THE CIVIL CODE OF THE REPUBLIC OF AZERBAIJAN

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

GENERAL

Section 1

INTRODUCTION

Chapter 1

Civil Law Legislation

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

1.1. The purpose of this Code shall be 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. This Code shall:

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

Article 2. Civil legislation of the Republic of Azerbaijan

2.1. The civil legislation of the Republic of Azerbaijan shall base upon the Constitution of the Republic of Azerbaijan and consist of this Code, other laws and other normative legal acts adopted on the basis of such laws, determining the norms of civil law.

2.2. The civil legislation shall determine the legal status of subjects of civil legal relationships, the basis for establishment and the manner of exercising rights of ownership and other property rights, and regulate 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 shall be 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 shall be regulated by civil law and other legal acts, provided that the essence of such relationships does not require otherwise.

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

2.5-1. Civil relations in the Alat free economic zone shall be regulated in accordance with the requirements of the Law of the Republic of Azerbaijan 'on the Alat free economic zone.'

2.6. Legal acts adopted in furtherance of laws shall 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. Interstate treaties to which the Republic of Azerbaijan is a party shall be directly applicable to civil legal relations regulated by this Code, except in cases where the international treaty requires the adoption of a domestic normative legal act for its implementation

3.2. Where international treaties of the Republic of Azerbaijan establish norms, different from the norms established by the civil legislation, the provisions of the international treaty shall 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 individual 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 public authorities and bodies of local self-administration with other persons and entities shall be also regulated by the civil legislation.

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

Article 6. Principles of civil legislation

6.1. The following shall be the principles of civil legislation:

6.1.1. equality of subjects of civil legislation.

6.1.2. free will of subjects of civil legislation.

6.1.3. property independence of participants of civil relationships.

6.1.4. inviolability of property.

6.1.5. freedom of contracts.

6.1.6. inadmissibility of arbitrary interference in personal and family life.

6.1.7. establishment of conditions for unrestricted exercise of civil rights.

6.1.8. securing of the restoration of breached rights.

6.1.9. protection of civil rights by courts.

6.2. Individuals and legal entities shall acquire and exercise their civil rights by their own will and for their own interest. They shall be free to establish rights and obligations by contract and determine terms and conditions of contracts, 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 shall freely circulate in 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 lives and health of people, and protect nature and cultural values.

Article 7. Effect of civil legislation over time

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

7.2. In cases expressly provided for by law, civil legislation may have retroactive effect.

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

Article 8. Territorial application of civil legislation

8.1. Civil legislation shall be effective throughout the territory of the Republic of Azerbaijan without exception.

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

Article 9. Application of civil legislation to persons

9.1. Civil legislation shall apply to all individuals and legal entities, which carry out activities throughout the Republic of Azerbaijan.

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

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

Article 10. Business practices

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 business practice, whether it is included into any act.

10.2. business practices which are contrary to law or contract shall not be applied.

Article 11. Application of civil legislation by analogy

11.1. Where civil legal relationships are not specifically regulated by civil legislation or by agreement of the parties and no applicable business practice 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 legislation regulating a similar type of relationship, rights and obligations of parties shall be regulated under the principles of civil legislation (legal analogy). Where a legal analogy is applied, the requirements of fairness, good faith and morals shall be taken into consideration.

11.3. *deleted.*

11.4. The provisions of civil legislation, 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.

Article 12. Independence of civil rights 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. Subjects of civil legal relationships may take actions, not prohibited by law and actions not specifically provided for by law.

Article 13. Entrepreneurial activity

Entrepreneurial activity shall be an activity carried out independently by a person, whose main purpose is to generate profit (*income in the case of individual entrepreneurs*) from the use of property, *production and/or* sale of goods, performance of works, or supply of services

Chapter 2

Civil rights and obligations and their protection

Article 14. Emergence of civil rights and obligations

14.1. Civil rights and obligations arise from the grounds provided for in civil legislation, as well as from acts that give rise to civil rights and obligations by individuals and legal entities under the principles of civil law, even if not explicitly provided for by legislation

14.2. The following shall constitute the basis for emergence of civil rights and obligations:

14.2.1. Contracts provided for by legislation (*except employment agreements*) and other transactions, as well as contracts and other legal transactions not expressly provided for by legislation but not contrary to it.

14.2.2. Acts of public authorities and local self-administration bodies specified by law as a basis for the emergence of civil rights and obligations.

14.2.3. Court acts establishing civil rights and obligations.

14.2.4. Acquisition of property under the terms specified by law.

14.2.5. 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 individuals and legal entities.

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

14.3. Rights of ownership, subject to state registration, unless otherwise stipulated under legislation on formation of civil rights, shall arise from the moment of registration.

Article 15. Exercise of civil rights

15.1. *deleted.*

15.2. The failure to exercise civil rights by individuals and legal entities shall not terminate such rights except as stipulated by law.

Article 16. Restriction on the exercise of civil rights

16.1. Actions of individuals and legal entities committed exclusively for the purpose of causing harm to another person or to violate any other right shall be prohibited.

16.2. *deleted.*

Article 17. Protection of civil rights

17.1. All public authorities, local self-administration bodies, political parties, public associations, trade unions, and individuals and legal entities shall be obligated to respect civil rights and provide assistance in their protection.

17.2. *deleted.*

17.3. *deleted.*

Article 18. Ways of protection of civil rights

Civil rights shall be protected under the procedure specified by legislation in a manner, which does not violate the law, public order and morals.

Article 19. Invalidation of an act of a public authority or a local self-administration body

An act of a public authority or a local şelf-administration body of a non-normative nature, incompliant with civil legislation, which violates the rights and interests of individuals and legal entities protected by law, may be declared invalid by a court.

Article 20. Self-protection of civil rights – *deleted.*

Article 21. Compensation for damages

21.1. A person who has the right to claim compensation for damages may demand full reimbursement for the damage caused to him/her, provided that the law or the contract does not stipulate that compensation should be paid in a lesser amount.

21.2. Damages shall be defined as the expenses, incurred or to be incurred by the person whose right has been violated in order to restore the violated right, the loss of or damage to his/her property (actual damage), as well as the income that the person would have obtained under normal civil turnover conditions if his/her right had not been violated (lost profit).

21.3. When determining the amount of a claim for compensation for damages, the extent to which the behavior of the injured party, its employee, and, in cases provided for by legislation, third parties contributed to the occurrence and increase of the damage should be considered.

Article 22. Compensation for damages by public authorities and local şelf-administration bodies– *deleted.*

Article 23. Protection of honor, dignity and business reputation

23.1. An individual may demand in court the retraction of information that tarnishes his/her honor, dignity, or business reputation, or violates the privacy of his/her personal and family life or personal and family inviolability, provided that the person who disseminated such information does not prove its truthfulness. The same rule shall apply if actual information is published incompletely and, as a result, affects the person's honor, dignity, or business reputation. At the request of interested parties, protection of an individual's honor and dignity may also be enforced after his/her death.

23.2. If information harming the honor, dignity or business reputation or disclosing a secret of private and family life of an individual was disseminated in the *media*, the information shall be retracted in the same *media*. If such information is included in an official document, such document shall be changed and interested persons shall be notified of such a change. In other cases, the procedure for retraction shall be determined by the court.

23.3. Where the media published (*disseminated*) information, which violates an individual's rights and interests protected by law, such person shall have the right to publish (*disseminate*) his/her reply in the same media.

23.4. An individual, whose honor, dignity, or business reputation has been tarnished by disseminated information, shall have the right not only to demand the retraction of such information but also to claim compensation for the damage caused by its dissemination.

23.5. Where it is impossible to identify the person who disseminated information that tarnishes an individual's honor, dignity, or business reputation, the person about whom such information was disseminated shall have the discretion to demand that the information be recognized as false.

23.6. The rules of this article regarding the protection of an individual's business reputation shall, accordingly, also apply to the protection of a legal entity's business reputation.

Section 2

PERSONS

Chapter 3

Individuals

Article 24. Definition of individual

24.1. An individual is a natural person involved in legal relationships on his/her own behalf.

24.2. All citizens of the Republic of Azerbaijan, citizens of foreign countries and stateless persons who permanently live or temporarily reside in the territory of the Republic of Azerbaijan shall be individuals in the Republic of Azerbaijan.

Article 25. Civil right capacity of an individual

25.1. The civil right capacity of an individual is the ability of a person to possess civil rights and be liable for civil obligations. Civil right capacity is recognized equally for all individuals.

25.2. The legal capacity of an individual shall arise at the moment of birth and terminate upon his/her death. The cessation of brain activity is considered the moment of death.

25.3. The right to inherit shall arise from the moment of conception. however, the exercise of this right shall be possible only upon individual's birth.

25.4. An individual may not be deprived of his/her legal capacity.

Article 26. Right to a name

26.1. Every individual shall have the right to a name consisting of first, last and middle names.

26.2. An individual shall acquire and exercise rights and obligations under his own name.

26.3. An individual may use a pseudonym (fictitious name) where and under the procedure provided by law.

26.4. An individual shall be entitled to change his/her name under the procedure established by law. A name change by individual shall not terminate or change his/her rights and obligations acquired under the previous name. An individual shall be obligated to notify his/her debtors and creditors of a change of his/her name and shall bear the risk for the consequences of the failure to provide information about a name change to such parties. Upon a name change, an individual shall be entitled to amend documents legalized in his/her previous name, at his/her own expense.

26.5. The name given to an individual at birth and a name change shall be 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 individual shall be prohibited.

26.7. Compensation for damage caused to an individual as a result of the unlawful use of his/her name shall be paid in accordance with this Code

26.8. If an individual's name is distorted or used in ways or forms that infringe upon his/her honor, dignity, or business reputation, the rules provided for in Article 23 of this Code shall apply.

Article 27. Residence of an individual

27.1. The place where an individual usually resides shall be considered his/her place of residence. A person may have multiple places of residence.

27.2. The residence of an individual under the age of 14 is the residence of his/her parents, provided that he/she has not been deprived of parental rights, in which case the place of residence of an individual under guardianship is the residence of the guardian.

27.3. If a person leaves his/her place of residence for a certain period for whatever reason, he/she shall not lose his/her place of residence.

Article 28. Civil right capacity of an individual

28.1. The civil right capacity of an individual is the ability to obtain and exercise civil rights and to establish and perform civil obligations by his/her own actions.

28.2. The full civil legal capacity of an individual shall begin in its full upon his/her reaching the adult age, i.e., upon reaching the age of 18.

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

28.4. A minor who has reached the age of sixteen but has not yet attained full legal capacity may be considered fully capable if he/she is employed under a labor agreement or, at the consent of his/her parents, adoptive parents, or guardian, engage in entrepreneurial activity. Based on the consent of both parents, adoptive parents, or guardian, a decision by the guardianship and trusteeship authority, and if such consent is absent, a court decision, the minor may be recognized as fully legally capable (emancipation).

28.5. Parents, adoptive parents and guardians shall not be 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, an individual 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 declare individuals who suffer from mental retardation or mental illness as lacking legal capacity, and therefore unable to understand the nature of their actions or to manage them. A guardianship shall be established for such persons. Transactions on behalf of an individual declared as lacking legal capacity shall be carried out by their guardian. Transactions made by a person considered incapable may only be deemed valid with the subsequent consent of the 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.

Article 29. Legal capacity of minors under the age of 14

29.1. Only parents, adoptive parents or guardians shall be 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/her parents, adopted parents or guardians.

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

29.2.1. minor household transactions.

29.2.2. transactions aimed at obtaining benefits free of charge, for which neither notarization nor state registration of the rights arising therefrom is required.

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. For transactions entered into by a minor under the age of fourteen, including those concluded independently, property liability shall be borne by the parents, adoptive parents, or guardian, unless they prove that the breach of obligation did not occur through their fault. In accordance with the law, these persons shall also be liable for the damage caused by the minor.

Article 30. Legal capacity of minors between the age of 14 and 18

30.1. Minors between the ages of 14 and 18, except as provided in Article 30.2 of this Code, shall conclude transactions with the written consent of their legal representatives — their parents, adoptive parents, or guardians. A transaction entered into by such a minor shall also be considered valid if subsequently approved by the parents, adoptive parents, or guardian.

30.2. Minors between the ages of 14 and 18 shall have the right, independently and without the consent of their parents, adoptive parents, or guardians, to:

30.2.1. dispose of their earnings, scholarships, and other income.

30.2.2. exercise the rights of an author to a work of science, literature or art, an invention, or another result of intellectual activity protected by law.

30.2.3. *deleted*.

30.2.4. conclude minor household transactions and other transactions provided for in Article 29-2 of this Code. Minors who have reached the age of 16 shall also have the right to become members of a cooperative.

30.3. Minors between the ages of 14 and 18 shall be 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 shall be liable for damages caused by them in accordance with this Code.

30.4. Where sufficient grounds exist, the court may, upon the petition of the parents, adoptive parents, guardian, or the guardianship and trusteeship authority, restrict or revoke the right of a minor between the ages of 14 and 18 (if the minor has not acquired full legal capacity) to independently dispose of their earnings, scholarships, or other income.

Article 31. Prohibition of depriving an individual of legal capacity and capacity to act, and of restricting these capacities

31.1. An individual may not be deprived of his/her legal capacity in any circumstances. His/her legal capacity and capability may be limited only in the cases and under the procedures provided by law.

31.2. Failure to comply with the conditions and procedures established by law for restricting an individual's capacity to act, or his/her right to engage in entrepreneurial or other activities, shall invalidate the act of the public authority or other body imposing such restriction.

31.3. Transactions by which an individual wholly or partially renounces his/her legal capacity or capacity to act, or which are aimed at restricting his/her legal capacity or capacity to act, shall be deemed null and void.

Article 32. Restriction of an individual's capacity to act

32.1. The capacity to act of an individual who, as a result of abuse of alcoholic beverages, narcotic drugs, or psychotropic substances, or engagement in gambling, places his/her family in a difficult financial situation, may be restricted by a court. Guardianship shall be appointed for such a person. He/she shall have the right to conclude minor household transactions. He/she may enter into other transactions and receive and dispose of their earnings, pension, and other income only with the consent of their guardian. However, such a person shall bear property liability independently for the transactions he/she concludes and for any damage he/she causes. In cases where the consent of the guardian is required, a transaction concluded without such consent may subsequently be validated by the guardian’s written approval.

32.2. When grounds for restricting an individual's capacity to act are removed, the court shall lift the restriction. Guardianship established over the individual shall be terminated based on a court decision.

Article 33. Guardianship and trusteeship

33.1. Guardianship and trusteeship shall be established to protect the rights and interests of individuals who lack capacity to act or have limited capacity to act. Guardianship and trusteeship over minors shall also be established for the purpose of their upbringing. The rights and duties of guardians and trustees in this regard shall determined by the Family Code of the Republic of Azerbaijan.

33.2. Guardians and trustees shall protect the rights and interests of those under their guardianship in all relations, including in court, without the need for special authorization.

33.3. Guardianship and trusteeship shall be established over minors in cases where their parents are absent, they have not been adopted, their parents have been deprived of parental rights by a court, or such individuals are otherwise deprived of parental care, including situations in which the parents fail to provide upbringing or protect their rights and interests.

33.4. Guardianship shall be established over minors who have not reached the age of 14, as well as over indivuduals who have been declared by a court to lack capacity to act due to a mental disorder.

33.5. Guardians shall act as legal representatives of those under guardianship and conclude all necessary transactions on their behalf and in their interests.

33.6. Trusteeship shall be established over minors aged 14 to 18, as well as over individuals whose capacity to act has been restricted by a court due to abuse of alcoholic beverages, narcotic drugs, or psychotropic substances, or engagement in gambling.

33.7. Trustees shall give consent for transactions that persons under trusteeship are not authorized to conclude independently. Trustees shall assist those under trusteeship in exercising their rights and performing their duties, and they also protect them from abuse by third parties.

Article 34. Guardianship and trusteeship authorities

34.1. Guardianship and trusteeship authorities shall be established under the law.

34.2. From the date a court decision declaring an individual as lacking capacity to act or restricting his/her capacity to act enters into legal force, the court shall, within three days, notify the guardianship and trusteeship authority at the person's place of residence for the purpose of establishing guardianship or trusteeship over that person

34.3. The guardianship and trusteeship authority at the place of residence of persons under guardianship shall oversee the activities of their guardians and trustees.

Article 35. Guardians and trustees

35.1. The guardianship and trusteeship authority at the place of residence of a person in need of guardianship or trusteeship shall appoint a guardian or trustee within three months from the moment it becomes aware of the necessity to establish guardianship or trusteeship over the individual. Until a guardian or trustee is appointed for the person in need of guardianship or trusteeship, the duties of the guardian or trustee shall be carried out by the guardianship and trusteeship authority. *In cases where children who have lost their parents or have been deprived of parental care are in need of guardianship or trusteeship, the functions of the guardianship and trusteeship authority shall be performed by the relevant executive authority until a guardian or trustee is appointed*. Interested parties may file an objection in court regarding the appointment of a guardian or trustee

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

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

35.4. The guardians and trustees of individuals in need of guardianship or trusteeship who are in, or have been placed in, relevant *social service institutions* shall be those institutions.

35.5. Duties of guardianship and trusteeship shall be performed without remuneration, except in cases provided for by law.

35.6. Guardians and trustees of minors shall reside together with those under their guardianship or trusteeship. Separate residence of a trustee and a ward who has reached the age of 16 shall be permitted with the consent of the guardianship and trusteeship authority,

provided that such separate residence does not adversely affect the upbringing, rights, or interests of him/her. Guardians and trustees shall be obliged to notify the guardianship and trusteeship authorities of any change of residence

35.7. Guardians and trustees shall be obliged to ensure the maintenance, care, and medical treatment of the children under their guardianship or trusteeship, *including children placed in the family of a person intending to adopt them on a trial basis in accordance with Articles 118.12 and 118.13 of the Family Code of the Republic of Azerbaijan*. They shall also ensure the education and upbringing of such children, and protect their rights and interests.

35.8. The duties specified in Article 35.7 of this Code shall not be entrusted to the trustees of adults whose legal capacity has been restricted by a court.

35.9. When the grounds that led to an individual being declared incapable or of limited legal capacity cease to exist, the guardian or trustee shall be obliged to petition the court for the recognition of the ward's legal capacity and the termination of guardianship or trusteeship

Article 36. Disposition of the property of the person under guardianship or trusteeship

36.1. Except for income over which a person under guardianship or trusteeship has the authority to dispose of independently, the income of such person, including income derived from the management of their property, shall be spent by the guardian or trustee solely for the benefit of the ward and only with the prior consent of the guardianship and trusteeship authority. Without the prior consent of the guardianship and trusteeship authority, the guardian or trustee may cover necessary expenses for the maintenance of the ward from amounts of income that the ward would otherwise receive.

36.2. Without the prior consent of the guardianship and trusteeship authority, a guardian shall not enter into transactions involving the privatization, transfer, or donation of the property of a person under guardianship or trusteeship. nor shall they lease, grant for free use, or pledge such property, renounce rights belonging to the ward, distribute the ward's property, or allocate shares from it, or engage in any other transactions that may reduce the ward's property. A trustee, in turn, may not give consent to such transactions. The rules for managing the property of a person under guardianship shall be determined by legislation.

36.2-1. The decisions of the guardianship and trusteeship authorities, in connection with the permit provided for in Articles 36.1 and 36.2 of this Code, shall be entered into the information system of the authority (institution) designated by the relevant executive authority within 1 (one) business day.

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. Management of the property of a ward or a person under trusteeship by power of attorney

37.1. When the permanent management of the movable and valuable immovable property of a person under guardianship or trusteeship becomes necessary, the guardianship and trusteeship authority shall conclude an agreement with a manager it appoints for the

management of such property by power of attorney. In this case, the guardian or trustee retains their authority over the property of the ward that has not been placed under management by power of attorney. The rules set forth in Articles 36.2 and 36.3 of this Code shall apply to the exercise of powers by the manager in the management of the ward's property by power of attorney.

37.2. The management of the property of a person under guardianship or trusteeship by power of attorney shall be terminated on the grounds provided by law for the termination of an agreement on the management of property by power of attorney, as well as in cases where guardianship or trusteeship is terminated.

Article 38. Relieving and dismissing guardians and trustees from execution of their duties. Termination of guardianship and trusteeship

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

38.2. Upon the placement of a person under guardianship into a *social welfare institution* or any other similar institution, the guardianship and trusteeship authority shall release the previously appointed guardian or trustee from execution of his/her duties provided that such action is not contrary to interests of the person under guardianship or trusteeship.

38.3. For valid reasons (illness, changes in property status, lack of mutual understanding with the ward, etc.), a guardian or trustee may be relieved of his duties at his own request.

38.4. If a guardian or trustee fails to properly perform his/her duties, including using guardianship or trusteeship for personal gain or leaving the ward without control or necessary assistance, the guardianship and trusteeship authority may remove the guardian or trustee from the performance of his/her duties and take the necessary measures to hold the culpable individual legally accountable.

38.5. Upon the petition of a guardian, trustee or the guardianship and trusteeship authority, the guardianship or trusteeship shall terminate upon a court decision declaring the person under guardianship or trusteeship as having legal capacity or terminating the restrictions on his/her legal capacity.

38.6. The guardianship of a minor under guardianship shall terminate upon his/her reaching the age of 14 and the individual who exercised the duties of the guardian shall become a trustee of the minor without any additional decision.

38.7. Guardianship over a minor shall be specifically terminated when the minor reaches the age of 18, or when the minor ~~enters into marriage or otherwise~~ attains full legal capacity before reaching the age of maturity.

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/her rights and perform obligations, patronage may be established over such person. The establishment of patronage shall not restrict the rights of an individual.

39.2. A patron (assistant) of an adult having legal capacity shall be appointed by the guardianship and trusteeship authority upon the consent of such an individual.

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

39.4. Patronage of an adult having legal capacity, established according to Article 39.1 of this Code, shall terminate on the request of the adult under patronage. The patron (assistant) of an individual under patronage shall be released from the fulfillment of his/her duties in cases specified in Article 38 of this Code.

Article 40. Declaration of an individual as missing

40.1. Upon the application of a relevant person, a court may declare an individual 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. After the court decision declaring a person missing enters into legal force, that person's legal heirs acquire the right to manage the property of the missing person as entrusted property, including the right to benefit from it. From this property, maintenance expenses for persons dependent on the missing person are provided, and debts are paid

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 allowance 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 an individual as deceased

41.1. A court may declare an individual 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 as deceased not earlier than two years after the date of the end of the military operations. *A court, having taken into account the circumstances suggesting that the person died in the military operations, may declare him or her deceased before the expiry of the specified period, but not earlier than six months from 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 a 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, shall be 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. Main 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 individual or legal entity, or a group of individuals 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 shall participate in civil relationships in the same manner as other legal entities. In such cases, the power of a municipality shall be 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 shall be governed by this Code, the laws of the Republic of Azerbaijan 'on Legal Entities of Public Law' and 'on the Central Bank of the Republic of Azerbaijan.'

Article 44. Legal capacity of a legal entity

44.1. A legal entity shall have civil rights and bear civil liability from the moment of state registration. The legal capacity of a legal entity shall terminate upon liquidation.

44.2. A commercial legal entity shall have civil rights and bear 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) shall arise from the moment of obtaining such license or at the time indicated in the license and, unless otherwise provided by law, terminate upon the expiry of the license.

Article 45. Establishment of a legal entity

45.1. A legal entity shall be 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 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 founders of a legal entity

Founders of a legal entity shall be jointly liable for obligations related to its establishment, which arise prior to state registration.

Article 47. Charter of a legal entity

47.1. The charter of a legal entity, approved by its founders, shall be the foundation document of the legal entity. A legal entity established by *one* founder shall operate on the basis of a charter approved by the founder, *apart from the cases prescribed by the Laws of the Republic of Azerbaijan 'on Bank' and 'on Investment Funds.'*

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. Charters of *legal entities (except for legal entities of public law and legal entities that have been granted the functions of state control and inspection by a charter approved by a body (institution) established by the relevant executive authority)* shall not reflect the assignment of powers of public *authorities (institutions)* and local self-government bodies, as well as the functions of state control and inspection.

47.3. Changes to a charter shall become effective for 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.

Article 48. State Registration of a legal entity

48.1. A legal entity shall be 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 public available state register of legal entities.

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 of rejection of state registration, or the failure to perform subtraction of state registration, may be appealed to a court.

48.3. A legal entity shall be subject to re-registration only as provided by law.

Article 49. Bodies of a legal entity

49.1. A legal entity shall acquire civil rights and undertake 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 shall be specified respectively by the charter, *Laws of the Republic of Azerbaijan on Banks, on Insurance Activity, on Investment Funds, on the Securities Market and on Deposit Insurance*.

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

49.3. A person 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 should, at the request of *participant(s)* 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, shall be liable for damage caused to a legal entity or shareholder (shareholder), in the following cases:

49.4.1. payment of bonuses to members of management bodies of a legal entity if the legal entity operates at loss 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 agreenebts with related parties of a legal entity that violate the requirements of the law or pose a threat to the interests of a legal entity.

49.4.4. purchase by a legal entity of goods (works, services) on the basis of concluded agreements 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, related parties 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 (stockholders) or transactions causing them loss.

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 shall 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(s) holding a stake (shares) in the amount of not less than 10 percent of the authorized capital of a legal entity shall have the right to demand from a person who acts on behalf 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 shall be 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.

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 connected transactions, concluded between the legal entity and its related party shall be defined as related party transactions. The following shall be 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 structural unit (branch, representative office, office, 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 (spouses, parents, including in-laws, grandparents, children, adoptive parents (adopted), siblings).

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 shares in share capital of the legal entity.

49-1.1.7. anyone owning at least 20% of shares in the legal entities specified in Articles 49-1.1.4 and 49-1.1.6 of this Code.

49-1.1.8. heads of boards of directors (supervisory board) and executive bodies of legal entities specified in Articles 49-1.1.4 and 49-1.1.6 of this Code.

49-1.1.9. other related parties of banks, non-bank credit institutions and investment funds established respectively by Laws of the Republic of Azerbaijan on Banks, on Non-bank Credit Institutions and on investment funds.

49-1.2. If the value of the transaction to be concluded with a related party, is 5 percent or more of assets of a legal entity, this transaction shall 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, shall have no right to participate in voting on this issue.

49-1.3. If the value of the transaction, to be concluded with a related party, is less than 5 percent of assets of a legal entity, this transaction shall be 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 respect to banks taking into account the requirements prescribed by the Law of the Republic of Azerbaijan on Banks. In this case, the participant (member), being a related party, shall have no right to participate in the vote at the general meeting of participants, at 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 shall be 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 for 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 kept responsible. If the other party of the transaction became to know that the transaction had been concluded in violation of Articles 49-1.2 and 49-1.3 of this Code, a legal entity or its any participant may dispute this transaction in accordance with Articles 337.1 and 339 of this Code.

49-1.5. The head or members of the board of directors (supervisory board) of a legal entity shall present written information to 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 other members of the executive body of the legal entity shall submit to the Board of Directors (Supervisory Board) of the legal entity, and in his absence, to members of the legal entity, 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 members of the board of directors (supervisory board) and executive body of the legal entity, the other persons should submit to the Board of Directors (Supervisory Board) of the legal entity, and in its absence - to the executive body of the legal entity, 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 a related party in respect of the deal, and the nature of (the appearance, size and so on) of their interests in connection with this transaction.

Article 50. Name of a legal entity

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

50.1-1. Names of public authorities of the Republic of Azerbaijan, as well as names of famous persons of Azerbaijan (without the consent of their close relatives or heirs) may not be used in the name of non-governmental organizations.

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

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*.

Article 52. Liability of a legal entity

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

52.2. Except where provided by this Code, or the corporate charter, a founder (participant) of a legal entity shall not be kept liable for the obligations of the legal entity and a legal entity shall not be 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 and protects interests of the legal entity.

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 should be citizens of the Republic of Azerbaijan.

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 shall be liable for obligations of the institution.

54.5. Specific legal features of the legal status of certain types of state and other institutions shall be 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 shall be done pursuant to a court decision.

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

55.4. Except for transformation through merger, a legal entity shall be 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 shall be 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.

55.6. Banks shall be reorganized in accordance with the law of the Republic of Azerbaijan on Banks.

55.7. To ensure criminal legal measures that can be imposed on a legal entity, its reorganization may be prohibited in the manner prescribed by the Code of Criminal Procedure of the Republic of Azerbaijan. A court decision banning the reorganization of a legal entity shall be immediately sent to the relevant executive authority.

Article 56. Legal succession upon reorganization of legal entities

56.1. Upon consolidation of legal entities, the rights and obligations of each shall be transferred to the newly emerged legal entity pursuant to a handover act.

56.2. Upon the acquisition of one legal entity by another one, the rights and obligations of the former shall be transferred to the latter pursuant to a handover act.

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

56.4. Upon the separation from a legal entity of one or more legal entities, each of them shall receive 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 shall be transferred to the newly emerged legal entity pursuant to an acceptance act.

Article 57. Handover act and statement balance of division

57.1. An acceptance act 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 acceptance act and a statement balance of division shall be approved by 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 acceptance act 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 ar

58.1. 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, and, in the cases specified in Article 55.3 of this Code, the external manager should notify the legal entity's creditors in writing about its reorganization.

58.2. A creditor of a reorganized legal entity shall be entitled to request 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, newly emerged legal entities shall be jointly liable for 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. by the 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. in cases where the registration of a legal entity is declared invalid by a court due to violations of the law committed during its establishment.

59.2.3. By a court decision, when activities are carried out without the required special permit (license), or when activities prohibited by law are conducted, or when the law is repeatedly or grossly violated in any other manner, or when a public association or foundation regularly engages in activities contrary to its charter objectives, as well as in other cases provided for in this Code and *in the Laws of the Republic of Azerbaijan 'On Banks,' 'On Insurance Activity,' and 'On Investment Funds.*

59.2.4. when a criminal-law measure in the form of liquidation of a legal entity is applied by a final court decision.

59.2-1. A 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 Code 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. The 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 public authority (*institution*) ~~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. *By final court decision on the liquidation of a legal entity on the basis specified in Article 59.2.4 of this Code, the liquidation commission (liquidator) is entrusted with the obligation to liquidate the legal entity*.

59.4. A legal entity may also be liquidated 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 bankruptcy.

59.6. Total period of the liquidation process shall not exceed one year from the moment of inclusion of information on liquidation of the legal entity to the stat 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.

59.7-1. Upon receipt of information from the body (institution) determined by the relevant executive authority for the liquidation of branches and representative offices of foreign media entities in the Republic of Azerbaijan, the body (institution) designated by the relevant executive authority shall, within 5 (five) working days, ensure the liquidation of such branches and representative offices of foreign media entities in the Republic of Azerbaijan and their removal from the state register of legal entities, without applying the procedures relating to liquidation of legal entities set forth in Articles 59–61 of this Code.

59.8. The liquidation of local banks, their branches, departments and representative offices, as well as local branches and representative offices of foreign banks shall be carried out taking into account the requirements of the Law of the Republic of Azerbaijan on banks.

59.9. To ensure criminal legal measures that can be imposed on a legal entity, its liquidation by decision of the founders (participants) or a body authorized by the charter of a legal entity may be prohibited in the manner prescribed by the Code of Criminal Procedure of the Republic of Azerbaijan. A court decision banning the liquidation of a legal entity shall be immediately sent to the relevant executive authority.

Article 60. Decision on liquidation of the legal entity

60.1. By the decision on the liquidation of a legal entity, a liquidation commission (liquidator) shall be appointed, the procedure and timeframes for liquidation shall be determined in accordance with this Code, and the liquidation process shall commence.

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

60.3. From the date of making the decision on liquidation, participants of the legal entity or the body authorized for this purpose by its charter shall operate solely within the framework of the liquidation process. In court proceedings, the liquidation commission (liquidator) shall act on behalf of the legal entity under liquidation.

60.4. From the moment the liquidation commission (liquidator) is appointed, the authority to manage the affairs of the legal entity shall be transferred to it. The liquidation commission (liquidator) shall continue its activities with the purpose of selling the property of the legal entity in an economically efficient, cost-effective, and timely manner in order to ensure the payment of debts and the preservation of the remaining income, as well as distributing remaining property among the participants after the settlement of debts. In the event of the liquidation of a non-commercial organization, the legal fate of the remaining property after the payment of debts shall be determined in accordance with Articles 114.3, 116.3, and 117.7 of this Code.

60.5. Members of the liquidation commission (liquidator) shall comply with the requirements of Article 49.3 of this Code in the course of their activities.

60.6. Members of the liquidation commission (liquidator) may be recalled or replaced by other persons in the manner in which they were appointed.

Article 61. Procedure for liquidation of the legal entity

61.1. Within 10 days from the date of its appointment, the liquidation commission (liquidator) shall cause the first notice of the liquidation of the legal entity and the procedure and time limits for the submission of creditors' claims to be published in the print media in which information on the state registration of legal entities in the Republic of Azerbaijan is published. This notice shall thereafter be published two more times at intervals of 15–20 days in the same manner. The period for the submission of creditors' claims may not be less than 60 days from the date of publication of the first notice of liquidation.

61.2. Within 15 days from the date of its appointment, the liquidation commission (liquidator) shall submit to the relevant executive authority responsible for the state registration of legal entities: the decision on liquidation, the official statement confirming the solvency of the legal entity as provided in Articles 59.2-1 and 61.1 of this Code, the document confirming the publication of the first notice, and the seal. The relevant executive authority responsible for the state registration of legal entities shall enter the submitted information into the state register of legal entities in accordance with the Law of the Republic of Azerbaijan 'On State Registration of Legal Entities and the State Register' within 5 days of receipt. Thereafter, the legal entity shall use a seal marked 'under liquidation' when preparing documents, and in all documents, the words 'under liquidation' shall be added after its name.

61.3. The liquidation commission (liquidator) shall take measures to identify creditors and recover debtor claims, and on the day the notice of liquidation is published in the media, send a notification of the liquidation of the legal entity to all known creditors. The commission shall also apply to the relevant executive authority to determine whether there are any outstanding debts to the state budget in the form of compulsory payments, to extra-budgetary state funds in the form of mandatory state social insurance and unemployment insurance contributions, and to the compulsory health insurance fund in the form of mandatory health insurance contributions.

61.3-1. The liquidation commission shall ensure the transfer of documents generated as a result of its own activities and the activities of the liquidated legal entity, which are classified as archival documents in accordance with the Law of the Republic of Azerbaijan 'On the National Archival Fund,' to the relevant state archival service organization at the location of the legal entity.

61.4. If the liquidation commission (liquidator) disagrees with any claim submitted by a creditor, that creditor shall have the right to file a lawsuit in court. Until a court decision is made regarding the claim, the funds necessary to secure it shall be retained.

61.5. Within 10 days after the expiration of the period for submission of creditors' claims, the liquidation commission (liquidator) shall prepare and approve the interim liquidation balance sheet and send it to the participants of the legal entity. The interim liquidation balance sheet shall include at least information on the composition of the property of the liquidated legal entity, claims of its creditors, and the list of accounts receivable. A participant holding at least 10 percent of the charter capital of the legal entity who disagrees with the interim liquidation balance sheet may, within 7 days of receiving it, request the convening of a general meeting. In this case, the interim liquidation balance sheet should 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. The liquidation commission (liquidator) shall pay the creditors of the liquidated legal entity in the order of claims received, in accordance with the interim liquidation balance sheet, starting from the date of its approval.

61.8. After settlements with all known creditors is completed, within 5 days, the liquidation commission (liquidator) shall prepare a report reflecting the liquidation balance and the plan for the distribution of remaining assets among the participants (or, in the case of a non-profit organization, for

use in accordance with Articles 114.3, 116.3, and 117.7 of this Code). The said balance and report should be approved by participants of the legal entity or by the body authorized to do so under the charter, no later than 45 days from the date of their preparation.

61.9. Creditors may submit their claims until the liquidation balance is approved.

61.10. Within 10 days after the liquidation balance is approved, the liquidation commission (liquidator) shall ensure that the remaining assets are transferred to the participants of the legal entity in accordance with the approved distribution plan, or, in the case of a non-profit organization, are used in accordance with the approved usage plan and Articles 114.3, 116.3, and 117.7 of this Code. The distribution of assets is carried out proportionally to each participant's share. If the liquidated legal entity has no participants or heirs of participants, the remaining assets shall be transferred to the state. On behalf of the state, such assets are received by the relevant executive authority.

61.11. Within 10 days after the distribution or use of the remaining assets, the liquidation commission (liquidator) shall send to the relevant executive authority responsible for the state registration of legal entities: the approved liquidation balance, a report reflecting the plan for the distribution (or use) of the remaining assets, a document confirming the transfer of such assets to the participants (or, in the case of a non-profit organization, their use in accordance with Articles 114.3, 116.3, and 117.7 of this Code), and other documents stipulated in Article 16.2 of the Law of the Republic of Azerbaijan on State Registration of Legal Entities and State Register.

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. If assets are discovered after the completion of the liquidation of a legal entity, the court may, upon the application of an interested person, reopen the liquidation process and appoint a new liquidation commission (liquidator). The sole duty of this liquidation commission (liquidator) shall be to immediately convert such assets into cash and distribute them among the participants (or, in the case of a non-profit organization, to use them in accordance with Articles 114.3, 116.3, and 117.7 of this Code). The emergence of new obligations after the removal of the legal entity from the state register shall not constitute grounds for reopening the liquidation process

~~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. 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 individuals 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.~~

Article 63. Bankruptcy of a 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 respectively by *the Civil Procedure Code of the Republic of Azerbaijan, the Laws of the Republic of Azerbaijan 'on Bankruptcy and Insolvency' and 'on Banks.'*

§2. Commercial Organizations

Article 64. Commercial partnerships and companies

64.1. Business partnerships and companies are commercial entities whose charter (joint) capital is divided into shares belonging to their founders (participants). The property formed at the expense of founders' (participants') contributions, as well as the property produced or acquired by the partnership or company in the course of its activities, belongs to it under the right of ownership. In cases provided for by this Code, a commercial partnership may be established by a single person.

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

64.3. Business companies may be established in the form of a limited liability company, an 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. Participants of business companies and limited partners in limited partnerships may be natural persons and legal entities.

64.6. Public authorities and local self-government bodies may not act as participants of business partnerships and companies.

64.7. Business partnerships and companies may, unless otherwise provided for by this Code, act as founders (participants) of other business partnerships and companies.

64.8. Contributions to property of a business partnership or company may consist of money, securities, other property, or property rights, and other rights having monetary value.

64.9. Monetary valuation of a participant's contribution to the property of a business company shall be carried out on the basis of an agreement among the founders (participants) of the company and should be verified by an 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 shall be 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 shall be 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 company.

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

Article 66. Transformation of business partnerships or companies

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

66.2. When a partnership is transformed into a company, each full partner who was a participant (shareholder) in the partnership shall bear subsidiary liability with all of his/her assets for the obligations transferred from the partnership to the company for a period of two years. The former partner's transfer of his/her shares (stocks) to another person shall not release him/her from such liability.

Article 67. Subsidiary

67.1. A business company shall be considered a subsidiary if another (parent) business partnership or company, due to 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 shall not be liable for debts of its parent partnership or company.

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

67.4. Participants (shareholders) in a subsidiary shall be 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 binding instructions issued by the parent partnership or company.

67.5. In case of 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 binding instructions of the parent partnership or company.

67.6. A subsidiary shall not be entitled to redeem shares (stakes) of the parent company.

Article 68. Dependent business company

68.1. A business company shall be 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 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 about such acquisition.

68.3. A dependent company shall not be entitled to redeem shares (stakes) of the parent company.

Article 69. Full partnership

69.1. A partnership shall be deemed a full partnership if its participants (full partners) conduct entrepreneurial activities on behalf of the partnership in accordance with the charter and bear liability with their own property for the partnership's obligations.

69.2. A person can be a participant in only one full partnership.

69.3. The name of a full partnership should include names of all its participants and the words 'full partnership,' or it may include the name of one or more participants with the addition of the words 'and partners' and 'full partnership.'

Article 70. Charter of full partnership

In addition to the information specified in Article 47.2 of this Code, the charter of a full partnership should specify: the amount and composition of the partnership's joint capital. the amount of each participant's share in the joint capital and the procedure for its modification. the composition of their contributions and the procedure for making contributions. and the terms regarding the liability of participants for failure to fulfill their obligations to make contributions.

Article 71. Management in full partnership

71.1. Activities of sull partnership shall be 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. If the charter does not establish another rule for determining the number of votes of full partnership participants, each participant in the full partnership shall have one vote.

71.3. Each participant of the partnership may review all documents related to the conduct of partnership's affairs, regardless of whether they have been authorized to manage those affairs. Any waiver or restriction of this right, including a waiver or restriction based on an agreement among the partnership participants, shall be invalid.

Article 72. Administration of affairs of full partnership

72.1. Each participant in a full partnership shall be 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 shall be required to conclude each transaction.

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

72.4. In relations with third parties, the partnership may not refer to provisions of the charter restricting the authority of its participants, except for cases when the partnership proves that, at the moment of concluding 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 affairs of the partnership conferred upon one or several participants may be terminated by a court upon the request of one or several of other participants of the partnership if there are sufficient grounds including gross violation by the authorized official(s) of his/her 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 full partnership

73.1. A participant in full partnership shall be obligated to participate in the activities of the partnership in accordance with the provisions of the charter.

73.2. A participant in full partnership shall be obligated to make his contribution to the statutory charter capital prior to the registration of the partnership.

73.3. A participant in a full partnership may not, without prior consent of other participants, conclude 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 case of the violation of this rule, the partnership shall be entitled, at its own discretion, to claim from such participant compensation for damages incurred to the partnership or transfer of all revenues acquired from such transactions.

Article 74. Distribution of profits and losses of a full partnership

74.1. Profits and losses of a full partnership shall be 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 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 full partnership for its obligations

75.1. Participants of a full partnership shall bear joint and several subsidiary liability with their own property for the obligations of the partnership.

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

75.3. A participant withdrawing from a partnership shall be liable for obligations of the partnership which arose prior to his withdrawal together with 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 full partnership

76.1. Where so provided by the charter of the partnership or an agreement among remaining participants, a partnership may continue its activities after 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. Participants in a full partnership shall be entitled, by court order to exclude a participant from the partnership by a unanimous decision of 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 full partnership

77.1. A participant in a full partnership shall be entitled to withdraw from a partnership by declaring his withdrawal from participation in the partnership.

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

77.3. An agreement among 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 full partnership

78.1. A participant withdrawing from a full 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 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 full partnership, his heirs may join the full 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 full 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 full partnership shall be liable for 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, 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 participants.

Article 79. Transfer of a participant's share in the charter capital of a full partnership

79.1. A participant in a full partnership shall have the right to transfer, with the consent of 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 shall be 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 shall terminate the participant's participation in the partnership and have the consequences specified in Articles 75.2 and 75.3 of this Code.

Article 80. Forfeiture of share of participant in the compiled charter capital of a full partnership

80.1. Forfeiture of share of participant in the property of a full 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 full partnership allocate a part of its property corresponding to the share of such participant in the compiled charter capital of the full

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 full partnership shall terminate his participation in the partnership and have the consequences specified by Article 75.3 of this Code.

Article 81. Liquidation of a full partnership

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

Article 82. Limited partnership

82.1. A limited partnership shall 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 (full partners), of one or more participants - limited partners (commanditaires), who bear risk of losses related to 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 full partners participating in a limited partnership and their liability for obligations of such partnership shall be governed by the rules of this Code related to participants of a full partnership.

82.3. A person may be a general partner in one limited partnership only. A participant in a full partnership may not be a full partner in a limited partnership. A full partner in a limited partnership may not be a participant in a full 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 the name of a limited partner is included into a company name of the limited partnership, such limited partner shall become a full partner.

82.6. The rules of this Code applicable to a full 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. 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 the amount and composition of

the compiled charter capital of the partnership. an amount of and a procedure for changing each full partners' share in the compiled charter capital. a composition of and a procedure for making thereof and their liability for breach 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 full partners. The procedure for the management and conduct of affairs of such partnership by full partners shall be established thereby in accordance with the rules of this Code regarding for full partnership.

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

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

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

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

85.3. Limited partners shall have a pre-emptive right, under the conditions and procedures set forth in Article 93.3 of this Code, to acquire a share (or part thereof) offered for sale to third parties. The transfer of a limited partner's entire share to another person results in the termination of that partner's participation in the partnership.

85.4. The charter of a limited partnership may also provide for other rights for 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, full partners shall be entitled, instead of liquidation, to reorganize the limited partnership into a full partnership. A limited partnership shall also be liquidated on the basis specified for liquidation of a full partnership. However, a limited partnership shall continue to exist, provided that it has at least one full 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 full partners, a pre-emptive right to

receive their shares from assets of the partnership remaining after satisfaction of creditor claims. Assets of the partnership, remaining after this, shall be distributed among full 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 (LLC) shall mean company established by one or more persons (individuals and (or) legal entity), the charter capital of which is divided into shares, the sizes of which are specified by the charter. Participants in an LLC 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. The 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, consolidation, dissolutionç separation and conversion) with consideration of the rules and limitations established under the Code

87.3. The formation of a company shall involve convening a founding meeting and entering into a foundation agreement (in the cases provided under Article 45.2 of this Code), or adopting a resolution on the establishment of the company (if established by a sole founder), payment of the charter capital (unless the company's charter stipulates a specific period for its payment), and the preparation of the company's charter.

87.4. Upon the establishment of a company, the founding meeting shall be convened after the charter capital has been fully formed by founders (unless the company's charter provides for payment of the charter capital within a specified period). The founding meeting shall be deemed competent (quorate) if all founders or their representatives are present. In the absence of a quorum, the meeting shall be reconvened. If a quorum is still not present at the reconvened founding meeting, the establishment of the company shall be deemed not to have occurred by the founders or their representatives in attendance, and this decision shall be communicated to all founders within seven days.

87.5. The founding meeting held during the establishment of the company shall:

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

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

87.5.3. establish management bodies of the company stipulated under the Code hereof and company charter.

87.5.4. resolve 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 taken by founders unanimously, and decisions on other issues - with the majority of votes.

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

87.8. 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.

87.10. A transaction amounting to more than fifty percent of the value of net assets of a limited liability company shall be deemed a material transaction. The decision to conclude a material transaction shall be made at the general meeting of company's participants.

Article 88. Participants in a limited liability company

88.1. The number of participants in a limited liability company shall not exceed the threshold 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 as its sole participant another business entity that itself consists of a single person

Article 89. Charter of limited liability company

The charter of limited liability company shall specify, in addition to the 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 an LLC shall be composed of the value of contributions of its participants. The charter capital shall indicate 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. *The minimum amount of authorized capital in respect of entities supervised in financial markets and the procedure for their formation shall be determined taking into account the requirements of sectoral laws.*

90.2. If the Charter of a limited liability company does not provide for payment of the share capital within a certain period, founders should 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 LLC from an obligation to make a contribution into the charter capital of the company~~, inncluding by offsetting his claims to the company~~.

