «Azerbaijan» newspaper (15 July, 2015, No. 151).
58. The Law of the Republic of Azerbaijan dated 30 September, 2015, No. 1329-VQD — «Respublika» newspaper (5 November, 2015, No. 243).
59. The Law of the Republic of Azerbaijan dated 18 December, 2015, No. 59-VQD — «Azerbaijan» newspaper (19 January, 2016, No. 12).
60. The Law of the Republic of Azerbaijan dated 18 December, 2015, No. 68-VQD — «Azerbaijan» newspaper (20 February, 2016, No. 39).
61. The Law of the Republic of Azerbaijan dated 29 December, 2015, No. 98-VQD — «Azerbaijan» newspaper (18 February, 2016, No. 37).
62. The Law of the Republic of Azerbaijan dated 4 March, 2016, No. 135-VQD — «Respublika» newspaper (13 March 2016, No. 57).
63. The Law of the Republic of Azerbaijan dated 5 April, 2016 No. 186-VQD — «Azerbaijan» newspaper (24 April, 2016, No. 87).
64. The Law of the Republic of Azerbaijan dated 5 April, 2016, No. 192-VQD — «Azerbaijan» newspaper (30 April, 2016, No. 92).
65. The Law of the Republic of Azerbaijan dated 31 May, 2016, No. 269-VQD — «Azerbaijan» newspaper (30 June, 2016, No. 139).
66. The Law of the Republic of Azerbaijan dated 24 June, 2016, No. 301-VQD — «Respublika» newspaper (21 July, 2016, No. 155).

67. The Law of the Republic of Azerbaijan dated 11 November, 2016, No. 405-VQD — «Azerbaijan» newspaper (16 December, 2016, No. 279).
68. The Law of the Republic of Azerbaijan dated 11 November, 2016, No. 385-VQD — «Azerbaijan» newspaper (30 December, 2016, No. 291).
69. The Law of the Republic of Azerbaijan dated 30 December, 2016, No. 492-VQD — «Azerbaijan» newspaper (7 February, 2017, No. 27).
70. The Law of the Republic of Azerbaijan dated 30 December, 2016, No. 494-VQD — «Azerbaijan» newspaper (7 February, 2017, No. 27).
71. The Law of the Republic of Azerbaijan dated 7 April, 2017, No. 572-VQD — «Respublika» newspaper (13 April, 2017, No. 76).
72. The Law of the Republic of Azerbaijan dated 7 April, 2017, No. 576-VQD — «Respublika» newspaper (19 May, 2017, No. 106).
73. The Law of the Republic of Azerbaijan dated 25 April, 2017, No. 635-VQD — «Azerbaijan» newspaper (21 May, 2017, No. 108).
74. The Law of the Republic of Azerbaijan dated 25 April, 2017, No. 638-VQD — «Azerbaijan» newspaper (1 July, 2017, No. 138).
75. The Law of the Republic of Azerbaijan dated 2 October, 2017, No. 797-VQD — «Azerbaijan» newspaper (11 November, 2017, No. 248).
76. The Law of the Republic of Azerbaijan dated 17 November, 2017, No. 881-VQD — «Respublika» newspaper (5 December, 2017, No. 267).
77. The Law of the Republic of Azerbaijan dated 17 November, 2017, No. 871-VQD — «Azerbaijan» newspaper (7 December, 2017, No. 270).
78. The Law of the Republic of Azerbaijan dated 31 October, 2017, No. 842-VQD — «Azerbaijan» newspaper (17 December, 2017, No. 279).
79. The Law of the Republic of Azerbaijan dated 15 December, 2017, No. 918-VQD — «Azerbaijan» newspaper (9 February, 2018, No. 30).
80. The Law of the Republic of Azerbaijan dated 3 April, 2018, No. 1054-VQD — «Azerbaijan» newspaper (25 April, 2018, No. 92).

(CC1) According to the Decree of the Constitutional Court of July 27, 2001, disputes related to legal relations occurring in connection with use of housing (flat) after September 1, 2000, shall be resolved in accordance with procedures, stipulated under Articles 228.1 and 228.2 of the Civil Code, and disputes arising in relation with legal relations, before the specified date shall be regulated in accordance with Article 123 of the Housing Code.

(CC2) According to the Decree of the Constitutional Court of December 27, 2001, terms of limitation of actions specified in Article 373 of the Civil Code of the Republic of Azerbaijan shall be applied to requirements, arising from legal relations, which have occurred after September 1, 2000. Established terms of limitation of action under this article with consideration of the Article 7 of previous Civil Code can be applied to requirements arising from legal relations, which have occurred before the mentioned date.

(CC3) According to the Decree of the Constitutional Court of January 28, 2002, legal force of Article 179 of the Civil Code, defining the time for obtaining of ownership rights on immovable property shall be applied to relations, which occurred before September 1, 2000.

(CC4) Provisions of Article 21 of the Civil Code of the Republic of Azerbaijan stipulate compensation of the actual damage only, as well as lost profit. Damage stipulated under Article 23 of the Code, intended for moral damage (physical and moral sufferings) and material damage, caused to the persons in connection with humiliation of honor, dignity and business reputation.

Compensation of moral damage, as well as application of other limitations, stipulated under the legislation, being proportional with other main rights and freedoms, protected under the Constitution of the Republic of Azerbaijan, shall in every individual case depend on the court decision.

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