90.3-1. When increasing the charter capital of an LLC, on the basis of a unanimous decision of shareholders of the company, persons having a monetary claim against the company may be released from the obligation to make a contribution to the charter capital by offsetting monetary claims and becoming a

participant of the LLC. Such initiative may be taken by persons having a monetary claim against the company and (or) the company itself.

Offsetting monetary claims held by persons against entities supervised in financial markets into shares in the charter capital of those entities shall be carried out taking into account the requirements regarding the acquisition of a qualifying holding as stipulated in the laws regulating financial markets.

90.4. If the value of net assets of an LLC becomes less than the amount of charter capital at the end of the second or any subsequent fiscal year, the company shall declare a decrease in its charter capital and register such reduction in accordance with statutory procedure. If the value of the said assets of the company becomes less than the minimum amount of the charter capital, the company should be liquidated.

90.4. The charter capital of an LLC may be increased only after its full payment in accordance with the procedure provided by the present Code and charter of a company by means of increase at the expense of property of a company in proportional form to the value of contributions of shareholders and (or) by means of making additional contributions by shareholders and (or) *by means of offsetting monetary claims of persons having monetary claims against a company, with shares in the charter capital of this company* and (or) at the expense of contributions of new shareholders admitted to a company. *Except for availability of provisions in the laws regulating financial markets regarding offsetting monetary claims with shares in the charter capital of a company, if the outstanding loss of a company arisen as a result of economic activity exceeds its charter capital, offsetting of monetary claims against a company shall be allowed after elimination at the expense of making an additional contribution of the difference between this excess amount and the amount of debt provided for offsetting of shares. When determining the outstanding loss of the company arising as a result of business activities, expenses arising from depreciation charges on fixed assets shall not be taken into account.*

90.5. Increase in the Charter capital of an LLC 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 *financial statements'* 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 an LLC by means of additional contributions of 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 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 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 deadline determined by either the Charter or the decision of the General Meeting. Exceeding the deadline for investing additional share shall cause failure of increase in the Charter capital by the abovementioned means.

90.7. A decision of the General Meeting of the Company related to increase of the Charter capital of the Company as provided for in Article 90.6 hereof shall be taken based on the participant's(s') written request on investment of additional share and/or, if not prohibited by the Charter, based on an application of a third party (parties) on accepting him to the Company and investing funds. The application shall include amount and composition of 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, based on the participants' application, make a decision on increase of the Charter capital and 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, based on the third party's application, make a 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 share and change of value of the participants' shares. Nominal value of shares of a third party accepted to the Company shall be equal to or less than the amount of his 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 participants and funds of the third parties accordingly.

90.8. Reduction of the Charter capital of an LLC shall be realized by reducing the nominal value of all participants' shares. Reduction of the Charter capital by 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 under the decision of the General Meeting. After the decision of the General Meeting on reduction of the Charter capital, the Company shall inform all of its creditors of such a decision within the deadline 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.

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 Meting 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 an LLC shall have the right to receive a profit pro rata his share in the Charter Capital. *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 a decision on distribution of profits if:

90-1.3.1. at the time the decision provided for in Article 90-1.1 of this Code is made, the company meets the signs of insolvency or bankruptcy established by law, or such signs would arise as a result of that decision.

90-1.3.2. at the time the decision provided for in Article 90-1.1 of this Code is made, the value of the company's net assets is less than its charter capital, or, as a result of that decision, it will become less than that amount.

Article 91. Management in a limited liability company

91.1. The general meeting of participants shall be the supreme superior body of an LLC. 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 an LLC an executive body (collegial *or* individual) shall be established, which shall deal with current management of activities of the LLC and be accountable to the general meeting of the participants. *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 an LLC 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 be represented through his 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 deemed void. At the General Meeting of participants of the Company, each participant shall have votes pro rata his/her share in the Charter capital of the Company. The head of a collective executive body or its members, not 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. In addition to the matters assigned by this Code to the exclusive authority of the general meeting of the company's participants, other matters may also be included within the competence of the general meeting of participants in accordance with the company's charter. Whether such matters are specified in the charter or not, the general meeting may discuss any issue related to the company's activities.

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. An extraordinary general meeting of participants of the Company shall be convened in cases and in the order specified *in law or* the Charter. The 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, *as well as by other persons, designated by the law.* Extraordinary General Meeting of the Company under liquidation shall be convened by the liquidation committee.

91.1-4. The general meeting of the company's participants shall be competent if participants holding more than fifty percent of the company's shares are present.

91.1-5. If there is no quorum at the general meeting of the company's participants, the general meeting shall be convened by the executive body of the company under the procedure established by the company's charter, without changing the agenda of the general meeting. The re-convened general meeting is competent if there are participants who have fifty percent of the company.

91.1-6. In the absence of a quorum at a re-convened meeting, the general meeting shall be convened by the executive body of the company in the manner prescribed by the company's charter, without

changing the agenda of the general meeting. A reconvened general meeting shall be competent if attended by participants who have 25 percent of the company's shares.

91.1-7. Decisions on matters referred to the competence of the general meeting of the company, consisting of one participant, shall be taken by this participant individually and documented in writing.

91.2. The competence of 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 exclusive competence of the general meeting of participants in the company shall be to:

91.3.1. change the charter and the charter capital of the company.

91.3.2. establish and prematurely terminate executive bodies of the company.

91.3.3. approve company's annual reports and *financial statements*, and distribute its profits and losses.

91.3.4. decide on the reorganization or liquidation of the company.

91.3.5. elect *and prematurely terminate* the board of directors of the Company (or supervisory board) and (or) audit committee (auditor) of the company.

91.3.6. decide on conclusion of transactions provided for in Articles 49-1.2 and 87.10 of this Code.

91.4. To verify the accuracy of annual financial *statements* of the LLC (*except for micro and small businesses*), such company shall annually engage an independent auditor (external audit). An audit of annual financial *statements* of the company may also be conducted upon request of any of the participants. In this case, the audit shall be conducted at the expense of the participant requesting such an audit. The procedure for conduct of audits of the LLC shall be determined by the legislation and the charter of the company.

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

Note: *'Socially significant structures' specified in Articles 91.1, 91-4.1, 107.3 and 107-12.1 of this Code mean business entities specified in Article 2.1.9 of the Law of the Republic of Azerbaijan 'on Accounting.'*

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

91-1.1. The board of directors (supervisory board) established in cases specified in Article 91.1. of this Code shall oversee activities of the company's executive body during the period between general meetings. If the charter does not provide for the election of an auditing board (appointment of an auditor), authorities of the auditing board (auditor) may be delegated to the board of directors (supervisory board) in accordance with this Code.

91-1.2. The charter shall determine the establishment of board of directors (supervisory board) of the company and its activity as well as the order of cancellation of its authorities.

91-1.3. A sole head of the company, head (member) of the collective executive body, external manager may not be a member of the board of directors (supervisory board).

91-1.4. The chairperson 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 committee (auditor), the executive body, members of the company's board and other persons that may be established by the charter, shall be convened by the chairperson of the board. The meeting of the board of directors (supervisory board) of the company shall be

convened in respect of entities supervised in financial markets and subject to the requirements of the Law of the Republic of Azerbaijan 'on the Central Bank of the Republic of Azerbaijan.' The rules for holding a meeting of the board shall be established by the charter of the company.

91-1.5. Decisions at a meeting of the board of directors (supervisory board) of a company shall be taken by a simple majority of votes, based on one vote for each member. With equal distribution of votes, the vote of the chairperson of the board shall be deemed decisive.

91-1.6. At meetings of the board of directors (supervisory board) of the company, meeting 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 chairperson and members of the board.

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

91-2.1. Activities of an executive body 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. A collective executive body of the Company shall consist only of individuals.

91-2.3. An 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. Authorities of the independent director shall be executed by individual, with the exception of the case specified in Article 91-2.4 hereof

91-2.4. If specified in the Charter of the Company, authorities of the executive body of the Company may, on a contractual basis, be transferred to other individuals or legal entities (external manager). A contract signed by the external manager and the person approved at the general meeting and presiding the general meeting on behalf of the Company or one of the participants authorized by the general meeting shall be concluded .

91-2.5. The external manager shall, under 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 Company's participants.

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

91-3.3. Individuals 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 body, an independent director or external 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 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 body,

independent director, external manager shall be liable to present necessary information either verbally 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 *financial statements* of the Company, nor make decision on distribution of profits and losses.

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) shall establish an audit committee for the preparation, implementation of the internal audit policy and strategy and the organization of audit control. If specified in the company's charter, the audit committee shall be established in companies with less than fifty participants.

91-4.2. The procedure for the formation of the audit committee of the company, its composition, procedure of activities shall be 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 may 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 company's activities shall be carried out at an initiative of the audit committee by the decision of the general meeting or the board of directors (supervisory board) or the request of participants owning more than ten percent of 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 should provide documentation related to financial and economic activities of the company.

91-4.6. The audit committee shall subordinate to the board of directors (supervisory board).

Article 92. Reorganization and liquidation of a limited liability company

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

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

Article 93. Transfer of a share in the charter capital of a limited liability company

93.1. A member (participant) of an LLC may sell or otherwise transfer all or part of his share in the company's charter capital to one or more participants of that 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 LLC 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 should offer a buy-out of this share (part thereof)*

primarily to other members of the company. If the participants of the company do not exercise their preemptive right within one month from the date they are notified, or within another period specified in the company's charter or in an agreement between its participants, the participant's share may be alienated to a third party.

93.4. Where, pursuant to the charter of an LLC, 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 an LLC itself, the company shall be obliged to sell such a 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 LLC shall be transferred to heirs of individuals 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.

93.7. A person willing to acquire fifty percent or more of a company's shares officially submits a respective offer to all participants.

Article 94. Forfeiture of participant's share in the property of a limited liability company

94.1. Forfeiture of a participant's share in the property of an LLC 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 request that the LLC 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 the LLC shall terminate his participation in the company.

Article 95. Withdrawal of a participant from a limited liability company

A participant of an LLC may withdraw from the company at any time, regardless of the consent of other participants.

Article 96. Settlements upon withdrawal of participant from a limited liability company

96.1. A participant withdrawing from an LLC shall receive the value of 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 for 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 based on the balance sheets compiled as of the date of the withdrawal.

96.2. Where the right for property use was contributed into the charter capital of the LLC, 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 shall mean 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 subsidiary 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. The rules of this Code applicable to LLCs shall apply to additional liability companies unless otherwise provided by this Article.

Article 98. Joint-stock company

98.1. A joint stock company shall mean 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 shall be 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. Under this Code, a joint stock company shall be established through the creation of a new company or as a result of reorganization (merger, dissolution, separation, conversion) of a legal entity, acting subject to the rules and restrictions provided for by *this Code, Laws of the Republic of Azerbaijan on Banks, on Insurance Activity, on Investment Funds and on Credit Unions.*

98.4. Participants in a joint stock company (shareholders) shall be liable for its obligations and 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 (individual or legal entity) or consist of one person (individual 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 respectively by *this Code, Laws of the Republic of Azerbaijan on Banks, on Insurance Activity and on Investment Funds*.

98.8. Particular aspects of establishment of joint-stock companies upon privatization of state-owned 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 timframee stipulated by the agreement between 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. If at the second meeting the quorum was not secured, establishment of the joint-stock company shall be deemed not happened according to the decision of founders or their representatives participating at the meeting and this decision shall be communicated to all founders within seven days.

98.11. The foundation meeting held for the establishment of a joint-stock company shall:

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

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

98.11.3. organize management, control and executive bodies of the Company as specified *respectively in this Code, Laws of the Republic of Azerbaijan on Banks, on Insurance Activity and on Investment Funds* and in the Charter of the joint-stock company.

98.11.4. 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 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, issuance and state registration of shares shall be performed respectively *according to this Code, Laws of the Republic of Azerbaijan on Banks, on InvestmentFunds and on Securities Market*.

98.14. Founders of a joint-stock company shall bear joint liability for the obligations arising in connection with the establishment and prior to the state registration of the company.

98.15. For banks, insurers and licensed persons in the securities market in connection with the issues mentioned in Articles 98.4, 98.5 and 98.11.1 of this Code, the provisions of the Laws of the Republic of Azerbaijan on Banks, on Insurance Activity and on Securities Market, and in relation to joint-stock investment funds in connection with issues mentioned in Articles 98.5 and 98.11.1 of this Code, the provisions of the Law of the Republic of Azerbaijan on Investment Funds shall apply.

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 shall be deemed an open joint-stock company. Such a company shall have the right to hold open subscription to shares it is issuing and their free unlimited sale.

99.2. A public joint-stock company shall be obliged to publish its annual report and financial statements (except for micro and small businesses), and the following information, each year for public access:

99.2.1. financial indicators for the reporting period.

99.2.2. material transactions concluded with related parties.

99.2.3. funds attracted.

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

99.2.5. management structure.

99.2.6. development policy.

99.2.7. 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. turnover and profitability of the company's securities.

99.2.11. public projects.

99.3. Transactions amounting to more than 25% of the value of net assets of an open type joint-stock company shall be deemed as material. A decision on concluding a material transaction shall be made at the general meeting of shareholders and related information shall be disclosed. The procedure for disclosing this information shall be stipulated by the Charter of the joint-stock company. *Banks and local branches of foreign banks shall not be subject to the requirements of this Article*.

~~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 related party transaction. 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~~.

Article 100. Closed joint-stock company

100.1. A joint stock company, whose shares are distributed only among its founders or other predetermined persons, shall be deemed a closed joint-stock company. Such a 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 threshold established by the relevant executive authority. Otherwise, such a company shall within one year be converted into an open joint-stock company and upon expiry of such a 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 the documents listed in article 99 of this Code for public access.

Article 101. Transfer of shares in a closed joint-stock company to third party

101.1. Shareholders of a closed joint-stock company shall have a preemptive right to acquire shares sold by other shareholders of the company. Where none of the shareholders exercises his 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 the sale price of the share shall not be less than the price offered to 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 enforced such a 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 for 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.

Article 102. Charter of a joint-stock company

102.1. The charter of a joint stock company shall include, in addition to the information specified in Article 47.2 of this Code, the 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, its 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 their request, a copy of the Charter shall be given to him.

102.5. *Except in cases provided for by the Law of the Republic of Azerbaijan on Banks*, a decision to make amendments or additions to the *company*'s charter shall be made at the general meeting of shareholders by a two-thirds majority of the votes of shareholders entitled to vote.

Article 103. Charter capital of a joint-stock company

103.1. The charter capital of a joint stock company shall consist 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 *respectively, by this Code, sectoral laws* and an agreement made between the founders. Investments to the charter capital of the company may be in the form of monetary funds, fully paid securities, other property, including property rights and other rights having cash value. When establishing a joint-stock company the value of 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 company shareholders.

103.2. The charter capital of a joint stock company shall define the minimum amount of property of the company, which secures the rights of creditors. The amount of the charter capital may not fall below the amount specified by the relevant executive authority *and the Central Bank of the Republic of Azerbaijan in cases stipulated by the laws regulating financial markets*.

103.3. 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~~, including by setting-off claims against the company or otherwise~~.

103.4-1. By two-thirds majority of votes of shareholders of a joint stock company having the right to vote, persons having a monetary claim against the company may be released from the obligation to pay for company's shares by offsetting monetary claims and becoming a shareholder of the company (acquiring additionally issued shares). Such an initiative may be proposed by persons having a monetary claim against the company and (or) the company itself. Acquisition of additionally issued shares by offsetting monetary claims against the company shall be allowed by a private placement method. Offsetting monetary claims of persons having a monetary claim against entities supervised in financial markets with shares in the charter capital of these entities shall be carried out subject to the requirements for acquisition of a qualifying holding established by the laws regulating financial markets.

103.5. Where at the end of the second or any subsequent fiscal year the net value of joint-stock company's assets falls below the amount of its charter capital, the company shall reduce its charter capital and register such reduction in accordance with statutory procedure. A company shall be subject to liquidation where the value of its assets falls below the minimum amount of charter capital specified by the relevant executive authority, *except as provided for by sectoral laws*.

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

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. *If persons having a monetary claim against the company take the initiative to acquire shares by offsetting the monetary claim, the decision to issue additional shares should specify the persons who will acquire these shares*. The procedure for increasing the nominal value of shares of a joint-stock company and issuing additional shares shall be determined by *the Central Bank of the Republic of Azerbaijan*.

104.1-1. Except for the cases when the laws regulating financial markets include provisions related to the offsetting monetary claims with additionally issued shares, if the outstanding loss of the company arising as a result of business activities exceeds its charter capital, the offsetting monetary claims against the company shall be allowed after the difference between this excess amount and the amount of debt eligible for offsetting with additionally issued shares is eliminated through the additional issue of shares. When determining the outstanding loss of the company arising as a result of business activities, expenses arising from depreciation charges on fixed assets shall not be taken into account.

104.2. Shareholders, holding ordinary (common) or other voting shares shall have the pre-emptive right to purchase shares additionally issued by the company in the manner prescribed by the company's charter. A person willing to buy fifty or more percent of the shares of the company shall submit the respective proposal to all shareholders in an official manner.

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 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 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 such information, may request the pre-mature execution or cancellation of liabilities 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 shall be permitted where the company's charter provides for such a procedure.

105.4. *Except for the cases stipulated by sectoral laws,* a reduction of the charter capital of a joint-stock company below the minimum amount established by the relevant executive authority shall entail liquidation of the company.

Article 105-1. Withdrawal of shares invested by a 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. To reduce the amount of the charter capital and the number of shares, the Company may, based on the decision 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. keçirilir 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. A decision on withdrawal of shares of the company shall not be made if:

105-1.4.1. charter capital of the company is not formed in full.

105-1.4.2. a decision on the liquidation of the company has been made.

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

105-1.5. Withdrawn shares shall not be considered during voting and no dividends shall be paid on them. These shares should be either *alienated* or *withdrawn from circulation* within one year from the date of withdrawal by resolution of the general meeting.

Article 106. Issuance of joint-stock company securities

106.1. Issuance, investment, circulation and *withdrawal from circulation* 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 joint-stock company shall have the right to issue simple and privileged shares. The portion of privileged shares in the total volume of the charter capital of the company shall not be more than twenty five percent. A privileged share shall provide its *owners* with a 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 entitle their *owners* to participate in the management of the company activities.

106.3. Consolidation, split and conversion of securities of a joint-stock company shall be executed according to Article 1078-26 of the Code.

Article 106-1. Shareholders of the joint-stock company

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

106-1.2. If more than one person holds one share, they shall be considered as one person in relation to the joint-stock company and may execute their rights through a representative.

106-1.3. The *owner* of a joint-stock company's ordinary share shall:

106-1.3.1. participate in the management of the company as specified by this Code, other legislation and the charter of the company, elect and be elected to its management and executive bodies.

106-1.3.2. in the order determined by the legislation, receive information about the activity of the company, once every year become familiar with its annual report and *financial statements*.

106-1.3.3. request convening a general meeting of the company shareholders.

106-1.3.4. request making changes to the agenda of the general meeting of shareholders *and addition of new issues for discussion to the agenda*.

106-1.3.5. participate in the general meeting of shareholders with voting right (*except in the cases provided for in Articles 49-1.2 and 49-1.3 of this Code*) and request a copy of meeting minutes.

106-1.3.6. request the review of activities of the company by the auditing committee or the auditor.

106-1.3.7. receive dividends from the net profit of the company.

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

106-1.3.8-1. demand that the members of the executive body and the board of directors (supervisory board) be held liable for negligence and for intentionally causing damage 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 authority for the compensation of damage caused to the company or shareholders as a result of a concluded transaction and for the reimbursement of related expenses.

106-1.3.8-4. review the annexes to the transactions to be concluded (transactions with related parties and material transactions).

106-1.3.9. enjoy other rights provided for by this Code and the charter of the company.

106-1.4. The rights of *owners* of privileged shares of the company shall be determined under this Code and the charter of the company.

106-1.5 According to the charter of the joint-stock company, *owners* of preferred shares shall acquire voting rights in decisions concerning the following issues:

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 privileged type of shares owned by the shareholder.

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

106-1.6.1. not disclose to third parties any information considered a trade secret or confidential under the law and/or the charter.

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

106-1.6.3. 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.

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

106-2.1. A joint-stock company shall ensure registration of shareholders no 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 a year request the executive body of the company to present him/her the register of shareholders. In such a case, the executive body of the joint-stock company shall within five days present the Register of shareholders to the said shareholder.

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

106-3.1. Net profits of a joint-stock company shall be 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 net profit of the joint-stock company on fiscal year shall be decided by the general meeting of shareholders.

106-3.2. A joint-stock company may, whether determined by the Charter of the company or not, 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 a decision on their payment *and are executed within 30 (thirty) days. The change in the composition of shareholders shall not affect the execution of the decision to pay dividends in the manner and within the timeframe established by this Code*

106-3.3. A dividend on an ordinary share is a portion of net profit of the company distributed to shareholders as payments calculated per ordinary share.

106-3.4. A dividend on preferred shares is an amount paid to *owners* of preferred shares, typically as a fixed percentage of the nominal value of the share, regardless of results of the joint-stock company's economic activities. To ensure the payment of this amount, the joint-stock company may create special funds from its own resources.

106-3.5. The decision on dividends and the procedure for their payment (if not specified in the charter) shall be made by the general meeting of shareholders upon the proposal of the company's board of directors (supervisory board), or, if such bodies have not been formed, by the company's executive body.

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

106-3.7. Dividends on preferred shares that grant a priority right in dividend calculation (distribution) shall be distributed before dividends on other preferred shares.

106-3.8. When calculating dividends, the amount allocated per share should be the same for each type and nominal value of shares.

106-3.9. If the value of a joint-stock company's net assets is less than its charter capital, or would become less as a result of paying dividends, the company may not declare or pay dividends.

Article 107. Management of a joint-stock company

107.1. The supreme governing body of a joint-stock company shall be its general meeting of shareholders. Exclusive powers of the general meeting of shareholders shall include:

107.1.1. change the charter of a company or the amount of the charter capital.

107.1.2. elect and dismiss members of the board of directors or supervisory board and the audit committee or the auditor.

107.1.3. establish and dismiss company's executive bodies provided that this matter is not within the competence of the board of directors (supervisory board).

107.1.4. approve annual reports, *financial statements* and distribute profits and losses of the company.

107.1.5. decide to reorganize or liquidate the company.

107.1.6. decide to conclude transactions specified 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 executive bodies of the company.

107.3. A board of directors or supervisory board 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 board is established, the charter shall define its exclusive powers. Matters allocated by the company's charter to the exclusive competence of the board of directors or supervisory board may not be delegated to company's executive bodies for resolution.

107.4. The company's executive body may be either collegiate (management board, directorate) *or* sole (director, general director). He/she shall manage day-to-day activities of the company and report to the board of directors or supervisory board 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 of the company shall be within the competence of the company's executive body. *Except for the cases specified in the Laws of the Republic of Azerbaijan on Banks and on Insurance Activity*, upon a resolution decision of the general meeting of shareholders, the duties of the company's executive body may be delegated to any other commercial organization or private entrepreneur (manager) on a contractual basis.

107.5. The competence of management bodies of a joint-stock company and the procedure for decision-making and acting on behalf of the company shall be determined in accordance

with *this Code, the Laws of the Republic of Azerbaijan on Banks, on Insurance Activity, on Investment Funds* and the company's charter.

107.6. During the publication of the documents specified in Article 99 of this Code, the joint-stock company shall be obliged to engage an *independent* auditor to review its annual financial *statements*. At the request of shareholders whose total share in the charter capital is ten percent or more, an audit of the joint-stock company's activities should be conducted at any time. The procedure for conducting an audit of joint-stock company's activities shall be determined by legislation and the company's charter.

Article 107-1. Convening general meetings of shareholders

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

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

107-1.3. *Apart from the cases prescribed by the Law of the Republic of Azerbaijan on Banks*, the board of directors (supervisory board) shall convene annual general meeting of shareholders no later than six months after financial year is ended and shareholders shall be informed about this. If there is no board of directors of the company (supervisory board), convening of general meeting of shareholders shall be carried out by the executive body of the company.

107-1.4. Forty-five days before the convening of the general meeting of shareholders, information about the meeting should be communicated to the *media* (except in cases of convening the general meeting of shareholders of a closed joint-stock company), and a written notice should also be sent to shareholders or nominal holders. The nominal holder should ensure that this notice is delivered to the shareholder.

107-1.5. Notifications about convening the general meeting of shareholders should specify:

107-1.5.1. the name and location of the company.

107-1.5.2. the date, time and venue of shareholders' general meeting.

107-1.5.3. the 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. *Except for the cases specified in law,* an extraordinary general meeting of shareholders shall be convened by the company's executive body at the initiative of the board of directors (supervisory board) or at the written request of the audit commission (auditor) or shareholders holding ten percent of voting shares. If the company does not have a board of directors (supervisory board), the extraordinary general meeting of shareholders shall be convened at the initiative of the executive body.

107-1.7. The request to convene an extraordinary general meeting of shareholders should specify the matters proposed for the agenda. These matters should be included in the agenda of the meeting.

107-1.8. From the date the request (initiative) to convene an extraordinary general meeting of shareholders is received, the executive body should:

107-1.8.1. within three working days, set the date and venue of the shareholders' general meeting and, except in cases of convening the general meeting of shareholders of a closed joint-stock company, announce this in the *media*.

107-1.8.2. within five working days send notices about the convening of the shareholders' general meeting to shareholders.

107-1.8.3. ensure that the shareholders' general meeting is held not earlier than thirty days and not later than forty-five days.

Article 107-2. Quorum at general meetings of shareholders

107-2.1. The general meeting of shareholders shall be deemed competent when *at least owners* of sixty percent of voting shares participate in the general meeting of shareholders.

107-2.2. If there is no quorum at the shareholders' general meeting, the meeting should be *re*convened in accordance with Article 107-1.8 of this Code, *except in cases provided by the Law of the Republic of Azerbaijan on Banks*. In this case, the agenda of the general meeting should not be changed. The reconvened general meeting shall be authorized if share *owners* holding 40 percent of voting shares are present.

107-2.3. If there is no quorum at the reconvened meeting, the general meeting should be convened *again* under Article 107-1.8 of this Code, without changing the agenda, *except in cases provided by the Law of the Republic of Azerbaijan on Banks*. The general meeting called for the second time shall be authorized if share *owners* holding 25 percent of voting shares are present

107-2.4. According to Article 107-2.3, if a quorum is not achieved for the reconvened general meeting, the company may be liquidated by a decision of the general meeting regardless of the quorum, or by a court decision based on a claim by *the Central Bank of the Republic of Azerbaijan*, after notifying *the Central Bank of the Republic of Azerbaijan*. Shareholders shall have the right to appeal to the court against the decision of the general meeting regarding the liquidation of the company.

Article 107-3. Procedure for shareholder participation in general meetings

107-3.1. A shareholder shall exercise the right to participate in the general meeting either personally or through a representative. In this case, the shareholder's representative should have a power of attorney drawn up in accordance with the procedure established by law.

107-3.2. If provided for in the company's charter, a shareholder may participate in the voting at the general meeting in absentia by expressing a clear and unconditional position on the matters on the agenda (in favor, against, or abstaining) and by having his/her signature certified in the manner prescribed by law (notarized or otherwise) through a written document.

107-3.3. The company's charter shall determine the procedure for voting in absentia.

107-3.4. If a share is owned jointly by several persons, the right to vote at the general meeting shall be entrusted to one of the owners or to their common representative in accordance with the procedure established by law.

107-3.5. Voting at the shareholders' general meeting shall be conducted on the principle of 'one voting share — one vote'.

Article 107-4. Counting committee

107-4.1. In general meetings of companies with more than one hundred shareholders, a counting committee of at least three members shall be established to determine results of the

voting. Members of the board of directors (supervisory board), the audit committee (auditor), executive bodies (sole executive body), and candidates for these positions shall not be included in the counting committee.

107-4.2. The procedure for the establishment of the counting committee shall be determined with the charter of company.

107-4.3. Counting committee minutes shall be added to general meeting minutes.

Article 107-5. Decision of shareholders' general meeting

107-5.1. Unless otherwise provided by this Code or the company's charter, decisions of the shareholders' general meeting shall be made by a simple majority of shareholders present at the meeting, taking into account the provisions of Article 107-3.5 of this Code. Decisions on the reorganization or liquidation of the company, as well as on amendments and additions to the charter, shall be made by a two-thirds majority of shareholders entitled to vote at the general meeting, *except as otherwise provided by the Law of the Republic of Azerbaijan on Banks*.

107-5.2. The shareholders' general meeting may not make decisions on matters that are not included in the agenda.

107-5.3. Decisions made by the shareholders' general meeting should be announced to shareholders no later than fifteen calendar days.

107-5.4. Shareholders may appeal decisions of the general meeting of shareholders in court.

Article 107-6. Minutes of shareholders' general meeting

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

107-6.2. Minutes of the general meeting of shareholders should specify the following:

107-6.2.1. the date and venue of the general meeting.

107-6.2.2 the agenda of the general meeting.

107-6.2.3. number of voting shares held by participants of the general meeting.

107-6.2.4. number of participating shareholders entitled to vote.

107-6.2.5. summary of speeches.

107-6.2.6. voting results for each matter submitted to a vote.

107-6.2.7. precisely and clearly worded text of the decision made by the general meeting.

107-6.3. A copy of minutes should be provided to the shareholder upon his/her request.

Article 107-7. Board of directors of joint-stock company (supervisory board)

107-7.1. A board of directors of the company (supervisory board) shall be established subject to Article 107.3. of this Code. The board of directors of the company (supervisory board) shall oversee overall management and activity of the company within its authority.

107-7.2. The number of members of the board of directors of the company (supervisory board) and requirements for them shall be determined by the charter of the company. *The number of members of the board of directors (supervisory board) of the company and the requirements for them may also be established by law.*

107-7.3. If the composition of the board of directors of the company (supervisory board) reduced to the half of the number specified in the charter, new members shall be elected to the board of directors (supervisory board) convening an extraordinary general meeting of the company within 30 calendar days.

107-7.4. Members of the board of directors of the company (supervisory board) shall be elected for the period not more than 3 years as per this Code and the charter of the company.

107-7.5. A Member of the board of directors of the company (supervisory board) should be an individual. 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 bodies of the company may not be admitted to membership of the board of directors.

107-7.6. Premature termination to authorization of the board of directors or its member shall be decided by the general meeting.

Article 107-8. Chairperson of the board of directors (supervisory board) of the joint-stock company

A chairperson of the board of directors (supervisory board) of the joint-stock company shall be elected from among the members of the board of directors (supervisory board) by the general meeting of shareholders. The chairperson of the board of directors (supervisory board) shall lead the board.

Article 107-9. Meeting of the board of directors (supervisory board) of the joint-stock company

107-9.1. A chairperson of the board of directors (supervisory board) of the joint-stock company shall convene its meetings at least once every three months and preside over them. The chairperson of the board of directors (supervisory board) shall also convene meetings at the request of the audit committee (auditor), the executive body, members of the board, *as well as* other persons as may be determined by law and the charter. The procedure for holding meetings of the board shall be determined by the company's charter.

107-9.2. At the meeting of the board of directors (supervisory board) of the joint-stock company, each member shall have one vote, and decisions shall be made by a simple majority of votes. In the event of a tie, the vote of the chairperson of the board shall be decisive in making or rejecting a decision.

107-9.3. When the meeting of the board of directors (supervisory board) of the joint-stock company is convened, minutes will be worked out reflecting the venue and date of the meeting, participants, agenda, summary of speeches, results of voting and decisions. The minutes shall be signed by the chairperson of the board.

Article 107-10. Executive body of the joint-stock company

107-10.1. Members of the board of directors (supervisory board) may not elected to the executive body of the company.

107-10.2. Powers of the executive body of the company shall include all matters that are not within the exclusive competence of management bodies of the company as defined *by this Code,*

and the Laws of the Republic of Azerbaijan on Banks, on Insurance Activity, and on Investment Funds, as well as by the company's charter.

107-10.3. The number and composition of the members of the company's collegial executive body, as well as the rules governing its activities, shall be determined by the company's charter and, as applicable, *by the Laws of the Republic of Azerbaijan on Banks and on Insurance Activity*.

107-10.4. Members of the company's executive body may hold positions in another organization with the consent of the general meeting or the board of directors (supervisory board) of the company, provided that this does not contradict the law.

107-10.5. In cases where a conflict may arise between personal interests of members of the company's executive body and the interests of the company, as well as in the situations provided for in Article 49-1.6 of this Code, the head or other members of the company's executive body should submit the relevant information in writing to the board of directors (supervisory board) of the company, or, if there is no such board, to the general meeting of shareholders. The conclusion of transactions that contradict the interests of the company may be carried out based on a decision of the relevant management body, unless otherwise provided by this Code or the Laws of the Republic of Azerbaijan on Banks and on Insurance Activity.

107-10.6. A member of the company's executive body or board of directors (supervisory board) should disclose information to the *media* before entering into any transaction involving securities owned by them.

107-10.7. If a shareholder owns twenty percent of shares of the company, he/she may not be elected as the member of the executive body of the company.

Article 107-11. Inspection committee (inspector) of the joint-sctock company

107-11.1. In companies with more than fifty shareholders, an inspeciton committee (inspector) shall be elected (appointed) at the general meeting to monitor company's financial and economic activities. If provided for in the company's charter, an inspection committee (inspector) may also be elected (appointed) in companies with fifty or fewer shareholders.

107-11.2. The procedure for the formation of the company's inspection committee (inspector), its composition, and the rules governing its activities shall be determined by the company's charter.

107-11.3. Only individuals may be elected as members (as the inspector) of the company's inspection committee. The member of the inspection committee (inspector) may not be a shareholder of the company, a member of the board of directors (supervisory board), or a member of the company's executive bodies.

107-11.4. The term of office of the members of the company's inspection committee (insepctor) shall be determined by the charter for a period not exceeding three years.

107-11.5. An inspection of the company's financial and economic activities shall be carried out at the initiative of the company's inspection committee (inspector), by decision of the general meeting or the board of directors (supervisory board), or at the request of shareholders holding more than ten percent of the company's voting shares, or at the request of the company's executive body.

107-11.6. At the request of the company's inspection committee (inspector), all company bodies and officials should provide documents related to the company's financial and economic activities.

107-11.7. The provisions of this Article shall not apply to insurers, banks, and local branches of foreign banks.

Article 107-12. Audit Committee of the 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, an 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 shall be established by law and the charter of the company.

107-12.3. Members of the executive body of the company and (or) participants of the company may 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 company's activities shall be carried out at the initiative of the audit committee by the decision of the general meeting or the board of directors (supervisory board) or the request of shareholders owning more than ten percent of 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 should provide documentation related to the financial and economic activities of the company.

107-12.6. The audit committee shall subordinate to the board of directors (supervisory board).

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 shall be determined by *this Code, Laws of the Republic of Azerbaijan on Banks, on Insurance Activity and on Investment Funds.*

108.2. Except as provided for by the *Laws of the Republic of Azerbaijan on Banks, on Insurance Activity, on the Securities Market, on Non-Bank Credit Institutions, on Investment Funds and on Credit Bureaus*, a joint-stock company may be converted into a limited liability company.

Article 109. Main 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. A member of cooperative is an individual and (or) legal entity, who meet the 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. An associate (associative) member of a cooperative is an individual and/or legal entity who meets the requirements of this Code, has paid the membership fee and only the

mandatory share contribution in the manner and amount determined by the cooperative's charter, has been admitted to the cooperative, participates in its activities, and—except in cases provided for by this Code—does not have the right to vote.

109.4. A cooperative member's property share contribution is the share consisting of movable and/or immovable property, as well as property rights valued in monetary terms, paid by members in the manner and amount determined by the charter. The property share contribution may be mandatory or additional.

109.5. The mandatory property share contribution is the property share that should be paid by the member and grants the right to participate in the cooperative's activities, to vote, and to receive main cooperative payments.

109.6. The additional property share contribution is the share paid voluntarily by a member, in addition to the share contribution specified in Article 109.5 of this Code, which grants the right to receive, apart from the main cooperative payments, dividends (additional cooperative payments).

109.7. The membership fee is the amount of money paid by a participant upon joining the cooperative to cover related expenses. A cooperative member has the right to receive cooperative payments (main) 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. Public authorities, municipalities, other individuals and legal entities shall build their relations with cooperative on contractual basis. Public authorities and municipalities shall 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 shall be 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. The name of cooperative shall contain the main purpose of its activity and the word 'cooperative'.

109.18. The organization and activities of agricultural cooperatives shall be regulated by this Code and the Law of the Republic of Azerbaijan on Agricultural Cooperation.

Article 109-1. Establishment of cooperatives

109-1.1. Cooperatives are organized by not less than five individuals and (or) legal entities.

109-1.2. For establishment of the cooperative individuals and (or) legal entities shall establish an 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 individuals 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 a decision on foundation of cooperative and its membership. approve a charter of cooperative. form management authorities of the cooperative with consideration of provisions of Article 11 of this Code.

109-1.4. Members of the 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.

Article 109-2. Cooperative members

109-2.1. Members of cooperative can be individuals 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 associate (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.

Article 109-3. Acceptance for membership in cooperative

Acceptance for membership in cooperative shall be performed in under the procedures established under the charter based on an official application of the person willing 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.

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

109-4.1. Members of the cooperative shall:

109-4.1.1. enter and voluntarily withdraw from the cooperative.

109-4.1.2. participate in the management of cooperative and its operations, 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. receive his share of property or the value of such a share upon all settlements with creditors when the cooperative is liquidated.

109.4.1.7. use privileges and benefits stipulated for members of cooperative.

109.4.1.8. exercise other rights, stipulated in this Code and the charter of cooperative.

109-4.2. The rights stipulated in Articles 109-4.1.2 and 109-4.1.7 of this Code shall not apply to associate (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. pay the membership fee, mandatory property share payments and implement other obligations accepted in relation with the activities of cooperative in accordance with volumes and procedures stipulated under the charter.

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

104-4.4.3. participate in compensation of losses occurred in cooperative in the cases and in accordance with the procedures stipulated in Article 110.4 of this Code.

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

Article 110. Property of the cooperative

110.1. The property owned by the cooperative is divided into the shares of its members in accordance with the charter of the cooperative. The property (assets) of the cooperative consists of its fixed assets, current assets, and other material values shown on its balance sheet. The sources for the formation of the cooperative's property may include its own funds and borrowed funds. The cooperative's own funds are formed from property share contributions provided for in its charter, income derived from entrepreneurial activity, income from placing its funds in banks and other credit institutions or in securities, loans, donations from individuals and legal entities, and other sources not prohibited by law. The volume of funds attracted by the cooperative in accordance with legislation should not exceed 50 percent of the cooperative's total funds (property). The property of the cooperative is its private ownership. A member of the cooperative may, on a contractual basis, transfer property owned by them to the cooperative for use. A cooperative union may, on a contractual basis, transfer property owned by it to a member cooperative for use, as well as use such property for other purposes specified in the charter of the union.

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.

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 shall comprise the share fund of cooperative. The share fund of cooperative shall define the minimum amount of the property of cooperative, guaranteeing interests of its creditors. Membership payment made when entrance into cooperative shall not be included into the share fund and shall not be reimbursed in the event of withdrawal of the member from the cooperative.

110-1.2. Collection of personal debts via share payments of cooperative members can be made in cases and in accordance with the procedures, stipulated in 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 engaged in this sector under the procedure specified in the legislation may be involved in evaluations.

110-1.4. If, at the end of the second and subsequent years, the value of cooperative's net assets is less than the value of the share fund, the general meeting of cooperative members shall be obliged to declare reduction of the share fund and register it in the manner prescribed by law.

110-1.5. The share fund may be increased or decreased by a decision of the general meeting of cooperative members. The amount of the share fund should not exceed the amount of the cooperative's net assets. If the amount of the cooperative's share fund exceeds the amount of its net assets, the share fund should be reduced by the amount of the difference through a proportional reduction of mandatory share contributions.

110-1.6. An increase in the cooperative's share fund shall be permitted through an increase in the amount of mandatory share contributions.

Article 110-2. Profit of cooperative and its distribution

110-2.1. The profit of the cooperative, after making the mandatory payments established by the legislation of the Republic of Azerbaijan, shall be directed—under the cases and procedures provided in the cooperative's charter—to cooperative's funds, settlements with creditors, other purposes defined by the charter of the cooperative, and/or to the payment of cooperative contributions and dividends.

110-2.2. The profit of the cooperative shall be distributed among its members in proportion to the amount of their share (mandatory and additional) contributions, according to their personal labor participation and/or other forms of participation in activities of the cooperative.

110-2.3. The general meeting of cooperative members may determine a limitation on the amount of cooperative payments and dividends to be paid, based on a certain portion of the cooperative's profit.

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

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

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

110-3.3. After the cooperative is established, a person who becomes a member of the cooperative shall be liable for the obligations undertaken by the cooperative before he became a member, unless otherwise provided by the charter. A person willing to become a member of the cooperative should be provided with all necessary information regarding this matter.

110-3.4. Members of the cooperative shall bear subsidiary liability for the obligations of the cooperative. The subsidiary liability of cooperative members for the obligations of the cooperative shall arise when cooperative's own funds are insufficient to cover its obligations and shall be determined in accordance with Article 110.4 of this Code.

Article 111. Management in a cooperative

111.1. The supreme governing body of the cooperative is the general meeting of its members. In a cooperative with more than fifty members, a supervisory board may be

established to oversee activities of its executive bodies. Members of the supervisory board shall not have the authority to act on behalf of the cooperative. Executive bodies of the cooperative are the management board and/or its chairperson. They carry out the current management of cooperative's activities and report to the supervisory board and the general meeting of cooperative members. Members of the cooperative's supervisory and management boards, as well as the chairperson of the cooperative, can only be chosen from among cooperative's members. A member of the supervisory board or executive body may not be a member of a similar cooperative. A cooperative member may not simultaneously serve as a member of the supervisory board and as a member of the management board or as the chairperson 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 exclusive authority of the general meeting of cooperative members shall be to:

111.3.1. change to the cooperative's charter.

111.3.2. establish a supervisory board and dismiss its members, establish and dismiss the cooperative's executive bodies, provided that the charter does not allocate this right to the competence of the supervisory board.

111.3.3. accept and dismiss members of the cooperative.

111.3.4. approve cooperative's annual reports and *financial statements* and distribute its losses.

111.3.5. decide to reorganize or liquidate the cooperative.

111.3.5-1. make a decision on conclusion of transactions specified 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 exclusive competence of a cooperative's general meeting or supervisory board may not be delegated to cooperative's executive bodies for their resolution.

111.5. A cooperative member shall have one vote when voting on resolutions at a general meeting.

111.6. In cooperatives with more than 200 members, general meetings of members of cooperative can be held under the charter of cooperative as a meeting of authorized representatives. The number of authorized representatives shall be established with consideration of members of cooperative. Authorized representatives shall be 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 cooperative members shall be authorized, if more than half of members (or their representatives) participate. The meeting of authorized representative shall be deemed competent if half of elected authorized representative participates.

111.8. The general meeting of cooperative members shall be called by the board (chairperson) 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. An extraordinary general meeting of cooperative members shall be initiated by the management board (chairperson), supervisory board and inspection committee (inspector) itself or at the request of at least one

fourth of the number of members having the right to vote (*in the case of the entities supervised in financial markets, taking into account the requirements of the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan*). *In this case,* an extraordinary general meeting of members of the cooperative shall be convened by the board (chairperson) within fifteen days in accordance with the procedure established in the charter of the co-operative.

111.9. When the supervisory board is established, the number of its members and term of their authority shall be established by the general meeting of cooperative members. The meeting of supervisory board shall be called on when required, but not less than once in half year. A procedure for holding meetings of the supervisory board shall be established by the charter of cooperative. In the cases, stipulated in the charter, the general meeting of the members of cooperative can prematurely re-call the supervisory board and dismiss some of its members.

111.10. Between general meetings of members of cooperative the management board of the cooperative and (or) its chairperson shall manage current affairs of cooperative, perform its activities and represent the cooperative. When the number of cooperative members exceeds fifty persons, the general meeting of cooperative members shall elect the board of cooperative from among its members. The management board shall be led by the chairperson, 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 chairperson, their responsibilities and term of authority, rights of the chairperson of the board to manage the property of cooperative, terms of its payment, responsibilities of the chairpersn, as well as procedures and basis for premature dismissal.

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

111.12. To control cooperative's financial and economic activities, the general meeting of cooperative members shall elect an inspection committee (consisting of at least three members) if the number of cooperative members exceeds fifty, and an inspector if the number of cooperative members is less than fifty.

111.13. The cooperative's inspection committee (inspector) shall:

111.13.1. review the cooperative's financial stranding by results of fiscal and economic year.

111.13.2. provide an extraordinary inspection at the request of the general meeting of cooperative members, the supervisory board, or members representing more than ten percent of the total membership, as well as at its own initiative.

111.14. Based on results of the inspection, the cooperative's inspection committee (inspector) submits an opinion to cooperative's management bodies. The supervisory board or the management board (chairperson) reviews the inspection results in accordance with the procedure established by the charter and makes an appropriate decision. If the inspection committee (inspector) disagrees with the decision, it may appeal to the general meeting of cooperative members.

111.15. In cases specified in the charter, the general meeting of cooperative members may prematurely recall the inspection committee, any of its individual members, or the inspector.

Article 112. Cancellation of membership in a cooperative and transfer of shares

112.1. A cooperative member shall be entitled to withdraw from the cooperative. In this event, he shall be paid the value of his share or receive property corresponding to the share, as

well as receive all other payments specified by the cooperative's charter. Payment of the value of shares or 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 cooperative's *financial statements*, unless otherwise specified in the cooperative's charter.

112.2. A cooperative member 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 shall be 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, members of the cooperative shall 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. Enforcement against a cooperative member's share for settling member's personal debts shall be permitted only in the manner prescribed by the cooperative's charter and only if the member's other property is insufficient to cover such debts. Enforcement for a cooperative member's debts may not be directed against the cooperative's indivisible funds.

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 shall be 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 shall not retain ownership over property contributed to a public association, including membership fees. A participant shall not be liable for obligations of a public association and a public association shall not be liable for 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.

Article 115. Funds

115.1. A fund is an organization established by individuals and/or legal entities, without membership, based on property contributions, pursuing social, charitable, cultural, educational, or other publicly beneficial objectives.

115.1-1. 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) is the property of the fund. The fund shall use this property for the purposes specified by the fund's charter.

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

115.4. Founders shall not be liable for obligations of the fund and the fund shall not be liable for obligations of its founders.

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

115.6. The fund's charter shall include, in addition to the information specified in Article 47.2 of this Code, the name of the fund which shall include the word 'fund', the information on its objectives and details of its management bodies, including information on the board of trustees who controls its activities, the procedure for appointment and dismissal of fund's officials, 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, shall be set out in this Code and by law.

Article 116. Amendments to a charter and liquidation of a fund

116.1. The charter of a fund may be amended by its governing bodies only if the charter provides for the possibility of such amendments. If maintaining the charter unchanged leads to consequences that could not have been foreseen at the time the foundation was established, and the charter does not provide for the possibility of amendment, and the authorized persons do not make necessary changes, the right to amend the charter shall belong to the court upon the application of the fund's governing bodies or the body authorized by the charter to control the fund's activities.

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 when:

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

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

116.2.3. it deviates from the objectives of its activity as established in the charter.

116.2.4. in other cases specified by law.

116.3. When a fund is liquidiated, its remaining property, *after the settlement of its debts*, shall be directed toward the purposes specified in the fund's charter. if that is not possible, it shall be transferred to the state budget.

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 a union shall be converted 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. 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 shall not be liable for obligations of its participants. Participants in a union are subsidiarily liable for 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 include an indication of the main area of its participants' activity, and the word 'union'.

117.7. When a union is liquidated, its remaining property, *after the settlement of its debts*, shall be directed toward the purposes specified in the union's charter. if that is not possible, it shall be transferred to the state budget.

117.8. The specific features and legal status of various types of unions shall be determined by this Code and by legislation.

Article 118. Charter of a union

A union's charter shall include, 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 shall 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 shall have the right to withdraw therefrom at the end of a financial year. At that, it shall be subsidarily liable for 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 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 shall 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 subsidaary 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 – *deleted.*

§ 5. Inventory of assets of legal entities – *deleted.*

Section three

RIGHT FOR PROPERTY AND THINGS

Chapter 5

General provisions

§ 1. Main definitions of the right of things

Article 135. Objects of the right of things

135.1. According to this Codeç only physical objects shall be deemed things. Money and *physical* securities are also things.

135.2. Property is the aggregate of any things and intangible property assets.

135.3. Plants and animals shall not constitute things. Their legal status shall be regulated by special laws. The legal status of things shall also apply to plants and animals provided that the law does not specify otherwise.

135.4. Things may be movable or immovable. Land plots, surface plots, separate water bodies, forests, perennial plantations, buildings, structures, and other objects firmly attached to the land (*which cannot be separated from it*), that is, objects whose location cannot be changed without causing disproportionate damage to their purpose, shall be deemed immovable things. *An item firmly attached to a land plot and land (inseparable from it) is a single thing and is a single object of the property.*

135.5. All objects that cannot be classified as immovable things shall be deemed movable property. Claims and rights intended to be transferred to others, or provide the owner with material benefits or the right to demand something from other persons, shall be deemed intangible assets. Relations concerning intangible assets (claims and rights) shall be regulated under the provisions of the specific legislation applicable to each of them.

135.6. Things may be divisible or indivisible. Objects that cannot be divided without changing their purpose, or cannot be divided into separate pieces in virtue of statutory provisions, shall be deemed indivisible things.

135.7. Things distinguished by their unique characteristics from other objects shall be deemed irreplaceable things. Movable objects differentiated only by type, usually measured by quantity, size, or weight in circulation, shall be deemed replaceable objects.

135.8. Movable things intended for consumption or alienation by others shall be deemed consumable things.

135.9. If objects of different types form a single unit intended for common use according to their purpose, they are deemed one property (complex property). The validity of an agreement concerning complex property, unless otherwise specified in the contract, extends to all its component parts.

135.10. Anything that is part of an object in the ordinary sense and cannot be separated from it without destruction, damage, or alteration shall be deemed a component part of the object. Except in cases of unauthorized construction, the owner of an object shall also be the owner of all its component parts.

135.11. Accessories of an object are movable objects intended for the permanent operation of an enterprise, use, or maintenance of the main object, and adapted to it, based on the general meaning or the clear intention of the owner of the main thing. If an accessory is temporarily separated from the main object, it retains its status as an accessory. In the absence of a separate agreement, ownership of the main object shall extend to its accessories.

135.12. Increase, and/or benefits derived from an object shall be deemed the productivity of the object. Until separated, productivity shall be a part of the object. Whoever owns the object shall also own its productivity.

Article 136. Civil circulation of things

136.1. If things have not been withdrawn from circulation or if their circulation is not restricted, they can be freely alienated or transferred from one person to another, either through universal succession (inheritance, reorganization of a legal entity) or by other means.

136.2. Things that are not permitted to circulate in civil circulation (withdrawn from civil circulation) should be explicitly specified by law.

136.3. Objects that can only belong to certain participants in circulation or whose circulation is permitted only under special authorization (objects with restricted civil circulation) shall be designated in accordance with the procedure established by law.

Article 137. Intangible property assets – *deleted.*

Article 138. Encumbrance of things and rights

138.1. An encumbrance of a things shall mean any form of restriction on property rights to such property on the basis of law or agreement.

138.2. An encumbrance of the right shall mean any form of restriction of civil rights or claims on the basis of the law or agreement.

§ 2. State registration of property rights

Article 139. State registration of rights to movable and immovable property

139.1. Property rights and other rights in immovable property, as well as the limitation, acquisition, transfer to others, and termination of these rights, should be state registered. Ownership rights, usage rights, mortgages, servitudes, and other rights in immovable property should be recorded in the cases provided for in this Code and other legislation.

139.2. Rights in movable property should be state registered only in cases provided for by law.

139.3. State registration of rights in immovable property shall be carried out by the relevant executive authority as per the legislation, through the state register of immovable property, which is maintained and managed by that authority.

139.4. An address registry shall be maintained to provide a database that identifies the location of immovable property objects and ensures their individualization without using special equipment. Each immovable property object shall be assigned an address that allows it to be localized without special tools. The maintenance of the address registry and the assignment of addresses to immovable property objects shall be carried out by the relevant executive authority in accordance with the established procedure.

Article 139-1. Grounds for state registration of the right in immovable property

139-1.1. The grounds of state registration of arising, transfer, restrictions (encumbrance) and termination of rights to immovable property are the following:

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. protocol on results of an auction conducted under the procedure established by law.

139-1.1.3. notarized real estate agreements, certificates regarding inheritance rights, certificates concerning ownership rights to a spouse's share in joint marital property,*certificates issued under Article 63 of the Law of the Republic of Azerbaijan on Notariat in connection with the compulsory enforcement of executive documents concerning immovable property*, *immovable property* certificates.

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~~ issued by 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 specified in 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 determined by the relevant executive authority that confirm *the acquisition of rights over immovable property objects* obtained or created before the *Law of the Republic of Azerbaijan on the State Register of Real Estate* came into force.

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 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 construction projects to which applies the notification process, - a document certifying the right of ownership, lease or information about construction provided by the customer to the authority (institution) after completion of construction.

139-1.1.11. until the entry into force of the Housing Code of the Republic of Azerbaijan (until October 1, 2009) the order, warrant, or residential lease agreement issued by the relevant executive authority regarding the allocation of residential premises from the state or public housing fund.

139-1.1.12. real estate certificates issued by the relevant executive authority between 6 July 2006, and 24 June 2009.

139-1.1.13. in relation to residential houses and apartments in multi-apartment residential buildings constructed at the expense of state funds as replacements for residential premises destroyed or rendered unusable as a result of natural disasters, technogenic accidents, or military operations (excluding territories liberated from occupation) – the list of persons to whom such houses and apartments were allocated (with precise indication of the residential house and/or apartment handed over to each person), the architectural-planning section of the construction project of the residential houses, the architectural-planning section of the construction project of the multi-apartment residential building, and *the occupancy permit.*

Article 140. Presumption of accuracy and completeness of the contents of state registry of immovable property

Until the inaccuracy of the content of the register is proven, the presumption of the authenticity and completeness of that content shall remain in force. Except in cases where an objection to the entry has been recorded in the register or where the acquirer knew that the entry was inaccurate, an entry in the register in favor of a person who has acquired any right based on a transaction and in whose name that right has been registered shall be deemed valid.

Article 141 . Introduction of changes to state registry of immovable property

141.1. If the content of the state register of real estate does not correspond to the actual legal situation regarding a right over a land plot or the restriction of such a right, a person whose right has not been registered or has been incorrectly registered, or whose right has been violated due to the inclusion of a record on a non-existent encumbrance, may demand that the person whose right would be affected by such correction give consent for the correction of the entry in the state register of real estate.

141.2. In the cases provided for in Article 141.1 of this Code, an objection may be raised against the validity of the state register of real estate.

141.3. The inclusion of a note on objection in the state register of real estate shall be carried out on the basis of a court decision or with the consent of the person whose right would be affected by the correction of the register.

Article 142. Fee for registration of immovable property – *Deleted.*

Article 143. Control over keeping state register of immovable property – *Deleted.*

Article 144. Notarization of agreements on disposition of objects entered in the state register of immovable property

144.1. Agreements concerning the disposal of real estate objects included in the state register of real estate should be notarized. During notarization, the notary or, *in cases provided by law, other authorized officials entitled to perform such notarial acts* shall verify the disposal right of the party disposing of the property and the legality of the contract. *They* shall be held liable for any inaccuracy in the contract *they certify*.

144.2. The right of disposal shall be confirmed by the fact that, according to the state register of real estate, the disposing party possesses this right, or by the authorization granted to that party by a duly authorized person. Such authorization should also be notarized. The legality of the agreement shall be established through notarization. Agreements concerning the disposal of real estate objects registered in the state register of real estate shall be certified by a notary or, *in cases provided by law, by other officials authorized to perform such notarial acts*, in accordance with the technical specifications of the relevant property as recorded in the state register of real estate.

144.2-1. Verification of the disposing party's right of disposal and obligations, as well as of any existing encumbrances on the property, shall be ensured in accordance with Article 148.3 of this Code through the state register of real estate.

144.3. Based on the electronic copy of a notarized agreement on the disposal of real estate, transmitted in real time through the Electronic Government Information System via information systems, the corresponding rights shall be registered in the state register of real estate. Such an agreement shall be deemed an application for the registration in the state register of real estate of the ownership and other property rights arising therefrom.

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. The ownership of immovable property can be divided on the basis of a partition plan that does not provide for the physical division of property, but establishes the percentage of shares in the common equity property that has arisen. After certifying the partition plan prepared by the owner in accordance with the procedure established by the relevant executive authority, the ownership of each share of the owner resulting from the division shall be registered in the state register of immovable property.

Article 144-1. Characteristics of disposal of componental parts of unfinished buildings

144-1.1. In accordance with the Urban Planning and Construction Code of the Republic of Azerbaijan, unfinished buildings are buildings that have been authorized to build, however, the operation of which is not permitted in accordance with the Code.

144-1.2. The owner, who has received a permit to build a building consisting of parts, on the land plot that is in his possession, can divide this plot into portions in proportion to the number and area of the parts of the building to be built on the basis of the partition plan in the manner provided for in Article 144.5 of this Code, and request registration of ownership of each portion resulting from the division.

144-1.3. A person who has received a permit for the construction of a building consisting of parts on the land plot in his possession may dispose of portions arising under the partition plan and associated parts of the unfinished building associated with these portions after registration of the ownership of each of the portions that arose in result of the division, in the state register of real estate.

144-1.4. Agreements on the disposal of shares that have arisen on the land plot that is in the ownership according to the partition plan and the parts of the unfinished building connected with these portions should be notarized and a securitization entry should be made in favor of the persons who purchased the component parts in accordance with article 147 of this Code.

144-1.5. Along with other provisions, the terms of the purchase and sale of portions with which the relevant component parts are connected on the land plot on which the unfinished building is located, should be clearly reflected in the contract provided for in Article 144-1.4 of this Code. the obligations of the owner of the land plot and the person wishing to acquire the right to a land plot provided by Article 178.8 of this Code and their consent, stipulated in Article 147.2 of this Code, with regard to making a security entry. as well as the consent of the owner of the land plot with regard to the transfer of ownership rights to the corresponding portion on the land plot and the component part after fulfillment of the obligations provided for by Article 178.8 of this Code to the person in which favor the security entry was made.

144-1.6. The person in whose favour the securitization entry is made, shall have the right to transfer to a third party the rights and obligations with respect to the portion with which the relevant component part is connected on the land plot on which the unfinished building is located, from the written notification of the owner of the land plot by mail and on the basis of the notarized agreement. Along with other provisions, the agreement should clearly reflect the scope of rights and obligations at the time of transfer and their transfer in this scope, the consent of both parties to make appropriate changes to the securitization entry made in favor of a third party to whom rights and obligations are transferred. Such rights and obligations should be transferred to the extent and under the conditions that were in effect at the time of their transfer to a third party. After certifying this agreement, the notary should immediately forward it to the state register of real estate: in electronic form by means of information systems and in certified written form by registered mail, and also to the owner of the land plot: in certified written form by registered mail. Such a contract shall be recognized as an application for making appropriate changes to the securitization record entered in the state register of real estate, and on the basis of this agreement, appropriate registration actions shall be carried out.

Article 145. Application for registration in the state register of immovable property – Deleted.

Article 146. Acquisition of a right to immovable property

146.1. The right of ownership and the right of use of immovable property shall arise from the moment a transaction concerning such property is notarized, except for rights arising from a court decision or other decision having the force of law and not subject to appeal.

146.2. The right to dispose of immovable property shall arise from the date of registration of that property in the state register of real estate according to territorial jurisdiction.

146.3. Notarization of agreements on immovable property that has not been registered in the state register of real estate shall not be permitted, and the agreements concluded in respect of such property shall be deemed invalid.

The provisions of Article 146.2 of this Code and the first paragraph of this Article shall not apply to cases involving the notarization of a combined purchase and sale agreement and mortgage of a residential property acquired through a mortgage loan, until such property is registered in 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 a person acquiring immovable property or rights thereto relies on a court decision or another decision having the force of law and not subject to appeal, the application shall be accompanied by a notarized copy of that decision and documents reflecting the technical specifications of the 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 based on consent of owner or based on court decision.~~

146.7. The registration of immovable property or rights thereto in the state register of real estate shall be carried out as of the date of submission of the application.

146.8. Notaries certifying agreements on immovable property for registration in the state register of real estate, *other officials authorized by law to perform such notarial acts*, and the relevant executive authority officials shall bear judicial liability. The state shall act as the registrant in claims regarding the failure to register agreements on immovable property in the state register, incorrect registration, or incomplete registration.

Article 147. Security entry about a land plot

147.1. A security note regarding a land plot (including buildings constructed on it or under construction) may be entered in the state register of real estate to secure claims aimed at acquiring any right over the land plot. The specifics of entering a security note concerning shares related to components located on a land plot with an unfinished building shall be determined in accordance with the requirements of this Article and Article 144-1 of this Code.

147.2. For the entry of a security note, a notarized agreement between the owner of the land plot and the person seeking to acquire rights over the land plot shall be required. The agreement shall clearly express, alongside other provisions, the landowner's consent to the entry of the security note concerning their land and the consent of the person seeking to acquire rights to have a security note entered in their

favor. It shall also specify that, upon fulfillment of the relevant requirements, the rights arising from the contract shall pass to the person in whose favor the security note has been entered.

147.3. A security note shall arise from the moment it is registered in the state register of real estate.

147.4. While a security note regarding a land plot remains in effect, no subsequent security note may be entered for that land plot.

147.5. The actions of the authority maintaining the state register of real estate and of notaries concerning the entry of security notes regarding land plots shall be regulated by this Code, the Law 'on Notariat,' and the Law 'on the State Register of Real Estate' of the Republic of Azerbaijan.

147.6. After determining the legality of the agreement intended for the entry of a security note, the notary shall notarize the agreement and submit it to the state register of real estate, and the security note shall be entered in the register within three days.

147.7. While a security note concerning a land plot remains in effect, agreements or other forms of disposal relating to the land plot or rights thereto shall be invalid to the extent that they affect or obstruct the enforcement of the claim underlying the security note. This rule shall also apply in cases of compulsory execution, attachment, or during bankruptcy proceedings conducted by the property administrator.

147.8. A security note concerning a land plot entered in the state register of real estate shall cease to have legal effect when:

147.8.1. the rights of the person in whose favor the security note was entered, arising from the agreement referred to in Article 147.2 of this Code, are registered in the state register of real estate under this Code.

147.8.2. the agreement referred to in Article 147.2 of this Code is terminated in accordance with Articles 421-424 of this Code.

147.8.3. the entry of the security note is modified in favor of a third party to whom rights and obligations have been transferred under the contract referred to in Article 144-1.6 of this Code.

147.9. If the person in whose favor a security note has been entered under an agreement concluded in accordance with Article 147.2 of this Code is allowed to use a mortgage loan for the acquisition of the land plot (including buildings constructed or under construction), they may conclude a mortgage contract to finance the acquisition. Such a mortgage may only secure the credit used to finance the acquisition of the land plot (including buildings constructed or under construction) that serves as the mortgaged property. That mortgage can only serve as security for a loan used to finance the acquisition of the mortgaged land plot (including any constructed or under-construction buildings on it).

Article 148. Openness of the state register of real estate

148.1. An extract from the state register containing information on the description of real estate, the rights registered to it, and their restrictions (encumbrances) shall be issued, in accordance with the procedure established by law, to the owner of the right, a person authorized by the owner, persons who have inheritance rights to the owner's property by law or by will, as well as to relevant public authorities and municipalities in connection with the exercise of powers provided for by law.

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. To ensure the obtaining of extracts from the state register of real estate, including information on the description of the property, the registered rights over it, and any restrictions (encumbrances) on such rights, by notaries or, in cases prescribed by law, by other officials authorized to perform notarial acts in connection with the performance of notarial actions concerning real estate, as well as ensure the immediate electronic transmission to the state register of real estate of the document prepared and/or certified as a result of such notarial actions—which serves as the basis for registration of the relevant real estate—the possibility of real-time exchange of information and documents through electronic information systems between the state register of real estate and notaries, or other authorized officials in cases provided by law, shall be ensured, along with their direct access to the state register of real estate through such systems.

148.4. To obtain information related to mortgaged real estate, a connection shall be established between the state register of real estate and the information systems of the Central Bank of the Republic of Azerbaijan, ~~*the financial markets supervisory authority,*~~ *mortgage funds, mortgage-holding banks, and other credit institutions.*

Article 149. Unreasonable registration of rights to immovable property

149.1. *Deleted.*

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.

Article 150. Cancellation of registration of destroyed immovable property

150.1. If a piece of real estate is completely destroyed and, as a result, its registration loses all legal significance, the interested party may demand the cancellation of the registration through the court. The destruction of the real estate should be certified by an official of the relevant executive authority responsible for maintaining the state register of real estate.

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.

~~**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.~~

Chapter 6

General provisions of the right of ownership

Article 152. Concept and scope of ownership rights

152.1. The right of ownership is the right of a person, recognized and protected by the state, to possess, use, and dispose of property (a thing) belonging to him at his own discretion.

152.2. The right of possession is the legally secured ability to exercise actual control over property (a thing).

152.3. The right of use is the legally secured ability to derive beneficial natural properties of property (a thing) and obtain benefits from it. Benefits from use may take the form of income, growth, yield, offspring, or other forms.

152.4. The right of disposal is the legally secured ability to determine the legal fate of property (a thing).

152.5. The owner, *within the limits established by law or agreement*, may freely possess, use, and dispose of property (a thing). may prevent others from possessing that property. and may, at his own discretion, perform any actions in relation to the property, provided that such actions do not infringe upon the rights of neighbors or third parties, and do not constitute an abuse of rights.

152.6. Abuse of rights is the use of property in a manner that causes harm to others. in such cases, the owner's interest is not clearly expressed, and the necessity of his actions is not justified.

152.7. The right of use also includes the possibility for a person not to use his property. If the failure to use or maintain the property threatens public interests, a duty to use, maintain, or preserve it may be established. In such cases, the owner may be obliged either to perform these duties personally or allow others to use the property for an appropriate remuneration.

152.8. The owner may place his property under the management of another person through a power of attorney (authorized manager). Placing the property under authorized management does not transfer the ownership right to the manager. the manager should manage the property for the benefit of the owner or a third party designated by the owner.

152.8-1. Measures related to the management of seized property may be taken in cases and in the manner prescribed by law.

152.9. Ownership rights to an item of property shall also apply to components of such item.

152.10. The risk of destruction of property or sudden damage shall be borne by the owner, provided that this Code, or an agreement, shall not specify otherwise.

152.11. An owner shall be liable for maintenance of his property, provided that this Code, or an agreement, does not specify otherwise.

Article 153. Subjects of ownership rights

153.1. Legal entities, individuals, municipalities, and the state of the Republic of Azerbaijan shall 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 individual, 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 individuals and legal entities

154.1. Individuals and legal entities may be owners of any property, except for certain types which under the law may not be in the ownership of individuals 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 shall mean 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 individuals, legal entities or societies shall be in the ownership of the state.

155.3. Funds from the state budget shall be the property of the Republic of Azerbaijan.

155.4. The State may transfer its own property to ownership of individuals 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.

156.2. Funds from local budgets shall be property of municipalities.

Article 157. Protection of ownership

157.1. An owner shall be entitled to request acknowledgement of ownership rights.

157.2. Owner shall be entitled to claim his property from another one's illegal possession.

157.3. *Deleted.*

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 property from another one's illegal possession, the owner shall also be entitled to claim from a person who knew or should have known that his 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 be obliged to compensate for lost or damaged property, including losses associated with incomes obtained from the property.

157.6. Both a bona fide purchaser and a mala fide purchaser shall be 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 possessor may retain improvements he has made that can be separated from the property without causing damage to it. If it is not possible to separate improvements in this way, the bona fide possessor may demand compensation for the expenses incurred in improving the property, provided that the amount does not exceed the value of the property.

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 an agreement.

157.9. When required by state needs, property may be acquired by the state only in the cases provided for by *the Law of the Republic of Azerbaijan on Acquisition of Land for State Needs*. Such acquisition shall be carried out for the purposes of constructing and installing state-significant roads and other communication lines, ensuring reliable protection of the state border within the border zone, constructing facilities of defense and security significance, and constructing state-significant mining industry facilities.

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 use of property.

158.1.3. easements.

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.

Chapter 7

Right of possession

Article 159. Possession of a thing

Possession shall be achieved via actual possession of a thing.

Article 160. Direct and indirect possession

If the owner of a thing has given it to another person for the exercise of a limited real right or a personal right of possession, both persons shall be considered possessors. The first one shall be an indirect possessor, and the second one shall be a direct possessor.

Article 161. Possessor of another one's thing and possessor of own thing

Whoever possesses a thing under ownership rights shall be the possessor of his own thing, whereas any other possessor shall be the possessor of another one's property.

Article 162. Temporary interruption of possession

Temporary inability or lack of possibility of actual possession of a thing shall not vitiate possession of such a thing.

Article 163. Transfer of possession

163.1. Possession shall be transferred by delivering the thing itself. The transfer shall occur when the acquirer, with the will of the previous possessor, becomes able to exercise actual control over the thing.

163.2. If a third person or the transferor himself continues to possess the thing on the basis of a special legal relationship, possession of the thing may be acquired without the physical delivery of the thing. Such a transfer of possession is valid for the third person only when the transferor notifies him about it. A third person who has the right to refuse to deliver the thing to the transferor may also refuse to deliver it to the acquirer on the same grounds.

163.3. In the case of goods delivered to a carrier or to a warehouse, the delivery of an order document representing those goods shall be considered as the delivery of the goods themselves. If both the holder of the order document and the person who has acquired the goods are in good faith, priority shall be given to the latter (the one who has acquired the goods).

Article 164. Protection of possession

164.1. Deprivation of possession or interference with possession without the will of the possessor shall be considered unlawful self-help. Every possessor shall have the right to use reasonable force to protect against such unlawful self-help. In doing so, he should refrain from excessive or unjustified use of force, taking into account the circumstances.

164.2. A person who has been deprived of possession may demand the return of possession from the unlawful possessor. However, such a claim shall be excluded if the deprivation resulted from a mistaken act against the factual possessor or his legal successor, and if the possession was acquired within one year prior to the 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 – ***Deleted.***

Article 168. Absence of bona fide possessor's liability to owner – ***Deleted.***

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 shall be 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 shall be 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 shall not be permitted to change the course of underground waters which traverse several land plots, or so to manipulation 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. The owner of a land plot or other immovable property may not prohibit the effect on his property of gas, vapor, odor, soot, smoke, noise, heat, vibration, or other similar influences coming from a neighboring property, if such influence does not interfere with the use of his property or only slightly affects his rights.

171.2. The same rule shall apply when the influence is significant, but arises from the ordinary use of the neighboring land or other immovable property and cannot be prevented by measures normally associated with the proper management of such property.

171.3. If the owner is obliged to tolerate such an influence, he may demand monetary compensation from the owner of the land plot or other immovable property causing the influence, if the influence exceeds the limits of ordinary use established for that area or the economically permissible standards.

Article 172. Damage caused to owner by excavation and construction works

172.1. During excavation and construction works, the owner shall not be allowed to harm neighboring land plots by dumping soil, exposing them to danger, or damaging structures located on those plots.

172.2. The owner of a land plot may demand the prohibition of construction or operation of structures on a neighboring plot if such structures illegally interfere with his right to use his land.

172.3. If the owner unintentionally encroaches on a neighboring plot during construction, the neighboring owner should tolerate the encroachment, except in cases where it is discovered beforehand or protested immediately after discovery. The encroaching neighbor should pay monetary compensation for the encroachment and continue to pay it annually thereafter.

172.4. The rules on protruding buildings apply to constructions that violate neighborhood rights.

Article 173. Protruding buildings

173.1. Buildings and other structures that extend onto another immovable property shall remain part of the property on which they are located, provided that the owner of that property has a property right over them. The neighbor may either object to the superstructure or accept it and demand reasonable compensation.

173.2. The right to the superstructure may be registered as a servitude in the state real estate registry.

173.3. If the superstructure is unauthorized, and the affected person knows about it but does not timely object, the person who erected the superstructure may, in circumstances that justify it, be granted a property right over the superstructure or the land, with reasonable compensation.

173.4. If there is a risk that the building may collapse from the neighboring plot onto the land, the owner may demand that the neighbor take necessary measures to prevent this danger.

Article 174. Protruding plants

174.1. If overhanging branches or extending roots cause damage to a neighbor's property and are not removed within a reasonable period after the neighbor's complaint, the neighbor may cut them off and keep them.

174.2. If fruits of a tree or bush fall onto neighbor's land, they belong to the owner of that land.

174.3. If the owner of a land plot with buildings or structures allows overhanging branches, fruits growing on those branches belong to him. These rules shall not apply to forest land plots.

Article 175. Right of way through another person's possession

175.1. If a land plot does not have access from its owner's property to a public road or to electricity, oil, gas, or water supply lines, the owner may require neighbors to provide a necessary passage, with full compensation. The claim shall be first directed to the neighbor from whom it is most reasonable to demand access due to ownership and access relationships. if that is not sufficient, the claim shall be directed to neighbors where the passage causes less harm. When determining the necessary passage, mutual interests should be considered.

175.2. Neighbors whose land will be crossed by a necessary road or connecting line should be appropriately compensated. By agreement between the parties, compensation may be provided as a one-time payment.

175.3. If connection lines to land plot already existed but are removed due to owner's unauthorized actions, there shall be no obligation to tolerate a necessary road or connecting line.

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. Animals and things lost

If, as a result of a natural disaster or accidental events, things fall onto another person's land, or animals (except wild animals) enter another person's property, the owner of that land should allow a reasonable person to retrieve them. In this case, the owner may demand compensation for any damage caused and shall have the right to retain the items in connection with that claim.

Chapter 9

Acquisition and loss of ownership rights

§ 1. Daşınmaz əşyalara mülkiyyət hüququnun əldə edilməsi

Article 178. uisition of ownership rights to immovable property

178.1. 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 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 shall belong to the state.

178.8. Between the person willing to purchase a part of the unfinished building and the owner (seller) of the land plot on which the building is located, contractual relations stipulated in Chapter 39 of this Code shall arise and in such relations the owner (seller) of the land plot shall be recognized as the contractor, and the person willing to acquire a part of the unfinished building - as the customer. At that, along with other obligations, the seller (contractor) shall undertake to complete the construction of the building and obtain a permit for its operation within the period established in the agreement provided for in Article 144-1.4 of this Code, and the person (customer) wishing to purchase a component part undertakes timely to pay the seller an agreed amount in installments. The change of the owner (seller, contractor) of the land plot on which the unfinished building is located and (or) the person willing to purchase a part of this building should not exclude the application of the contractual relations provided for by Chapter 39 of this Code to the relations that have arisen between them.

Article 179. Acquisition through length of use

179.1. *Deleted.*

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.

Article 180. Unauthorized construction and consequences thereof

180.1. A residential house, other building, structure, or other immovable property constructed on a land plot not designated for construction, or without obtaining necessary permits, or in gross violation of urban planning and construction norms and rules, shall be considered unauthorized construction.

180.2. A person who carries out unauthorized construction shall not acquire ownership rights over it. Such a person shall have no right to dispose of the construction — including selling, gifting, leasing, or entering into other transactions.

180.3. Ownership rights over unauthorized construction may be granted by a court only if the land plot on which the construction was made belongs to that person. If maintaining the construction violates the rights or legally protected interests of others, or poses a threat to human life or health, the person may not be granted ownership rights over the unauthorized construction.

180.4. Buildings and structures constructed on land not designated for construction, or without necessary permits, or in gross violation of urban planning and construction norms, may be demolished based on a court decision issued at the request of the relevant executive authority or an interested party.

§ 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 purchase and sale agreement, 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 shall not be allowed.

181.5. *Deleted.*

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. *Deleted.*

Article 182. Acquisition of property in good faith

182.1. A person who acquires an item from someone who is not its owner, but does so in good faith, shall become the owner of the item. If the acquirer knew or should have known that the transferor was not the owner, they cannot be considered in good faith. The fact of good faith should exist at the time the item is transferred.

182.2. If the owner of a movable item has lost it, if it was stolen or otherwise taken against their will, or if the acquirer obtained it without compensation, the acquirer cannot be considered in good faith. These restrictions shall not apply to money, documented securities, or items acquired at auction.

Article 183. Transfer of ownership through securities

If the transfer of ownership requires, instead of delivering the item itself, the delivery of a security, the ownership of the item is considered to have passed to the acquirer *from the moment ownership of the security is acquired*.

Article 184. Acquisition of ownership of ownerless movable property

184.1. If the appropriation of an ownerless movable item is not prohibited by this Code, or does not violate the rights of another person who has the legal right to appropriate it, the person who takes possession of the item shall acquire ownership rights over it.

184.2. A movable item shall be deemed ownerless if it has no known owner, its owner is unknown, or its former owner has renounced ownership and abandoned possession of the item.

Article 185. Movable property abandoned by owner

185.1. Movable property that has been abandoned by its owner—whether by being thrown away or otherwise relinquished—may be appropriated by another person for his ownership.

185.2. A person who owns, possesses, or uses a land plot, water body, or other object may, if there is abandoned property or abandoned metal scrap, defective products, spoil heaps arising from the extraction of useful minerals, production waste, or other debris with an obvious value below fifty-five manats, begin using that property or perform other acts indicating their intent to acquire ownership, thereby directing it to their ownership.

185.3. Other abandoned property enters into the ownership of the person who has taken possession only when a court declares it ownerless at the person's request.

Article 186. Lost and found property

186.1. A person who finds a lost item should immediately notify the person who lost it, its owner, an authorized official, or, if the owner is unknown, the police, and deliver it to them.

186.2. Except in cases where the owner is known or the owner's right to the item has already been reported to the police, the finder acquires ownership of the item one year after notifying about the find. Upon acquisition of ownership, all other rights over the item shall be terminated.

186.3. If an authorized official accepts the found item, the finder may claim a reward of up to five percent of the item's value. In addition, the finder may demand reimbursement from the

authorized official for expenses incurred in preserving the item. If the finder fails to report the item or attempts to conceal it, they are not entitled to a reward.

186.4. If the finder renounces ownership, the authorized body may, after one year, sell the item at auction and benefit from the proceeds, or, if the item is of low value, may appropriately dispose of it or destroy it.

186.5. If the found item is an animal, perishable, or costly to maintain, the one-year period shall not apply, and any proceeds obtained from appropriation of such items should be returned to the owner.

Article 187. Treasure

187.1. A treasure, that is, money or other items buried in the ground or otherwise hidden, the owner of which cannot be identified, enters the ownership of the owner of the property where it was hidden (land plot, building, etc.) and the person who discovered the treasure, in equal shares, unless a different arrangement is agreed upon between them.

187.2. If a treasure is discovered by a person digging or searching for valuables without the consent of the owner of the land or other property, it should be given to the owner of that land or property.

187.3. If the discovered treasure relates to historical or cultural monuments, or is of scientific value, it belongs to the state. In this case, the owner of the property where the treasure was hidden and the person who discovered it are entitled to a reward equal to fifty percent of the treasure's value. If no other arrangement is agreed upon, the reward is divided equally between them.

187.4. If such a treasure is discovered by a person digging or searching without the consent of the owner, the entire reward is given to the property owner.

187.5. The rules of this Article do not apply to persons conducting excavations or searches as part of their labor or service duties.

Article 188. Processing

188.1. Unless otherwise provided by an agreement, the ownership of a new movable item created by processing materials belongs to the owner of materials, if materials do not belong to the person who performed the processing. If the value of the processing is significantly higher than the value of the materials, the ownership of the new item shall belong to the person who acted in good faith and performed the processing.

188.2. Unless otherwise provided by agreement, the owner of the new item made from their own materials should pay the processor the value of the processing.

188.3. If the owner of the materials loses them due to the bad faith actions of the processor, the owner may demand that the new item be transferred to their ownership and claim compensation for the damage incurred.

Article 189. Acquisition of ownership of property accessible to everyone

When, in accordance with legislation, general permit granted by the owner, or local custom, collection of berries, fishing, hunting, or gathering of other property accessible to

everyone is allowed in forests, water bodies, or other areas, the person who collects or hunts the property shall acquire ownership rights over it.

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. Co-ownership of a thing created by accession or merger

191.1. When movable items are connected or combined in such a way that they become parts of a new unified item, or when movable items merge, the former owners of the items shall become the owners of the new item. Their shares shall be determined in proportion to the value of their items prior to the combination.

191.2. If one of the items is, according to custom or established practice, considered the principal item, its owner shall also acquire ownership of its accessories.

Article 191-1 . Claim for compensation against the new owner

191-1.1. In accordance with Articles 188, 190, and 191 of this Code, a person who has lost ownership or whose rights have otherwise been violated may claim compensation from the current owner. A claim for restoration of the previous situation shall not be permitted.

191-1.2. If the new owner acquired the item from a third party under an agreement for consideration, the claim referred to in Article 191-1.1 of this Code shall not arise.

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 agreements 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. Waiver of the claim

194.1. The holder of a claim (creditor) may assign (waive) the claim to a third party without the debtor's consent, provided that such assignment does not contradict the nature of the obligation, the agreement between the debtor and the creditor, or the law. An agreement with the debtor regarding inadmissibility of assignment is possible only if it serves legitimate interests of the debtor.

194.2. The assignment (waiver) of a claim shall be effected through an agreement between the claim holder and the third party, *in which case the third party assumes the position of the original holder. In such cases, no amendment to the agreement concluded between the creditor and the debtor shall be required, in accordance with the Law of the Republic of Azerbaijan on Banks*

194.3. Claims that are inextricably linked to the creditor's personality, including claims for alimony and claims for compensation for damage to life or health, may not be assigned (waived).

194.4. The assignment (waiver) of a claim based on an agreement executed in simple written or notarial form should be carried out in the corresponding written form.

194.5. The assignment (waiver) of a claim related to a registered negotiable instrument or a mortgage note establishing a mortgage on immovable property shall be effected by endorsement of the respective instrument or note.

Article 195. Debtor's responsibilities on assignment of claim

Until the debtor is informed about the assignment of the claim, he may fulfill his obligations to the original creditor.

Article 196 . Scope of the creditor's claims assigned to another person

Unless otherwise provided by this Code or by the agreement, the claim of the original creditor shall pass to the new creditor in the amount and on the terms existing at the moment the right is transferred. In particular, the rights securing the performance of the obligation, as well as other rights related to the claim — including the right to unpaid interest — pass to the new creditor. When a claim is assigned, the new creditor acquires the rights arising from pledge and mortgage, as well as the rights under any guarantees granted. The new creditor may exercise the preferential right associated with the claim in cases of enforcement or insolvency.

Article 197. Order of priority of claim holders

If the claim holder agrees with several persons on the assignment of the same claim, unless otherwise provided by *the Law of the Republic of Azerbaijan on Encumbrance of Movable Property*, the claim shall pass to the person with whom the claim holder established relations earlier. If this cannot be determined, the claim shall pass to the person who was notified to the debtor earlier. The same rule shall apply to claims that will arise in the future.

Article 198 . Proof of the new creditor's claims

198.1. The debtor may refrain from performing the obligation in favor of the new creditor until evidence is presented to them that the claim has been transferred to that person.

198.2. A creditor who has assigned the claim to another person shall be obliged to provide that person with the documents confirming the claim right and to communicate the information that is significant for the enforcement of the claim.

Article 199 . Objections of debtor against claims of new creditor

199.1. At the time of obtaining a 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 the debtor has issued a document confirming the debt obligation, upon the assignment of the claim for the delivery of that obligation, the debtor may not invoke against the new creditor that the obligation relationship and its confirmation were created merely for appearance's sake, or that the assignment was excluded by an agreement with the original creditor — except in cases where, at the time of the assignment, the new creditor knew or ought to have known the particulars of the matter.

Article 200. Responsibilities of new debtor – *deleted.*

Article 201. Termination of security facilities at debt transfer – *deleted.*

Article 202. Assignment of the claim based on the law, or the decision of the court or another competent public 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 property ownership right

Article 203. Types of loss of the property ownership right

203.1. Upon liquidation of registration records for the immovable property in the state register of immovable property, and also upon at utter annihilation of the immovable property, the ownership right to immovable property shall be 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 shall lose 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 shall be 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 individuals.

203.5. The alienation of property owned by natural and legal entities for state and public needs shall be realized according to Part 4 of Article 29 of *the Constitution of the Republic of Azerbaijan*.

Article 204. Abandonment of ownership

204.1. For renunciation of the ownership right or other rights to immovable property, an application of the authorized person and registration of such application in the public register of immovable property shall be required. The application on rejection of the ownership right or other rights to immovable property shall become effective after registration thereof in the public register of immovable property.

204.2. For the renunciation of the right of ownership or any other right to movable property, the owner should issue a written declaration to that effect or perform other actions that clearly demonstrate the owner's intention to refrain from possessing, using, or disposing of the property without any intent to retain any right to it.

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 Law of the Republic of Azerbaijan on Encumbrance of Movable Property* or the court decision, unless the agreement stipulates another procedure for forfeiture.

205.2. Ownership rights of the forfeited property owner shall terminate from the moment the person to whom the forfeited property was transferred acquires the ownership right thereto.

Article 206. Revocation of person's ownership rights over property he is not entitled to own

206.1. If, under grounds allowed by law, a person acquired ownership to property that may not be owned by such person by law, he should 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 public authority, such property should be sold in the mandatory manner or transferred to the state budget and proceeds from the sale thereof or the value thereof shall be given to the former owner. In such case, 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 permit and where the owner was declined in issuance of such special permit, such property should be alienated in the manner established for the property that may not belong to such owner by law.

Article 207. Expropriation of immovable property located on a land plot in connection with the acquisition of the land plot

207.1. Where it is impossible to expropriate a land plot for the 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. Deleted.

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

When a law of the Republic of Azerbaijan terminating ownership rights is adopted, the state shall compensate the owner for any damage resulting from the adoption of this law, including the value of the property. Disputes regarding the payment of compensation shall be resolved by the court.

Article 211. Valuation of property upon termination of ownership rights

When ownership rights are terminated, the property shall be valued based on its market price.

Article 212. Confiscation

Confiscation is the compulsory and gratuitous seizure of property in favor of the state by a court decision in cases provided for by the Criminal Code of the Republic of Azerbaijan and the Code of Administrative Offenses of the Republic of Azerbaijan.

Chapter 10

Special types of the ownership right

§ 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 if 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 from the 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. Maintenance expenses in respect 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 to protect 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.

Article 219. The moment when a share in shared ownership is transferred to the acquirer under the agreement

219.1. A share in shared ownership, unless the parties have agreed on a different time, shall pass to the acquirer under the agreement from the moment the agreement is concluded.

219.2. The moment of transfer of a share in shared ownership under a contract that gives rise to rights requiring state registration shall be determined from the time these rights are entered into the state register.

Article 220. Division of a thing in shared ownership or separation of share from it

220.1. A thing in shared ownership may be divided between its owners based on an agreement between them.

220.2 Owner of shared property may demand separation of his share.

220.3 If the owners of joint property cannot agree on the method and conditions for dividing the common item or separating a share from it, an owner of joint property may demand in court that their share be separated in kind. If separation in kind is not possible, or if it cannot be done without disproportionately harming the property held in common, the separating owner has the right to have the value of their share paid to them by the other owners of the joint property.

220.4 Under this article, any disproportion between the property separated in kind and the owner's share in ownership is remedied by payment of the corresponding monetary amount or other compensation. Payment of compensation by the remaining owners instead of separating the share in kind is permitted only with the owner's consent. If the owner's share is small, cannot be physically separated, and their interests in using the common property are

insignificant, the court may, even without the owner's consent, impose on the remaining participants of the joint ownership the obligation to pay compensation.

220.5 From the moment the owner receives compensation under this article, they lose their right to the share in the common property.

220.6. If, based on the rules established in Articles 220.3–220.5 of this Code, the division of the common property or separation of a share is clearly impractical, the court may decide to sell the property at a public auction and distribute the proceeds among the owners of the joint property in proportion to their shares.

Article 221. Termination of common shared ownership right

Shared ownership rights in common property may be terminated by physical division, voluntary sale, sale at auction with the proceeds divided, or by registering the entire property in the name of one or more participants and compensating the remaining participants. If participants cannot agree on the method of termination, the property is physically divided by court decision. if such division is not possible without significantly reducing the property's value, it shall be sold at a public auction or an auction limited to participants. Physical division may be combined with monetary compensation for unequal shares.

Article 222. Possession, use, and disposition of items 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 an item 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 its 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 items in joint ownership or separation of share from it

223.1. Joint ownership right shall be terminated 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 item 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 item 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 item 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 item.

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. *If the share of the debtor in the right of common ownership is the subject of a mortgage, then foreclosure of this share is carried out in the manner prescribed by the Laws of the Republic of Azerbaijan on Mortgage and on Execution.*

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 (clothes, shoes, etc.), except for jewelry and other valuables items, shall be deemed property of husband (wife) using it even thought it was obtained during their marriage at spouses' common funds.

225.4. Property of each of spouses may be deemed 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, an agreemetnt made on property rights registered in the state registry of immovable property, shall be deemed invalid. It shall also apply to cases when the beneficiary is a bona fide purchaser towards the ownership of such rights only to the party of agreement. If under the agreement any party knew or should have known about invalidity of the agreement, the purchaser shall require this party to compensate the loss incurred as a result of such invalidity.

§ 2. Right of ownership to integral part of residential building

Article 226. Definition 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 possess, use and dispose 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 a contractual basis.

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.

Article 228. Right of use of integral part of residential building

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/her, 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.

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 *in whose*

favor a security entry in the state register of immovable property is made. 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 should be notarized or, in the event of existence of a will or an agreement on division of inheritance - relevant form of agreement should 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:

236.2.1 resolve all matters not delegated by a meeting of owners of integral parts of residential building to a manager's competence.

236.2.2 appoint a manager and supervise his activities.

236.2.3 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 give permission to annual expenses budget, calculation and distribution of expenses among owners.

236.2.5 issue decision on setting up of renovation fund for the purposes of preservation of tidiness and conduct of renovation works.

236.2.6 insure building against fire and other dangers and 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 al 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 assured, 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 to land plot

239.1. Individuals shall have the right to be, without obtaining any prior permit, 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.

240.3. Consequences of carrying out of arbitrary construction by owner on his land plot shall be determined by Article 181 of this Code.

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. *Deleted.*

242.2. Person receiving land plot for use may lease it or give it into uncompensated use only upon its owner's consent.

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.

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). Ownership right to portion of land plot on which a building (installation) is located, which is important for its use shall transfer to an acquirer.

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, should give written notice to that land owner.

246.4. After the conclusion of the sales agreement in accordance with Article 35.3 of *the Law of the Republic of Azerbaijan on the Land Appropriation for Public Need*s, the appropriating authority within 90 (ninety) calendar days shall:

246.4.1. fully pay the cost of the land to the owner.

246.4.2. at its own expense take necessary steps to transfer rights over land to the state.

246.4.3. If the land sold is the place of residence of the owner or the owner's family, then after the full payment of the land's value to the owner, assist the owner in vacating the land and relocating 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, shall also apply to *items* located or not located on this land, *firmly connected (inseparable) with the land* acquired, for the same purposes.

246.6. In case of refusal from the appropriation of the land, re-appropriation of land that is subject to such refusal shall not be 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*.

Article 247. Compensation granted to individuals affected by the acquisition of land or the acquisition of rights pertaining to land

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* shall be 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 the 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.

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 of the Republic of Azerbaijan 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 the 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 the 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. No expenses, payments, or other financial obligations shall be imposed on, or collected from, any person affected by the acquisition in relation to any actions required to complete the procedures for the acquisition of rights over land.

Article 249. Legal validity of the decision to purchase land

249.1. From the date of 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 the Republic of Azerbaijan on the Land Appropriation for Public Needs* shall be deemed as persons which are subject to the procedure of appropriation.

249.1.3. purchasing authority shall take necessary measures related to the purchase of appropriating land.

249.1.4. where a resettlement plan and/or guideline is required, the acquiring authority shall be responsible for ensuring their preparation within a reasonable timeframe, in consultation with the persons affected by the acquisition.

249.1.5. the acquiring authority shall be responsible for assisting the valuation commission in the assessment of the acquired land and any structures located thereon (including unfinished constructions), as well as the produce, crops, all other natural objects, and constructed property, for the purpose of determining the compensation payable to persons affected by the acquisition and to other persons or entities that may incur losses as a result of the acquisition of the land.

249.1.6. the acquiring authority shall be responsible for paying compensation to persons affected by the acquisition and to other individuals and organizations that will incur losses as a result of the acquisition of the land.

249.1.7. the acquiring authority shall be obliged to prepare the necessary documents for obtaining funds from the relevant state authorities for the purpose of paying compensation.

249.2. From the date on which the decision on the acquisition of land is adopted, all rights related to that land, except for the ownership and use rights of the persons whose land is being acquired as of that date, shall be converted into the right to receive compensation. Unless otherwise provided for in cases where the State refuses to acquire certain lands or where such refusal is deemed to have occurred under *the Law of the Republic of Azerbaijan on the Land Appropriation for Public Needs,* this right may be transferred to other persons in accordance with the procedure established by law.

249.3. Following the decision on the acquisition of land, the relevant executive authority may, in accordance with the procedure established by legislation, take necessary measures to suspend construction (building works) initiated on the acquired land and/or to demolish any structures.

249.4. The acquiring authority shall be responsible for bringing to the attention of the persons affected by the acquisition a copy of the decision on the acquisition of land and the certificate concerning the legal validity of that decision.

Chapter 11

Rights for the use of things

§ 1. Inheritance right to construction

Article 250. Definition 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. The right of inheritance to a building may extend to that portion of the land plot which, while not essential for construction, shall facilitate the more effective use of the building.

250.3. The duration of the right of inheritance to a building shall be established by mutual agreement of the parties. however, it may not exceed ninety-nine (99) years in respect of land plots held in private ownership, and forty-nine (49) years in respect of land plots held in state or municipal ownership.

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 a *security entry in the state register of immovable property may be made*.

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. Definition 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 should 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. Definition 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 it 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 encumbered 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 mortgage right

§ 1. General provisions

Article 269. Definition of pledge and mortgage 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 mortgage right shall consist of restriction of property rights.

269.3. Pledge shall mean restriction of property rights to movable property (except for movable item subject to mortgage). Pledge of right shall also be possible in cases stipulated under this Code.

269.4. Mortgage shall mean restriction of property rights to immovable property as well as to movable property subject to registration in official register.

269.5. A pledge and a mortgage shall constitute accessory proprietary rights granted by the debtor (pledgor) to the creditor (pledgee) for the purpose of securing the fulfillment of the principal obligation.

269.6. Pledge and mortgage right to property shall apply to everything relating to ownership right to property.

269.7. In respect of an obligation secured by a pledge or mortgage, the creditor (pledgee or mortgagee) is entitled, in the event of the debtor's default, to satisfy his claim from the value of the pledged or mortgaged property with priority over other creditors of the owner of that property (the pledgor or mortgagor).

269.8. According to the principle established in Article 266.6 of this Code, the pledgee (or mortgagee) shall have the right to obtain satisfaction from the Insurance indemnity for the loss or damage of the pledged or mortgaged property, regardless of for whose benefit the property was insured, provided that the loss or damage did not occur due to reasons for which the pledgee (or mortgagee) is liable.

269.9. Pledge and mortgage rights may be established over all transferable property and rights.

269.10. If the pledged or mortgaged property is destroyed or damaged, or if the pledged right held by the pledgee (or mortgagee) is terminated or violated, the right to claim compensation shall arise.

269.11. A pledge or mortgage may be granted to secure both existing and future claims.The claim may be registered in the name of a specific person, to order, or to bearer. It may be a claim against the pledgor (or mortgagor) or the owner himself, or against another person. The claim secured by the pledge or mortgage should be sufficiently determined

Article 270. Formation of pledge and mortgage rights

270.1. Pledge and mortgage shall emerge on the basis of agreement.

270.2. Provisions of this Code relating to emergence of pledge and mortgage on a contractual basis shall apply in relevant order to pledge and mortgage emerging based on other grounds.

Article 271. Pledgor (mortgagee)

271.1. Pledgor (mortgagee) of property may only be its owner. Legal consequences of obtaining of right of mortgage (collateral) 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.

Article 272. Pledgee (mortgagor)

Pledgee (mortgagor) shall mean person having, upon grounds indicated in agreement relating to pledgor's property, pledge, or mortgage 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 mortgage

Any kind of agreement granting pledgee or mortgagor with the right of appropriation of pledged property or property encumbered with mortgage shall be invalid.

Article 274. Consequences of change of owner of pledged property or property encumbered with mortgage

274.1. Change of owner of the property encumbered with mortgage shall not change the mortgage right.

274.2. Change of the owner of the pledged property shall not change the right of pledge, except for the cases provided for by the Law of the Azerbaijan Republic on Encumbrance of Movable Property.

Article 275. Termination of pledge or mortgage right – *deleted.*

§ 2. Pledge

Article 276. Subject of pledge

276.1. Items, object of mortgage, as well as items 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.

Article 277. Pledge of items in common ownership

277.1. Items 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. The item to which pledge right is applicable

The right of pledge of a pledgee to a property that is the subject of a pledge shall also apply to its appurtenances, as well as to other property provided for by the Law of the Republic of Azerbaijan on Encumbrance of Movable Property, unless otherwise is provided by the agreement.

Article 279. Claim guaranteed by pledge

Unless the agreement provides otherwise, the pledge shall secure the pledgee's claim to the extent existing at the time of the realization of the security. Such claim shall include interest, default penalties, compensation for losses resulting from delayed performance, and necessary expenses and costs incurred by the pledgee for the custody and preservation of the pledged property, as well as enforcement costs.

Article 280. Collateral agreement

280.1. A collateral agreement shall be signed in writing.

280.2. The collateral agreement should include the name(s) and place of residence (location) of the parties, the subject of the pledge, the essence, the amount (upper limit) and the period of performance of the obligation, quaranteed by the pledge. *The description of the subject of pledge may indicate that it consists of all the existing or future movable property of the pledger. Such a description may also include a certain type (category) of movable property, receivables or their specific part.*

280.3. Collateral agreements 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 collateral agreement. Such agreement shall be deemed void.

Article 281. Emergence of collateral right

281.1. Pledge right shall emerge from the moment of execution of collateral 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 if not prohibited by prior pledge agreements.

282.3. 'Taking into account the cases stipulated by *the Law of the Republic of Azerbaijan on Encumbrance of Movable Property*, upon 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 the 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 exemption from liability 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.

Article 286. Change of subject of pledge

Change 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. *Taking into account Article 274.2 of this Code,* 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 forced 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.

Article 291. Assignment of rights arising out of collateral 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. *Deleted.*

Article 292. Transfer of debt in respect of obligation secured by pledge

If the debt secured by a pledge is transferred to another person, the pledge ceases to exist unless the pledgor has consented to be liable to the creditor in substitution for the new debtor.

Article 293. Acceleration and realization of the pledged property

293.1. Pledgee may demand early performance of guaranteed by pledge obligation if:

293.1.1. the pledged property is removed from the possession of the pledgor, contrary to the conditions of the collateral agreement.

293.1.2. pledgor has violated procedures on replacement of subject of pledge.

293.1.3. pledged property has been lost due to circumstances for which the pledgee bears no responsibility if the pledgor has not exercised the right set under Article 287 of this Code.

293.2. The pledgee shall have the right to require premature performance of the obligation secured by the pledge and, should this demand remain unfulfilled, proceed with foreclosure on the pledged property if:

293.2.1. pledgor violates procedure on subsequent pledge.

293.2.2. the pledgor fails to fulfill obligations provided in Articles 283.1 and 283.2 of this Code.

293.2.3. the pledgee violates procedures on use and disposition of pledged items.

Article 294. Termination of pledge

294.1. Pledge shall be terminated in the following circumstances:

294.1.1. when the obligation secured by a pledge is terminated.

294.1.2. at the request of the pledgor, in cases provided for in Article 283.3 of this Code.

294.1.3. if the pledgor has not exercised the right provided for in Article 288.2 of this Code, when the pledged property is destroyed or the pledged right is terminated.

294.1.4. when the property pledged *in connection with enforcement* is sold ~~at a public auction~~.

294.2. When the obligation secured by a pledge is fulfilled or the pledge is terminated at the request of the pledgor, the pledgee holding the pledged property is obliged to return it to the pledgor immediately.

Article 295. Grounds for imposition of foreclosure on pledged property

For the satisfaction of the pledgee's (creditor's) claims, foreclosure may be directed at the pledged property if the debtor fails to perform, or performs inadequately, the obligation secured by the pledge for reasons for which he is responsible

Article 296. Procedure for imposition of foreclosure 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. *The foreclosure of subject of encumbrance, to which the Law of the Republic of Azerbaijan on Encumbrance of Movable Property applies, shall be carried out as per this Law.*

296.2. The subject of pledge may be foreclosed *only by a court decision if*:

296.2.1. another person's approval or consent is required for collateral agreement.

296.2.2. subject of pledge is property of significant historical, artistic, or cultural value to society.

Article 297. Realization (sale) of pledged property

The pledged property can be sold at auction (public auction) or by any method in cases established by the Law of the Republic of Azerbaijan on Encumbrance of Movable Property.

Article 298. Distribution of amount received from sale of pledged property

298.1. The amount received from the sale of pledged property is distributed in the following order:

298.1.1. repay expenses on the maintenance, safety, improvement and sale of the pledged property.

298.1.2. repay claims that have a preemptive right in cases and in the manner established by the Law of the Republic of Azerbaijan on Encumbrance of Movable Property.

298.1.3. repay the claims of the pledgee.

298.1.4. repay claims that have a lower right in cases and in the manner prescribed by the Law of the Republic of Azerbaijan on Encumbrance of Movable Property.

298.2. After making payments provided for in Article 298.1 of this Code, the remainder of the funds from the sale of the pledged property shall be returned to the pledgor within 10 (ten) working days from the moment the pledged property is sold.

298.3. If the amount from the sale of the pledged property is not sufficient for repayment of pledgee's claim, then the pledgee is entitled to receive the missing amount from other property of the debtor, unless otherwise provided by the agreement. In this case, the pledgee has no preemptive right based on the pledge.

Article 299. Termination of foreclosure of and sale of pledged property

299.1. *Until the pledged asset subject to attachment is sold (until a purchase-sale agreement is concluded, or until a protocol is signed based on the results of an auction conducted with the consent of*

the parties, or until a protocol is drawn up on the results of an electronic auction, or until a certificate is issued pursuant to Article 63 of the Law of the Republic of Azerbaijan on Notaries), or until the pledged asset becomes the property of the pledgee in accordance with the Law of the Republic of Azerbaijan on Encumbrance of Movable Property, the pledgor and/or the debtor may terminate the foreclosure of the pledge by fulfilling the obligation secured by the pledge or the overdue portion of that obligation. Agreement restricting that right shall be void.

299.2. Person demanding termination of foreclosure 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 collateral

300.0. Collateral may be of the following kinds:
300.0.1. safekeeping.
300.0.2. pledge of items in pawnshops.
300.0.3. pledge of rights.
300.0.4. pledge of funds.
300.0.5. fixed 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 items in pawnshops

302.1. Movable items intended for personal consumption may be taken as collateral from individuals for securing short-term loans only by specialized organizations (pawnshops) that have a special permit (license) to carry out such activity as part of entrepreneurial activity.

302.2. An agreement for pledging an item at a pawnshop shall be formalized by the pawnshop issuing a pawn ticket.

302.3. Items pledged as collateral shall be handed over to the pawnshop.

302.4. The pawnshop should insure the pledged item in favor of the pledgor for the full amount of its value, which is determined at the time of acceptance as collateral based on the market price of a similar item of the same type and quality.

302.5. The pawnshop shall not have the right to use or dispose of the pledged item.

302.6. The pawnshop shall be responsible for the loss or damage of the pledged item.

302.7. If the loan amount secured by an item pledged at a pawnshop is not repaid within the specified period, the pawnshop may realize (sell) the item through an open auction. After such sale, the pawnshop's claims against the pledgor (debtor) shall be terminated, even if the proceeds from the sale of the pledged item are insufficient to fully satisfy the debt.

302.8. Procedures for lending to individuals in exchange for the pledge of their property by pawnshops shall be determined by legislation.

302.8-1. Pawnshops should take measures prescribed by the relevant legislation to prevent the legalization of criminally obtained ~~funds or other~~ property, and the financing of terrorism, including the *imposition of targeted financial sanctions*.

302.9. Any terms in an agreement for pledging an item at a pawnshop that restrict the pledgor's rights compared to the rights granted to him under this Code shall be deemed invalid

Article 303. Pledge of rights

303.1. A right may be pledged if it can be alienated, including the right to lease a land plot, building, facility, or residential house (apartment), the right to a share in property, or a claim for debt.

303.2. A term-limited right can only be pledged until the expiration of its validity period.

303.3. The debtor of a pledged right should be notified immediately about the pledge.

303.4. The pledge of a right that requires state registration becomes valid from the moment it is registered with the state body responsible for such registration.

303.5. A right certified by a documented security should, when pledged, unless otherwise specified in the agreement, be delivered to the pledgee, or placed in the deposit of a bank or notary

Article 304. Pledge of funds

Money that is the subject of a pledge shall be kept in the deposit account of a bank or notary. Unless otherwise provided in the agreement, any interest accrued on this amount belongs to the pledgor.

Article 305. Fixed pledge

A fixed pledge is a pledge whose subject is kept by the pledgor under the lock of the pledgee or marked with signs indicating the pledge.

Article 306. Pledge of goods in circulation

306.1. When circulating goods are pledged, the pledged goods shall be kept by the pledgor, and the pledgor shall be granted the right to alter the composition and natural form of the pledged property (including inventory, raw materials, materials, semi-finished products, finished goods, etc.) ~~, provided that the total value of the goods does not fall below the value specified in the pledge agreement. Unless otherwise stipulated in the contract, any decrease in the value of the pledged circulating goods is allowed proportionally to the portion of the obligation secured by the pledge that has been fulfilled.~~

306.2. Circulating goods that the pledgor has alienated shall cease to be the subject of the pledge from the moment they pass into the ownership of the acquirer. Conversely, goods acquired by the pledgor, specified in the pledge agreement, shall become the subject of the pledge from the moment the pledgor acquires ownership rights over them.

306.3. When circulating goods are pledged, the parties may stipulate that their total value should not fall below the value specified in the collateral agreement. In this case:

306.3.1. unless otherwise provided in the agreement, any decrease in the value of pledged circulating goods is allowed proportionally to the portion of the obligation secured by the pledge that has been fulfilled.

306.3.2. the pledgor shall be obliged to maintain a register of pledged goods. This register should include, as of the last day of operations, entries regarding the terms of the pledge and all transactions that lead to changes in the composition or natural form of the pledged goods, including their processing.

306.4. If the pledgor violates the terms of the pledge of circulating goods, the pledgee may suspend transactions related to the pledged goods by marking them with their signs until the violation is remedied.

§ 3. Mortgage

Article 307. Mortgage agreement

307.1 The mortgage agreement should include the name and place of residence (location) of the parties, the subject of the mortgage, its name, location and other description sufficient for identification, the essence, amount (sum) of the main obligation, the basis for the occurrence and the period of performance, the parties to the agreement, on which this obligation is based, the place, the date of its conclusion, as well as the conditions for applying the mortgagee's claims to the mortgaged property subject to the imperative norms established by law~~, the method of selling the subject mortgage, the initial selling price of the mortgaged property or the appraisers who will determine this price, and in case the appraisal agreement is concluded with an appraisal organization, also information about such organization, the person required to make a sale in the sale of the mortgaged property on the public market, and the order and sequence of the distribution of income from the sale of the mortgaged property, e-mail address of the mortgagor~~.

~~307.2. Subject of mortgage shall be determined in agreement by provision of its name, place of location, and description sufficient for identification.~~

307.3. Mortgage agreement shall indicate upon which right a property being subject of mortgage belongs to mortgagee and a state body registering that right of mortgagee.

307.4. ~~Mortgage agreement shall show guaranteed by mortgage 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 mortgage obligation is to be determined in future, mortgage agreement shall indicate order of its determination and other necessary terms.

307.5. If the obligation secured by the mortgage is to be performed in installments, the mortgage agreement should specify the terms or periodicity of the respective payments, their amounts, or the conditions that allow these amounts to be determined.

307.6. The mortgage agreement should be concluded writting by drawing up a document signed by the mortgagor and the mortgagee, and if the mortgagor is not the debtor, it should also be signed by the debtor.

307.7. The mortgage agreement should be notarized

Article 308. Types of mortgage

308.1. A general mortgage is a mortgage whose subject consists of several items, and each of these items is used to satisfy the overall claim. The creditor's claim may, at his discretion, be satisfied from any of the items.

308.2. An owner's mortgage means that when the claim secured by the mortgage does not arise, is terminated, or when that claim passes to the owner of the property, the mortgage also passes to that owner. In this case, the order of priority of other rights shall not change.

Article 309. State registration of mortgage

309.1. The mortgage agreement for immovable property should be registered in the State Register of Immovable Property, while the mortgage agreement for movable property should be recorded in the official register of movable property subject to state registration.

309.2. Mortgage shall be state registered under the procedure established by law.

309.3. The mortgage and the claim shall be transferred to the new creditor in the same manner as they existed with the former creditor. The registration of information in the State Register of Immovable Property that reflects the creditor's interests is deemed to be correct. In this case, the debtor may not refer to the non-existence of the claim. However, this rule shall not apply if the new creditor knew that the entries in the register were incorrect.

Article 310. Encumbrance of items by multiple mortgages

The same property may be encumbered by several mortgages. The order of priority of the encumbrances shall be determined by the moment of the mortgage's state registration.

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 mortgage.

Article 312. Obligation to preserve items encumbered by mortgage

312.1. The mortgagor shall be obliged to preserve the actual value of the item. If, due to a deterioration of circumstances, a risk arises for the mortgage, the mortgagee may set an appropriate period for the mortgagor to eliminate this risk.

312.2. If the property is insured, after the deterioration of circumstances, the insurance organization may pay the insurance amount to the insured only from the moment the fact of damage has been reported to the mortgagee. If the mortgagee has reason to believe that the amount will not be used for the restoration of the item, he may prevent the payment of the amount.

312.3. If it becomes evident that the mortgagor is unable to fulfill his obligations, the mortgagee may demand the property be transferred to him. The court shall decide on this demand.

312.4. Any agreement under which the mortgagor undertakes an obligation before the mortgagee not to alienate, use, or otherwise encumber the property shall be invalid. The validity of such transactions with respect to third parties cannot depend on the consent of the mortgagee.

Article 313. Transfer of the mortgage and the underlying claim to a third party

The mortgage and the underlying claim may be transferred to another person only simultaneously and together. When the claim is transferred to the new mortgagee, the mortgage shall also pass to that person. The transfer of the claim shall be deemed valid only if the notarially certified document on the establishment of the mortgage is delivered to the new mortgagee and the transfer is registered in the State Register of Immovable Property or the official register of movable property.

Article 314. Presumption of accuracy of the entry in the State Register of Immovable Property or the Official Register of Movable Property upon transfer of the mortgage and the claim to a new mortgagee

The mortgage and the claim shall be transferred to the new mortgagee in the same manner as they existed for the previous mortgagee. The information recorded in the State Register of Immovable Property or in the official register of movable property shall be deemed correct, based on the interests of the mortgagee. In this case, the mortgagor may not refer to the non-existence of the claim. However, this rule shall not apply if the new mortgagee was aware of incorrect entries in the register.

Article 315. Rights of third parties

315.1. Any third party whose position has worsened as a result of the realization of the mortgage shall have the right to enforce the claim and, in this way, acquire the mortgage for him/herselves. When the mortgagee is satisfied, he/she may demand notarized documents and their registration as a mortgagee.

315.2. If an individual debtor satisfies the mortgagee, the mortgage passes to him/her. In this case, he/she may demand compensation from the owner.

Article 316. Refusal of mortgagor from claim or mortgage

In the event mortgagor refuses from claim or mortgage, *the mortgage shall be terminated*. Refusal shall have legal force provided that *the termination of the mortgage* is registered in the state register of immovable property or in the official register of movable property.

Article 317. Claim to sell property encumbered by a mortgage

317.1. If the debtor fails to perform or improperly performs the principal obligation secured by the mortgage, the mortgagee may demand the sale of the immovable property.

317.2. The sale shall be carried out in accordance with *the Law of the Republic of Azerbaijan on Mortgage.*

Article 318. Costs of granting a mortgage

318.1. Unless otherwise stipulated in the agreement, the costs of granting the mortgage shall be borne by the debtor.

318.2. If the item is encumbered by a mortgage, and the owner has made changes or additions to the mortgage after it was granted, and is not obliged to provide these changes or additions as security for the claim, the owner may withdraw such changes and additions and restore the item to its previous condition. The owner shall bears responsibility for any reduction in the value of the immovable property.

Article 319. Consequences of the debtor's delay in fulfilling obligations

319.1. If the debtor delays the fulfillment of obligations for which the property was pledged as security, the mortgagee shall have the right to sell the mortgaged property at a public auction. Any agreement under which ownership of the immovable property directly passes to the creditor in cases where the debtor fails to perform or delays performance of the obligations secured by the mortgage shall be invalid.

319.2. If the claim secured by the mortgage is not performed, the mortgagee and the debtor may agree on forms of sale other than a public auction at the time the mortgage claim is enforced. The agreement may also stipulate that the mortgaged property is sold at market value, subject to full settlement of the debtor's obligations, and/or that the person acquiring the mortgaged apartment (or residential premises) is granted the right to be a tenant of that apartment (or residential premises) in relation to the debtor and their family members in the future.

319.3. The purchaser of mortgaged property shall be obliged to pay the purchase price. Cost of directing the mortgaged property to enforcement shall be deducted from the purchase price.

~~*319.4. The initial sale price of a mortgaged property offered at a public auction is determined in accordance with the Law of the Republic of Azerbaijan on Mortgage.*~~

319.5. Based on a notarized agreement of the parties, when a mortgaged property is sold without recourse to the court, the method of sale, the person responsible for carrying out the sale, the procedure for holding the auction, subsequent procedures if the auction fails, the rights and obligations of the parties, and the sale price of the property shall be determined by the agreement concluded after the parties acquire the right to direct the mortgaged property to enforcement.

319.6. If the amount obtained from the sale of the mortgaged property is insufficient to satisfy the mortgagee's claim, they have the right, unless otherwise provided in the mortgage agreement, to recover the shortfall from other property of the debtor. In this case, the mortgagee has no preferential right based on the mortgage. If the amount obtained from the sale exceeds the mortgagee's claims, the excess should be returned to the mortgagor.

Article 320. Priority of repayment of mortgagor's claims

If there are several mortgagors, the their claims shall be satisfied from the net proceeds of the sale of the mortgaged property in accordance with the order of their registered rights. If the amount attributable to each person in the order or to each of the voluntary parties is disputed, payment shall not be made until the order or the amount due to each mortgagor is determined. The remaining amount shall be paid to the owner of the sold item.

Article 321. Mortgage debt

321.1. A land plot can be encumbered in such a way that a certain amount of money (mortgage debt) should be paid to the person for whose benefit the encumbrance is established. The encumbrance can also be established in such a way that interest on the monetary amount should be paid, as well as other additional obligations related to the immovable property. Instructions regarding the mortgage shall apply correspondingly to the mortgage debt, provided that no claims arise from them beyond the mortgage debt.

321.2. By agreement of the parties, a mortgage can be transferred to the mortgage debt, and the mortgage debt can be transferred to the mortgage.

Article 322. Rent debt

Mortgage 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. Item encumbrance

Immovable property can be encumbered in such a way that the person for whose benefit the encumbrance is established will have to be provided with periodic obligations related to the land plot

Article 323-1 . Owner objections against mortgage

Even if the owner of immovable property is not personally liable for the obligation secured by the mortgage, he may assert a counterclaim against the mortgagee only to the extent of the claims belonging to the personal debtor. specifically, these are reciprocal claims related to the offsetting of monetary obligations and the filing of a complaint regarding the claim. This shall also apply when the owner is personally liable as the mortgagee's debtor.

Section 4

DEALS

Chapter 13

General provisions about deals

Article 324. Definition a deal and its types

324.1. A deal shall mean unilateral, bilateral or multilateral expression of will directed at emergence, modification and termination of civil legal relationship.

324.2. Deals may be unilateral or in contractual form (bilateral or multilateral).

324.3. A deal for which the expression of will by one party is necessary and sufficient for its conclusion, under this Code or by agreement of the parties, shall be a unilateral deal.

324.4. For the conclusion of a contract, the mutual expression of will of two parties (a bilateral deal) or the mutual expression of will of three or more parties (a multilateral deal) shall be required.

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. A deal shall not exist in the event the 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. An expression of will that requires acceptance by the other party shall become effective from the moment it reaches that party.

325.2. *Deleted.*

325.3. If the person who concluded the transaction dies or loses legal capacity after expressing his/her will, this may not affect the validity of the expression of will.

Article 326. Obligations under unilateral deal

A unilateral deal shall create obligations for the person who concluded it. It may create obligations for other persons only in cases provided for by this Code or by an agreement with those persons.

Article 327. Legal regulation of unilateral deals

General provisions on obligations or contracts shall apply to unilateral deals correspondingly, provided that such application does not contradict this Code, or the unilateral nature and substance of the deal.

Article 328. Deals concluded under conditions

328.1. A deal shall be deemed concluded under a condition if the parties have made the arising of rights and obligations dependent on circumstances whose occurrence is uncertain.

328.2. A condition that contradicts the requirements established by this Code, or that is impossible to fulfill, is invalid. A deal dependent on such a condition shall be entirely invalid.

328.3. A condition dependent on the will of the parties, i.e., one whose occurrence or non-occurrence depends solely on the will of the parties to the transaction, shall be invalid. A deal concluded under such a condition shall be invalid.

328.4. A positive condition shall mean that the deal is concluded on the condition that a certain event will occur within a specified period. If that period expires and the event does not occur, the condition shall be deemed null and void. If no period has been determined, the condition may be fulfilled at any time. When it becomes evident that the event cannot occur, the condition may be deemed void.

328.5. A negative condition shall mean that the transaction is concluded on the condition that a certain event will not occur within a specified period. If that period expires without the event occurring, or if it becomes evident before the expiration of the period that the event cannot occur, the condition shall be deemed fulfilled. If no period has been determined, the condition shall be deemed fulfilled only when it becomes evident that the event will not occur.

328.6. If the arising of the rights and obligations stipulated in the deal depends on a future or uncertain event, or on an event that has already occurred but is still unknown to the parties, the transaction shall be deemed concluded under a suspensive condition.

328.7. A deal shall be deemed concluded under a resolutive condition if the occurrence of that condition terminates the transaction and restores the situation that existed before its conclusion.

328.8. A person who has concluded a transaction under a certain condition has no right to perform any act that may hinder the fulfillment of the condition before it occurs. If the condition occurs within the specified period and that person has committed such an act, he should compensate the other party for any damage caused by it.

328.9. If the party for whom the occurrence of the condition is disadvantageous unfairly prevents its occurrence, the condition shall be deemed fulfilled.

328.10. If the party for whom the occurrence of the condition is advantageous unfairly facilitates its occurrence, the condition shall be deemed not fulfilled

Article 329. Forms of deals

329.1. Unless otherwise provided by law, a deal concluded without observing the form requirements established by law or by mutual agreement of the parties shall be invalid.

329.2. Deals may be concluded verbally or in writing (in simple written or notarial form).

329.3. A deal that may be concluded verbally shall be deemed concluded if the person's intention to enter into the deal is evident from his conduct.

329.4. Silence shall be regarded as an expression of intent to conclude a deal in cases provided for by this Code or by agreement of the parties

Article 330. Verbal deal – *deleted.*

Article 331. Writtem deals

331.1. A written deal shall be concluded by drawing up a document that expresses its content and is signed by the person or persons concluding the deal, or by their duly authorized representatives. *Compliance with the written form shall also be deemed observed if the deal is concluded by means of electronic or other technical devices that make it possible to record its content on a material carrier in an unalterable form. In such a case, if any method that reliably identifies the person expressing his will has been used, the requirement of a signature shall be considered fulfilled. The law, other legal acts, or agreement of the parties may establish specific method(s) of identification that ensure precise determination of the person.*

331.2. *The law, other legal acts, or agreement of the parties* may establish additional requirements for the form of the deal (drawing it up on a specific form, confirming it with a seal, etc.) and may also determine the consequences of non-compliance with such requirements.

331.3. The use of a facsimile reproduction of a signature, an electronic signature, or another analogue of a handwritten signature by mechanical or other copying means shall be permitted in cases and in the manner provided *by law, other legal acts, or* by agreement of the parties. The rules for the use of electronic signatures shall be determined by legislation.

331.4. If an individual, due to a *physical disability*, illness, or illiteracy, is unable to sign the deal personally, it may be signed at his/her request by another individual. The signature of another individual should be certified by a notary or by another authorized official entitled to perform such notarial acts, indicating the reasons why the person concluding the deal could not sign it personally.

331.5. Issues related to the conclusion of deals *in electronic commerce and their confirmation by electronic signature* shall be regulated by the legislation of the Republic of Azerbaijan on electronic commerce and electronic document circulation

Article 332. Deals concluded in simple written form – *deleted.*

Article 333. Consequences of non-compliance with simple written form of deal – *deleted.*

Article 334. Notarial certification of a deal

334.1. Notarial certification of a deal shall be carried out by making a certifying note in a document that complies with the requirements of Article 331 of this Code, signed by a notary or by another official authorized to perform such notarial acts.

334.2. The procedure for notarial certification of a deal shall be determined in accordance with the *Law of the Republic of Azerbaijan on Notaries*.

334.3. *Deleted.*

Article 335. Consequences of non-compliance with notary form of deals– *deleted.*

Article 336. *Consequences of non-compliance with requirement of registration of rights arising out of deals*

336.1. If one of the parties evades the state registration of the rights occurring from the deal, the registration shall base upon court decision made under the application of counterpart.

336.2. Other rights associated with compensation of losses, shall be unchanged.

Chapter 14

Invalidity of deals

Article 337. Definition of invalidity of deals and its consequences. Disputed and void agreements

337.1. A deal concluded in violation of the conditions established by this Code shall be invalid. Invalid deals may be either disputable or insignificant deals.

337.2. If a deal is disputed, it is deemed invalid from the moment of its conclusion. A deal shall be disputed by notifying the other party of the expression of will regarding its invalidity. A unilateral deal carried out with respect to the other party shall be disputed against that person.

337.3. An insignificant deal shall be a deal that is invalid in itself, whether it is declared invalid by a court or not.

337.4. An invalid deal shall not produce legal effects, except for the consequences related to its invalidity. Such a deal shall be invalid from the moment it is concluded.

337.5. If a deal is invalid, unless this Code provides separate consequences for its invalidity, each of the parties should return everything received under the transaction to the other party. If returning the received items in kind is not possible (including, when the items were used, incorporated into property, or expressed in performed work or services), the party should compensate the value in money.

Article 338. Invalidity of deals violating rules and prohibitions specified by this Code– *deleted.*

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. A deal concluded as a result of abuse of power, bad faith agreement of representative of one party with the other one, *or entailing circumstances established by Article 49.4 of this Code*, extremely non-beneficial to a person agreement concluded as a result of duress and other party's utilization of this (deal under 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 a deaL, he may dispute the deal. Such dispute shall be implemented where impossibility of conclusion of a deal without fraud has become evident. In the event one of the parties has known and kept silent about circumstances making conclusion of deal by the other party impossible, defrauded party may dispute the deal. The obligation to inform of silenced circumstances may arise only where the other party expects it in good faith.

339.3. For a deal to be disputed on the grounds of deception, it is irrelevant whether the party providing false information did so to gain an advantage or to cause harm to the other

party. If the deception is carried out by a third party, the transaction may still be disputed if the person benefiting from the transaction knew or should have known about the deception. If both parties acted through deception, neither of them shall have the right to dispute the deal on the grounds of being deceived or demand compensation for any resulting damage.

339.4. A person compelled to conclude a deal (through violence or threats) shall have the right to dispute the deal, even if the coercion was carried out by a third party. Coercion that is capable of affecting a person and can make him believe that he or his property face a real danger leads to the invalidity of the deal. When assessing the nature of coercion, the person's age, gender, and living conditions shall be taken into account. Coercion directed at the spouse, other family members, or close relatives of one of the parties shall also constitute grounds for disputing the transaction. Except in cases where the purpose and means of coercion are incompatible, acts that are not carried out for an illegal purpose and do not involve illegal means shall not be deemed coercion.

339.5. If a deal is declared invalid on the grounds specified in Articles 339.1, 339.2, or 339.4, the rules of Article 337.5 of this Code shall apply. In addition, the other party should compensate the actual damage caused to the injured party as a result of abuse of authority.

339.6. A transaction may be declared invalid by a court at the claim of the injured party based on the grounds specified in Articles 339.1–339.4 of this Code.

Article 340. Invalidity of fictitious and sham deals

340.1. A fictitious deal is a deal concluded for appearance only, without the intention to produce the corresponding legal effects. A fictitious deal is insignificant.

340.2. A sham deal is a deal concluded to conceal another one. A sham deal is insignificant. For a sham deal, the rules applicable to the deal that the parties actually intended at the time of conclusion shall apply, taking into account its substance.

Article 341. Invalidity of a non-serious deal

341.1. An expression of will made non-seriously (as a joke), with the expectation that the lack of seriousness will be noticed, is invalid.

341.2. If a non-serious deal causes damage to the other party, and the other party was not aware of the non-serious nature of the deal and could not have been aware, the damage should be compensated

Article 342. Invalidity of a deal concluded by a person lacking legal capacity

342.1. A deal concluded by a person deemed incapable of acting due to a mental disorder is invalid. Each party to such a deal should return everything received under the deal to the other party. If returning the received items in kind is not possible, their value should be compensated in money. In addition, if the party with legal capacity knew or should have known that the other party lacked capacity, he/she should also compensate the actual damage caused.

342.2. A deal concluded by an individual deemed incapable due to a mental disorder may be considered valid for his benefit with the consent of his guardian.

Article 343. Invalidity of a deal concluded by a person with limited legal capacity

343.1. A deal concerning disposal of property concluded by an individual whose legal capacity has been restricted by a court due to abuse of alcohol, narcotic or psychotropic substances, or involvement in gambling, without the consent of his guardian, may be declared invalid by a court at the claim of the guardian.

343.2. The rules of this Article shall not apply to minor household deals that a person with limited legal capacity shall be entitled to conclude independently

Article 344. Invalidity of a deal concluded by a minor under fourteen years of age

344.1. Except in the cases provided for in Article 29 of this Code, a deal concluded by a minor who has not reached the age of fourteen shall be invalid.

344.2. *Deleted.*

344.3. *Deleted.*

Article 345. Invalidity of deals concluded by a minor aged fourteen to eighteen

345.1. A deal concluded by a minor aged fourteen to eighteen is invalid if, according to the requirements of this Code, the minor was required to obtain consent from his parents, adoptive parents, or guardian and failed to obtain such consent.

345.2. The rules of this Article shall not apply to deals of minors who have attained full legal capacity in accordance with the provisions of this Code

Article 346. Invalidity of deals concluded by an individual who does not understand or cannot control his actions

346.1. Even if a person is legally capable, a deal concluded by him may be declared invalid by a court at the claim of the person himself or of another person whose rights or legally protected interests were violated as a result of the deal, if at the time of concluding the deal the person did not understand the meaning of or could not control his actions.

346.2. A deal concluded by a person later recognized as legally capable may be declared invalid by a court at the claim of his guardian if it is proven that at the time of concluding the deal the person did not understand the meaning of or could not control his actions.

346.3. A declaration of will made during loss of consciousness or temporary mental disorder may be deemed invalid.

346.4. A declaration of will of a mentally ill person is invalid if it does not correspond to a correct perception of reality and the person has been recognized by a court as legally incapable.

Article 347. Invalidity of a deal concluded under impact of material misunderstanding

347.1. A deal concluded under impact of material misunderstanding may be contested by the person who acted under such a mistake.

347.2. A mistake of essential significance occurs in the following cases:

347.2.1. the person intended to conclude a different deal than the one he consented to.

347.2.2. the person was mistaken about the content of the deal he intended to conclude.

347.2.3. circumstances considered by the parties as the basis of the deal, in accordance with the principle of good faith, do not exist.

347.3. Misunderstanding in respect of motives of deal shall not be of material importance except for circumstances where they are subject of deal.

347.4. Misunderstanding in respect of personality of counteragent shall be deemed material only where counteragent's personality or his personal qualities have been primary basis for conclusion of the deal.

347.5. Misunderstanding in respect of main features of subject shall be deemed material where it bears importance for determination of subject's value.

347.6. Minor errors made in the conclusion of written deals shall entitle correction but do not justify contesting the deal.

347.7. If the party contesting the deal under a material misunderstanding proves that the mistake arose due to the fault of the other party, he may demand compensation for the actual damage suffered from that party. If this cannot be proven, the party contesting the deal under a material misunderstanding shall be obliged, at the request of the other party, to compensate for the actual damage caused to the other party, even if the misunderstanding arose due to reasons beyond the control of the mistaken party.

Article 348. Invalidity of deals concluded with violation of mandatory form – ***deleted.***

Article 349. Invalidity of a deal concluded by legal entity beyond its legal capacity

The deal concluded by legal entity in contradiction to purposes of its activity set forth in its charter, may, in the event its has been proven that the other party participating in the deal knew or should have known of its illegality, can be appealed by entity or its founder.

Article 350. Consequences of limitation of powers to conclude deals

If a person's authority to conclude a deal is limited by contract, or if the powers of a legal entity's body are limited by its charter, by a power of attorney, by this Code, or by circumstances that could be reasonably apparent at the time of concluding the deal, and that person or body exceeds such limitations when concluding the deal, the deal may be contested by the person whose interests those limitations were intended to protect only if it is proven that the other party to the deal knew or should have known of such limitations.

Article 351. Significance of confirmation in the event of invalidity of deals

351.1. Void agreement shall be invalid from the moment of its conclusion.

351.2. If a person who has concluded a voidable deal confirms it, his actions shall be regarded as the re-conclusion of the deal.

351.3. If the person entitled to contest the deal confirms it, he shall thereby lose the right to contest it.

351.4. If both parties confirm a voidable bilateral deal, then, in case of doubt, they shall be obliged to give each other everything that would have been due to them had the deal been valid from the outset.

351.5. Confirmation shall be valid only if the contract or deal does not contradict moral principles and does not infringe upon the interests of third parties

Article 352. Consequences of invalidity of one part of the deal

The invalidity of any part of a deal shall not affect the validity of its remaining provisions, provided that the deal could have been concluded without the invalid part.

Article 353. Conversion of the deal

If, after becoming aware of the invalidity of a deal, the parties express the intention for it to remain valid, the provisions governing another deal shall apply, provided that the invalid deal satisfies the requirements prescribed for such other transaction

Article 354. Periods applicable to invalid transactions

354.1. A claim seeking the application of the consequences of a void deal's invalidity may be filed within one year from the date on which performance of the deal commenced.

354.2. Except as provided in Article 347.1 of this Code, an interested party may contest a deal within one year from the date the coercion or threat influencing its conclusion ceased, or from the date the party became aware or ought reasonably to have become aware of the circumstances giving rise to its invalidity. A deal concluded under a material misunderstanding may be contested within one month from the date the mistake became known.

Chapter 15

Consent in deals

Article 355. Definition of consent in deals

355.1. Where the validity of a deal is subject to the consent of a third party, such consent or refusal may be communicated to either party to the transaction.

355.2. The form established for the transaction need not be observed in giving consent.

Article 356. Authorization (prior consent)

Authorization (prior consent) granted for the conclusion of a deal may be revoked before the deal is concluded, unless the parties have agreed otherwise. Notice of the revocation of such authorization (prior consent) shall be given to both parties

Article 357. Approval (subsequent consent)

Ratification of a transaction (subsequent consent), unless otherwise provided by this Code or by agreement between the parties, shall have retroactive effect from the time the transaction was concluded

Article 358. Disposition of item or right by an unauthorized person

358.1. Disposition of item or right by an unauthorized person shall be valid in the event it is carried out with an authorized person's authorization (prior consent).

358.2. Disposition of item or right shall be valid where approved by an authorized person.

Chapter 16

Representation in deals

Article 359. Definition of representation in deals

359.1. A deal may be concluded through a representative. A deal entered into by a person (the representative) on behalf of another person (the principal), based on a power of attorney, a provision of law, or an act of a state or municipal body empowered for this purpose, shall directly create, modify, or terminate the civil rights and obligations of the principal. The representative's authority may also be inferred from the circumstances in which the acts (e.g., a seller or cashier in retail trade, etc.).

359.2. Persons who act in their own name but for the benefit of another (commercial agents, bankruptcy administrators, executors of wills, etc.), as well as persons authorized to initiate negotiations regarding prospective deals, shall not be deemed representatives.

359.3. A representative may not enter into transactions on behalf of the principal in which the representative is personally a party. Except in cases of commercial representation or *investment company activities* in the securities market, a representative may not simultaneously enter into such transactions concerning the same principal.

359.4. Deals that, by their nature, should be concluded personally, as well as other deals specified in this Code, may not be concluded through a representative.

Article 360. Conclusion of a deal by an unauthorized person

360.1. Where a person (the representative) acts on behalf of another (the principal) without authority, or exceeds his authority, the other party to the deal shall have the right to require the representative to perform the deal or compensate for any damage resulting from it, provided that the principal does not subsequently approve the transaction.

360.2. Approval of the deal by the principal shall create, modify, and terminate civil rights and obligations for the principal as if the deal had been originally concluded on his behalf.

Article 361. Commercial representation

361.1. A person representing entrepreneurs on a permanent and independent basis at the time of conclusion of deals in entrepreneurship shall be deemed a commercial representative.

361.2. Simultaneous commercial representation of different parties in a deal 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. A power of attorney granted by a person to another for representation before third parties is considered a power of attorney. The principal may submit the written power of attorney authorizing the representative to conclude a deal directly to the relevant third party .

362.2. Powers of attorney for deals requiring notarization should be certified in accordance with notarial procedure.

362.3. The following are equivalent to powers of attorney certified in notarial form:

362.3.1. powers of attorney of military personnel and other persons receiving treatment in hospitals, sanatoriums, and other military medical institutions, certified by the head of the institution, their deputy in charge of medical affairs, or the chief/on-duty physician.

362.3.2. powers of attorney of military personnel, and in locations where notarial *offices* or other authorities performing notarial acts are absent, powers of attorney of workers and employees, their family members, and family members of military personnel, certified by the commander (head) of the unit, formation, administration, or military training school.

362.3.3. powers of attorney of persons in places of deprivation of liberty, certified by the head of the respective institution.

~~362.3.4. powers of attorney of adult legally capable persons in *social service institutions*, certified by the administration of the institution or the head (or deputy) of the relevant social protection authority.~~

362.4. powers of attorney for receiving wages, other labor-related entitlements, authors' and inventors' rights, pensions, allowances, and benefits, as well as deposits and postal items (including money and parcels) in banks, may also be certified by the principal's employer or educational institution, the relevant local executive authority of their place of residence, or the administration of the inpatient medical facility where they are treated. *in the case of persons placed in social service institutions, by the administration of the respective institution*.

362.5. a power of attorney on behalf of a legal entity is issued with the signature of its head or another person authorized by its charter, and the seal of the organization is affixed.

362.6. powers of attorney sent by telegraph or other means of communication dispatched by a postal or communication officer are certified by the communication authorities.

362.7. Third parties may recognize as valid a power of attorney sent by the principal to the agent via facsimile or other communication means, without the involvement of official postal authorities.

Article 363. Validity period of a power of attorney

363.1. Except as provided in Article 363.3 of this Code, a power of attorney may be granted for any period. Where no period is specified, it shall remain in force for one year from the date of execution. A power of attorney that does not indicate the date of execution shall be deemed void.

363.2. A power of attorney intended for acts abroad, and for which no period of validity is specified, shall remain in force until revoked by the principal, provided it has been notarized.

363.3. A power of attorney conferring the right to dispose of a vehicle shall not be granted for a period exceeding one year.

Article 364. Delegated power of attorney

364.1. A person granted a power of attorney shall personally perform the acts for which he is authorized. Such acts may be delegated to another person only if the power of attorney so authorizes or if circumstances make it necessary to protect the interests of the principal.

364.2. A person who delegates authority to another shall inform the principal and provide necessary information regarding the delegate. Failure to do so shall render the delegating person liable to the principal for the acts of the delegate as if the delegating person had performed them personally.

364.3. *Deleted.*

364.4. The period of validity of a power of attorney granted under a delegation procedure shall not exceed the period of validity of the original power of attorney it is based on.

Article 365. Termination of a power of attorney

365.1. A power of attorney shall terminate upon the occurrence of the following:

365.1.1. expiration of its term.

365.1.2. performance of the acts for which it was granted.

365.1.3. revocation by the principal.

365.1.4. renunciation by the attorney-in-fact.

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, legal incapacity, limited legal capacity, or being declared missing of the principal.

365.1.8. death, legal incapacity, limited legal capacity, or being declared missing of the attorney-in-fact.

365.2. The principal may revoke a power of attorney or delegation at any time, and the attorney-in-fact may renounce it at any time. Any agreement waiving these rights shall be void.

Article 366. Consequences of termination of a power of attorney

366.1. A principal who has granted and subsequently revoked a power of attorney shall notify the attorney-in-fact, as well as any third parties known to the principal to whom the power of attorney was presented for representation. Where a power of attorney is terminated on

the grounds set forth in Articles 365.1.5 and 365.1.7, the principal's legal heirs shall bear the same obligation.

366.2. Rights and obligations arising from acts performed by the attorney-in-fact prior to the time he knew or should have known of the termination shall remain valid with respect to third parties vis-à-vis the principal and their legal heirs. This rule shall not apply if the third party knew or should have known of the termination.

366.3. Upon termination of a power of attorney, the attorney-in-fact or their legal heirs shall promptly return the power of attorney.

366.4. Termination of a power of attorney shall render any delegated power of attorney granted by the attorney-in-fact null and void.

Section 5

PERIODS

Chapter 17

Calculation of periods

Article 367. Definition 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 a deal or set by court shall be specified by expiry of time calculated in calendar date or months, weeks, days or hours.

367.3. The period may also be determined by indicating an event that should necessarily occur.

Article 368. Time indicating to commencement of period

The flow of a period defined by a time frame shall start on the day after the specified calendar date or the occurrence of the event that marks the beginning of that period

Article 369. Time indicating the expiration of a period

369.1. A period calculated in years expires on the corresponding month and day of the final year of the period. Rules for periods calculated in months apply to periods determined by half a year. A half-year is considered equal to six months and is counted from the early year.

369.2. Rules for periods calculated in months also apply to periods calculated in quarters. A quarter is considered equal to three months and is counted from the beginning of the year.

369.3. A period calculated in months expires on the corresponding day of the final month of the period. If the expiration falls on a month that does not have the corresponding day, the period ends on the last day of that month.

369.4. A period determined by half a month is treated as a period calculated in days and is considered equal to fifteen days.

369.5. A period calculated in weeks is equal to seven days and expires on the corresponding day of the final week of the period.

369.6. A period calculated in days expires at the end of its final day.

369.7. If a period consists of one or several full months and a half month, the fifteen days shall be counted at the end.

369.8. When a period is extended, the new period is calculated from the end of the expired period.

369.9. If a period is determined in months or years, and it is not necessary for them to end simultaneously, then a month shall be considered as thirty days, and a year as three hundred and sixty-five days.

369.10. The first day of the month is considered the beginning of the month, the fifteenth day the middle of the month, and the last day the end of the month

Article 370. Calculation of periods on non-working days

370.1. If an action should be performed on a specific day and that day is a non-working day, the action shall be performed on the next working day.

370.2. If the last day of a period falls on a non-working day, the next working day shall be considered the day on which the period expires.

Article 371. Procedure for performing actions on the last day of a period

371.1. If a period is established for the performance of a certain action, that action may be performed until twenty-four hundred hours (midnight) of the last day of the period. However, if the action should be performed within an organization, the period shall expire at the hour when, according to established rules, operations in that organization are terminated.

371.2. Written applications and notifications submitted to a communications organization by twenty-four hundred hours (midnight) on the last day of the period shall be deemed to have been submitted on time.

Chapter 18

Limitation period

Article 372. Definition of limitation period

372.1. The limitation period shall apply to the right to demand that another person perform or refrain from performing a certain act.

372.2. The period established for the protection of a right upon the claim of a person whose right has been violated shall be deemed the limitation period.

Article 373. Limitation periods

373.1. The general limitation period is ten years.

373.2. The limitation period for contractual claims is three years, while for contractual claims related to immovable property the limitation period is six years.

373.3. The limitation period for claims arising from obligations to be performed periodically is three years.

373.4. For certain types of claims, special limitation periods—shorter or longer than the general period—may be established by this Code.

373.5. Unless otherwise provided by law, the rules set forth in this Chapter shall also apply to special limitation periods

Article 374. Determination of limitation periods

374.1. Unless otherwise specified in the agreement, limitation periods and procedures for their calculation shall be determined by this Code.

374.2. Grounds for suspension and interruption of limitation periods shall be determined by this Code.

Article 375. Application of the limitation period

375.1. A claim for the protection of a right shall be accepted by the court for consideration regardless of whether the limitation period has expired.

375.2. The limitation period shall be applied by the court only upon a petition submitted by a party to the dispute before the court renders its decision. If the party files such a petition, the expiration of the limitation period constitutes grounds for the court to issue a decision rejecting the claim.

Article 376. Application of the limitation period to accessory claims

If the limitation period for the principal claim expires, the limitation period shall also be considered expired for accessory claims (pledge, penalty, retention, warranty, or earnest money)

Article 377. Commencement of the limitation period

377.1. The limitation period begins to run from the day on which a person becomes aware or should have become aware of the violation of his right. Exceptions to this rule are established by this Code.

377.2. For obligations with a fixed performance period, the limitation period begins upon the expiration of that performance period.

377.3. For obligations without a fixed performance period, or those determined by the moment a claim can be made, the limitation period begins from the moment the creditor acquires the right to demand performance of the obligation. If the debtor is granted a grace period to fulfill the obligation, the limitation period begins to run after the expiration of that period.

377.4. For recourse obligations, the limitation period begins from the performance of the 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 the limitation period

379.1. The running of the limitation period shall be suspended when:

379.1.1. an extraordinary circumstance beyond control (force majeure) prevents the filing of a claim.

379.1.2. the claimant or defendant is serving in the armed forces under martial law.

379.1.3. the relevant executive authority establishes a deferment (moratorium) for the performance of obligations.

379.1.4. a person without legal capacity does not have a legal representative.

379.1.5. the law or other normative legal act regulating the relevant relationship is suspended.

379.1.6. a mediation process is applied in a dispute between the parties.

379.2. For claims related to compensation for harm to the life or health of individuals, the limitation period shall also be suspended from the moment the person applies to the relevant authority for the assignment of a pension or benefit, until the pension or benefit is granted or the request is refused.

379.3. The running of the limitation period shall be suspended only if the circumstances specified in this Article arise or continue to exist during the last six months of the limitation period, or, if the limitation period is six months or less, at any time during the limitation period.

379.4. The running of the period resumes from the day the circumstance causing the suspension ends. The remaining part of the period is extended up to six months. if the limitation period is six months or less, it is extended to the full limitation period.

379.4-1. The limitation period suspended due to the application of the mediation process shall resume from the date established by the Law of the Republic of Azerbaijan on Mediation.

379.5. The running of the limitation period is suspended for claims between spouses during the existence of the marriage. The same rule applies to claims between children and parents until the children reach the age of majority, as well as to claims between guardians (custodians) and wards during the entire guardianship (custodianship) period.

379.6. If a claim is filed by a person with limited legal capacity or by a person without legal capacity who does not have a legal representative, the limitation period shall be considered suspended until the person attains full legal capacity or a representative is appointed for them.

Article 380. Interruption of the limitation period

380.1. The running of the limitation period is interrupted when a claim is filed in the prescribed manner, or when the debtor performs actions indicating acknowledgment of the debt.

380.2. After the interruption, the limitation period begins anew. The time elapsed before the interruption is not included in the new period.

Article 381. Running of the limitation period when a claim is left unreviewed

381.1. If a claim is left unreviewed by the court, the running of the limitation period that began before the claim was filed continues in the usual manner.

381.2. If a claim filed in a criminal case is left unexamined by the court, the running of the limitation period that began before the claim was filed shall be suspended until the court decision leaving the claim unexamined enters into legal force. The time during which the period is suspended is not included in the limitation period. If the remaining portion of the period is less than six months, it shall be extended to six months.

Article 382. Restoration of the limitation period

If, due to circumstances related to the claimant's personal situation (serious illness, helpless condition, illiteracy, etc.), the reason for the expiration of the limitation period is considered by the court as excusable in exceptional cases, the right of an individual whose right has been violated shall be protected. The reasons for the expiration of the limitation period may be deemed excusable if they occur during the last six months of the limitation period, or, if the limitation period is six months or less, at any time during the limitation period.

Article 383. Performance of an obligation after the limitation period

If a debtor or other obligated person performs his duty after the expiration of the limitation period, he cannot demand restitution of what was performed, even if he was unaware that the limitation period had expired at the time of performance.

Article 384. Claims to which the limitation period does not apply

384.0. The limitation period shall not apply to the claims:

384.0.1. for the protection of personal non-property rights and other intangible benefits.

384.0.2. of depositors to the bank for the return of deposits.

384.0.3. for compensation for harm caused to the life or health of an individual. However, claims filed after three years from the moment the right to compensation arises shall be compensated at most for the three years preceding the filing of the claim.

384.0.4. of an owner or other holder to eliminate any violations of his rights, even if such violations are not combined with deprivation of possession.

384.0.5. of an owner against an act of a state or municipal body, or their officials, that violates owner's rights of ownership, use, or disposal of property, requesting its invalidation.

384.0.6. Other claims specified by this Code in certain cases.

Section 6

GENERAL PART OF THE LAW OF OBLIGATION

Chapter 19

General provisions on obligations

Article 385. Definition of an obligation

385.1. According to an obligation, a person (the debtor) should perform a certain action for the benefit of another person (the creditor), for example, pay money, transfer property, perform work, provide services, etc., or refrain from a certain action, while the creditor has the right to demand that the debtor fulfills his duty.

385.2. Depending on its content and nature, an obligation may impose on each party, either during or after contractual relations, the duty to exercise special care regarding the rights and property of the other party.

Article 386. Grounds for the formation of obligations

386.1. Except in cases where an obligation arises as a result of causing harm, unjust enrichment, or other grounds provided for in this Code, the formation of an obligation requires an agreement between its participants.

386.2. Obligations referred to in Article 385 of this Code may also arise on the basis of the preparation of an agreement.

386.3. A participant in negotiations may demand compensation from the other participant for expenses incurred in attempting to conclude an agreement that was not concluded due to the fault of the other participant.

386.4. Matters concerning the content and performance of obligations arising from agreements concluded electronically, except as provided by the legislation of the Republic of Azerbaijan on electronic commerce, are regulated by this Code.

Article 387. Parties to an obligation

387.1. In an obligation, each of its parties may participate as a creditor or a debtor, or there may be several persons simultaneously. The invalidity of the creditor's claims against one of the persons participating as a debtor, as well as the expiration of the limitation period for such a claim, does not, by itself, affect the creditor's claims against the remaining persons.

387.2. If, under an agreement, each of the parties owes a duty for the benefit of the other party, that party is deemed the creditor with respect to the other party's debtor concerning the duties to be performed for the benefit of that party and, simultaneously, with respect to those entitled to claim from them.

387.3. An obligation does not create duties for persons who do not participate in it (third parties). In cases provided for in the parties' agreement, an obligation may create rights for third parties against one or both parties to the obligation.

387.4. In deals where one of the parties is a public institution employing a civil servant, that civil servant may not be considered a party to the deal.

Article 388. Obligation to provide information

A right to obtain certain information from an obligation may arise. The provision of information should be ensured if it is important for determining the content of the obligation and if the counterparty can provide such information without infringing on his own rights. The person receiving the information should reimburse the obligated person for the costs of providing it.

20-ci Chapter

Contract law

§1. Definition and terms of a contract

Article 389. Definition of a contract

389.1. A contract shall be considered an agreement between two or more persons regarding the establishment, modification, or termination of civil rights and obligations.

389.2. The rules on bilateral and multilateral acts shall apply to contracts.

389.3. Unless otherwise provided in the rules of this Chapter or in the provisions of this Code concerning specific types of contracts, the general provisions on obligations shall apply to the obligations arising from a contract.

389.4. General provisions on contracts shall apply to contracts concluded by more than two parties, provided that such application does not contradict multilateral nature of those contracts.

Article 390. Freedom of contract

390.1. Individuals and legal persons shall be free to conclude and determine the content of contracts. They may also conclude contracts not expressly provided for in this Code, provided they do not contradict it.

390.2. A contract should comply with the law and other legal acts in force at the time of its conclusion and with mandatory rules (imperative norms) applicable to the parties. If, after the contract is concluded, a law is adopted establishing mandatory rules for the parties that differ from those in force at the time of conclusion, the terms of the concluded contract shall remain in force, except in cases where the law expressly provides for its retroactive application to relations arising from previously concluded contracts.

390.3. Except in cases where the duty to conclude a contract is provided for in this Code or in voluntarily assumed obligations, no one may be compelled to conclude a contract.

390.4. The parties may conclude a contract containing elements of various types of contracts provided for in this Code (a mixed contract). Unless otherwise follows from the parties' agreement or the nature of the mixed contract, rules governing contracts corresponding to elements included in the mixed contract shall apply to parties' relations in relevant parts.

390.5. Terms of a contract shall be determined by the parties' will, except in cases where the content of a corresponding term is expressly provided in this Code.

390.6. If a contract term is provided for by the parties' agreement in the absence of a separate rule or, where no agreement is reached, by a dispositive norm, parties may, by agreement, exclude the application of that norm or establish a term differing from that provided by it. In the absence of such agreement, the term shall be determined by the dispositive norm.

390.7. If a contract term is not determined by the parties or by a dispositive norm, the relevant term shall be determined by commercial usage applicable to the parties' relations.

Article 391. Invalidity of a contract concerning future property

A contract under which one party undertakes to transfer all or part of their future property to the other party, or encumber it with a usufruct, shall be invalid, except in cases where the contract concerns individual items of future property, as well as cases provided for by the *Law of the Republic of Azerbaijan on Encumbrance of Movable Property.*

Article 392. Invalidity of a contract concerning inherited property

392.1. A contract concerning the inherited property of a living person concluded by other persons shall be invalid. The same rule shall apply to contracts concerning compulsory shares of a living person's inheritance and/or the fulfillment of his/her testamentary instructions.

392.2. The rule in Article 392.1 shall not apply to contracts concluded regarding the share of future heirs or compulsory shares during intestate succession in accordance with the law.

Article 393. Contract for transfer of property

A contract under which one party undertakes to transfer all or part of his/her existing property to the other party, or encumber it with a usufruct, should be notarized, except in cases where the contract concerns individual items of existing property.

Article 394. Procedure for concluding a contract on alienation of immovable property

A contract under which one party undertakes to transfer ownership *or other item rights* in an immovable object to another party, or to acquire them, should be notarized.

Article 395. Scope of a contract for encumbrance of property

If a person undertakes an obligation to alienate or encumber his property, this obligation, unless otherwise provided by *the Law of the Republic of Azerbaijan on Encumbrance of Movable Property* or by the contract, shall also extend to the accessories of the property.

Article 396. Application of rules on contractucal obligations to non-contractual obligations

Unless otherwise follows from the nature of the obligation, the rules on contractual obligations shall apply to other non-contractual obligations.

Article 397. Remunerated and gratuitous contracts

397.1. A contract is considered remunerated if, under it, a party is entitled to a fee or other reciprocal consideration in exchange for performing his obligations.

397.2. A contract is considered gratuitous if one party undertakes to provide something to the other party without receiving a fee or other reciprocal consideration.

397.3. Unless otherwise follows from this Code, the content, or the nature of the contract, a contract shall be presumed to be remunerated.

Article 398. Price

398.1. Performance of a contract shall be paid at the price agreed upon by the parties. In cases provided by law, prices determined or regulated by the relevant executive authority (tariffs, norms, rates, etc.) shall apply.

398.2. After a contract is concluded, the price may be changed in the cases and manner provided by the contract or by this Code.

398.3. If the price is not specified in a remunerated contract and cannot be determined based on the contract terms, performance of the contract shall be paid at the customary price for similar goods, works, or services in comparable circumstances.

Article 399. Effect of contract

399.1. A contract shall enter into force from the moment it is concluded and is binding on the parties.

399.2. Parties may stipulate that the terms of the concluded contract shall also apply to relations that arose before the contract was concluded.

399.3. A contract may provide that the expiration of its term terminates the parties' obligations under the contract. In the absence of such a provision, the contract shall remain in force until the moment specified therein for the performance of the obligation.

399.4. The expiration of the contract's term shall not release the parties from liability for violations committed under the contract before its expiration.

Article 400. General contract

400.1. If one of the parties holds a dominant position in the market, it should not unreasonably refuse to conclude a contract in this area of activity, nor offer unequal terms to the counterparty.

400.2. A party acting within the scope of its entrepreneurial activity may not unreasonably refuse to conclude a contract with a person who acquires or uses property or services without a commercial purpose or for meeting their essential needs.

Article 401. Joining contract – *deleted*.

Article 402. Preliminary contract

402.1. Under a preliminary contract, the parties shall undertake to conclude in the future a contract (main contract) for the transfer of property, performance of work, or provision of services on the terms specified in the preliminary contract.

402.2. The preliminary contract shall be concluded in the form prescribed for the main contract. Non-compliance with the form requirements of the preliminary contract shall render it invalid.

402.3. The preliminary contract should specify the subject matter of the main contract, as well as other essential terms, in a manner that allows them to be determined.

402.4. The preliminary contract should indicate the period within which the parties undertake to conclude the main contract. If no such period is specified, the main contract should be concluded within one year from the conclusion of the preliminary contract.

402.5. If the main contract is not concluded by the time the parties were required to conclude it, or if one party does not make an offer to conclude it, the obligations under the preliminary contract shall be terminated.

402.6. If an intention agreement (protocol of intent, etc.) does not expressly state the parties' intention to give it the force of a preliminary contract, it shall not give rise to civil law consequences.

Article 403. Contract for the benefit of a third party

403.1. A contract for the benefit of a third party shall be a contract under which the parties determine that the debtor should perform the obligation for the benefit of a third party who has the right to demand its performance, whether specified in the contract or not.

403.2. Unless otherwise provided in this Code or the contract, or unless otherwise follows from the nature of the obligation, both the creditor and the third party may demand performance of a contract concluded for the benefit of a third party.

403.3. Unless a special provision is made, the following should be determined based on the circumstances of the case, including its purpose:

403.3.1. whether the third party acquires the right or not.

403.3.2. whether the right arises immediately or upon fulfillment of certain preliminary conditions.

403.3.3. whether the parties may, without the third party's consent, terminate or modify the third party's right.

403.4. The party that included a provision for the benefit of a third party may, without the counterparty's consent, change the third party specified in the contract.

403.5. Unless otherwise provided in this Code or the contract, from the moment the third party notifies the debtor of his intention to exercise the right, the parties may not cancel or modify the contract without the third party's consent.

403.6. The debtor may raise against the third party's claim any defenses that could be raised against the creditor.

403.7. If the third party waives the right granted to them under the contract, the creditor may exercise that right, unless prohibited by this Code or the contract.

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 (except investment fund share), currency, interest rates, yields, derivatives, 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 Central Bank of the Republic of Azerbaijan. When conducting operations with derivative financial instruments in another trading system in cases stipulated by the Law of the Republic of Azerbaijan 'on Securities Market', placement and circulation of derivative financial instruments shall be carried out in accordance with the rules of this trading system.

403-1.3. Derivative financial instruments shall 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.

Article 404. Contract Interpretation

404.1. In the course of the contract terms interpretation, the court shall consider 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. At that, all relevant circumstances, including preceding negotiations, the practice of relationship established between the parties, 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. Public procurement contract

Public procurement related relations shall be regulated by the legislation of the Republic of Azerbaijan on public procurements.

§ 2. Conclusion of a contract

Article 405. Agreement regarding essential conditions of a contract

405.1. A contract shall be considered concluded when the parties reach agreement, in the required form, on all essential contractual terms. Conditions relating to the subject matter of the

contract, the terms designated by this Code as essential or necessary for contracts of the given type, as well as all conditions to be agreed upon at the request of one of the parties, shall be deemed essential.

405.2. A contract shall be concluded through one party making an offer (a proposal to conclude a contract) and the other party accepting it (acceptance of the offer).

Article 406. Form of the contract

406.1. A contract may be concluded in any form prescribed for the making of transactions, provided that this Code does not establish a specific form for that particular type of contract.

406.2. If the parties have agreed that the contract shall be concluded in a specific form, the contract shall be deemed concluded only after it has been executed in the agreed form, even if such form is not required for that type of contract under this Code.

406.3. A written contract may be concluded by drawing up a document signed by the parties, as well as by exchanging *letters, telegrams, electronic documents, or other data in accordance with Article 331.1 of this Code.*

Article 407. Moment of conclusion of the contract

407.1. A contract shall be deemed concluded at the moment when the person who made the offer receives its acceptance.

407.2. A simple written contract shall be deemed concluded from the moment it is duly signed, and a contract requiring notarization shall be deemed concluded from the moment it is duly notarized.

407.3. *Deleted.*

Article 408. Offer

408.1. A proposal to conclude a contract (offer) shall be deemed made when it is addressed to one or more specific persons and contains an expression by the person making the proposal (the offeror) of his intention to be bound by the proposal in case of its acceptance. The offer should contain essential contractual terms.

408.2. A proposal addressed to an indefinite number of persons (including advertisements) shall be regarded as an invitation to make an offer, unless otherwise directly provided therein.

408.3. An offer shall become binding on the offeror from the moment it is received by the addressee. If a notice of withdrawal of the offer is received before or simultaneously with the offer itself, the offer shall be deemed not to have been made.

408.4. *Deleted.*

408.5. *Deleted.*

408.6. An offer received by the addressee cannot be revoked during the period established for its acceptance, unless otherwise stipulated in the offer itself, or unless it follows otherwise from the nature of the proposal or the circumstances under which it was made.

408.7. If a proposal containing all essential contractual terms clearly expresses the offeror's intention to enter into a contract on the terms stated therein with any person who accepts it, such a proposal shall be deemed a public offer.

Article 409. Acceptance

409.1. The response of the person to whom an offer is addressed, indicating acceptance of the offer, shall constitute acceptance. Acceptance should be complete and unconditional.

409.2. If the offeror has set a period for acceptance, the acceptance may be made only within that period.

409.3. Unless otherwise provided by this Code, established business practice, or previous dealings between the parties, silence shall not be deemed acceptance.

409.4. Unless otherwise provided in this Code or specified in the offer, performance by the offeree, within the period established for acceptance, of the terms stated in the offer (dispatching goods, providing services, performing work, paying the corresponding amount, etc.) shall constitute acceptance.

409.5. If the acceptance reaches the offeror late, but it is evident from the circumstances that it was sent on time, the acceptance shall be considered delayed only if the offeror immediately notifies the other party thereof. If the offeror immediately informs the other party that the delayed acceptance will be accepted, the contract shall be deemed concluded.

409.6. If a notice of withdrawal of the acceptance reaches the offeror before or simultaneously with the acceptance itself, acceptance shall be deemed not to have been received.

409.7. If a period for acceptance is specified in the offer, the contract shall be deemed concluded when the offeror receives the acceptance within that period.

409.8. If a written offer does not specify a period for acceptance, the contract shall be deemed concluded if the offeror receives the acceptance before the expiration of the period established by this Code, or, if no such period is established, within a reasonable time.

409.9. If a verbal offer is made without specifying a period for acceptance, the contract shall be deemed concluded if the other party immediately declares its acceptance.

409.10. Except in the cases provided for in Article 409.8 of this Code, an offer made to a person who is present should be accepted or rejected immediately.

409.11. Except in the cases provided for in Article 409.8 of this Code, an offer made to a person who is absent may be accepted only within the time during which the offeror could normally expect a reply.

Article 410. New offer

410.1. A late acceptance of an offer shall be deemed a new offer.

410.2. If the response expresses consent to conclude the contract on terms different from those contained in the offer, such response shall be regarded as a rejection of the offer and, at the same time, as a new offer.

Article 411. Place of conclusion of the contract

411.1. If the place of conclusion of the contract is not specified in the contract, the contract shall be deemed concluded at the place of residence of the individual or the place of business of the legal entity that made the offer.

411.2. A contract concluded between a consumer and a person engaged in trade within or near his business premises, on the street, in front of a house, or in similar locations, shall be valid only if the consumer does not withdraw from the contract in writing within one week. However, this rule shall not apply to contracts that are performed at the moment of their conclusion.

Article 412. A party's refusal to enter into a contract – *deleted.*

Article 413. Acknowledgment of debt – *deleted.*

Article 414. Conclusion of a contract auction

414.1. Unless otherwise provided by the nature of the contract, it may be concluded through the holding of an auction. The contract shall be concluded with the person who wins the auction.

414.2. The organizer of the auction may be the owner of the property, the holder of the property right, or a specialized organization. A specialized organization shall act on the basis of a contract concluded with the owner of the property or the holder of the property right, and may act either on their behalf or in its own name.

414.3. In the cases specified by this Code, contracts for the sale of property or property rights may be concluded only through the holding of an auction.

414.4. The auction shall be held in the form of a public auction or a tender. The person who offers the highest price shall be deemed the winner of a public auction. the person who offers the best terms, according to the opinion of the tender committee established in advance by the auction organizer, shall be deemed the winner of the tender.

414.5. Unless otherwise provided by law, the form of the auction shall be determined by the owner of the property or the holder of the property right being sold.

Article 415. Organization and procedure of the auction

415.1. Auctions and tenders may be open or closed. In an open auction or open tender, any person may participate. In a closed auction or closed tender, only persons specifically invited for this purpose may participate.

415.2. Unless otherwise provided by law, the organizer shall announce the holding of the auction not later than thirty days prior to its commencement. The notice shall specify the time, place, and form of the auction, its subject matter, and the procedure for its conduct, including the formalization of participation, the determination of the winning bidder, the starting price, and other information prescribed by law. If the subject of the auction is the right to conclude a contract, the notice shall also indicate the period granted for that purpose.

415.3. Unless otherwise provided in this Code or in the auction notice, the organizer of an open auction may withdraw from holding the auction at any time, but not later than three days prior to the scheduled date of the auction, and may withdraw from holding a tender not later than thirty days prior to its scheduled date. If the organizer of an open auction withdraws from holding it in violation of these time limits, the organizer shall compensate the participants for

the actual damages incurred. The organizer of a closed auction or closed tender shall compensate the invited participants for the actual damages incurred, regardless of the time of withdrawal after the notice has been sent.

415.4. Participants in the auction shall pay a deposit (security payment) in the amount, time, and manner specified in the auction notice. If the auction is not held, the deposit shall be refunded. Deposits paid by participants who took part in the auction but did not win shall also be refunded. When a contract is concluded with the winning bidder, the amount of the deposit paid by that bidder shall be counted toward the performance of obligations under the concluded contract.

415.5. The winning bidder and the auction organizer shall sign a protocol on the results of the auction or tender on the same day the auction or tender is held. this protocol has the force of a contract. If the winning bidder refuses to sign the protocol, he shall forfeit the deposit. If the organizer refuses to sign the protocol, he should return the deposit in double amount to the winning bidder and compensate for any damages caused by participation in the auction.

415.6. If the subject of the auction was only the right to conclude a contract, the parties shall sign such contract no later than twenty days after the conclusion of the auction and the formalization of the protocol, unless a different period is specified in the notice.

415.7. If one of the parties refuses to conclude the contract, the other party may apply to the court with a claim to compel the conclusion of the contract and recover damages caused by the refusal to conclude it.

415.8. The procedure for holding an electronic auction on the basis of a writ of execution shall be determined by the Law of the Republic of Azerbaijan 'on Execution'.

415.9. The provisions of this Article shall also apply to auctions conducted pursuant to a notarially certified agreement between the parties in accordance with Article 41.4 of the Law of the Republic of Azerbaijan 'on Mortgage,' unless a different procedure is stipulated in such agreement, taking into account the requirements established in Article 415.5 of this Code.

Article 416. Consequences of violation of the auction procedure

416.1. An auction held in violation of the procedure established by this Code may be declared invalid by the court upon the claim of an interested person.

416.2. The declaration of an auction as invalid shall entail the invalidity of the contract concluded with the person who won the auction.

§ 3. Standard contract terms

Article 417. Concept of standard terms of a contract

417.1. Standard terms of a contract are provisions that are pre-formulated and intended for repeated use, which are presented by one party (the offeror) to the other one. Through such terms, rules that deviate from or supplement previously established norms are determined.

417.2. If the parties have determined the contractual terms in detail by mutual agreement, such terms shall not be considered standard terms.

417.3. The terms directly agreed upon by the parties shall prevail over the standard terms.

Article 418. Incorporation of standard terms into a contract

418.1. Standard terms of a contract shall become part of the contract concluded between the party proposing them and the other party only if the proposing party makes a clear written reference to such terms at the place where the contract is concluded, and the other party has the opportunity to become acquainted with these terms and, if it agrees, to accept them.

418.2. If the other party to the contract is an entrepreneur, standard terms shall become part of the contract provided that, by exercising the necessary diligence customary in business relations, that party ought to have taken them into account.

Article 419. Unusual provisions of standard terms of contracts

419.1. Provisions of standard terms that are unusual in form, and therefore could not reasonably be expected by the other party, shall not become part of the contract.

419.2. In interpreting standard terms of a contract, any ambiguities encountered shall be construed against the party who proposed the inclusion of such terms in the contract.

Article 420. Invalidity of standard terms of a contract

420.1. The following standard terms of a contract applied by the proposing party to individuals not engaged in entrepreneurial activity shall be deemed invalid:

420.1.1. provisions establishing unreasonably long or manifestly short periods for accepting or rejecting the offer, or for performing any act under the contract (periods for acceptance or performance).

420.1.2. provisions establishing unreasonably long or insufficiently clear periods for the performance of obligations that deviate from previously established norms (periods in case of non-performance).

420.1.3. provisions granting the proposing party the right to refuse performance of its obligations without justification or grounds stated in the contract (right to withdraw from the contract).

420.1.4. provisions granting the proposing party the right to alter the promised performance or withdraw from it, provided that such alteration or withdrawal is unreasonable for the other party (condition for amendment).

420.1.5. provisions granting the proposing party the right to demand disproportionately high compensation for costs incurred by the other party (excessive compensation for incurred costs).

420.2. A standard term shall be invalid if, even though incorporated into the contract, it is prejudicial to the other party in a manner contrary to the principles of trust and good faith. In such cases, the circumstances of incorporation, mutual interests of the parties, and other relevant factors shall be taken into account.

420.3. Standard terms of a contract applied by the proposing party to individuals not engaged in entrepreneurial activity shall also be deemed invalid if they contain provisions on:

420.3.1. providing for unjustified short-term increases in prices.

420.3.2. limiting or excluding the right of the contract party to refuse to perform obligations granted by this Code, or the right of the other party to refuse performance until the first party performs its obligations (right to refuse performance).

420.3.3. depriving a party of the right to set off claims established by law or determined by a court (prohibition of set-off of mutual claims).

420.3.4. exempting the proposing party from the legal duty to notify the other party or provide a period for performance of the obligation (notification. period setting).

420.3.5. providing for a claim for an amount exceeding the actual damage (excessive compensation).

420.3.6. excluding or limiting the liability of the proposing party or its representative for damage caused by gross negligence (liability for negligence).

420.3.7. limiting or excluding the right of the other party to terminate the contract or claim compensation for damages resulting from non-performance, contrary to Article 420.3.6, in case the proposing party breaches a primary obligation (violation of the requirement to perform the primary obligation).

420.3.8. when the proposing party performs its obligations in parts, limiting the right of the other party to claim full compensation for non-performance or, if the other party is not interested in partial performance, terminate the contract (loss of interest in partial performance).

420.3.9. limiting the liability of the proposing party for defects in goods or services during delivery or performance, contrary to provisions governing new goods or services

§ 4. Modification and termination of a contract

Article 421. Grounds for modification and termination of a contract

421.1. The modification or termination of a contract, unless otherwise provided in this Code or in the contract, shall be possible by agreement of the parties.

421.2. At the request of one party, a contract may be modified or terminated only if the other party has significantly breached the contract, or in other cases provided for in this Code or in the contract. A breach by one party shall be deemed significant if, as a result of the damage caused to the other party, that party is deprived to a considerable extent of what they were entitled to reasonably expect when entering into the contract.

421.3. When there is a unilateral refusal to perform the contract in whole or in part, and such refusal is allowed by this Code or by agreement of the parties, the contract shall be deemed correspondingly terminated or modified.

Article 422. Modification and termination of a contract due to a significant change of circumstances

422.1. A significant change circumstances that the parties relied upon when concluding the contract, unless otherwise provided in the contract or arising from its nature, shall constitute grounds for its modification or termination. A change of circumstances shall be deemed significant if, had the parties reasonably foreseen it, they would have concluded the contract under substantially different terms or would not have concluded it at all. The incorrectness of parties' assumptions underlying the contract is equated with a change of circumstances.

422.2. If the parties fail to reach an agreement on adapting the contract to the significantly changed circumstances or on its termination, the contract may, at the request of the interested

party, be terminated by a court under the following conditions, or modified in cases specified in Article 422.4:

422.2.1. at the time of concluding the contract, the parties assumed that the circumstances would not change to such an extent.

422.2.2. the change of circumstances is caused by factors that, after their occurrence, the interested party cannot overcome with the care and diligence required of them according to the nature of the contract and the conditions of commerce.

422.2.3. performing the contract without modifying its terms would disturb the balance of the parties' contractual property interests to such an extent and cause such damage to the interested party that they would be deprived to a considerable degree of what they were entitled to reasonably expect when entering into the contract.

422.2.4. the risk of a change of circumstances is not assumed by the interested party under business practices or the nature of the contract.

422.3. When a contract is terminated due to significantly changed circumstances, the court, at the request of any party, shall determine the consequences of termination, taking into account the need to fairly distribute the expenses incurred in connection with the performance of the contract between the parties.

422.4. Modification of the contract due to a significant change of circumstances shall be allowed by court decision only in exceptional cases where termination of the contract would be contrary to public interest or would cause the parties damage far exceeding the necessary costs of performing the contract under the modified terms.

Article 423. Procedure for modification and termination of a contract

423.1. An agreement on the modification or termination of a contract, unless otherwise provided by this Code, the contract, or business practices, shall be concluded in the same form as the contract itself.

423.2. A party may submit a claim to the court for modification or termination of a contract only after receiving the other party's refusal of the proposal to modify or terminate the contract, or if no response is received within the period specified in the proposal, or, if no period is specified, within thirty days.

Article 424. Consequences of modification and termination of a contract

424.1. When a contract is modified, parties' obligations shall be maintained in their modified form.

424.2. When a contract is terminated, the parties' obligations shall be discharged.

424.3. When a contract is modified or terminated, unless otherwise provided by the parties' agreement or the nature of the modification, the parties' obligations shall be deemed modified from the moment the agreement on modification is concluded, and, in the case of judicial modification or termination, from the moment the court decision on the modification or termination shall acquire legal force.

424.4. Unless otherwise provided by this Code or by the parties' agreement, the parties may not demand the return of what they have performed under the obligations until the moment the contract is modified or terminated.

424.5. If the modification or termination of the contract is based on a significant breach by one of the parties, the other party may claim compensation for the damage caused by the modification or termination 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 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, pursuant to business practices or other commonly introduced requirements.

425.2. In the course of performance of obligations, the parties shall, in order to create 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 performance of the obligations

426.1. The place of performance of obligations, if not separately determined by this Code or by the contract, and if no separate rule arises from the nature of the obligation, shall be determined by the intention of the parties.

426.2. If the place of performance of an obligation is not determined, performance shall take place at the following locations:

426.2.1. for an obligation to transfer a plot of land, building, structure, or other immovable property – at the location of the property.

426.2.2. if the obligation consists of delivering a specific item – at the location of the item at the time the contract was concluded.

426.2.3. for all other obligations – at the debtor's place of residence. if the debtor is a legal entity – at its location at the time the obligation relationship arose.

426.3. If an obligation arises at the debtor's production enterprise, and if the enterprise is not at the debtor's place of residence, it shall be performed at the location of the debtor's enterprise.

426.4. It cannot be concluded that the place of destination is the place of performance of the obligation solely based on the fact that the debtor has assumed the shipping costs

Article 427. Term for performance of an obligation

427.1. If the term for performance of an obligation has been determined, the creditor may not demand its performance before that term expires. however, the debtor may perform the obligation prematurely.

427.2. If the term for performance of an obligation has not been determined, or if it cannot be determined based on the circumstances, the creditor may demand immediate performance of the obligation, and the debtor is obliged to perform it within a reasonable period.

427.3. If the obligation specifies the date of performance or a period during which it should be performed, or allows such determination, the obligation should be performed on that date or at any time within that period.

427.4. An obligation that has not been performed within a reasonable period, as well as an obligation for which the term of performance is defined by the moment of demand, should be performed by the debtor within seven days from the date the creditor makes a demand for performance, unless the Code, the terms of the obligation, business practices, or the nature of the obligation require performance within another period.

427.5. If the performance of an obligation depends on the occurrence of a certain condition, the obligation should be performed from the day that condition occurs.

Article 428. Early performance of an obligation

428.1. Unless the creditor refuses to accept performance for a valid reason, the debtor may perform the obligation before the due date.

428.2. In cases where the obligation is connected with the entrepreneurial activities of the parties, early performance of the obligation shall be permitted only if the possibility of early performance is provided for by this Code or by the terms of the obligation, or if it arises from business practices or the nature of the obligation.

428.3. If the time of performance is specified, it shall be presumed, in case of doubt, that the creditor may not demand performance before that time, but the debtor may perform the obligation earlier.

428.4. If a period for performance has been set in favor of the debtor, and the debtor becomes insolvent, reduces the agreed security, or fails to provide such security at all, the creditor may demand immediate performance, *unless otherwise provided by law or by the contract*

Article 429. Determination of the performance of obligations terms – *deleted.*

Article 430. Refusal to perform an obligation

430.1. Unless otherwise provided by this Code, unilateral refusal to perform an obligation or unilateral modification of its terms shall not permitted.

430.2. In cases where the obligation is connected with the entrepreneurial activities of the parties, unilateral refusal to perform the obligation or unilateral modification of its terms shall be permitted in cases provided for by the contract, unless otherwise arises from this Code or from the nature of the obligation.

430.3. *Deleted.*

430.4. In electronic commerce, refusal to perform an obligation shall be permitted in accordance with the legislation of the Republic of Azerbaijan on electronic commerce.

Article 431. Performance of an obligation by a third party

431.1. The debtor should personally perform the obligation in cases where performance depends on debtor's own actions, or when such a requirement arises from this Code, the contract, or the nature of the obligation. In all other cases, the obligation may be performed by a

third party on behalf of the debtor, *and the debtor's consent shall not be required. In this case, ~~under the Law of the Republic of Azerbaijan 'On Banks,'~~ no modification to the contract concluded between the creditor and the bank shall be required.*

431.2. The creditor may refuse to accept performance offered by a third party if the debtor objects to such performance.

431.3. If the creditor enforces collection against property belonging to the debtor, any person whose rights to that property are endangered by such enforcement may satisfy the creditor. When the third party satisfies the creditor, the creditor's claim rights shall be transferred to that person. The transfer of the claim should not cause any loss to the creditor.

Article 432. Performance of an obligation in parts

432.1. If the creditor agrees, the debtor may perform the obligation in parts (performance of the obligation in parts).

432.2. Unless otherwise provided by this Code, by the terms of the obligation, or by the nature of the obligation, the creditor may refuse to accept performance of the obligation in parts.

432.3. If a debtor is obliged to perform several obligations of the same type to a creditor, and the debtor's performances are insufficient to discharge all such obligations, the obligation selected by the debtor shall be satisfied first. If the debtor does not specify which obligation is to be satisfied, then among the obligations whose maturity has arrived, the obligation secured to a lesser extent with the creditor shall be paid first. of obligations with equal security, the one more burdensome to the debtor shall be paid first. if obligations are equally burdensome, the older obligation shall be paid first. and if obligations have the same maturity, all of them shall be discharged simultaneously.

432.4. If, in addition to the principal obligation, the debtor should also pay interest and expenses, and the performance is insufficient to cover the total debt, the payment shall first be applied to expenses, then to interest, and finally to the principal debt. Any other order of allocation determined by the debtor shall be invalid.

Article 433. Performance of an obligation to an authorized person

433.1. The debtor should perform the obligation to the creditor or to the person authorized by law or by a court decision to receive performance.

433.2. If performance of the obligation is accepted by an unauthorized person, the obligation shall be deemed performed only if the creditor consents to or derives a benefit from such performance.

433.3. At the time of performance, the debtor may require proof that the performance is being accepted by the creditor or by a duly authorized person, and the debtor bears the risk of any consequences resulting from failure to make such a demand.

Article 434. Alternative obligation

434.1. When one of several obligations should be performed (an alternative obligation), the right of choice belongs to the debtor, unless otherwise provided by the contract, this Code, or the nature of the obligation. If the right of choice belongs to the creditor, the debtor may require

the creditor to make the choice within a reasonable period. If the creditor fails to choose within that period, the right of choice shall pass to the debtor after the period expires.

434.2. If the debtor has the right to refuse to perform one of the two acts to be performed, the obligation to perform the other act shall remain in force.

434.3. The selection of an alternative obligation is carried out by notifying the other party or through the performance of the obligation. The obligation so selected shall be deemed, from the outset, as an obligation to be performed.

434.4. The provisions of Articles 434.1, 434.2, and 434.3 of this Code also apply in cases where the subject of choice consists of more than two obligations to be performed.

Article 435. Creditor's right to accept a different performance

The creditor shall have the right to accept a performance different from that provided for in the contract, but is not obliged to do so. This rule shall appliy even if the alternative performance has a higher value**.**

Article 436. Quality of the performance of an obligation

If the quality of performance is not specifically defined in the contract, the debtor should perform at least work of average quality and deliver goods of average quality.

Article 437. Performance of an obligation when the subject of the contract is an individually specified item

437.1. If the subject of the contract is an individually specified item, the creditor shall not be obliged to accept another item, even if its value is higher.

437.2. If the debtor is obliged to deliver an individually specified item, he should deliver that item of the same type and average quality. If the debtor has done everything necessary, within his control, for the delivery of that item, his obligation shall be limited to that item.

Article 438. Performance of an obligation when the subject of the contract is a generic item

If the subject of the contract is a replaceable (generic) item, the debtor shall be always obliged to perform the obligation.

Article 439. Performance of monetary obligations

439.1. A monetary obligation should be expressed in manats. If one of the parties is a foreign individual or legal person, the parties may, unless prohibited by law, determine the monetary obligation in foreign currency.

439.2. If a monetary obligation denominated in foreign currency is to be performed in the Republic of Azerbaijan, it shall be paid in manats, unless it is expressly agreed that payment should be made in foreign currency. Recalculation shall be made at the exchange rate of the place of payment at the time of payment.

439.3. When interest is to be accrued on a debt under law or contract, unless otherwise established by this Code or the contract, such interest shall be calculated at the official refinancing rate determined by the Central Bank of the Republic of Azerbaijan plus two percentage points, but not less than five percent per annum.

439.4. Money paid without an obligation to do so may be reclaimed in accordance with the rules governing unjust enrichment.

439.5. If there is doubt about the place of performance of a monetary obligation, the obligation shall be performed at the creditor's location (the place of residence of an individual or the place of business of a legal entity).

439.6. If, at the place or in the country where payment is to be made, the creditor has a bank account intended for money transfers, the debtor may fulfill the monetary obligation by transferring the amount to that account, unless the creditor objects.

439.7. If, before the due date for payment, the value (exchange rate) of the currency unit increases or decreases, or the currency changes, the debtor should make payment at the exchange rate applicable at the time the obligation arose, unless otherwise provided by this Code or the contract. In the event of a currency change, the exchange rate between the old and new currency units on the day of the change shall form the basis of the conversion.

Article 440. Priority in payment of monetary obligations

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 the first due payable.

440.2. If multiple debts become due at the same time, the debt that is more burdensome for the debtor shall be paid first.

440.3. If the debts are equally burdensome, the debt that is less secured shall be paid first.

~~440.4. If the payment is insufficient to cover all debts that have fallen due, the payment shall first be applied to court costs, then to the principal debt, and finally to interest..~~

Article 441. Reciprocal performance of obligations

441.1. When the performance of one party's obligation is conditional on the other party performing its obligation under the contract, this shall constitute reciprocal performance.

441.2. If the obligated party fails to perform the obligation stipulated in the contract, or it becomes evident that such performance will not occur within the specified time, the party obliged to perform reciprocally may suspend its own performance or refuse to perform and claim compensation for the resulting damage.

441.3. If the obligation stipulated in the contract is not fully performed, the party obliged to perform reciprocally may suspend its own performance or refuse to perform to the extent that the other party has failed to perform.

441.4. If reciprocal performance is carried out despite the other party's failure to perform its contractual obligation, the other party should still perform its obligation.

441.5. The provisions of Articles 441.2–441.4 of this Code shall apply unless the contract provides otherwise.

Chapter 22

Non-performance of obligations

Article 442. Definition of non-performance of obligations

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 other terms of the obligation).

Article 443. Compensation for damages caused by non-performance

443.1. The debtor, who fails to perform obligations, 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. If this Code or the contract does not provide otherwise, when determining damages, the prices existing on the day the debtor voluntarily fulfills the creditor's claim at the place where the obligation was to be performed shall be considered. if the claim is not voluntarily fulfilled, the prices existing on the day the court issues its decision shall be considered.

443.4. When determining lost profits, the measures taken by the creditor to obtain them and the preparatory work carried out for this purpose shall be taken into consideration.

443.5. If the debtor delays performance, the creditor may set a reasonable time period for the fulfillment of the obligation. If the debtor still fails to perform within that period, the creditor may demand compensation for damages instead of performance of the obligation.

443.6. If it is evident that setting an additional time period would yield no result, or if there are special circumstances justifying the immediate exercise of the right to demand compensation for damages, taking into account the interests of both parties, then setting an additional time period shall not be required.

443.7. Unless otherwise provided in the obligation or arising therefrom, the debtor shall be obliged to compensate only for damage caused by intentional or negligent acts.

443.8. An advance agreement between the parties releasing the debtor from liability for damages arising from intentional non-performance of the obligation shall not be permitted.

443.9. The debtor shall be liable to the same extent as for his own fault for the acts of his legal representative and for those of other persons whose services he uses to perform his obligations.

443.10. If the debtor is required to obtain the subject matter of performance from another person and fails to do so, he shall be liable for non-performance, unless otherwise provided by the contract.

Article 444. Adjusting contracts to changed circumstances – *deleted.*

Article 445. Delay in performance by the debtor

445.1. A debtor who has delayed performance shall be liable to the creditor for the damage caused by the delay, as well as for the consequences of any accidental impossibility of performance that occurs during the delay.

445.2. The following situations shall be considered a delay in performance by the debtor:

445.2.1. failure to perform the obligation within the period established for its performance.

445.2.2. failure to perform the obligation after the creditor's reminder made before the expiration of the performance period.

445.3. If the debtor fails to perform the obligation after the performance period expires despite the creditor's reminder, the debtor shall be deemed to have delayed performance upon such reminder. Filing a claim for performance of the obligation or delivering a written demand for performance shall be considered equivalent to a reminder.

445.4. When a specific calendar date is set for performance, if the debtor fails to perform the obligation by the specified time, the debtor shall be deemed to have delayed performance without the need for any reminder. If the obligation is terminated before performance, and if the performance period has been set and can be calculated from the date of termination according to the calendar, the same rule shall apply.

445.5. If the obligation cannot be performed due to circumstances that have arisen without the debtor's fault, this shall not be deemed a delay.

445.6. Unless the debtor proves that the damage would have occurred even if the obligation had been performed on time, the debtor shall also be liable for accidental events.

445.7. Unless otherwise provided by this Code or by contract, when the debtor delays payment of a monetary amount, the creditor may demand payment of an annual five percent interest on the delayed amount for the period of delay.

445.8. If, as a result of the debtor's delay in performance, the creditor loses interest in the performance, he may refuse to accept performance and demand compensation for damages. As long as performance cannot be effected due to the creditor's own delay, the debtor shall not be deemed to have delayed performance.

445.9. When the debtor delays performance, the creditor may grant an additional period for the fulfillment of the obligation. If the debtor performs the obligation within this additional period, the debtor shall no longer be considered to have delayed performance.

Article 446. Delay of performance by the creditor

446.1. A creditor shall be deemed to have delayed performance if he refuses to accept performance that is due and has been offered to him, or if he fails to take the actions that the debtor reasonably expects from him in order to perform the obligation.

446.2. Delay in performance by the creditor gives the debtor the right to claim compensation for damages caused by such delay, unless the creditor proves that the delay occurred due to circumstances for which neither he nor the persons authorized to accept performance are responsible.

446.3. In the case of a monetary obligation, the debtor shall not be required to pay interest for the period during which the creditor delays performance.

446.4. While the creditor delays performance, the debtor shall be liable for non-performance of the obligation only if performance becomes impossible due to the debtor's intent or gross negligence.

446.5. During the period of the creditor's delay, regardless of the creditor's fault:

446.5.1. The creditor should reimburse the debtor for any additional expenses incurred in maintaining the subject matter of the contract.

446.5.2. The risk of accidental loss or damage to the item passes to the creditor.

446.5.3. The creditor loses the right to claim interest on a monetary 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. If the debtor should perform the obligation only after the creditor has fulfilled a reciprocal obligation, the creditor shall be deemed to have delayed performance only if, without refusing the performance offered, they fail to offer the required reciprocal performance.

446.8. If no time period has been established for the performance of the obligation, or if the debtor does not have the right to perform before a certain time, the creditor shall not be deemed to have delayed performance merely because he is temporarily unable to accept the performance, except in cases where the debtor has made an offer of performance within a reasonable time prior to that moment.

446.9. If the subject matter of the obligation is an individually specified item, and the creditor's delay results from refusing an item of the same kind that was properly offered, the debtor's duty of performance shall be limited to that offered item, and the risk of its loss or accidental damage shall pass to the creditor.

Article 447. Non-performance of obligations in bilateral contracts

447.1. If one party to a bilateral contract fails to perform the obligations arising from the contract, the other party may withdraw from the contract after the additional period granted for performance expires without result. If, based on the nature of the breach, no additional period is granted, a notice of breach shall be considered equivalent to granting an additional period. If only part of the obligation has not been performed, the creditor may withdraw from the contract only if he has lost interest in the performance of the remaining part.

447.2. There shall be no need to set an additional period or give notice when:

447.2.1. it is evident that such action would produce no result.

447.2.2. the obligation is not performed within the period specified in the contract, and under the contract the creditor links the continuation of the relationship to timely performance.

447.2.3. for special reasons and considering the mutual interests of the parties, immediate termination of the contract is justified.

447.3. Withdrawal from the contract shall not be permitted when:

447.3.1. the breach of obligation is insignificant.

447.3.2. the creditor is wholly or largely responsible for the breach.

447.3.3. prior to or immediately after the withdrawal, the debtor has already asserted or will assert a counterclaim against the creditor under the contract.

447.4. If it becomes evident that grounds for withdrawal from the contract will arise, the creditor may withdraw from the contract before the expiration of the performance period.

447.5. The debtor may set a reasonable period for creditor to withdraw from the contract.

447.6. If, under a bilateral contract, the debtor may refuse to perform the obligations imposed upon him, and the circumstances granting that right arise due to the creditor's fault,

the debtor shall retain the right to claim the counter-performance. This rule shall not apply if the grounds for counter-performance arise during the creditor's delay in accepting performance.

447.7. Upon withdrawal from the contract, the creditor may demand compensation for damages caused by the non-performance of the contract. This rule shall not apply if the grounds for withdrawal did not arise due to 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 inaction). Any advance indemnification for a fault, willful misconduct, or gross negligence, is prohibited.

448.3. The debtor shall be liable for the action or inaction of his lawful representatives and persons, whose services he uses for complete or partial performance of his obligation, to the same extent as for his own action or inaction.

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 contract 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, *unless otherwise established by law or contract*. 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 refinancing 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 may 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 *this Code or* contract envisages any shorter term for the calculation of interest.

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 contract.

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 contract.

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.

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 deliver an individually specified item

452.1. If the obligation to deliver an individually specified item into the ownership or compensated use of the creditor is not fulfilled, the creditor may demand that the property be taken from the debtor and delivered to them under the terms provided in the obligation. This right ceases if the property has been transferred to a third party under ownership rights. If the property has not yet been delivered, priority belongs to the creditor in whose favor the obligation arose earlier. if it is impossible to determine this, priority is given to the creditor who first filed a claim.

452.2. Instead of demanding the delivery of the property that is the subject of the obligation, the creditor may demand compensation for damages.

Article 453. Subsidiary liability

453.1. Before bringing claims against a person who, under this Code or the terms of the obligation, bears additional (subsidiary) liability for another person who is the principal debtor, the creditor should first bring a claim against the principal debtor.

453.2. If the principal debtor refuses to satisfy the creditor's claim or the creditor does not receive a response to the claim within a reasonable period, the claim may then be brought against the person bearing subsidiary liability.

453.3. If the creditor's claim against the principal debtor can be satisfied through the offset of a counterclaim of the principal debtor, the creditor may not demand satisfaction of that claim from the person bearing subsidiary liability.

453.4. The person bearing subsidiary liability should notify the principal debtor before satisfying the creditor's claim against them, and if a claim has been brought against that person, they should involve the principal debtor in the proceedings. Otherwise, the principal debtor has the right, in response to a recourse claim by the person bearing subsidiary liability, to assert any objections that they could have raised against the creditor's claims.

Article 454. Limitation of the extent of liability for obligations

454.1. By law, the right to full compensation for damages may be limited (limited liability) for certain types of obligations or for obligations related to specific types of activities.

454.2. An agreement limiting the extent of the debtor's liability under an adhesion contract, or under another contract in which the creditor is an individual acting as a consumer, shall be void if the extent of liability for that type of obligation or for that type of breach is determined by this Code, and if the agreement was concluded before the occurrence of circumstances giving rise to liability for non-performance or improper performance of the obligation.

Article 455. Special bases of responsibility for breach of liability of person engaging in entrepreneurship – *deleted.*

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 – *deleted.*

Article 458. Consequences of breach of an obligation due to the fault of both parties

458.1. If the non-performance or improper performance of an obligation occurs through the fault of both parties, the court shall appropriately reduce the extent of the debtor's liability. The court may also reduce the debtor's liability if the creditor has intentionally or negligently contributed to the increase in the amount of damage resulting from non-performance or improper performance, or has failed to take reasonable measures to mitigate the damage.

458.2. The provisions of Article 458.1 of this Code shall apply correspondingly to cases where, under this Code or the contract, the debtor is liable for non-performance or improper performance of an obligation regardless of their fault.

Article 459. Duty to restore the initial state

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. If the injured person has lost or reduced his ability to work as a result of bodily injury or harm to health, or if his needs have increased, compensation for damages shall be made by paying them a monthly subsistence allowance.

459.3. The injured person may demand advance payment of medical expenses. The same rule shall apply if it becomes necessary for the injured person to acquire a new profession.

459.4. If there are valid reasons, the injured person may demand compensation instead of regular subsistence payments.

459.5. If compensation for damages through restoration of the initial state is impossible, or would require disproportionately large expenses, the creditor may be granted monetary compensation instead.

459.6. It is impermissible to waive, by prior agreement, the right to claim compensation for damages arising from a breach of obligation.

459.7. When determining the amount of damages, the creditor's interest in proper performance of the obligation shall also be taken into account. The place and time of performance of the contract shall likewise be considered when determining the amount of damages.

Chapter 24

Securing the performance of obligations

§ 1. General provisions on securing the performance of obligations

Article 460. Methods of securing the performance of obligations

460.1. The performance of obligations may be secured by pledge, forfeit, retention of the debtor's property, warranty, guarantee, earnest money (deposit), and by other methods provided for in this Code or in the contract.

460.2. The invalidity of an agreement on securing the performance of an obligation shall not entail the invalidity of the principal obligation.

460.3. Unless otherwise provided by this Code, the invalidity of the principal obligation shall entail the invalidity of the obligation securing it.

Article 461. Substitution of security for performance of an obligation

461.1. A person who has provided security for the performance of an obligation may, with the creditor's consent, replace it with another form of security.

461.2. *Deleted.*

§ 2. Forfeit

Article 462. Definition of a forfeit

462.1. A forfeit (penalty, fine) is a monetary amount determined by *law or* by contract that the debtor should pay to the creditor in the event of non- or improper performance of an obligation, including delay in performance. If the obligation consists of refraining from an act, the forfeit shall be charged from the moment the act is committed. When demanding payment of the forfeit, the creditor shall not be required to prove that they have suffered damage.

462.2. If the debtor is not responsible for the non-performance or improper performance of the obligation, the creditor may not demand payment of the forfeit.

462.3. The parties to a contract may freely determine the amount of the forfeit, and it may exceed the amount of potential damage.

462.4. If a promise to perform an obligation is deemed invalid under this Code, any agreement regarding the forfeit for non-performance of that obligation shall also be invalid, even if the parties were aware of the invalidity of the promise.

462.5. If the debtor disputes the payment of the forfeit on the grounds that the obligation has been fulfilled, the debtor should prove performance, unless the obligation consisted of refraining from an act.

Article 463. Forfeit agreement form

463.1. The agreement on forfeit should be done in writing, irrespective of the form of the main obligation.

463.2. Failure to comply with the written form requirement shall render the agreement on the forfeit invalid.

Article 464. Payment of forfeit prescribed by law

464.1. The creditor may demand payment of a forfeit prescribed by law, regardless of whether the parties' agreement provides for such payment.

464.2. Unless prohibited by law, the parties may increase the amount of the statutory forfeit.

Article 465. Payment of penalty for non-performance of an obligation

465.1. If the debtor promises to pay a penalty for non-performance of an obligation, the creditor may demand payment of the forfeit instead of performance of the contract. Once the creditor declares that they demand payment of the penalty, the right to demand performance of the obligation shall be excluded. If the creditor is entitled to compensation for damages resulting from non-performance, they may claim the penalty amount as the minimum measure of damages. This shall not exclude the creditor's right to claim additional damages.

465.2. If the debtor promises to pay a penalty for improper performance of an obligation, including delay in performance, the creditor may demand both payment of the penalty and performance of the obligation. If the creditor is entitled to compensation for damages resulting

from improper performance, they may also claim such compensation. If the creditor has accepted performance, they may demand payment of the penalty only if they expressly reserved this right at the time of acceptance.

465.3. If the debtor promises to perform another act instead of paying a monetary penalty, the provisions of Articles 465.1 and 465.2 of this Code shall apply accordingly.

Article 466. Damage and forfeit

466.1. If a forfeit has been established for non-performance or improper performance of an obligation, compensation shall be paid for the part of the damage not covered by the forfeit.

466.2. The law or contract may stipulate the following:

466.2.1. only the forfeit, but not damages, may be recovered.

466.2.2. damages exceeding the forfeit may be recovered in full.

466.2.3. at the creditor's discretion, either the forfeit or the damages may be recovered.

466.3. Where limited liability has been established for non-performance or improper performance of an obligation, compensation for damages not covered by the forfeit, exceeding it, or payable instead of it, may be recovered only within the limits of that liability.

Article 467. Reduction of forfeit by the court

Taking into account the circumstances of the case, the court may reduce a disproportionately high forfeit. When determining proportionality, both the creditor's property interests and all legitimate interests shall be considered. Once the forfeit has been paid, its amount cannot be reduced.

§ 3. Retention/withholding

Article 468. Definition and grounds of retention

468.1. If property to be delivered to the debtor or to a person designated by the debtor is in the possession of the creditor, and the debtor fails to fulfill their obligation to pay for that property or to compensate the creditor for related expenses or other damages in due time, the creditor shall have the right to retain the property until the corresponding obligation is fulfilled.

468.2. Even when the property or related expenses and damages are not directly connected, claims arising from obligations between parties acting as entrepreneurs may also be secured by retention of the property.

468.3. The creditor may retain property in their possession even if a third party has acquired rights to the property after it entered the creditor's possession.

468.4. The provisions of this Article shall apply unless otherwise agreed by the parties in the contract.

Article 469. Satisfaction of claims from retained property

The creditor retaining the property shall have their claims satisfied from the value of the property in the same amount and manner as claims secured by a pledge.

§ 4. Warranty/suretyship

Article 470. Warranty agreement

470.1. Under a warranty agreement, the surety assumes responsibility before the creditor for the full or partial performance of another person's obligation.

470.2. A warranty agreement may also be concluded to secure an obligation that will arise in the future.

Article 471. Warranty agreement form

A warranty agreement should be concluded in writing. Failure to comply with the written form requirement shall render the warranty agreement invalid.

Article 472. Guarantor's liability

472.1. If the debtor fails to perform, or improperly performs, an obligation secured by warranty, the guarantor and the debtor shall be jointly liable to the creditor, unless this Code or the warranty agreement provides that the guarantor bears subsidiary liability.

472.2. Unless otherwise provided in the warranty agreement, the guarantor shall be liable to the creditor to the same extent as the debtor, including payment of interest, court expenses related to debt recovery, and compensation for any other damages incurred by the creditor due to non-performance or improper performance by the debtor.

472.3. Co-guarantors shall be jointly liable to the creditor unless otherwise stipulated in the warranty agreement.

472.4. If the warranty agreement provides that the guarantor bears subsidiary liability for the secured obligation, the guarantor's liability shall be suspended for the period between the debtor's death and the acceptance of the inheritance.

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. Unless otherwise stipulated in the warranty agreement, the guarantor may raise against the creditor any defenses that the debtor could have raised. The guarantor shall retain this right even if the debtor has waived such defenses or has acknowledged the debt.

474.2. Before satisfying the creditor's demand, the guarantor should notify the debtor thereof, and if a claim is brought against the guarantor, he should invite the debtor to participate in the proceedings.

474.3. If the guarantor fails to fulfill the obligations set out in Article 474.2 of this Code, the debtor may raise against his recourse claim any defenses that the debtor could have raised against the creditor.

Article 475. Rights of the guarantor who has performed the obligation

475.1. When the guarantor performs the obligation, the creditor's rights under that obligation, as well as the rights held by the creditor as a pledgee, shall be transferred to the guarantor to the extent of the payment made. The guarantor may also demand from the debtor payment of interest on the amount paid to the creditor and compensation for other damages incurred in connection with assuming the debtor's responsibility.

475.2. After the guarantor has performed the obligation, the creditor shall be obliged to provide him with documents confirming the claim against the debtor and transfer to him the rights securing that claim.

475.3. The rules established in this Article shall apply unless otherwise provided by this Code, the agreement between the guarantor and the debtor, or the nature of their relationship.

Article 476. Notification of the guarantor of the debtor's performance of the obligation

A debtor who has performed an obligation secured by warranty should immediately notify the guarantor of such performance.

Article 477. Termination of warranty

477.0. The warranty shall be terminated when:

477.0.1. when the obligation secured by the warranty is terminated, as well as that obligation is modified without the guarantor's consent and such modification increases the guarantor's liability or leads to other adverse consequences for the warranty.

477.0.2. the debt under the obligation secured by the warranty is transferred to another person, unless the guarantor has agreed with the creditor to be liable for the new debtor.

477.0.3. the creditor refuses to accept proper performance offered by the debtor or the guarantor.

477.0.4. when the term specified in the suretyship agreement expires. If no such term is specified, the warranty shall terminate if the creditor fails to bring a claim against the guarantor within one year from the date the obligation secured by the warranty becomes due. If the time for performance of the principal obligation is not specified, cannot be determined, or is defined as being upon demand, the warranty shall terminate if the creditor fails to bring a claim against the guarantor within two years from the date the warranty agreement was concluded.

§ 5. Guarantee

Article 478. Definition of a guarantee

According to the guarantee, the guarantor (a bank, another credit *institution*, or an insurance organization) provides a written commitment that, at the request of another person (the principal), it will pay the principal's creditor (beneficiary) the amount of money specified, upon receipt of the beneficiary's written demand for payment in accordance with the terms of the guarantee obligation.

Article 479. Securing principal's liability by the guarantee

479.1. Guarantee ensures the proper performance by the principal of his obligation (the main obligation) to the beneficiary.

479.2. For the issuance of the guarantee, the principal shall pay the guarantor an agreed fee.

Article 480. Independence of the guarantee from the main obligation

The guarantor's obligation to the beneficiary under the guarantee is an independent obligation and is not dependent on the main obligation for the performance of which the guarantee was issued, even if the guarantee refers to that obligation.

Article 481. Irrevocability of the guarantee

Unless otherwise provided in the guarantee, it cannot be revoked by the guarantor.

Article 482. Non-transferability of rights under the guarantee

Unless otherwise provided in the guarantee, the right of the beneficiary to make a demand against the guarantor cannot be transferred to another person.

Article 483. Entry into force of the guarantee

Unless otherwise provided in the guarantee, it becomes effective from the date it is issued.

Article 484. Submission of a demand under the guarantee

484.1. The beneficiary's demand for payment under the guarantee should be submitted in written form to the guarantor, accompanied by the documents specified in the guarantee. In the demand or its attachments, the beneficiary should indicate how the principal has breached the main obligation for which the guarantee was issued.

484.2. The beneficiary's demand should be submitted to the guarantor before the expiry of the period specified in the guarantee.

Article 485. Duties of the guarantor when considering the beneficiary's demand

485.1. Upon receiving the beneficiary's demand, the guarantor should immediately inform the principal and provide him with a copy of the demand and all attached documents.

485.2. The guarantor should review the beneficiary's demand and attached documents within the period specified in the guarantee, or, if not specified, within a reasonable time, and exercise due diligence to determine whether the demand and documents comply with the terms of the guarantee.

Article 486. Refusal by the guarantor to satisfy the beneficiary's demand

486.1. If the beneficiary's demand or attached documents do not comply with the terms of the guarantee, or if they are submitted after the expiry of the period specified in the guarantee, the guarantor shall refuse to make payment. The guarantor should immediately inform the beneficiary of the refusal.

486.2. If, before payment of beneficiary's demand, the guarantor learns that the main obligation secured by the guarantee has been fully or partially performed, otherwise terminated, or is invalid, the guarantor should promptly inform the beneficiary and principal. After giving such notice, if the beneficiary resubmits the demand, the guarantor should make the payment.

Article 487. Limits of the guarantor's obligation

487.1. The guarantor's obligation to the beneficiary shall be limited to the amount specified in the guarantee.

487.2. Unless otherwise provided in the guarantee, the guarantor's liability to the beneficiary for failure to perform or improper performance of the guarantee shall not be limited to the guaranteed amount.

Article 488. Termination of the guarantee

488.1. Guarantor's obligation to the beneficiary under the guarantee shall terminate when:

488.1.1. the guaranteed amount is paid to the beneficiary.

488.1.2. the period specified in the guarantee expires.

488.1.3. the beneficiary waives his rights under the guarantee and returns it to the guarantor.

488.1.4. the beneficiary waives his rights under the guarantee by submitting a written statement releasing the guarantor from his obligation.

488.2. Termination of the guarantor's obligation in the cases specified in Articles 488.1.1, 488.1.2, and 488.1.4 shall not depend on whether the guarantee has been returned to the guarantor.

488.3. Upon learning that the guarantee has been terminated, the guarantor should immediately inform the principal.

Article 489. Guarantor's rights of recourse against the principal

489.1. The guarantor's right to demand reimbursement from the principal for the amounts paid to the beneficiary under the guarantee shall be determined by the agreement between the guarantor and the principal regarding the issuance of the guarantee.

489.2. Unless otherwise provided in the agreement between the guarantor and the principal, the guarantor may not demand reimbursement from the principal for amounts paid to beneficiary in violation of guarantee terms or due to guarantor's own breach of obligations to the beneficiary.

Article 490. Debtor's guarantee – *deleted.*

§ 6. Earnest money/deposit

Article 491. Definition of earnest money/deposit

491.1. A deposit is a sum of money given by one of the parties, at the expense of payments to be made under the contract, to confirm conclusion and ensure performance of the contract.

491.2. Regardless of the amount of the deposit, the deposit agreement should be made in writomg. *If the deposit agreement concerns the conclusion of a contract related to the disposal of immovable property, it should be notarized. When notarizing the deposit agreement related to the conclusion of a contract for the disposal of immovable property, the rules set forth in Article 225.6 of this Code shall apply to the recipient of the deposit.*

491.3. If there is doubt as to whether a sum paid from the payments under a contract constitutes a deposit, including cases where such doubt arises due to non-compliance with the rule established in Article 491.2 of this Code, that sum shall, unless proven otherwise, be deemed as an advance payment

Article 492. Consequences of termination or non-performance of an obligation secured by deposit

492.1. If, before the performance of the obligation has begun, the obligation is terminated by mutual agreement of the parties or due to impossibility of performance, the deposit shall be returned.

492.2. If the party who gave the deposit is responsible for the non-performance of the contract, the deposit shall remain with the other party. If the party who received the deposit is responsible for the non-performance of the contract, that party shall pay the other party twice the amount of the deposit. In addition, unless otherwise provided by the contract, the party responsible for the non-performance of the contract shall, taking into account the amount of the deposit, compensate the other party for any damages caused.

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 a contract, 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 object 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 of the creditors

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 withdraws 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 anther creditor

The debtor may not use facts relating to other creditor, with respect to one of the creditors.

Article 498. Rights of 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 another 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 non-observance of the performance terms by one of the joint debtors may 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 the claim in compliance with his inherited share. In the event of indivisibility of the claim, this rule shall not apply.

Article 508. Creditor's claim consolidation with the debt of one of the joint debtors

If the creditor's claim 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 claim right in the event of complete performance of the obligation by one of the debtors

509.1. The debtor, who has performed the joint obligation, shall have the regressive claim 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. When a joint debtor performs a joint obligation to the creditor, the creditor's claim against the other debtors, as well as the creditor's rights in relation to the other debtors under the procedure established by Article 196 of this Code, are transferred to that joint debtor.

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 has benefited from the joint obligation, another joint debtor who has not derived such benefit may demand security from the benefiting joint debtor to ensure the performance of his own obligation.

Article 512. Consequences of the term expiration

A suspension 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

Transfer of obligations

§ 1. Assigment of claims – *deleted.*

§ 2. Transfer of obligations – *the name of the paragraph is deleted.*

Article 522. Grounds and procedures for the obligations transfer

522.1. Based on an agreement with the creditor, an obligation may be transferred to a third party. as a result, that third party replaces the original debtor.

522.2. If the debtor and a third party reach an agreement on the transfer of the obligation, such transfer shall be valid only with the consent of the creditor.

522.3. Consent may be given only if the creditor has been informed of the transfer of the obligation by the debtor or the third party. Until such consent is given, the parties may amend or terminate the agreement. If consent is refused, the obligation shall not be deemed transferred.

522.4. If the debtor or the third party requests the creditor to declare his consent within a specified period, such consent should be declared before that period expires. if not, it shall be considered that the creditor has refused to give consent.

522.5. Until the creditor gives consent, the person who has assumed the obligation, in case of doubt, shall be obliged to secure the creditor's interests in relation to the debtor in a timely manner. The same rule shall apply if the creditor refuses to give consent.

Article 523. Transfer of obligations by the alienator of a land plot

523.1. If the acquirer of a land plot, under an agreement with the alienator, assumes the alienator's obligation concerning a mortgage on the land plot, the creditor may give consent to the transfer of the obligation only if the alienator has sent a notice to the creditor regarding this matter.

523.2. If six months have passed since the receipt of the notice, the creditor shall be deemed to have given consent unless the creditor has refused during that period. The alienator may send such notice only if the acquirer has registered ownership of the immovable property in the state register.

523.3. The notice shall be made in writing and shall indicate that the person assuming the obligation replaces the former debtor, provided that the creditor does not refuse within six months. At the request of the acquirer, the alienator should send the creditor a notice regarding the transfer of obligations. Immediately after consent is given or refused, the alienator shall notify the acquirer accordingly.

Article 524. Objections of the person assuming the obligation

A person who has assumed an obligation may raise against the creditor any objections arising from the legal relationship between the creditor and the former debtor. However, that person may not set off any claims belonging to the former debtor. The person who has assumed the obligation may not raise against the creditor any objections arising from the legal relationship between himself and the former debtor that served as the basis for the transfer of the obligation.

Article 525. Cancellation of the warranty obligation as a result of transfer of rge collateral and mortgage right

Waeeanty and collateral rights provided as security for a claim shall be terminated as a result of the transfer of the obligation. If a mortgage exists to secure the claim, the same consequences shall apply as when the creditor releases the mortgage. These provisions shall not apply if the warranty or the person who owns the encumbered property at the time of the transfer of the obligation has consented. In the event of bankrupcy, any preferential rights related to the claim may not be exercised with respect to the property of the person who has assumed the obligation

Article 526. Liability of the person who has assumed the obligation

If any person, under a contract, acquires the property of another one, the creditors of that person may, from the moment the contract is concluded, assert against the acquirer their existing claims that had arisen up to that time, even though the liability of the former debtor continues. The liability of the acquirer shall be limited to the assets received and to the claims belonging to him under the contract. The liability of the acquirer may not be excluded or limited by an agreement between him and the former debtor.

Chapter 27

Termination of obligations

Article 527. Grounds for terminating obligations

527.1. An obligation shall be terminated, in whole or in part, by performance, deposit, set-off, remission of debt, expiration of the term, or on other grounds provided by this Code or by the contract.

527.2. Termination of an obligation at the request of one of the parties shall be permitted only in cases provided for by this Code or by the contract.

§ 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. A creditor who accepts an act offered as performance of an obligation shall, if not intending to recognize it as performance, bear the burden of proving that such act does not constitute performance of the obligation owed, or it is incomplete, or it does not correspond to the proper obligation.

529.3. Where the debtor has issued a debt instrument to the creditor as confirmation of the obligation, the creditor shall, upon acceptance of performance, return such document. If return is not possible, the creditor shall make a corresponding note in the document confirming receipt of performance. A document evidencing full or partial acceptance of performance may be replaced by an inscription on the returned debt instrument. Possession of the debt instrument by the debtor shall, unless proven otherwise, constitute evidence that the obligation has been terminated.

529.4. A document executed in acknowledgment of receipt of the debt, which does not contain any information regarding interest, shall be deemed to evidence that interest has been paid and that the monetary obligation has been fully terminated.

529.5. Where a debt is paid periodically or in installments, a document acknowledging payment of the final installment shall, unless proven otherwise, give rise to a presumption that all previous installments have likewise been paid.

529.6. If the creditor is unable to return the debt instrument, the debtor may require the issuance of an officially certified statement confirming that the obligation has been terminated.

529.7. A document drawn up by the creditor or an authorized person concerning the performance shall indicate the amount and type of the debt, the name of the debtor or the person performing the payment, and the time and place of performance.

529.8. By agreement of the parties, an obligation may be terminated by payment of compensation (money, transfer of property, etc.) in lieu of performance. The amount of such compensation, as well as the terms and procedure for its payment, shall be determined by the parties.

Article 530. Payment of expenses for issuance of a document performing performance

530.1. Unless otherwise arises from an agreement between the debtor and the creditor, the expenses for issuing the document confirming performance shall be borne by the debtor.

530.2. If the creditor changes his place of residence or dies and his heirs reside in another place, any additional expenses connected with the issuance of the document confirming performance shall be borne by the creditor or his heirs.

Article 531. Termination of an obligation by novation

531.1. An obligation shall be terminated by agreement between the parties whereby the original obligation existing between the same parties is replaced by another obligation providing for a different subject matter or method of performance (novation).

531.2. Novation shall not be permitted in respect of obligations for compensation of damage caused to life or health, or for payment of alimonyies.

531.3. Unless otherwise agreed, novation shall terminate any ancillary obligations related to the original obligation.

§ 2. Termination of an obligation by a deposit

Article 532. Definition of the termination of an obligation by a deposit

532.1. If the creditor delays acceptance of performance or if the creditor's whereabouts are unknown, the debtor may deposit the subject matter of performance with the court or a notary for safekeeping. Monetary funds or *documentary* securities may be deposited into the notary's deposit account. The debtor shall, without delay, notify the creditor of such deposit.

~~532.2. By making the deposit, the debtor is released from the obligation to the creditor.~~

532.3. If the return of the deposited item is excluded, the debtor is discharged from the obligation, since in such a case the deposit is deemed equivalent to performance rendered to the creditor.

532.4. If the debtor is required to perform only after the creditor has fulfilled his own obligation, the creditor may make acceptance of the deposited item conditional upon performance of the reciprocal obligation.

Article 533. Delivery of deposited property to the creditor

533.1. The court or the notary shall deliver the deposited property to the creditor. The court or notary shall appoint a custodian, while the documents shall remain in the custody of the court or notary.

533.2. The deposit shall be effected at the court or notarial office at the place where the obligation is to be performed. If the debtor makes the deposit elsewhere, he shall compensate the creditor for any damage that may result therefrom.

533.3. If the deposited item has been sent to the court or notary by post, the deposit shall be deemed effective as of the date the item was handed over to the postal service for dispatch.

Article 534. Item suitable for deposit

534.1. The item should be suitable for storage. Perishables shall not be accepted for storage.

534.2. If the movable property, the subject of the obligation, is perishable, or if its storage would involve disproportionately high expenses, such property shall not be deemed suitable for deposit. In such case, the debtor may sell the property by auction at the place of performance of the obligation and deposit the proceeds from the sale.

Article 535. Place of storage

Storage shall be carried out at the place of performance of the obligation.

Article 536. Requirement for the creditor to accept the item

The court or the notary shall notify the creditor that the property has been accepted for storage and require the creditor to accept the item.

Article 537. Payment of storage related expenses

All expenses related to storage shall be borne by the creditor.

Article 538. Claim by the debtor for the return of the item deposited for storage

538.1. The debtor may demand the return of the item deposited for storage until it has been accepted by the creditor, provided that the debtor has not initially waived the right to reclaim it. If the debtor demands the return of the item, the deposit shall be deemed not to have occurred.

538.2. If the creditor refuses to accept the item, or if the period specified in Article 539 of this Code has expired, the debtor may reclaim the item delivered for storage.

538.3. If the debtor reclaims the item, storage expenses shall be borne by him.

Article 539. Storage period of the object of performance

The court or notary shall keep the object of performance for a period of up to three years. If the creditor fails to accept the item within that period, the debtor shall be notified and required to reclaim the item delivered for storage. If the debtor fails to reclaim it within a reasonable period necessary for retrieval, the item shall be deemed state property.

§ 3. Termination of obligations by Set-off of Mutual Claims (Set-off)

Article 540. Possibility of set-off of obligations

540.1. If two persons have mutual claims against each other and the time for performance of those claims has arrived, such claims may be terminated by way of set-off.

540.2. Set-off may also be possible when the time for performance of one of the claims has not yet arrived, provided that the party entitled to that claim agrees to the set-off. The set-off is effected by notifying the other party. If the notification is conditional or specifies a time limit, it shall be deemed invalid.

Article 541. Set-off in case of assignment of claim

541.1. When a claim is assigned, the debtor may set off his own counterclaim against the former creditor with the new creditor's claim.

541.2. Set-off may be made on the condition that the counterclaim arises from a ground existing at the time when the debtor received notice of the assignment, and the term for performance of the counterclaim has arrived, or no term was set, or it was determined by the moment of demand.

Article 542. Limitation period for set-off of claims

If the limitation period for the claim has not expired by the time when set-off is still possible, the expiration of the limitation period shall not preclude the set-off of obligations.

Article 543. Claims subject to set-off

If the claims subject to set-off do not fully cover each other, only the smaller amount of the claims shall be set off.

Article 544. Set-off of obligations when places of performance differ

Set-off of obligations shall be permissible even when different places of performance are stipulated for the obligations.

Article 545. Cases where set-off of claims is not permissible

545.0. Set-off of obligations shall not be permitted when:

545.0.1. set-off of claims has been previously excluded by agreement.

545.0.2. enforcement may not be levied on the object of the obligation, or the object of the obligation is a means of subsistence.

545.0.3. the obligation concerns compensation for harm caused to health.

545.0.4. upon the other party's application, the claim is subject to a limitation period and such period has expired.

545.0.5. it concerns the deduction of alimonies.

545.0.6. when it is a claim of the Republic of Azerbaijan or a municipality, except in cases where the counterclaim of the other party is to be paid from the same authority's funds and the obligation is to be performed in favor of that authority.

545.0.7. in other cases provided 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 claim against them is an exclusion. In this case, the creditor may use only one claim 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 warrantors as well.
548.2. Release of the warrantor from paying the debt shall not release the main debtor from performing the obligation.
548.3. Release of one of the warrantors from paying the debt shall release other debtors too.

Article 549. Consequences of claims waiver under bilateral agreement

Waiver by one of the parties under a bilateral agreement of its claim shall not result in the termination of the obligation. Such party, prior to the waiver of the other party of its claims, shall have to perform the obligations envisaged by the agreement.

§ 5. Termination of obligation at the expiration of the term

Article 550. Term for claims

A claim, that is, the right of a person to demand that another person perform or refrain from performing an act, may be terminated upon the expiration of the period.

Article 551. Terms for terminating obligations

551.1. All claims shall lose their effect at the expiration of 10 years (normal term), if nothing otherwise is envisaged by this Code.
551.2. The claims listed below shall lose their effect at the expiration of 5 years:
551.2.1. claims with respect to rent and lease payments, interest on capital and other regular payments.
551.2.2. claims with respect to sale of *food products* or accommodation of visitors.

551.2.3. Claims related to factory construction, sale of goods, transportation, claims of independent professionals (such as doctors, lawyers, or consultants), as well as claims of employees arising from employment relations.

551.2.4. A claim arising from a court decision shall become invalid after thirty years. This rule shall apply even if the claim is subject to a shorter limitation period.

Article 552. Commencement of the limitation period for the termination of obligations

552.1. The limitation period shall begin when the time for performance of the claim arrives. When calculating the period, the day on which it begins shall not be included. If the content of the obligation is inaction, the period shall begin from the moment this obligation is not fulfilled.

552.2. The running of the limitation period shall not begin, or it is suspended when:

552.2.1. a deferment is granted for the performance of the obligation, or when the obligor has the right to temporarily refuse performance due to other circumstances.

552.2.2. during the last six months of the limitation period, the entitled person shall be deprived of the opportunity to exercise judicial protection of his right due to suspension of court proceedings. The same rule shall apply if such impossibility arises as a result of force majeure.

552.2.3. the claim concerns the rights and obligations between spouses until the marriage is dissolved. The same rule shall apply to claims between parents and children until the children reach the age of majority, as well as to claims between a guardian and a ward during the period of guardianship or trusteeship.

552.2.4. the person concerned is of limited or no legal capacity and has no representative, the limitation period shall not begin until six months after the person loses legal capacity.

552.3. If the running of the limitation period is interrupted, the time elapsed before the interruption is not counted. a new period begins only after the interruption ends.

Article 553. Interruption of the limitation period for the termination of obligations

553.1. The running of the limitation period is interrupted when:

553.1.1. the obligated person performs the claim in part, through partial payments, payment of interest, provision of security, or in any other manner.

553.1.2. the entitled person files a claim with the court.

553.2. The interruption of the limitation period shall continue until a court decision on the claim enters into legal force.

Article 554. Consequences of expiration of the limitation period for the termination of obligations

554.1. After the expiration of the limitation period, the obligated person shall have the right to refuse to perform the obligation.

554.2. Even if the obligation is performed not knowing that the period has expired, the performance made to satisfy a claim that has lost its validity due to expiry may not be reclaimed.

554.3. Together with the principal claim, any ancillary obligations dependent on it also lose their validity upon expiration of the limitation period.

554.4. The expiry of the limitation period may not be excluded or made more difficult by agreement between the parties. However, the parties may agree to simplify consequences of the expiration, including shortening the limitation period.

§ 6. Other grounds for the termination of obligations

Article 555. Termination of the obligation when the debtro and the creditor is one and the same person

The obligation shall be terminated if the debtor and the creditor is one and the same person.

Article 556. Termination of an obligation due to impossibility of performance

556.1. If performance becomes impossible, that is, when non-performance arises from circumstances for which neither party is responsible, the obligation shall be terminated. In such a case, the creditor may not demand performance of the obligation from the debtor.

556.2. If performance of the obligation by the debtor becomes impossible due to creditor's culpable actions, the creditor may not demand the return of what has been performed under the obligation.

Article 557. Termination of an obligation based on an act of a public or municipal authority

557.1. If, as a result of an act adopted by a public or municipal authority, the performance of the obligation becomes wholly or partially impossible, or the term for performance is extended, the obligation shall be terminated in whole or in the corresponding part. In this case, the state or municipality shall act as the respondent in claims related to the damages caused, and the injured parties may claim compensation for losses in accordance with Articles 19 and 22 of this Code.

557.2. If the act of the public or municipal authority that served as the basis for termination of the obligation is declared invalid in the prescribed manner, the obligation shall be restored, unless otherwise provided by the agreement of the parties or the nature of the obligation, and provided that the creditor's interest in performance has not ceased.

Article 558. Termination of an obligation due to the debtor's death

558.1. If performance is impossible without the personal participation of the debtor, the debtor's death shall result in the termination of the obligation.

558.2. If performance is intended to be rendered personally to the creditor, the creditor's death shall result in the termination of the obligation.

Article 559. Termination of an obligation due to the liquidation of a legal entity

Upon the registration of the liquidation of a legal entity (whether debtor or creditor), its obligations shall be terminated.

Chapter 28

Implementation of civil rights

Article 560. Prohibition of abuse of rights

560.1. Civil rights shall be exercised in accordance with the law. It is inadmissible to exercise a right solely for the purpose of causing harm to others.

560.2. Abuse of rights shall not be permitted. Agreements and actions based on such abuse shall be deemed invalid.

560.3. Abuse of rights includes, in particular, the following cases:

560.3.1. exercise of rights that have been acquired unlawfully or in violation of a contract.

560.3.2. exercise of rights by a person who has grossly violated his or her own obligations.

560.3.3. exercise of the right that does not constitute the basis of the personal interest to be protected.

560.3.4. exercise of the right contrary to previous conduct that another party relied upon and had reason to rely upon.

560.3.5. abuse of a dominant position in the market or production sector by one or more commercial legal entities, if such abuse may result in a significant distortion of market conditions for the circulation of goods or the provision of production services, such as:

560.3.5.1. direct or indirect coercion into disproportionate prices or other terms of sale.

560.3.5.2. restriction of production, sales, or technical development to the detriment of consumers.

560.3.5.3. application of different conditions to equivalent transactions with contracting parties, causing harm to their interests in competition.

560.3.5.4. making the conclusion of a contract conditional upon requirements that oblige contracting parties to provide additional services unrelated to the subject matter of the contract, whether objectively or according to commercial practice.

560.3.6. agreements or concerted practices among commercial legal entities, if they may result in significant distortion of market conditions for the circulation of goods or the provision of production services, and are intended to or may contribute to the prevention, restriction, or distortion of competition, including:

560.3.6.1. direct or indirect determination of prices or other terms of transactions.

560.3.6.2. restriction of production, sales, technical development, or investment.

560.3.6.3. division of markets or sources of supply.

560.3.6.4. practices described in Articles 560.3.5.3 and 560.3.5.4 of this Code.

Article 561. Monopoly of state authority

The enforcement of civil rights, including the application of force or coercion, is the exclusive prerogative of the state. For this purpose, the state shall apply methods regulated by civil procedural law and enforcement legislation.

Article 562. Delay right

562.1. If, under this Code or a contract, the debtor has a right or a matured claim against the creditor, the debtor may refuse to perform his obligation until the creditor fulfills the corresponding obligation toward him (the right of delay).

562.2. If, after the conclusion of a reciprocal contract, the situation of the other party significantly deteriorates and, as a result, the performance of the reciprocal obligation is endangered, the party that is required to perform first under the reciprocal contract may refuse performance until the other party performs its obligation or provides adequate security for its performance.

562.3. If the subject of delay has been obtained unlawfully, the right of delay shall be excluded.

562.4. If the mutual obligations subject to delay do not arise from a reciprocal contract, the creditor may prevent the exercise of the right of delay by providing appropriate guarantees.

562.5. The right of retention may be exercised against a creditor's claim only if the debtor may be required to perform his obligation simultaneously with the creditor's performance (simultaneous performance). Based on such requirement, the creditor may, if the debtor delays acceptance of performance, demand enforcement without performing his own obligation.

Article 563. Necessary defence

563.1. An act committed in a state of necessary defence is lawful, that is, it is not contrary to law, and the damage caused in such a case shall not have to be compensated.

563.2. Necessary defence is a form of self-defence that is required to repel an unlawful and actual attack directed against oneself or another person.

563.3. If a person has culpably exceeded the limits of necessary defence, or has intentionally created the situation of necessary defence, or has acted under a culpable mistake regarding the existence of the circumstances required for preventing an unlawful act, such person shall be liable to compensate for the damage caused.

Article 564. Extreme necessity

564.1. An act committed in a state of extreme necessity is lawful, that is, it is not contrary to law, and compensation for damage caused in such a case shall not be required, provided that the damage is inflicted upon the person or property that created the danger giving rise to the state of extreme necessity.

564.2. Extreme necessity is a situation in which, in order to avert a real danger that cannot otherwise be prevented, lesser harm is caused in comparison with the harm that was to be prevented.

564.3. Taking into account actual circumstances under which the damage was caused in a state of extreme necessity, compensation for the damage may be imposed upon the third person in whose interest the person causing the damage acted.

564.4. If the damage caused in a state of extreme necessity exceeds the harm that was averted, the person who caused such damage shall be obliged to compensate for it.

Article 565. Self-defence

565.1. Where the assistance of competent public authorities cannot be obtained in time, and there is a danger that without immediate intervention the exercise of a right would become impossible or significantly more difficult, actions performed for the purpose of self-help, which include taking, destroying, or damaging property. detaining a person obliged to perform who might otherwise flee or hide. or preventing resistance by the person obliged to perform an act that the self-help actor has the right to demand, shall not be deemed unlawful.

565.2. Self-help may not exceed the limits necessary to prevent or repel the danger.

565.3. If an object is taken from someone, a related declaration should be made immediately.

565.4. If an obliged person is detained, he should be handed over immediately to the competent public authorities.

565.5. If, immediately after the exercise of self-help, a declaration is not submitted to the competent public authority for confirmation, or if that authority rejects such a declaration as inadmissible or unfounded, the self-help measures shall be deemed unlawful from the outset. If self-help measures are undertaken due to a mistaken belief that the conditions necessary to prevent an unlawful act exist, the person acting shall compensate the other party for the damage caused, even if the mistake was not due to negligence.

Article 566. Notification on the performance of an obligation

566.1. The creditor shall have the right to receive information from the debtor concerning the progress of the performance of the obligation.

566.2. The following persons are obliged to provide such information:

566.2.1. the person entrusted with this duty under this Code or the contract.

566.2.2. the person who wholly or partly conducts the debtor's affairs.

566.2.3. the person required to report on management of income and expenditures.

566.3. If the person obliged to provide information can do so only by incurring significant expenses, such expenses shall be borne by the creditor.

566.4. If there are grounds to believe that the information provided was not prepared in good faith, the creditor may demand that the debtor or the authorized person provide a written confirmation that the information has been prepared honestly. In the event of a judicial dispute, such written confirmation shall have evidential force.

SPECIAL PART

Section seven

CONTRACTUAL OBLIGATIONS

Chapter 29

Purchase and sale

§ 1. General provisions on purchase and sale

Article 567. Purchase and sale agreement

Under a purchase and sale agreement, the seller shall undertake to transfer an item into the ownership of the buyer, and the buyer shall undertake to accept the item and pay a specified sum of money (price) in return.

Article 568. Seller's obligation to deliver the item

568.1. The seller shall be obliged to deliver to the buyer the item specified in the purchase and sale agreement.

568.2. Unless otherwise provided by the purchase and sale agreement, the seller, upon delivering the item to the buyer, shall also be obliged to deliver its accessories as well as the documents related to the item as required by law or by the contract (the technical passport, quality certificate, operating manual, etc.).

Article 569. Period for performance of the obligation to deliver the item

569.1. The time for the seller's performance of the obligation to deliver the item to the buyer shall be determined by the purchase and sale agreement. if the agreement does not specify such time, it shall be determined in accordance with the rules set forth in Article 427 of this Code.

569.2. If it is evident from the agreement that the buyer's interest in its performance will be lost in the event of delay, the agreement shall be deemed to have been concluded on the condition that it should be performed within the specified time. The seller may perform the agreement either before the specified term expires or after it has expired only with the buyer's consent.

Article 570. Moment of performance of the seller's obligation to deliver the item

570.1. Unless otherwise provided by the purchase and sale agreement, the seller's obligation to deliver the item to the buyer shall be deemed fulfilled at the following moment:

570.1.1. if the agreement provides that the seller should deliver the item, at the moment the item is handed over to the buyer or to a person designated by the buyer.

570.1.2. if the item is to be handed over to the buyer or to a person designated by the buyer at the place where the item is located, at the moment the item is placed at the buyer's disposal. The item shall be deemed placed at the buyer's disposal when, within the period specified in the agreement, it is ready for delivery at the proper place and the buyer has been duly notified thereof in accordance with the terms of the agreement. The item shall not be deemed ready for delivery if it has not been identified for the purposes of the agreement, whether by marking or by some other means.

570.2. If, according to the purchase and sale agreement, the seller is not obliged to deliver the item or hand it over at the place where it is located, the seller's obligation to deliver the item to the buyer shall, unless otherwise provided by the agreement, be deemed fulfilled at the moment the item is handed over to the carrier or postal organization for delivery to the buyer.

Article 571. Transfer of the risk of accidental loss or accidental damage of the item to the buyer

571.1. Unless otherwise provided by the purchase and sale agreement, the risk of accidental loss or damage to the item shall pass to the buyer from the moment the seller is deemed to have fulfilled the obligation to deliver the item to the buyer in accordance with the agreement.

571.2. The risk of accidental loss or accidental damage of the sold item in-transit shall pass to the buyer from the moment the purchase and sale agreement is concluded, unless otherwise provided by the agreement or business practices.

571.3. A contractual provision stipulating that the risk of accidental loss or accidental damage passes to the buyer from the moment the item is handed over to the first carrier may be declared invalid by a court upon the buyer's request, if at the time of concluding the agreement the seller knew or ought to have known that the item had already been lost or damaged and failed to inform the buyer thereof.

Article 572. Seller's obligation to deliver an item free from third-party rights

572.1. Except where the buyer has agreed to accept an item encumbered with third-party rights, the seller shall be obliged to deliver to the buyer an item free from the rights of third parties. Failure by the seller to perform this obligation shall entitle the buyer to demand a reduction in the price of the item or the termination of the purchase and sale agreement, unless it is proven that the buyer was aware of the existence of third-party rights in respect of the item.

572.2. The provisions of Article 572.1 of this Code shall also apply where, at the time of delivery, there were third-party claims to the item and the seller was aware of such claims, provided that such claims were subsequently recognized as lawful in accordance with the established procedure.

Article 573. Seller's liability in case the item is reclaimed from the buyer

573.1. If, on grounds arising prior to the performance of the purchase and sale agreement, third parties reclaim the item from the buyer, the seller shall be obliged to compensate the buyer for resulting losses, unless the seller proves that the buyer was aware of the existence of such grounds.

573.2. Any agreement between the parties excluding or limiting the seller's liability in cases where third parties claim the item acquired by the buyer shall be deemed null and void.

Article 574. Duties of the buyer and the seller when the item's reclamation claim is brought

574.1. If, on grounds arising prior to the performance of the purchase and sale agreement, a third party brings a claim against the buyer for the reclamation of the item, the buyer should involve the seller in proceedings, and the seller should join the proceedings on the buyer's side.

574.2. If the buyer fails to involve the seller in proceedings, the seller shall be released from liability to the buyer, provided that the seller proves that, by participating in the proceedings, he could have prevented the item sold from being reclaimed from the buyer.

574.3. If the buyer involved the seller in the proceedings but the seller failed to participate, the seller shall lose the right to claim that the buyer mishandled the case.

Article 575. Consequences of non-performance of the obligation to deliver the item

575.1. If the seller refuses to deliver the sold item to the buyer, the buyer may refuse to perform the purchase and sale agreement.

575.2. If the seller refuses to deliver an individually specified item, the buyer may bring claims against the seller as provided in Article 452 of this Code.

Article 576. Consequences of non-performance of the obligation to deliver accessories and documents related to the item

If the seller fails or refuses to deliver the accessories or documents related to the item that he is obliged to provide, the buyer may set a reasonable period for their delivery. If the seller fails to deliver the accessories or documents within the specified period, the buyer may, unless otherwise provided by the contract, refuse to accept the item.

Article 577. Quantity of goods sold

577.1. The quantity of goods to be delivered to the buyer shall be determined in the purchase and sale agreement in appropriate units of measurement or in monetary terms. A condition regarding the quantity of goods may also be agreed upon by specifying a method for its determination in the contract.

577.2. If the purchase and sale agreement does not allow the determination of the quantity of goods to be delivered, the contract shall not be deemed concluded.

Article 578. Consequences of breach of the condition concerning the quantity of goods

578.1. If the seller, in breach of the purchase and sale agreement, delivers to the buyer a smaller quantity of goods than specified in the contract, the buyer may, unless otherwise provided by the contract, demand delivery of the missing quantity of goods, or refuse to accept and pay for the goods delivered. if payment has already been made, the buyer may demand the return of the amount paid.

578.2. If the seller delivers to the buyer a larger quantity of goods than specified in the purchase and sale agreement, the buyer should notify the seller thereof in accordance with Article 595.1 of this Code. If, after receiving the buyer's notice, the seller fails to dispose of the corresponding part of the goods within a reasonable time, the buyer may, unless otherwise provided by the contract, accept all the goods.

578.3. If the buyer accepts a larger quantity of goods than specified in the purchase and sale agreement, the excess goods shall be paid for at the price established for the goods accepted under the contract, unless the parties have agreed on a different price for the additional goods.

Article 579. Assortment of goods

579.1. If, under the purchase and sale agreement, goods are to be delivered in a certain proportion (assortment) according to types, models, sizes, colors, or other features, the seller shall be obliged to deliver the goods to the buyer in the assortment agreed upon by the parties.

579.2. If the purchase and sale agreement does not specify the assortment or the procedure for its determination, but it follows from the nature of the obligation that the goods should be delivered in an assortment, the seller may, based on the buyer's known requirements at the time the contract was concluded, deliver the goods in an assortment or refuse to perform the contract.

Article 580. Consequences of breach of the condition concerning the assortment of goods

580.1. If the seller delivers goods in an assortment that does not comply with the purchase and sale agreement, the buyer may refuse to accept and pay for them, or, if payment has already been made, demand the return of the amount paid.

580.2. If the seller delivers to the buyer goods that comply with the agreed assortment along with goods that do not comply with the assortment condition, the buyer shall have the right, at his discretion, to:

580.2.1. accept the goods that comply with the assortment condition and refuse the rest.

580.2.2. refuse all the goods delivered.

580.2.3. demand that the goods not complying with the assortment condition be replaced with goods of the assortment specified in the agreement.

580.2.4. accept all the goods delivered.

580.3. When refusing goods that do not comply with the assortment condition of the purchase and sale agreement, or when demanding their replacement, the buyer may refuse to pay for such goods, or, if payment has already been made, demand return of the amount paid.

580.4. Goods that do not comply with the assortment condition of the purchase and sale agreement shall be deemed accepted if, after accepting them, the buyer fails to notify the seller of his refusal within a reasonable time.

580.5. If the buyer does not refuse goods that do not comply with the assortment condition of the purchase and sale agreement, he should pay for them at a price agreed upon with the seller. If the seller does not take necessary steps to agree on the price within a reasonable time, the buyer shall pay for the goods at the price usually charged for similar goods under comparable circumstances at the time the contract was concluded.

580.6. The provisions of this Article shall apply unless otherwise provided by the purchase and sale agreement.

Article 581. Quality of goods

581.1. The seller shall be obliged to deliver to the buyer goods whose quality complies with the purchase and sale agreement.

581.2. If the purchase and sale agreement contains no condition regarding the quality of goods, the seller should deliver goods suitable for the purposes for which goods of this kind are ordinarily used. If, at the time of concluding the agreement, the buyer informed the seller of the specific purposes for which the goods were purchased, the seller should deliver goods suitable for use for those purposes.

581.3. When goods are sold by sample and/or description, the seller should deliver goods corresponding to the sample and/or description.

581.4. If mandatory quality requirements exist for the goods being sold, a seller engaged in business activity should deliver goods that comply with such mandatory requirements. By agreement between the parties, the seller may deliver goods meeting quality standards higher than those prescribed by the mandatory requirements.

Article 582. Warranty/guarantee for the quality of goods

582.1. The item that the seller is obliged to deliver to the buyer should, at the time it is delivered, comply with the requirements provided in Article 581 of this Code, unless the purchase and sale agreement specifies another moment for determining compliance with those requirements. The delivered item should remain suitable for the purposes for which such items are ordinarily used for a reasonable period of time.

582.2. If the purchase and sale agreement provides that the seller gives a warranty for the quality of the item, the seller should deliver to the buyer an item that meets the requirements provided in Article 581 of this Code during the period specified in the contract (the warranty period).

582.3. Unless otherwise provided by the purchase and sale agreement, the warranty for the quality of the item shall also apply to its components (spare parts or accessories).

Article 583. Calculation of the warranty peroiod

583.1. Unless otherwise provided by the purchase and sale agreement, the warranty period shall begin from the moment the item is delivered to the buyer.

583.2. If, for reasons dependent on the seller, the buyer is deprived of the possibility to use the item for which a warranty period has been established by the contract, the warranty period shall begin after the seller eliminates corresponding reasons. Unless otherwise provided by the contract, the warranty period is extended for the period during which the item could not be used due to defects discovered in it, provided that the buyer notifies the seller of such defects in the manner prescribed by Article 595-1 of this Code.

583.3. Unless otherwise provided by the purchase and sale agreement, the warranty period for a component (spare part) shall be equal to the warranty period for the main product and shall begin simultaneously with it.

583.4. If, during the warranty period, the seller replaces a defective item (or component), the replacement item (or component) shall, unless otherwise provided by the purchase and sale agreement, be subject to the same warranty period as the replaced item (or component).

Article 584. Shelf life (usability period) of goods

584.1. Legislation, mandatory requirements of state standards, or other binding regulations may establish a period limiting the suitability of an item for use according to its intended purpose (shelf life or usability period).

584.2. The seller should deliver to the buyer an item with a specified shelf life in such a way that it can be used for its intended purpose until the end of that period.

Article 585. Calculation of shelf life (usability period) of goods

The shelf life of an item shall be determined either by the period starting from the date of its manufacture during which it remains suitable for use, or by the specific date indicating when its suitability for use expires.

Article 586. Inspection of the quality of goods

586.1. The legislation, mandatory requirements of state standards, or the purchase and sale agreement may provide for the inspection of the quality of goods.

586.2. If the procedure for inspecting the quality of goods is not determined under Article 586.1 of this Code, the quality of the goods shall be inspected in accordance with established trade practices or other conditions customarily applied to the inspection of goods of that kind under the purchase and sale agreement.

586.3. If the legislation, mandatory requirements of state standards, or the purchase and sale agreement imposes on the seller the obligation to verify the quality of the goods to be delivered to the buyer (testing, analysis, examination, etc.), the seller should provide the buyer with proof that the quality inspection has been carried out.

586.4. he procedure and other conditions for the inspection of the quality of goods should be the same whether the inspection is carried out by the seller or by the buyer.

Article 587. Consequences of delivering goods of inadequate quality

587.1. If the seller has not previously informed the buyer about defects of the goods, the buyer who has received goods of inadequate quality shall have the right, whether the seller is at fault or not, to demand from the seller, at the buyer's choice, one of the following:

587.1.1. a proportional reduction of the purchase price.

587.1.2. elimination of defects of goods free of charge within a reasonable period of time.

587.1.3. reimbursement of expenses incurred by the buyer for eliminating defects of goods.

587.2. If quality requirements regarding the goods are substantially violated (when defects are discovered that cannot be eliminated, or can be eliminated only with disproportionate cost or time, or are repeatedly detected, or reappear after being eliminated, or other similar defects), the buyer shall have the right, at his discretion, to:

587.2.1. refuse to perform the purchase and sale agreement and demand the return of the amount paid for the goods.

587.2.2. demand the replacement of the goods of inadequate quality with goods conforming to the contract.

587.3. The buyer may exercise the rights provided in Articles 587.1 and 587.2 of this Code to demand the elimination of defects or the replacement of the goods, unless otherwise follows from the nature of the goods or the essence of the obligation.

587.4. If parts included in a set of goods are of inadequate quality, the buyer may exercise, in respect of those parts, the rights provided in Articles 587.1 and 587.2 of this Code.

587.5. If the buyer, due to the defects of the goods, demands the termination of the purchase and sale agreement or the replacement of the goods with conforming ones, the buyer should return the defective goods to the seller at the seller's expense. In this case, the return of

what has been received by the parties under the agreement shall be carried out in accordance with Article 157 of this Code.

Article 588. Defects for which the seller is liable

588.1. The seller shall be liable for the defects of the goods if the buyer proves that the defects arose before the goods were delivered to the buyer, or for reasons that existed prior to or at the time of delivery.

588.2. If the seller has provided a quality guarantee, the seller shall be liable for defects in the goods unless he proves that such defects appeared after the goods were delivered to the buyer as a result of the buyer's violation of the rules for use or storage, or due to the actions of third parties, or as a result of force majeure.

Article 589. Time limits for detecting defects in delivered goods

589.1. Unless otherwise provided by the purchase and sale agreement, the buyer may make claims regarding defects in the goods only if such defects are discovered within the period established by this Article.

589.2. If no warranty period or shelf life is specified for the goods, the buyer may make claims regarding defects within two years from the date of delivery of the goods to the buyer, or within a longer period provided in the purchase and sale agreement. For goods to be transported or shipped by mail, the period for detecting defects begins on the date the goods reach their destination.

589.3. If a warranty period is established for the goods, the buyer may make claims regarding defects if such defects are discovered during the warranty period.

589.4. If a shorter warranty period is established for a component part compared to the main product, the buyer may make claims regarding defects in that component part if the defects are discovered during the warranty period of the main product.

589.5. If a longer warranty period is established for a component part compared to the main product, the buyer may make claims regarding defects in that component part if the defects are discovered during the component's warranty period, regardless of whether the main product's warranty period has expired.

589.6. The buyer may make claims regarding defects in goods with a defined shelf life if such defects are discovered during that shelf life.

589.7. If the warranty period specified in the contract is less than two years, and the buyer discovers defects after the expiration of the warranty period but within two years from the date the goods were delivered, the seller shall be liable if the buyer proves that the defects arose before the delivery of the goods or due to causes that existed prior to that moment.

Article 590. Completeness of goods

590.1. The seller shall be obliged to deliver to the buyer goods that comply with the terms of the purchase and sale agreement regarding completeness.

590.2. If the purchase and sale agreement does not specify the completeness of the goods, the seller should deliver goods whose completeness corresponds to business practices or other generally accepted requirements.

Article 591. Complete set of goods

591.1. If the purchase and sale agreement provides that the seller should deliver to the buyer a certain collection of goods as a set, the obligation shall be deemed fulfilled from the moment all goods included in the set are delivered.

591.2. Unless otherwise provided by the purchase and sale agreement or implied by the nature of the obligation, the seller should deliver all goods included in the set to the buyer at the same time.

Article 592. Consequences of delivering incomplete goods

592.1. If incomplete goods are delivered, the buyer shall have the right to demand, at his option:

592.1.1. a proportional reduction of the purchase price.

592.1.2. completion of the set of goods within a reasonable time.

592.2. If the seller fails to fulfill the buyer's demand to complete the goods within a reasonable time, the buyer shall have the right, at his option, to:

592.2.1. demand replacement of the incomplete goods with complete goods.

592.2.2. withdraw from the purchase and sale agreement and demand a refund of the amount paid.

592.3. The consequences provided in Articles 592.1 and 592.2 of this Code shall also apply in cases where the seller breaches the obligation to deliver a set of goods, unless otherwise provided by the purchase and sale agreement or implied by the nature of the obligation.

Article 593. Packaging and containers of goods that are subject of purchase and sale agreements

593.1. Unless otherwise provided in the purchase and sale agreement or required by the nature of the obligation, the seller should deliver goods to the buyer in packaging and/or containers, except for goods which, due to their nature, do not require packaging and/or containers.

593.2. If the purchase and sale agreement does not specify the requirements for packaging and containers, goods should be packaged and/or placed in containers in the usual manner for such goods. if there is no such customary manner, they should be packaged and/or placed in containers in a way that ensures their preservation under normal conditions.

593.3. If mandatory requirements for packaging and/or containers are established by law, a seller engaged in entrepreneurial activity should deliver the goods to the buyer in packaging and/or containers that comply with those mandatory requirements.

Article 594. Consequences of delivering goods without packaging and/or containers, or in inappropriate packaging and/or containers

594.1. If goods that should be packaged and/or placed in containers are delivered to the buyer without packaging and/or containers, or in inappropriate packaging and/or containers, the buyer shall have the right, unless otherwise provided by the agreement, the nature of the obligation, or the nature of the goods, to demand that the goods be packaged and/or placed in containers, or that the inappropriate packaging and/or containers be replaced.

594.2. In the cases specified in Article 594.1 of this Code, instead of the demands set forth in that item, the buyer may present claims against the seller arising from the delivery of goods that do not meet the required quality.

Article 595. Notice to the seller on improper performance of the purchase and sale agreement

595.1. The buyer should notify the seller of any breach of the terms of the purchase and sale agreement regarding quantity, assortment, quality, completeness, packaging, and/or containers within the period specified in the contract. If no such period is specified, the notice should be given within a reasonable time after the breach of the relevant contractual term could have been discovered based on the nature and purpose of the goods.

595.2. If the rule specified in Article 595.1 of this Code is not followed, the seller may refuse, in whole or in part, to satisfy the buyer's claims for the delivery of missing goods, the replacement of goods that do not comply with the contractual terms on quality or assortment, the elimination of defects, the completion of the goods set or replacement of incomplete goods with complete ones, the packaging and/or placing of goods in containers, or the replacement of inappropriate packaging and/or containers, provided that the seller proves that the buyer's failure to give notice made it impossible to fulfill the buyer's demand, or caused the seller to incur disproportionate expenses compared to those that would have arisen if timely notice of the breach had been received.

595.3. If the seller knew or ought to have known that the goods delivered to the buyer did not comply with the terms of the purchase and sale agreement, the seller may not invoke the provisions of Articles 595.1 and 595.2 of this Code.

Article 596. Buyer's duty to accept the goods

596.1. The buyer shall be obliged to accept the goods delivered to them, except in cases where the buyer has the right to demand replacement of the goods or refuse performance of the purchase and sale agreement.

596.2. Unless otherwise provided in the purchase and sale agreement, the buyer should take all necessary actions on his part to ensure the delivery and receipt of the goods in accordance with customary requirements.

596.3. If the buyer, in breach of the purchase and sale agreement, fails to accept the goods or refuses to accept them, the seller may demand that the buyer accept the goods or may refuse to perform the agreement.

Article 597. Price of the goods sold

597.1. The buyer shall be obliged to pay for the goods at the price specified in the purchase and sale agreement. If the agreement does not specify a price and it cannot be determined from the contractual terms, the price shall be determined in accordance with Article 398.3 of this Code. The buyer should also, at his own expense, perform the actions necessary to make payment, as required by the contract or by the business practice.

597.2. If the price of the goods is determined based on weight, it shall, unless otherwise provided in the purchase and sale agreement, be calculated according to the net weight.

597.3. If the purchase and sale agreement provides that the price of the goods is subject to change depending on certain indicators (cost, expenses, etc.), but does not specify the method for such adjustment, the price shall be determined based on the ratio of those indicators at the time the agreement was concluded and at the time the goods were delivered. If the seller delays the performance of his obligation to deliver the goods, the price shall be determined based on the ratio of those indicators at the time the agreement was concluded and at the time the goods were to be delivered according to the agreement. If the time of delivery is not specified in the agreement, the relevant time shall be determined in accordance with Article 427 of this Code.

Article 598. Payment for the goods purchased

598.1. Unless otherwise provided in the purchase and sale agreement or required by the nature of the obligation, the buyer should pay for the goods either before or after taking delivery from the seller.

598.2. If the purchase and sale agreement does not provide for payment by installments, the buyer shall be obliged to pay the full price of the goods delivered by the seller.

598.3. If the buyer fails to pay for the goods delivered under the purchase and sale agreement on time, the seller may demand payment for the goods and interest in accordance with Article 449 of this Code.

598.4. If the buyer, in breach of the purchase and sale agreement, refuses to accept and pay for the goods, the seller may, at his discretion, either demand payment for the goods or refuse to perform the agreement.

598.5. Where, under the purchase and sale agreement, the seller shall be obliged to deliver to the buyer not only the goods already paid for but also other goods, the seller shall have the right, unless otherwise provided in the agreement, to suspend the delivery of such goods until full payment has been made for all previously delivered goods.

Article 599. Advance payment for goods purchased

599.1. If the purchase and sale agreement provides that the buyer should pay for the goods, in whole or in part, before receiving them from the seller (advance payment), the buyer shall make such payment within the period specified in the agreenebt. If no such period is specified, the payment shall be made within the period determined under Article 427 of this Code.

599.2. If the buyer fails to fulfill the obligation to make advance payment for the goods, the rules provided in Article 441 of this Code shall apply.

599.3. If the seller, having received the amount of the advance payment, fails to deliver the goods within the specified time, the buyer may demand either the delivery of the paid goods or the return of the amount paid in advance.

599.4. If the seller fails to fulfill the obligation to deliver the goods for which advance payment has been made, and unless otherwise provided in the purchase and sale agreement, interest shall be paid on the amount of the advance payment in accordance with Article 449 of this Code, from the date on which the goods were to be delivered under the agreement until the date the goods are actually delivered or the advance payment is returned to the buyer. The agreement may also provide that the seller should pay interest on the advance payment amount from the date the advance payment was received from the buyer.

Article 600. Payment for the items sold on hire purchase

600.1. If the purchase and sale agreement provides that the goods shall be paid for by the buyer after a certain period following their delivery (sale of goods on hire purchase), the buyer should make payment within the period specified in the agreement. If no such period is specified, payment shall be made within the period determined under Article 427 of this Code.

600.2. The sale of goods on hire purchase shall be carried out at the prices in effect on the day of sale. Subsequent changes in the price of goods sold on hire purchase shall not lead to a recalculation unless otherwise provided in the agreement.

600.3. If the seller fails to fulfill the obligation to deliver the goods, the rules established in Article 441 of this Code shall apply.

600.4. If the buyer, having received the goods, fails to fulfill the obligation to pay within the period specified in the purchase and sale agreement, the seller may demand payment for the goods delivered or the return of the unpaid goods.

600.5. If the buyer fails to pay for the goods within the period specified in the agreement, and unless otherwise provided in this Code or in the purchase and sale agreement, interest shall be paid on the overdue amount in accordance with Article 449 of this Code, from the date on which payment for the goods was due under the agreement until the date the payment is made. The agreement may also provide that the buyer should pay interest on the value of the goods from the date the seller delivered them.

600.6. *Deleted*.

Article 601. Payment for the goods in installments

601.1. An agreement on the sale of goods on hire purchase may specify payment in installments. The agreement on the sale of goods on hire purchase with installment payments shall be deemed concluded only if, in addition to other essential terms of the purchase and sale agreement, the price of the goods, as well as the procedure, timing, and amounts of the payments, are specified.

601.2. The rules provided in Articles 600.2–600.5 of this Code shall apply to the agreement on the sale of goods on hire purchase with installment payments.

Article 602. Insurance of goods that are the subject of a purchase and sale agreement

602.1. The purchase and sale agreement may provide that either the seller or the buyer is obliged to insure the goods.

602.2. If the party obliged to insure the goods fails to do so in accordance with contractual terms, the other party may insure the goods and demand reimbursement of the expenses incurred for the insurance from the defaulting party, or may refuse to perform the contract.

Article 603. Retention of the right to ownership by seller – ***deleted.***

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 provisions cannot be applied

Provisions on the sale and purchase of goods shall not apply to the acquisition of goods within the framework of an auction sale, and to the acquisition of goods based on enforcement or other judicial proceedings, or to the acquisition of securities, means of payment, or electric power.

Article 606. Reservations concerning the retention of the ownership right

606.1. If the seller of a movable item retains ownership of the item until the purchase price has been paid by the buyer (a reservation of ownership right), it shall, in case of doubt, be presumed that the transfer of ownership is effected subject to a suspensive condition, namely, full payment of the purchase price. If the buyer delays payment of the purchase price, the seller shall have the right to terminate the contract *and/or to seek enforcement against the movable item concerned*.

606.2. Property rights of the seller arising from Article 606.1 of this Code should also be respected by the persons authorized by the buyer and by buyer's creditors. For the purposes of this provision, the 'authorized person' shall mean a manager or any other person appointed to administer the buyer's property in interests of creditors due to the buyer's insolvency.

606.3. Article 606.2 of this Code does not restrict the superior or equal rights of the creditors. Creditors may hold a pledge right or another security interest over the item which is not the result of seizure or enforcement, and in connection with confiscation, they may exercise a right of retention or a right of use in respect of automobiles, ships, or *aircraft*.

606.4. Where a purchase and sale agreement provides that ownership of the item delivered to the buyer shall remain with the seller until payment has been made, the buyer may not alienate or otherwise dispose of the item before ownership is transferred to him, unless otherwise provided by the agreement or implied by the nature and characteristics of the item.

Article 607. Prohibition of purchase

607.1. If a sale is carried out within the framework of enforcement proceedings, the person authorized to conduct or supervise the sale, as well as his assistants, including the clerk who

draws up the protocol, shall not be permitted to purchase the object put up for sale, either personally or through another person, for themselves or for any persons they represent. The same rule shall apply to sales carried out outside the framework of enforcement proceedings, where the sales mandate is given pursuant to a lawful instruction authorizing the sale of the object on behalf of a third party. This rule shall likewise apply to sales conducted by an administrator in the course of insolvency proceedings.

607.2. A purchase made in violation of the requirements of Article 607.1 of this Code shall be deemed valid only if the participants in the sale, acting as debtors, owners, or creditors, consent to it.

§ 2. Purchase and sale of animals, birds, and fish

Article 608. Application of provisions on purchase and sale

Unless otherwise provided by the following provisions of this paragraph, general provisions on the sale and purchase of goods shall apply to the sale and purchase of animals, birds, and fish.

Article 609. Limitation of seller's liability for animals, birds, and fish to major defects

609.1. The seller of animals, birds, and fish shall be liable only for the defects (major defects) specified below in the agreement, and only if such defects are discovered within the specific periods (warranty periods) established herein.

609.2. When useful or breeding animals are sold, the following shall be deemed major defects:

609.2.1. for race and draft animals — glanders, incurable diseases of the brain causing loss of consciousness, respiratory difficulties resulting from incurable diseases of the larynx, trachea, lungs, or heart, as well as inflammatory changes in the internal organs of the eye — with a warranty period of 14 days.

609.2.2. for cattle — tuberculosis leading to general deterioration of the animal's condition, with a warranty period of 14 days, and total inflammation of lungs, with a warranty period of 28 days

609.2.3. for small cattle — scabies, with a warranty period of 14 days. erysipelas, with a warranty period of 3 days. and plague, with a warranty period of 10 days.

609.3. When animals are sold for slaughter for *food* production purposes, the following shall be deemed major defects:

609.3.1. For race and draft animals — glanders, with a warranty period of 14 days.

609.3.2. For cattle — tuberculosis rendering more than half of the animal's weight unfit for human consumption, with a warranty period of 14 days.

609.3.3. For sheep and goats — general hydropsy (dropsy), with a warranty period of 14 days.

609.3.4. For pigs — tuberculosis rendering more than half of the animal's weight unfit for human consumption, with a warranty period of 14 days, as well as trichinosis, with a warranty period of 14 days.

609.4. In the case of the sale of other animals, birds, and fish, major defects shall be determined by the relevant executive authority, and in the absence of normative legal acts, by the agreement.

609.5. The warranty period shall commence from the end of the day on which the risk passes to the buyer.

Article 610. Extension and limitation of liability

The parties may, by written agreement, establish special conditions concerning the limitation of liability provided for in Article 609 of this Code. Under such conditions, guarantees may be given for the absence of major defects or the presence of specific qualities, and the warranty periods may be extended or shortened.

Article 611. Presumption of fault of the seller of animals, birds, and fish

If any major defect is discovered during the warranty period, it shall be presumed that such defect existed prior to the moment when the risk passed to the buyer.

Article 612. Legal remedies of the buyer of animals, birds, and fish

612.1. If animals, birds, or fish have major defects, the buyer may only demand termination of the agrement and may not demand a reduction of the price.

612.1.1. In such a case, the buyer may demand termination of the agreement even if he cannot return the animal, bird, or fish for reasons not attributable to him, including cases where the animal, bird, or fish has been sold to another person, has perished, fallen ill, or has been slaughtered. If the animal, bird, or fish has been slaughtered, the buyer shall pay its value instead of returning it.

612.1.2. If, before termination of the agreement, the condition of the animal, bird, or fish has slightly deteriorated due to circumstances for which the buyer is responsible, the buyer shall compensate for the decrease in its value. The buyer shall reimburse any benefit derived from the use of the animal, bird, or fish only if such benefit was actually obtained.

612.1.3. If the agreement is terminated, the seller shall reimburse the buyer for expenses incurred for feeding and keeping the animal, bird, or fish, for veterinary examinations and care, as well as for costs related to the necessary killing and disposal of the animal.

612.2. The buyer of an animal, bird, or fish possessing specific breed characteristics may, instead of terminating the agreement, demand that the seller deliver an animal, bird, or fish conforming to the agreement in place of the nonconforming one.

612.3. If the seller has given a special warranty that the animal, bird, or fish has no major defects or possesses specific characteristics, and it does not conform to this warranty, the buyer may demand termination of the agreement and/or compensation for damages resulting from non-performance.

Article 613. Loss of the buyer's rights in respect of animals, birds, and fish

613.1. The buyer shall lose the rights arising from any major defect if, after the expiry of the warranty period, he fails, within three days at the latest, to notify the seller of such defect or send him a notice thereof, or bring a claim on the basis of that defect. or, if the animal, bird, or fish dies or perishes in any other way before the expiry of that period, the buyer fails to notify the seller of the defect or send him a notice after such death. However, if the seller has intentionally concealed the defect, the buyer shall not lose such rights.

613.2. The seller's rights arising from termination of the agreement, replacement, or compensation for damages shall lapse by limitation two months after the expiry of the warranty period.

§ 3. Retail purchase and sale

Article 614. A retail purchase and sale agreement

614.1. According to a retail purchase and sale agreement, the seller who carries out entrepreneurial activity in the field of retail trade shall undertake to deliver to the buyer goods intended for personal, family, household, or other use not related to entrepreneurial activity.

614.2. *Deleted.*

614.3. In relations arising from a retail purchase and sale agreement involving a buyer who is an individual and which are not regulated by this Code, the Law on Protection of Consumer Rights and other normative legal acts adopted in accordance with it shall apply.

Article 615. Form of the retail purchase and sale agreement

Unless otherwise provided by the retail purchase and sale agreement, including the terms of standard forms adhered to by the buyer, the retail purchase and sale agreement shall be deemed duly concluded from the moment the seller issues to the buyer a cash or commodity receipt or another document confirming payment for the goods.

Article 616. Public offer of goods

616.1. The offering of goods to an indefinite group of persons through advertisements, catalogues, or descriptions of goods shall be deemed a public offer (Article 408.8) if it contains all essential terms of the retail purchase and sale agreement.

616.2. The display of goods at the place of sale (on counters, in shop windows, etc.), demonstration of their samples, or presentation of information about the goods (descriptions, catalogues, photographs, etc.) shall be considered a public offer regardless of whether the price and other essential terms of the retail purchase and sale agreement are indicated, except in cases where the seller clearly specifies that certain goods are not intended for sale.

Article 617. Provision of information about goods

617.1. The seller shall be obliged to provide the buyer with necessary and accurate information about the goods offered for sale, in accordance with the requirements established by legislation and common practices of retail trade.

617.2. Before concluding the retail purchase and sale agreement, the buyer shall have the right to inspect the goods, request verification of their properties, or demand a demonstration of their use, provided that such actions are not excluded by the nature of the goods and do not contradict the common rules of retail trade.

617.3. If the buyer is not given an opportunity to obtain at the place of sale the information about the goods referred to in Articles 617.1 and 617.2 of this Code, the buyer may demand compensation from the seller for damages caused by the seller's unjustified refusal to conclude the retail purchase and sale agreement. If the contract has already been concluded, the buyer may withdraw from its performance within a reasonable period, demand a refund of the amount paid for the goods, and seek compensation for other damages.

617.4. A seller who fails to provide the buyer with appropriate information about the goods shall be liable for defects that appear after the goods are delivered to the buyer, provided that the buyer proves that such defects arose as a result of the lack of that information.

Article 618. Sale of goods under the condition of acceptance by the buyer within a certain period

618.1. A retail purchase and sale agreement may be concluded on the condition that the buyer accepts the goods within the period specified in the agreement. During this period, the goods cannot be sold to another buyer.

618.2. Unless otherwise provided in the agreement, the buyer's failure to appear or perform other necessary actions required for acceptance of the goods within the specified period may be considered by the seller as the buyer's refusal to perform the agreement.

618.3. Unless otherwise provided in the agreement, additional expenses incurred by the seller to ensure the delivery of the goods to the buyer within the period specified in the agreement shall be included in the price of the goods.

Article 619. Sale of goods by samples

619.1. A retail purchase and sale agreement may be concluded based on the buyer's acquaintance with a sample of the goods offered by the seller (its description, catalogue, etc.).

619.2. Unless otherwise provided in the agreement, a retail purchase and sale agreement based on a sample shall be deemed performed from the moment the goods are delivered to the place specified in the agreement. if the place of delivery is not specified, from the moment the goods are delivered to the buyer at the place of residence (for individuals) or the place of business (for legal entities).

619.3. Before delivery of the goods, the buyer may withdraw from the performance of the retail purchase and sale agreement on the condition that he reimburses the seller for the necessary expenses incurred in connection with the performance of agreement.

Article 620. Sale of goods through vending machines

620.1. In cases where goods are sold through vending machines, the owner of the machine shall be obliged to provide information to buyers about the seller of the goods — including the seller's name (trade name), location, and the actions that the buyer should perform in order to

purchase the goods. This information should be displayed on the machine or otherwise made available to buyers.

620.2. A retail purchase and sale agreement concluded through the use of a vending machine shall be deemed concluded from the moment the buyer performs necessary actions to obtain the goods.

620.3. If the paid-for goods are not delivered to the buyer, the seller shall be obliged, at the buyer's request, to immediately deliver the goods or return the amount paid.

620.4. When a machine is used for changing money, obtaining currency, or currency exchange, the rules governing retail purchase and sale agreements shall apply, unless the nature of the obligation implies otherwise.

Article 621. Sale of goods on the condition of delivery to the buyer

621.1. When a retail purchase and sale agreement is concluded on the condition that the goods will be delivered to the buyer, the seller shall be obliged to deliver the goods within the period specified in the agreement to the place indicated by the buyer. If the buyer has not specified the place of delivery, the seller should deliver the goods to the place of residence of the buyer (if an individual) or to the place of business (if a legal entity).

621.2. The retail purchase and sale agreement shall be deemed performed from the moment the goods are handed over to the buyer, or, if the buyer is absent, to any person who presents a receipt or other document confirming the conclusion of the agreement or the arrangement of delivery, unless the agreement provides otherwise or the nature of the obligation implies a different rule.

621.3. If the agreement does not specify the delivery time, the goods should be delivered within a reasonable period after the buyer's request is received.

Article 622. Price and payment for retail goods

622.1. Unless the nature of the obligation implies otherwise, the buyer shall be obliged to pay for the goods at the price announced by the seller at the time the retail purchase and sale agreement is concluded.

622.2. If the retail purchase and sale agreement provides for prepayment of the goods and the buyer fails to make the payment within the period specified in the agreement, this shall be regarded as the buyer's refusal to perform the agreement, unless otherwise agreed by the parties.

622.3. The rules set forth in Article 600.5 of this Code shall not apply to retail credit sale contracts, including contracts providing for installment payments by the buyer.

622.4. The buyer may, at any time within the period specified in the agreement, pay for the goods in full under installment payment terms.

Article 623. Exchange of goods

623.1. Unless the seller has announced a longer period, the buyer may, within fourteen days from the moment of receiving *a non-food product*, exchange the purchased goods at the place of purchase or at other locations announced by the seller for similar goods of a different size, shape, dimension, style, color, or configuration. In such cases, if there is a difference in

price, the necessary settlement shall be made between the buyer and the seller. If the seller does not have the required goods available for exchange, the buyer may return the purchased goods to the seller and receive a refund of the amount paid for them.

623.2. The buyer's request for the exchange or return of goods shall be satisfied only if the goods have not been used, their consumer properties have been preserved, and there is evidence that the goods were purchased from that seller.

623.3. The list of goods that cannot be exchanged or returned on the grounds specified in this Article shall be determined in accordance with specific legal acts.

Article 624. Buyer's rights in case of sale of goods of inadequate quality

624.1. If goods of inadequate quality are sold to the buyer and the defects were not previously disclosed by the seller, the buyer shall have the right, at his or her own discretion, to demand that:

624.1.1. the defective goods be replaced with goods of proper quality.

624.1.2. the purchase price be reduced proportionately.

624.1.3. the defects of the goods be eliminated immediately and free of charge.

624.1.4. compensation be provided for expenses incurred in eliminating the defects.

624.2. *Deleted.*

624.3. If properties of the goods do not allow detected defects to be remedied (*food products*, household chemicals, etc.), the buyer may, at his own discretion, demand that the defective goods be replaced with goods of proper quality or that the purchase price be proportionately reduced.

624.4. Instead of exercising the rights specified in Articles 624.1 and 624.3 of this Code, the buyer may withdraw from the retail purchase and sale agreement and demand a refund of the amount paid for the goods.

624.5. *Deleted.*

Article 625. Payment of price differences upon exchange of goods, price reduction, or return of goods of inadequate quality

625.1. When goods of inadequate quality are replaced with goods of proper quality in accordance with the retail purchase and sale agreement, the seller may not demand payment of the difference between the price established in the agreement and the price in effect at the time of replacement or at the time when a court decision on replacement is rendered.

625.2. When goods of inadequate quality are replaced with goods of proper quality that are similar but differ in size, design, type, or other characteristics, the difference between the price of the goods being replaced and the price of the goods provided in exchange shall be paid based on the prices applicable at the time of replacement. If the seller fails to satisfy the buyer's demand, the prices of the replaced goods and the goods provided in exchange shall be determined by the court as of the date of the court decision ordering the replacement.

625.3. When a demand is made for a proportional reduction in the purchase price of the goods, the price of the goods shall be determined as of the date when the demand is made. If the buyer's demand is not satisfied voluntarily, the price shall be determined as of the date of the court decision ordering the proportional reduction.

625.4. When returning goods of inadequate quality to the seller, the buyer may demand payment of the difference between the price established in the retail purchase and sale agreement and the price of the corresponding goods as of the date the demand is satisfied voluntarily, or, if not satisfied voluntarily, as of the date of the court decision.

Article 626. Seller's responsibility and fulfillment of obligations in kind – *deleted.*

§ 4. Supply of goods

Article 627. Supply agreement

627.1. According to the supply agreement, the supplier – a seller engaged in entrepreneurial activity shall undertake to deliver to the buyer, within the agreed period or periods, the goods that the supplier has produced or purchased, for use in purposes not related to personal, family, household, or other similar needs, but for other purposes connected with entrepreneurial activity.

627.2. *Deleted.*

Article 628. Settlement of disputes when concluding delivery agreements – *deleted.*

Article 629. Periods for the supply (dispatch) of goods

629.1. If the parties have agreed that, during the validity period of the supply agreement, the goods shall be delivered in separate consignments, but the delivery periods (dispatch periods) of such consignments are not specified in the agreement, the goods shall, unless otherwise provided by law, the nature of the obligation, or business practices, be delivered in equal consignments on a monthly basis.

629.2. In addition to specifying delivery (dispatch) periods, the supply agreement may also establish a delivery schedule (ten-day, daily, hourly, etc.).

629.3. Goods may be delivered ahead of schedule with the buyer's consent. Goods delivered ahead of schedule and accepted by the buyer shall be counted toward the quantity of goods to be delivered in the subsequent period

Article 630. Procedure for the delivery (dispatch) of goods

630.1. The supplier shall deliver (dispatch) the goods to the buyer who is a party to the supply afreement, or to the person designated in the agreement as the buyer, by way of shipment (transfer).

630.2. If the supply agreement provides that the buyer has the right to issue instructions (dispatch orders) to the supplier for sending (delivering) the goods to recipients, the supplier shall deliver (dispatch) the goods to the recipients specified in such dispatch orders.

630.3. The content of the dispatch order and the period within which it should be submitted by the buyer to the supplier shall be determined by the agreement. If the agreement does not specify the period for submitting the dispatch order, it should be provided to the supplier no later than thirty days before the beginning of the delivery (dispatch) period.

630.4. Failure of the buyer to submit the dispatch order within the prescribed period shall entitle the supplier either to refuse to perform the supply agreement or demand payment for the goods from the buyer. In addition, the supplier may demand compensation for damages caused by the failure to submit the dispatch order.

Article 631. Delivery of goods

631.1. The supplier shall deliver the goods using the means of transport specified in the supply agreement and under the conditions established by the agreement.

631.2. If the agreement does not specify the type of transport or the conditions of delivery, the supplier shall have the right to determine the type of transport and the conditions of delivery, unless otherwise provided by law, the nature of the obligation, or established business practices.

631.3. The supply agreement may provide that the buyer (recipient) shall take possession of the goods at the supplier's location (selection of goods). If the agreement does not specify the period for selection, the buyer (recipient) shall select the goods within a reasonable time after receiving notice from the supplier that the goods are ready.

Article 632. Completion of incomplete deliveries

632.1. If, during a particular delivery period, the supplier fails to deliver the goods in full, the supplier shall, unless otherwise provided by the contract, deliver the undelivered quantity in the next period(s) during the validity of the supply contract.

632.2. If the supplier sends goods to several recipients specified in the supply agreement or in the buyer's dispatch order, any excess quantity of goods delivered to one recipient beyond the amount specified in the agreenebt or dispatch order shall not, unless otherwise provided by the contract, be considered as fulfillment of the supplier's obligation to complete the undelivered quantity to other recipients.

632.3. Unless otherwise provided by the supply agreement, the buyer may refuse to accept goods whose delivery has been delayed by notifying the supplier thereof. The buyer shall be obliged to accept and pay for goods that were dispatched by the supplier before the notice of refusal was received.

Article 633. Range of goods when completing incomplete delivery

633.1. The assortment (range) of goods required to complete an incomplete delivery shall be determined by agreement between the parties. In the absence of such an agreement, the supplier shall complete the undelivered quantity according to the assortment established for the period during which completion is permitted.

633.2. Delivery of goods of one name in a quantity exceeding that specified in the supply agreement shall not be regarded as completion of an incomplete delivery of other goods included in the same assortment. Unless such delivery has been made with the buyer's prior written consent, the incomplete delivery should still be completed.

Article 634. Acceptance of goods by the buyer

634.1. The buyer (recipient) shall perform all necessary actions to ensure the acceptance of goods delivered in accordance with the supply agreement.

634.2. Except in cases where defects in the goods cannot be detected through visual inspection, if the buyer fails to notify the supplier of any issues, the goods shall be deemed to have been accepted.

634.3. When receiving goods from a transportation organization, the buyer (recipient) should verify that the goods correspond to the data specified in the transport and accompanying documents, and accept the goods from the transportation organization in compliance with the rules established by the legislation regulating transport operations.

Article 635. Responsible storage of goods not accepted by the buyer

635.1. If, under the supply agreement, the buyer (recipient) refuses to accept goods delivered by the supplier, the buyer shall ensure the safekeeping (responsible storage) of such goods and shall promptly notify the supplier thereof.

635.2. The supplier should, within a reasonable time, collect the goods accepted for safekeeping by the buyer (recipient) or issue instructions regarding their disposition. If the supplier fails to issue such instructions within that period, the buyer may sell the goods or return them to the supplier.

635.3. The supplier shall reimburse the buyer for necessary expenses incurred in connection with acceptance of goods for safekeeping, their sale, or return. In this case, proceeds from sale of the goods shall be transferred to the supplier after deducting the amount due to the buyer.

635.4. If the buyer refuses or fails to accept the goods from the supplier without valid grounds provided in the agreement, the supplier shall have the right to demand payment for the goods from the buyer.

Article 636. Selection of goods

636.1. If the supply agreement provides that the buyer (recipient) shall select the goods at the location of the supplier, the buyer should inspect the goods at the place of delivery, unless otherwise arises from the nature of the obligation.

636.2. If the buyer (recipient) fails to select the goods within the period specified in the supply contract, or, if such period is not specified, within a reasonable time after receiving notice from the supplier that the goods are ready, the supplier shall have the right to either withdraw from the agreement or demand payment for the goods from the buyer.

Article 637. Settlements for delivered goods

637.1. The buyer shall pay for the delivered goods in accordance with the payment procedure and form stipulated in the supply agreement. If the parties have not agreed on the payment procedure or form, settlements shall be made by payment orders.

637.2. If the supply agreement provides that the goods are to be paid for by the recipient (payer), and the latter unreasonably refuses payment or fails to pay for the goods within the

period specified in the agreement, the supplier shall have the right to demand payment for the delivered goods from the buyer.

637.3. If the supply agreement provides for delivery of goods in separate parts of a set, the buyer shall, unless otherwise provided by the agreement, pay for the goods after the final part of the set has been delivered (or selected).

Article 638. Packaging and containers in supply

638.1. Unless otherwise provided by the supply agreement, the buyer (recipient) should return reusable containers and packaging materials in the manner and within the deadline specified in the agreement.

638.2. Other types of containers and packaging shall be returned to the supplier only in cases provided for in the contract.

Article 639. Consequences of supplying goods of improper quality

639.1. If goods of improper quality are delivered, the buyer (recipient) may assert against the supplier the claims provided for in Article 587 of this Code.

639.2. If the buyer (recipient) resells the supplied goods at retail, they may demand from the supplier the replacement of goods of improper quality returned by the consumer within a reasonable time, unless the supply contract provides otherwise.

Article 640. Consequences of вelivering incomplete поods

640.1. If the goods are delivered in violation of the completeness requirements stipulated in the supply agreement or those ordinarily applicable to such goods, the buyer (recipient) may assert against the supplier the claims provided for in Article 592 of this Code.

640.2. If the buyer (recipient) carries out retail sales, they may demand from the supplier that incomplete goods returned by consumers be replaced within a reasonable time with complete goods, unless the supply agreement provides otherwise.

Article 641. Rights of the buyer in case of imcomplete delivery of goods, failure to remedy defects, or complete a set

641.1. If the supplier fails to deliver the goods in the quantity specified in the supply agreement, or fails to satisfy the buyer's demand for replacement of defective goods or completion of a set within the prescribed time, the buyer shall have the right to procure undelivered goods from other persons and charge the supplier for all necessary and reasonable expenses incurred in doing so.

641.2. In cases where the supplier fails to deliver the full quantity of goods, or fails to satisfy buyer's demands regarding the elimination of defects or completion of a set, buyer's expenses incurred in obtaining the goods from other persons shall be calculated in accordance with Article 645.1 of this Code.

641.3. Until the defects are remedied, the set completed, or the goods replaced, the buyer (recipient) may refuse to pay for goods that are of improper quality or incomplete. If payment has already been made, the buyer may demand the return of the paid amount.

Article 642. Penalty for non-delivery or delay in delivery of goods

A penalty (fine) established by law or by the supply agreement for failure to deliver or delay in delivering goods shall be charged from the supplier until they have actually fulfilled their obligation within the limits of their duty to make up for the undelivered quantity of goods in subsequent delivery periods, unless a different procedure for payment of the penalty is established by law or by the agreement.

Article 643. Performance of similar obligations under several supply agreements

643.1. If the supplier simultaneously delivers to the buyer goods of the same kind under several supply agreements, and quantity of goods delivered is insufficient to fulfill supplier's all obligations under those agreements, goods delivered shall be credited toward the performance of the agreement specified by the supplier at the time of delivery or immediately thereafter.

643.2. If the buyer makes payment to the supplier for goods of the same kind received under several supply agreements, and the payment amount is insufficient to fulfill all the buyer's obligations under those agreements, the payment shall be credited toward the performance of the agreement indicated by the buyer at the time of payment.

643.3. If neither the supplier nor the buyer exercises the rights provided for in Articles 643.1 and 643.2 of this Code, the performance shall be credited toward the agreement whose performance is due earlier. If the performance dates of several agreements are the same, the performance shall be proportionally credited toward the fulfillment of all such agreements.

Article 644. Unilateral alteration of supply agreement and unilateral refusal to perform under the agreement – *deleted.*

Article 645. Calculation of losses in case of termination of an agreement

645.1. If, as a result of the seller's breach of obligation, the agreement is terminated and within a reasonable time thereafter the buyer purchases goods of the same kind from another person at a higher but reasonable price, the buyer may claim from the seller compensation for damages in the amount of the difference between the contractual price and the price paid under the substitute transaction.

645.2. If, as a result of the buyer's breach of obligation, the agreement is terminated and within a reasonable time thereafter the seller sells the goods to another person at a lower but reasonable price, the seller may claim from the buyer compensation for damages in the amount of the difference between the contractual price and the price obtained under the substitute transaction.

645.3. If, after termination of the agreement on the grounds specified in Articles 645.1 and 645.2 of this Code, no substitute transaction has been concluded and there is a current price for

the goods, the party may claim compensation for damages in the amount of the difference between the contractual price and the current price at the time of termination.

645.4. The price usually paid for similar goods under comparable circumstances at the place where the goods were to be delivered shall be considered the current price. If there is no current price at that place, a reasonable current price applied at another place may be used, taking into account the difference in transportation costs.

645.5. Fulfillment of the claims provided for in Articles 645.1–645.4 of this Code shall not release the party who has failed to perform or has improperly performed its obligation from liability for other damages caused to the other party

§ 5. Purchase and sale of immovable items

Article 646. Immovable item purchase and sale agreement

646.1. Under an immovable item purchase and sale agreement, the seller shall undertake to transfer ownership of a land plot, house, building, structure, apartment, or other immovable property to the buyer.

646.2. Unless otherwise provided by the provisions set forth below in this paragraph, general provisions on the purchase and sale of goods shall apply correspondingly to the sale of immovable items.

Article 647. Cost of documentation of the immovable property purchase and sale agreement

The expenses related to the notarization of the purchase and sale agreement and the registration of immovable property in the state register shall be borne by the buyer.

Article 648. Obligations of the parties during the purchase and sale of immovable items

648.1. In the case of the sale of immovable items, each party shall perform its obligation to transfer or accept the item by carrying out, on its part, necessary actions for the registration of the transfer of ownership in the state register of immovable property.

648.2. In case of doubt, the risks, costs, and benefits related to the item sold shall pass to the buyer only from the moment the immovable property is entered into the state register. If one of the parties is at fault for a delay in registration, that party shall compensate the other for any damages arising therefrom.

648.3. If, along with other conditions, the subject of the purchase and sale agreement includes shares related to components located on a land plot where the building under construction is situated, the buyer may not be required to pay the full purchase price of those shares before the completion of construction. In such cases, payments shall be made in installments according to the stages of construction, taking into account the conditions specified in Article 770-1 of this Code.

Article 649. Non-conformity of the immovable item sold

Non-conformity of the immovable item sold arises not only from its inconsistency with the terms of the agreement, but also in cases where rights that no longer exist are nevertheless indicated in the state register of immovable property as relating to that property.

Article 650. Application of the provisions on the purchase and sale of immovable items to the sale of movable items requiring registration in official registers

The provisions concerning the purchase and sale of immovable items shall apply correspondingly to the purchase and sale of movable items to be registered in official registers.

§ 6. Purchase and sale of claims and other rights

Article 651. Application of provisions on purchase and sale of goods to the purchase and sale of claims and other rights

Provisions on the purchase and sale of goods shall apply correspondingly to the purchase and sale of claims and other rights. In cases where rights relating to immovable items or objects registered in official registers are sold, Articles 646–650 of this Code shall apply correspondingly.

Article 652. Transfer of rights (assignment of claims)

When a right is sold, the delivery and acceptance shall consist of the transfer (assignment) of the right. The seller shall bear the expenses related to substantiating the right and transferring it to the buyer.

Article 653. Sale of rights of ownership of items

When a right conferring authority of possession over the item is sold, the seller shall be obliged to deliver to the buyer the item free from defects as well as from the rights and claims of third parties.

Article 654. Liability of the seller in the purchase and sale of rights and claims

654.1. The seller of any claim or any other right shall be liable for the actual existence of that claim or right. The seller of a security shall also be liable that no proceeding will be initiated which could render such security invalid.

654.2. If the seller of any claim undertakes liability for the debtor's solvency, such liability shall be deemed to apply to the debtor's solvency as of the moment the claim was assigned.

§ 7. Factoring

Article 655. Factoring agreement

655.1. Factoring is the financing made in exchange for the assignment of a monetary claim. Under a factoring agreement, one party (the factor) provides or undertakes to provide monetary

funds to the other party (the client) on the basis of a monetary claim held by the client (the creditor) against a third person (the debtor), which arises from the client's delivery of goods, performance of work, or provision of services to that third person. The client, in turn, assigns or undertakes to assign this monetary claim to the factor.

655.2. The debtor shall be notified of the assignment of the monetary claim.

655.3. The client may also assign to the factor a monetary claim against the debtor as security for the fulfillment of the client's obligations to the factor.

655.4. The obligations of the factor under the factoring agreement may also include maintaining accounting records for the client, as well as providing other financial services related to the monetary claims that are the subject of the assignment.

655.5. The factoring agreement shall be concluded in written form.

655.6. Factoring agreements may be concluded by banks and other credit institutions acting as factors, as well as by other commercial organizations authorized to engage in such activities.

Article 656. Application of the provisions on the purchase and sale of claims to the factoring agreement

Unless otherwise provided by the provisions set forth below in this paragraph, the provisions concerning the purchase and sale and assignment of claims shall apply to the factoring agreement.

Article 657. Features of relations between factoring agreement participants

657.1. *Deleted.*

657.2. Any provision of a factoring agreement that provides for the assignment of future claims shall be construed to mean that such claims pass to the factor automatically at the moment they arise, without the need for any additional acts of transfer.

657.3. The factoring agreement may also regulate the extent to which the client's rights are transferred to the factor.

657.4. If the debtor has received written notification of the assignment either from the client or from the factor acting on the client's behalf, the debtor should make payment to the factor. Such notification shall be valid only if it clearly identifies assigned claims, the factor to whom the debtor should make or has made payment, and relates to claims arising from a contract concluded at or before the time the notification was given.

657.5. If the debtor is aware that another person has a preferential right to receive the payment, the debtor's obligation to make payment in accordance with Article 657.4 of this Code shall cease.

657.6. Regardless of any other grounds on which payment to the factor may discharge the debtor's obligation, such discharge shall only occur if the payment is made in accordance with Article 657.4 of this Code.

657.7. If the factor demands from the debtor payment of an amount due under an agreement, the debtor may raise against the factor all objections that could have been raised against the client had the client demanded payment. At the time written notification of the assignment is given, the debtor may also assert, by way of set-off, any claims it holds against the client that existed at that moment.

657.8. The seller's non-performance, improper performance, or delay in performance of obligations under the purchase and sale agreement shall not, by itself, entitle the debtor to demand repayment from the factor of the amount already paid. If, however, the debtor has a right to demand repayment of any amount paid to the factor under a given claim, the debtor may demand such repayment only if the factor has failed to fulfill its payment obligation to the seller in respect of that claim, or if the factor made payment despite knowing, at the time of payment, that the seller (the client) had not performed, had improperly performed, or had delayed performance of the contract relating to the goods for which payment was made.

657.9. If the client assigns a claim to the factor under a factoring agreement, then in case of any subsequent assignment of that claim by the factor, or any further transferee, Articles 657.4–657.8 of this Code shall apply as though the subsequent transferee were the factor. and notification to the debtor of the subsequent assignment shall also be deemed notification to the factor.

657.10. The provisions of this paragraph of this Code shall not apply to any subsequent assignment prohibited by the factoring agreement.

§ 8. Purchase and sale for approbation

Article 658. Purchase and sale agreement for approbation

658.1. An purchase and sale agreement for approbation and testing is a purchase and sale agreement, signed with the condition of delay until the buyer agrees to buy the item.

658.2. According to the purchase and sale agreement for approbation the seller should permit the buyer to examine the item.

658.3. *Deleted.*

658.4. The buyer can communicate his satisfaction with the item 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 shall be deemed as consent.

Chapter 30

Pre-emptive right and other preferential rights of procurement

Article 659. General provisions on pre-emptive right and other preferential rights of procurement

659.1. The pre-emptive right and other preferential rights of purchase in respect of any item or right may arise by virtue of law or under an agreement. Where such rights arise under an agreement, they shall bind only the parties to that agreement and may not be asserted against third parties who have acquired the relevant item or right in good faith.

659.2. The pre-emptive right and other contractual preferential rights of purchase shall be valid only if they are executed in the form required for the validity of the transaction to which they relate.

659.3. The pre-emptive right and other preferential rights of purchase shall have no effect in the following cases:

659.3.1. when they concern objects or rights the transfer of which is governed by special procedures established in normative legal acts.

659.3.2. in cases of sale as part of enforcement proceedings, including compulsory auction sales.

659.4. If the pre-emptive right or other contractual preferential rights of purchase concern scarce or essential goods or rights, interested persons may dispute their validity.

659.5. If any pre-emptive right or other preferential right of purchase is invalid, the amount paid for the granting of such right, including interest determined by law from the date of payment, shall be reimbursed.

Article 660. Pre-emptive right of purchase

660.1. A person granted the right of pre-emption in respect of any object may exercise such right only after the obligor, who is subject to the pre-emptive right, has concluded a contract of sale of that object with a third party.

660.2. The obligor shall, without undue delay, inform the person holding the pre-emptive right of the content of the agreement concluded with the third party. Such notice may be replaced by notice given by the third party. The pre-emptive right of purchase may be exercised within two months from the date the notice is received.

660.3. To exercise the pre-emptive right of purchase, an application shall be submitted to the obligor. The application shall not be required to comply with the form prescribed for purchase and sale agreements.

660.4. In exercising the pre-emptive right of purchase, the entitled person shall conclude a purchase and sale agreement with the obligor. The terms of the agreement shall correspond to those agreed between the obligor and the third party. If the purchase price exceeds the current market price, the entitled person may demand that it be reduced to the current price level. When the entitled person exercises this right, the obligor may rescind the contract of sale. The legal remedies of the parties shall be determined by the contract of sale. If, prior to the exercise of the pre-emptive right, ownership of the property has been acquired in good faith by a third party, the entitled person's remedies against the obligor shall be limited to a claim for damages arising from non-performance.

660.5. If the obligor's agreement with the third party makes the sale conditional upon non-exercise of the pre-emptive right, or reserves for the obligor a right of withdrawal in case the pre-emptive right is exercised, such agreement shall have no effect against the person holding the pre-emptive right.

660.6. If the third party, under the agreement, assumes an additional obligation which the person holding the pre-emptive right is unable to perform, that person shall pay the value of such obligation in lieu of performance. If the obligation cannot be valued in monetary terms, the exercise of the pre-emptive right shall be excluded. However, if the agreement with the third party could have been concluded without such obligation, any term concerning such additional obligation shall be disregarded.

660.7. If the third party purchases the object subject to the pre-emptive right together with other objects for a single total price, the person holding the pre-emptive right shall pay a

reasonable portion of that total price. The obligor may require that the pre-emptive right apply to all indivisible items as a whole.

660.8. Unless otherwise agreed, the pre-emptive right of purchase shall not be transferred to, nor inherited by, the heirs of the entitled person. Where the right is limited in time, it shall, in case of doubt, be deemed transferable by inheritance.

Article 661. Other preferential rights

Where applicable, the provisions of Articles 659 and 660 of this Code shall apply, mutatis mutandis, to other preferential rights, including the right of repurchase (buy-back) of a sold item, and to pre-emptive rights of lease or tenancy

Chapter 31

Barter

Article 662. Barter agreement

662.1. Under a barter agreement, each party shall undertake to transfer ownership of an item to the other party in return for receiving another item.

662.2. The provisions relating to purchase and sale shall apply, mutatis mutandis, to barter agreements.

662.3. Each participant to a barter agreement shall be deemed the seller of the object it undertakes to deliver and the buyer of the object it receives.

Article 663. Prices and costs under a barter agreement

663.1. Unless otherwise provided, objects exchanged under a barter agreement shall be deemed to be of equal value. The costs of delivery and acceptance shall, in each case, be borne by the party obligated to effect such delivery or acceptance.

663.2. *Deleted.*

Article 664. Mutual performance of the obligation to deliver goods under a barter agreement

Where the delivery dates of the goods exchanged under a barter agreement do not coincide, the provisions on mutual performance of obligations shall apply to the party required to deliver its object after the other party has delivered theirs.

Article 665. Transfer of ownership rights to bartered goods

Unless otherwise provided in the barter agreement, ownership of the bartered goods shall pass simultaneously to the parties acting as buyers under the barter agreement, upon each party's performance of its obligation to deliver the respective goods.

Chapter 32

Donatıon (gift)

Article 666. Donation (gift) agreement

666.1. A gift agreement is a contract concluded between living persons under which the donor enriches the donee by gifting a part of his property, and such gifting is not conditioned upon any reciprocal service by the donee. The gift agreement is considered concluded once the donee accepts the gift. If the gift is not conditioned by an obligation, acceptance of the gift is presumed.

666.2. The subject of a gift may be items, property rights (claims) against the donor or a third party, as well as the release of the donee from a property obligation owed to the donor or a third party.

666.3. The fulfillment of a moral or ethical duty shall not be considered a gift.

Article 667. Capacity to donate and accept gifts

667.1. A person with legal capacity may dispose of his property by way of donation provided that such property is not jointly owned by spouses or restricted by inheritance rights.

667.2. A donation from the property of a person without legal capacity may be made only under the condition that the legal representatives retain responsibility, and in accordance with the regulations of guardianship and trusteeship law.

667.3. If a person without legal capacity is able to understand the nature and consequences of his actions, he may accept a gift and acquire it lawfully. However, if the legal representative has prohibited the acceptance of the gift or ordered its return, the gift shall not be acquired or shall be annulled.

Article 668. Form of donation. Promise to donate

668.1. A donation shall be valid when:

668.1.1. immovable items or rights to such items are donated, the donation agreement is notarized.

668.1.2. movable items to be registered in official registers is donated, the donation agreement is notarized.

668.1.3. movable property is donated, the donor delivers the item to the donee.

668.1.4. claims or other rights are donated, they are transferred in writing in accordance with the requirements of this Code.

668.1.5. a future donation is promised, the promise is notarized.

668.2. *Deleted.*

Article 669. Withdrawal of a gift before acceptance

A person who gives something to another one with the intention of donating it may take it back at any time before the donee accepts the gift.

Article 670. Conditions and obligations under a gift agreement

670.1. A gift may be made conditional upon the fulfillment of certain terms or obligations.

670.2. In the event of the donor's death, the donation shall be executed in accordance with the rules of inheritance law.

670.3. Under the gift agreement, the donor and his heirs may bring a claim regarding the non-fulfillment or improper fulfillment of an obligation undertaken by the donee. If the fulfillment of the obligation serves public interests, a competent executive authority may demand its performance after the donor's death.

670.4. If, after the conclusion of the gift agreement, the donee discovers that the value of the gift does not cover the costs of fulfilling the obligation and that the damages will not be compensated, the donee may refuse to fulfill the obligation

Article 671. Restitution of the gift

The donor may reserve the right of restitution of the donated item in the event that the donee dies before the donor. When land plots or rights in rem over them are donated, such a right of restitution may be pre-registered in the state register of immovable property.

Article 672. Liability of the donor

672.1. The donor is liable to the donee for damage caused in connection with the gift only if the damage was inflicted intentionally or through gross negligence.

672.2. In all other cases, the donor is liable only for what he has promised to the donee.

Article 673. Refusal to donate

673.1. The donor may refuse to donate when:

673.1.1. the donee has committed a grave crime against the donor or one of the donor's close relatives.

673.1.2. the donee has grossly violated the obligations imposed on him under family law in relation to the donor or one of the donor's close relatives.

673.1.3. the donee unjustifiably fails to fulfill the obligations related to the donation.

673.2. The donor may revoke the promise to donate and refuse its performance in the following cases:

673.2.1. in the cases specified in Article 673.1 of this Code.

673.2.2. if, after the promise is given, the donor's property circumstances change to such an extent that the donation becomes an excessively heavy burden for the donor.

673.2.3. if, after the promise is given, the donor acquires obligations under family law that did not previously exist or existed only to a very small extent.

673.3. A refusal shall be valid only if notice of the refusal is delivered to the donee within one year from the day the donor becomes aware of the grounds for refusal. If the donor dies before the end of that year, the right to refuse shall pass to his heirs for the remaining period. If the donee intentionally killed the donor or prevented the donor from revoking the donation, the donor's heirs may refuse the donation.

673.4. Upon refusal of the donation, the donee shall be obliged to return the gift if the donated item is still in his ownership.

Article 674. Cancellation of the donation and termination of the donor's obligations

674.1. A donation shall be cancelled without the need to exercise the right of refusal when:
674.1.1. the item promised for donation is lost or destroyed.
674.1.2. insolvency proceedings are initiated against the donor's property.
674.2. the donor has undertaken to provide periodic services, this obligation terminates upon the donor's death unless otherwise provided.

Chapter 33

Rent of property

Article 675. Property rent agreement

Under a property rent agreement, the renter undertakes to provide the item for the tenant's use, and the tenant undertakes to pay rent to the renter for this use.

Article 676. Liability of the renter

676.0. Throughout the entire rent period, the renter shall be responsible for the following:
676.0.1. The rented item should be in a condition suitable for the tenant's use.
676.0.2. The rented item should possess the characteristics guaranteed under the rent agreement.
676.0.3. No rights or claims of third parties should obstruct or exclude the use of the rented item as provided in the agreement.
676.0.4. A residential room or any other room intended for human occupancy should always be in such condition that its use does not pose obvious dangers to the life or health of the users, assuming the renter acts in good faith.

Article 677. Tenant's legal remedies when the item fails to comply with the agreement

677.1. If the item that is the subject of the rent agreement fails to meet the requirements of Article 676 of this Code, the tenant shall have the right to apply the following legal remedies:
677.1.1. If, as a result of non-compliance with the agreement, the item is destroyed or its suitability for the agreed use is reduced, the tenant shall be exempt from paying rent for the period during which the item is unusable, and shall pay only a portion of the rent for the period during which its suitability is reduced. Insignificant reductions in suitability shall not be taken into account. In a residential rent agreement, deviations from this rule to the detriment of the tenant shall be invalid.
677.1.2. If any non-compliance with the agreement was known at the time of conclusion of the agreement, or arises later due to a circumstance for which the renter is responsible, or if the renter delays eliminating the non-compliance, the tenant may additionally demand

compensation for damage resulting from non-performance of the obligation, in accordance with Article 677.1.1 of this Code.

677.1.3. Additionally, if the renter delays, the tenant may eliminate the defect himself and demand reimbursement of the necessary expenses incurred.

677.1.4. If the tenant does not receive the rented item entirely or partially within the period specified for its use in the agreement, or if the item is removed from them or significantly deteriorates, and the renter is at fault for the delay, the tenant may terminate the agreement without waiting for a notice period. Termination due to insignificant hindrance to use or minor deprivation of use shall be permissible only if special interests of the tenant justify it. If the renter disputes the termination on the grounds that the item was delivered on time or the defect was remedied within the determined period, the renter should prove this. In residential rent relationships, any agreement that excludes or limits the tenant's right to terminate shall be invalid.

677.2. If the non-compliance of the rented item with the agreement was known to the tenant at the time of conclusion of the agreement, he may not exercise the rights established in Article 677.1 of this Code. If the tenant knowingly accepts an item that does not meet the terms of the agreement, he may exercise these rights only if he expressly reserved the right to do so at the time of acceptance. The provisions of this Article (677.2) shall not apply to breaches under Article 677.1.4 of this Code.

677.3. During the rent period, the tenant should immediately notify the renter of any non-compliance with the agreement or the need to take measures to protect the item or its users from unexpected danger. This shall also apply when third parties assert rights over the item. If the tenant fails to provide such notice, he should compensate for any resulting damage. If the renter cannot eliminate a defect due to the tenant's failure to notify, the tenant shall lose the rights provided in Article 677.1 of this Code.

677.4. Any agreement that exempts or limits the renter's liability for defects in the rented item shall be invalid if the renter intentionally remained silent about such defects.

Article 678. Effects on rented items

678.1. The tenant of rooms should allow the renter to carry out measures that, objectively, either do not affect or only insignificantly affect the rentd rooms.

678.2. The tenant should allow measures that objectively have a significant impact on the rentd property, provided that:

678.2.1. the impact is primarily necessary to preserve the integrity of the rentd rooms or building, and secondarily aimed at improving other parts of the rentd rooms or building, or saving energy for heating, without causing unacceptable inconvenience to the tenant or his family (in assessing acceptability, the nature and duration of inconvenience caused by the works, the tenant's prior expenditures, expected increase in rent, and the justified interests of the renter and other tenants are taken into account. If other parts of rentd rooms or building are brought only to a collectively accepted standard, any expected increase in rent is not considered).

678.2.2. the renter gives the tenant written notice at least three months before the implementation of such measures, specifying the nature, scope, start, and expected duration of the works, as well as any possible increase in rent.

678.2.3. the renter reimburses the tenant for any costs incurred as a result of the implementation of the measures. upon the tenant's request, the renter should advance funds to the tenant.

678.3. In cases under Article 678.2 of this Code, the tenant shall have the right to terminate the rent agreement within two months from the date of receipt of the notice, effective at the end of the following month. If the tenant declares the agreement terminated, the implementation of the measures shall be postponed until the end of the rent term.

678.4. In a residential rent agreement, any agreement deviating to the detriment of the tenant shall be invalid.

Article 679. Encumbrances, state and local taxes under a property rent agreement

Unless otherwise agreed, the renter shall be responsible for paying any encumbrances, state and local taxes related to the rentd property.

Article 680. Necessary expenses of the tenant

680.1. The renter should reimburse the tenant for necessary expenses incurred in the maintenance or restoration of the rentd property. Reimbursable expenses shall not include:

680.1.1. in case of buildings, facilities, or vehicles – operating, servicing, and cleaning costs.

680.1.2. in case of an animal rentd – care and feeding costs.

680.2. The renter's obligation to reimburse other expenses, including costs for improving the rentd property, shall be determined by the provisions of this Code regarding the performance of other work without special instructions.

Article 681. Tenant's fixtures

The tenant shall have the right to remove any fixtures he has added to rentd property. In a residential rent, any agreement excluding the tenant's right to remove fixtures shall be invalid.

Article 682. Alteration or deterioration of the rentd property

The tenant shall not be liable for any alterations or deterioration of the rentd property that occur as a result of its use in accordance with the agreement.

Article 683. Transfer of the rentd property to third parties

683.1. Without the renter's consent, the tenant shall have no right to allow a third person who is not a member of the renter's family to use the rentd property, including subleasing it. If the renter refuses to give consent, the tenant may terminate the legal relationship by observing the notice period set by law, provided that, objectively, the third party does not give significant grounds for refusing consent.

683.2. If, after the conclusion of the rent agreement, the residential tenant has a justified interest in allowing a third person to use part of the living space, the tenant shall have the right to request the renter's consent, provided that, objectively, the third person does not give

significant grounds for refusal, the living space does not become over-occupied, and it is assumed that the renter would ordinarily consent to such subletting. If the renter allows such subletting only on condition of a reasonable increase in rent, the renter may condition consent upon the tenant's agreement to such an increase. Any agreement deviating from this to the detriment of the tenant shall be invalid.

683.3. When use is transferred to any third party, the tenant shall remain liable, even if the renter has consented to the subrent, for any fault committed by the third party during the use of the property.

Article 684. Payment period for property rent

684.1. If the rent term is less than one month, the rent payment should be made at the end of that period. If the rent term is longer than one month, the rent payment should, when necessary, be made in installments at the end of each month. If the rent payment is calculated in time intervals, it shall be paid at the end of each interval.

684.2. The tenant shall not exempt from paying the rent fee on the grounds that he is unable to exercise his right of use for personal reasons. However, the renter should account for any expenses saved during the tenant's non-use of the property, as well as benefits the renter could have obtained by using the property in another manner.

Article 685. Legal remedies of the renter

685.1. If the tenant or any other person to whom the tenant has given the rentd property for use continues to use the property in a manner that is contrary to the agreement and significantly violates the rights of the renter despite the renter's warning, including keeping the property in the unlawful use of a third party or exposing it to danger, thereby breaching the obligations of a diligent tenant, the renter may terminate the rent agreement without waiting for the warning period. Instead of receiving a notice of termination, the tenant may also file a negatory claim.

685.2. The renter may terminate the rent agreement without waiting for the warning period when:

685.2.1. the tenant delays payment of the rent or its substantial part for two consecutive periods.

685.2.2 the tenant delays payment of the rent for more than two periods, and the accumulated debt reaches the amount of two months' rent.

685.3. If the renter is satisfied before the agreement is terminated in accordance with Article 685.2, termination of the agreement shall be excluded. If the tenant is rerentd from the debt through set-off and immediately after the declaration of termination announces the elimination of the debt, the termination shall become invalid.

685.4. In addition to Article 685.2 of this Code, the following rules shall apply to rentd residential premises:

685.4.1. in the case provided for in Article 685.2.1, the unpaid portion of the rent shall be deemed substantial only if it exceeds the amount of one month's rent (this shall not apply when the residential premises are rentd only for temporary use).

685.4.2. if, after the initiation of proceedings regarding eviction due to late rent payment and other rights of the renter to be enforced under this Code, the renter shall be satisfied within

one month from the acceptance of the case into proceedings, or if any state authority undertakes the obligation to satisfy the renter, the termination of the agreement shall become void.

685.4.3. any agreement deviating from these rules to the detriment of the renter shall be invalid.

Article 686. Cases where continuation of rent relations is not allowed. Termination of the agreement without waiting for a notice period

If one of the parties, through his own fault, breaches his obligations to such an extent that continuation of the rent relationship for rooms becomes unacceptable for the other party, the legal relationship may be terminated without waiting for a notice period. Any agreement by the parties that contradicts the provisions of this Article shall be invalid.

Article 687. Prohibition of immediate termination of a residential rent on grounds other than those provided by law

An agreement that grants the renter of a residential room the right to terminate the rent immediately, without observing the notice period, on grounds other than those provided by law, shall be invalid.

Article 688. Reservation fee, deposit, penalty in property rent

688.1. A fee paid by any person interested in leasing, for the purpose of concluding a future rent agreement (reservation or holding fee):

688.1.1. if paid to the renter, his representatives, or intermediaries, shall be credited toward the rent at the time the rent agreement is concluded. If the intermediary is a real estate broker, the reservation fee shall first be applied toward the broker's commission calculated according to state tariffs, and only the remaining amount shall be credited toward the rent.

688.1.2. if exceeds the amount of two months' rent, may be reclaimed at any time by the interested person.

688.1.3. if the rent agreement is not concluded through no fault of the interested person, or if the tenant is not granted the opportunity to take possession of the property in accordance with the rent, it may be reclaimed in full at any time by the interested person.

688.2. If the tenant should provide security to ensure the renter's performance of obligations, such security may not exceed twice the amount of one month's rent. If the security is provided in monetary form, the renter should deposit it in a bank separately from his own capital, under usual interest rates for term deposits established by law. The interest shall belong to the tenant and serve to increase the security amount.

688.3. In the rent of residential premises, any agreement deviating from the requirements of Articles 688.1 and 688.2 of this Code to the detriment of the tenant shall be invalid.

688.4. Any agreement allowing the renter of a residential room to demand payment of a penalty from the tenant shall be invalid.

Article 689. Rent term

689.1. The legal relationship under a rent agreement shall be terminated upon expiration of the term specified in the agreement.

689.2. If no term is specified in the rent agreement, either party to the rent relationship may give notice of termination in accordance with Article 690 of this Code.

Article 690. Form and content of the notice of termination of a property rent agreement

690.1. A notice of termination of a property rent agreement should be provided in writing.

690.2. The notice of termination should state the grounds for terminating the agreement.

690.3. When terminating a residential rent agreement, the renter should also inform the tenant, in a timely manner, of the right to object under Article 696 of this Code, as well as the form and time limits for submitting such objection.

Article 691. Time limits for termination of a property rent agreement

691.1. In legal relations arising from rent agreements concerning land plots, rooms, or ships registered in an official registry, termination of the agreement shall be allowed when:

691.1.1. a notice of termination of the agreement, becoming effective at the end of the following day, is given on any day where the rent is calculated on a daily basis.

691.1.2. rent is calculated on a weekly basis, the notice may be given on the first business day of the week and takes effect at the end of the following Sunday.

691.1.3. when rent is calculated on a monthly basis or for longer periods, the notice may be given on the first business day of a calendar month and takes effect at the end of the month after the following month.

691.2. In legal relations involving the rent of residential rooms, termination of the agreement shall be allowed only if the notice is given on the first business day of a calendar month and takes effect at the end of the month after the following month.

691.3. In the cases specified in Articles 691.1.3 and 691.3 of this Code, the notice periods to be observed by the tenant shall be extended by three months in favor of the tenant after three, six, and nine years of possession, respectively. The notice periods applicable to the tenant shall remain unchanged. Any agreement that shortens the notice periods the renter should observe shall be invalid.

691.4. In legal relations involving the rent of movable items, termination of the agreement shall be allowed when:

691.4.1. rent is calculated on a daily basis, the notice may be given on any day and takes effect at the end of the following day.

691.4.2. rent is calculated for longer time periods, the notice should be given no later than seven days before the date on which the rent relationship is to end.

Article 692. Conditions for termination of a residential rent agreement

692.1. The renter may terminate the legal relations arising from a residential rent agreement only if he has a legitimate interest in terminating those relations, provided that the requirements of Article 692.4 of this Code are observed.

692.2. Renter's intention to terminate the rent relations shall be deemed legitimate when:

692.2.1. the tenant is at fault for breaching contractual obligations.

692.2.2. the renter needs the premises for himself or his family members as living accommodation.

692.2.3. continuation of the rent prevents the renter from using the land plot in an economically efficient manner and may therefore cause him significant loss. In this case, the possibility of receiving higher rent by leasing the premises to other persons shall not be considered. The renter may not rely on the fact that, due to planned or implemented establishment of residential ownership after the premises were rentd, he now wants to sell them.

692.2.4. the renter intends to equip auxiliary non-residential premises with new facilities and convert them into residential premises in a legally permissible manner, and limits the termination only to those premises. In this case, the tenant may request a reasonable reduction of the rent. If the commencement of the renovation works is delayed, the tenant may demand an extension of the rent for the auxiliary premises for the corresponding period.

692.3. Only the grounds stated in the notice of termination shall be accepted as legitimate interests of the renter, provided that such grounds did not arise afterwards.

692.4. The renter may terminate the legal relations arising from a residential rent agreement even without the conditions specified in Article 692.1, if he lives in the dwelling himself and the building consists of no more than two apartments. In this case, the notice period for termination shall be extended by three months. This provision shall apply accordingly to the rent of a residential room within the apartment in which the renter resides.

692.5. A land rent agreement entered into for an indefinite term may be terminated with six months' notice, effective at the end of a calendar year.

692.6. If a rent agreement is concluded for more than 30 years, either party may terminate it after 30 years by giving notice in compliance with statutory notice periods. If the rent has been concluded for the entire lifetime of the renter or tenant, termination shall not be allowed.

692.7. Other rights ensuring the protection of the tenant shall remain unchanged.

692.8. Any agreement that derogates from the rules set forth in this Article to the detriment of the tenant shall be invalid

692.9. The provisions of this Article shall not apply to legal relations arising from rent agreements concerning:

692.9.1. residential premises rented solely for temporary use.

692.9.2. a residential room that is part of the dwelling in which the renter lives and which should be fully or mainly furnished by the renter, provided that such room is not given for long-term use to any family.

692.9.3. a residential room that is part of a student or youth dormitory.

692.9.4. a residential room in resort houses or recreation houses located in resort or recreational areas, provided that the renter indicated its designation to the tenant when concluding the agreement.

692.9.5. a residential room rentd by a legal entity within the scope of its duties to provide accommodation to persons in urgent need of housing or to students.

Article 693. Continuation of fixed-term residential rent agreements

693.1. In legal relations arising from a fixed-term residential rent agreement, the tenant may request continuation of such relations if:

693.1.1. upon termination of the agreement, continuation of the legal relationship may be demanded under this Code. If, at the time the rent agreement was concluded, the tenant was aware of the circumstances entitling the renter to reclaim residential premises upon expiry of the term, then only the circumstances that arose after the conclusion of the agreement shall be taken into account in favor of the tenant.

693.1.2. the duration of legal relations under the residential rent agreement exceeds one year, and the tenant, by written notice given no later than two months before the termination of the legal relationship, demands from the renter that the relationship be continued for an indefinite period, and the renter has no legitimate interest in terminating the relationship. Article 692 of this Code shall apply accordingly to the renter's demand for termination of the rent relationship.

693.2. Legal relations under a fixed-term residential rent agreement shall be extended for an indefinite period if:

693.2.1. after the term of the rent expires, the tenant continues to use the premises and neither the renter nor the tenant notifies the other party of their contrary intention within two weeks. For the tenant, this period shall begin from the moment the use is continued. for the renter, it shall begin from the moment he becomes aware of such continuation.

693.2.2. termination is not carried out in accordance with the provisions of Article 692 of this Code.

693.3. In legal relations arising from a residential rent agreement concluded subject to a suspensive condition, it shall be deemed that once the condition is fulfilled, the legal relations are extended for an indefinite period. If, upon fulfillment of that condition, the renter gives notice of termination and the tenant demands continuation of the legal relationship in accordance with Article 693.1 of this Code, only the circumstances that arose after the conclusion of the rent agreement shall be taken into account in favor of the tenant.

693.4. An agreement that derogates from the requirements set forth in Article 693.3 of this Code to the detriment of the tenant shall be valid only if the residential premises are rentd for temporary use.

Article 694. Service housing rent agreements – termination

694.1. When a residential premises is rentd taking into account the existence of employment relations, any party to the rent agreement may give notice of termination until the employment relations end, or within one month after their termination. In this case, the termination shall become effective at the end of the month following the month in which the notice is given. If such notice is not given within this period, the general rules shall apply.

694.2. When the general rules apply, the claims of the person entitled to the service dwelling shall also be taken into account.

Article 695. Consequences of the tenant's death

695.1. In the event of the tenant's death, legal relations under the rent agreement shall continue with other tenants, if any. If there are no other tenants, the rent relationship shall continue with heirs. The subsequent tenant or heir shall have the right to give notice of termination of the rent relationship by observing the legally prescribed notice periods.

695.2. If the tenant lived together with his or her spouse or family members in residential premises, then upon the tenant's death the spouse or family members enter into the rent relationship. If these persons declare to the renter, within one month after learning of the tenant's death, that they do not intend to continue the rent relationship, they shall be deemed not to have entered into it. If several family members exist, each may give notice on their own behalf. Where several family members enter the rent relationship, they may exercise rights arising from the rent relationship only jointly. They shall be jointly liable as co-debtors for obligations arising from the relationship.

695.3. Once the spouse or family members enter the rent relationship, they shall be jointly liable along with the heir as co-debtors for obligations that arose prior to the tenant's death. In relations between the spouse or family members and the heir, the heir shall bear liability alone.

695.4. If the heir, spouse, or family member who enters the rent relationship creates important grounds for termination of the rent agreement, the renter may give notice of termination observing the legally prescribed notice periods.

695.5. Agreements that contradict the requirements of Article 695 of this Code shall be void.

Article 696. Right of the tenant of residential premises to file a complaint

696.1. If termination of legal relations under the residential rent agreement may lead to severe consequences for the tenant and his family, and such termination cannot be justified even taking into account legitimate interests of the renter, the tenant may file a complaint against the termination and request that the renter continue legal relations under the agreement. Severe consequences also arise if it is not possible to provide the tenant with another suitable residential premises under acceptable conditions to replace the previous one. When assessing legitimate interests of the renter, only the grounds stated in the notice of termination shall be taken into account, provided that such grounds did not arise subsequently.

696.2. In the situation specified in Article 696.1 of this Code, the tenant may demand that legal relations be continued for as long as can reasonably be considered justified, considering all circumstances. If continuation of existing contractual terms is not possible for the renter, the tenant may only demand continuation of the legal relations under reasonably modified terms.

696.3. If agreement cannot be reached, a decision on the continuation of the rent legal relations, the rent period, and the conditions under which the rent shall continue shall be made by the court. If it is impossible to predict when the circumstances that justify severe consequences for the tenant or his family will cease, it may be determined that the rent legal relations shall continue for an indefinite period. If it has been agreed or decided by the court that the rent legal relations shall continue for a certain period, the tenant may demand continuation of the relationship beyond that period only if there is a significant change in circumstances justifying such continuation, or if expected circumstances that served as the basis for determining the continuation period do not materialize.

696.4. The tenant may not demand continuation of the rent legal relations if:

696.4.1. he has given notice of termination of the legal relations.

696.4.2. there exists any ground entitling the renter to terminate legal relations without observing prescribed notice periods.

696.5. The tenant's notice of objection to termination and intention to continue the rent legal relations should be submitted in written form. At the request of the renter, the tenant should immediately state the grounds for the objection.

696.6. If the tenant does not submit his objection at least one month before legal relations are due to end, or within one month after receiving the renter's explanation of the right to file a complaint, the renter may refuse to continue rent legal relations.

696.7. Agreements that contradict the requirements of Article 696 of this Code shall be void.

Article 697. Consequences of termination of rent legal relations

697.1. The tenant is obliged to return the rentd property after rent legal relations have been terminated. The tenant of a land plot shall have no right to retain the rentd land against the renter based on any claims. If the tenant has rentd the property to any third party, the renter may demand from that third party the return of the property after the rent legal relations have been terminated.

697.2. If, after termination of rent legal relations, the tenant fails to return the rentd property, the renter may demand as compensation the rent payment calculated for the period during which the property was retained. in the case of residential premises, as compensation, the renter may demand the usual rent charged for similar premises in the area. The right to claim compensation for other damages shall not be excluded. However, in the case of residential premises, the renter may claim compensation for other damages only if the property is not returned due to circumstances for which the tenant is responsible. the compensation shall be limited to what is required by fairness. This provision shall not apply if the tenant has issued a notice of termination.

697.3. After termination of rent legal relations, the renter should return any rent paid in advance for any period.

697.4. Claims of the renter regarding compensation for damage caused by deterioration or changes to the rentd property, as well as claims regarding reimbursement of expenses incurred by the tenant or permission to remove any installations, shall become invalid after six months. The limitation period for renter's claims for damages shall begin from the moment the renter regains possession of the property. The limitation period for the tenant's claims shall begin from the moment the rent legal relations are terminated. If the renter loses the right to demand the return of the property due to the lapse of time, his claims for compensation for damages shall also lapse.

Article 698. Renter's pledge right

698.1. A renter of any land plot or premises shall have the right to pledge the tenant's property located on the land plot or in the premises in respect of claims arising from rent legal relations. The pledge right may not be exercised in respect of claims for compensation of damages or payment of rent for the current and subsequent years or for a longer period. This right shall not apply to items that cannot be pledged.

698.2. The removal of property from the land plot or premises shall terminate the renter's pledge right, except in cases where the property was removed without notifying the renter or based on the renter's complaint. If the items were removed in the course of lawful operation of

the tenant's enterprise or under normal living conditions, or if the remaining items are evidently sufficient to secure the renter, the renter may not complain about the removal of the property.

698.3. The renter may prevent the removal of items subject to his pledge right without recourse to the court, and if the tenant vacates the land plot or premises, the renter may take possession of the items. If the property is removed without notifying the renter or based on his complaint, the renter may demand the return of the items to the land plot or, if the tenant has vacated, the transfer of ownership rights. If the renter has not previously exercised his rights through judicial proceedings, the pledge right shall be terminated one month after the renter is notified of the removal of the items.

698.4. The tenant may prevent the exercise of the renter's pledge right by providing security. any specific item may be rerentd from the pledge by providing security equivalent to its value.

698.5. If any item subject to the renter's pledge right is pledged to another creditor, the pledge right regarding rent may not be asserted against that creditor for a period exceeding one year prior to the attachment.

Article 699. Alienation of rentd property

699.1. If ownership of a rented item passes from the renter to any third party (acquirer) after the item has been delivered to the tenant, the acquirer shall assume, from the moment of acquisition, all rights and obligations arising from the rent legal relations in place of the renter. If the acquirer fails to fulfill his obligations, he is jointly liable as a guarantor for the losses to be compensated by the renter. This liability shall exist for six months from the time the transfer of ownership becomes known to the renter.

699.2. If ownership of a rented item passes from the renter to any third party (acquirer) before the item is delivered to the tenant, and the acquirer assumes the obligations under the rent agreement, the provisions of Article 699.1 shall apply accordingly.

699.3. If the rentd property is a residential unit and, after delivery to the tenant, it is sold by the renter to any third party not belonging to the renter's family, the tenant shall have a pre-emptive right to purchase the property.

699.4. If the rentd property is encumbered with third-party rights or claims after delivery to the tenant, and the enforcement of such rights or claims prevents the tenant from using the property in accordance with the rent agreement, the provisions of Article 699.1 shall apply accordingly. If the third-party rights or claims obstruct the proper use of the property under the rent, the tenant shall have the right to demand the prohibition of enforcement of such rights or claims.

Chapter 34

Lease

§ 1. General provisions about lease

Article 700. Lease agreement

700.1. A lease agreement is a contract for the hire of property. Under this agreement, the lessor grants the lessee the right not only to use the leased object or right, but also to benefit from its fruits and to derive income from it. The lessee shall be obliged to pay the lessor the stipulated lease payment.

700.2. The subject of a lease may consist of land plots, buildings, movable property, rights, and enterprises.

700.3. Unless otherwise provided by the provisions of this Chapter of this Code, the rules on the hire of property herein shall apply correspondingly to leases, except for the lease of land

Article 701. Accessories of the leased property

701.1. The leased property (the lease object), including a land plot or an enterprise, shall be leased together with its accessories. Unless the parties to the agreement stipulate, in accordance with Article 701.2 of this Code, the condition for transferring the accessories based on their appraised value, the lessor shall preserve all accessories in the condition in which they exist. The lessor shall be obliged to replace accessory items that become unusable due to circumstances for which the lessee is not liable. However, the lessee shall be obliged to replace, to the extent required by proper management of the enterprise, those items and animals belonging to the accessories that are subject to ordinary wear and tear.

701.2. If the value of leased accessories is assessed at the beginning of the lease by the parties or by any third person, and the lessee undertakes to return such accessories upon termination of the lease at their appraised value, the following rules shall apply:

701.2.1. The risk of accidental destruction or accidental deterioration of the accessories shall pass to the lessee.

701.2.2. The lessee may dispose of the accessory items within the framework of proper management of the enterprise.

701.2.3. The lessee shall maintain the accessories in a condition corresponding to proper management of the enterprise and regularly replace them to the appropriate extent. Any items acquired by the lessee shall become the property of the lessor once incorporated into the accessories.

701.2.4. Upon termination of the lease, the lessee shall return existing accessories to the lessor. The lessor may refuse to accept accessory items acquired by the lessee that, under the rules of proper management, are unnecessary or excessively valuable for the leased object. ownership of any refused items shall pass to the lessee at the moment of refusal.

701.2.5. If there is a difference between the total appraised value of accessories at the time of return and their appraised value at the beginning of the lease, it shall be compensated in money. Appraised values in force at the moment the lease is terminated shall be taken as the basis.

Article 702. Pledge right of the lessee

702.1. Based on a claim related to accessories obtained under a lease and directed against the lessor, the lessee of a land plot shall have a pledge right over those accessory items that have come into his possession.

702.2. The lessor may prevent the enforcement of the lessee’s pledge right by providing security. The lessor may release any individual accessory item from the pledge by providing security in an amount equal to its value.

Article 703. Restrictions on the disposal of accessories of the leased property

Contractual provisions that impose on the lessee of any land plot or enterprise an obligation not to dispose of accessory items, or dispose of them only with the consent of the lessor, or sell them to the lessor, shall be valid only if the lessor undertakes to acquire such accessories at their appraised value upon termination of the lease.

Article 704. Termination of the lease agreement

704.1. If, at the time of concluding the lease agreement for any land plot, right, or enterprise, the lease term has not been determined, the agreement may be terminated only at the end of a calendar year, subject to a notice period of at least six months.

704.2. The lessee shall not have the right to terminate the agreement pursuant to Article 691 of this Code.

Article 705. Delay in returning the leased property

If, after termination of the legal relations arising from the lease, the lessee fails to return the leased object, the lessor may demand, as compensation for the period during which the object is retained, payment of that portion of the annual lease fee which corresponds to the part of the lease benefits obtained or that could have been obtained by the lessee during that year. A claim for compensation of other damages shall not be excluded.

§ 2. Lease of land

Article 706. Content of the land lease agreement

706.1. Under a land lease agreement, land belonging to all categories in state, municipal, or private ownership may be leased.

706.2. Land may be leased directly, or through land tenders or auctions, based on a decision (consent) of landowners or of the bodies authorized by them, in accordance with the procedure established by land legislation.

706.3. A land lease agreement may specify the size of the leased land plot, its quality category, designated use, duration of the lease, amount of the lease fee, terms of payment, conditions for the use, protection, and improvement of land quality, as well as other terms established by land legislation and by this Code.

706.4. Articles 700.1, 701, 702, and 703 of this Code, as well as the provisions of this section, shall apply to land lease agreements

Article 707. Description of the Leased Land

707.1. Before entering into legal relations arising from the lease agreement, the lessor and the lessee shall jointly prepare a description of the land to be leased. The description shall indicate the size of the land and its condition at the moment it is delivered. A description shall

also be prepared upon termination of the legal relations. The description should bear the date on which it is drawn up and be signed by both parties to the agreement.

707.2. If either party refuses to participate in the preparation of the description or significant disagreements arise during its preparation, either party may demand that the description be drawn up by an expert, except where more than 9 months have passed since the land was leased or more than 3 months have passed since lease legal relations were terminated. In such cases, upon the claim of either party, an expert may be appointed compulsorily by a court decision. Expenses arising shall be borne equally by both parties to the agreement.

Article 708. Condition of leased land and liability for its use under its purpose

708.1. The lessor shall deliver the leased land to the lessee in a condition suitable for use under the agreement and shall maintain it in such condition throughout the entire lease period, unless the obligation is imposed on the lessee under Article 708.2 of this Code.

708.2. The lessee shall use the leased land properly and under its purpose. The lessee shall, at his own expense, carry out routine maintenance of the items on the leased land, including residential and utility buildings, roads, canals, drainage systems, and fences.

708.3. The provisions of Articles 676 and 677 of this Code shall apply correspondingly to the lessor's liability for defects of the leased land and for the claims and rights of third parties to the land, as well as to the rights and obligations of the lessee arising from such defects.

Article 709. Encumbrances and taxes

Unless otherwise provided in the lease agreement, the encumbrances on the leased land and the taxes levied on it shall be paid by the landowner in accordance with the procedure established by land and tax legislation.

Article 710. Land lease fee

710.1. The land lease fee shall be determined by the agreement of the parties.

710.2. For land in state or municipal ownership, the minimum lease fee shall be determined based on normative rates approved by the relevant executive authority, taking into account the land's designated use, area, geographical location, and quality.

710.3. Forms and procedures for payment of the lease fee shall be established by the land lease agreement.

Article 711. Measures for protection and improvement of the leased land

711.1. The lessee shall allow necessary measures to be taken to protect the leased land.

711.2. The lessee shall allow measures to be taken to improve the leased land, provided that such measures do not cause negative consequences for the lessee that cannot be justified even by the substantial interests of the lessor. The lessor shall be obliged to reimburse the lessee for expenses and lost income in a reasonable amount under the circumstances. Upon the lessee's request, the lessor shall provide an advance. If such measures result in higher income for the lessee or could result in such income when the enterprise is properly managed, the lessor may

require the lessee to agree to a reasonable increase in the lease fee, except in cases where the condition of the enterprise prevents the lessee from permitting such an increase.

Article 712. Use of leased land by third parties

712.1. Without the consent of the lessor, the lessee shall not:

712.1.1. allow the land to be used by third parties, including subleasing it.

712.1.2. transfer the land, in whole or in part, to any agricultural association for joint use.

712.2. If the lessee subleases the leased land to any third party, the lessee shall be liable for any fault occurring during the use by such third party, even if the lessor has consented to the sublease.

712.3. The lessee may change the designated use of the leased land only with the prior consent of the lessor. Prior consent from the lessor is required to alter the previous type of use only if such change will affect the type of use after the lease term. The lessee may only raise buildings on the land with the prior consent of the lessor. If the lessor refuses to grant consent, the lessee may request that the consent be replaced by a court decision, provided that the change serves to preserve or continually improve the profitability of the enterprise and is permissible for the lessor considering their substantial interests. This provision shall not apply if the lease agreement is terminated or the lease legal relations are terminated within less than three years. The court may replace the consent with a decision subject to certain conditions or obligations, for example, ordering the provision of security and determining the type and amount of such security. If the reason for providing the security ceases, the court may, upon request of the party, make a decision for its return.

712.4. If the lessee significantly reduces the value of the accessories received at appraised value under Article 701.2 of this Code as a result of changing the use of the leased land, the lessor may demand monetary compensation during the lease term. However, this shall not apply to cases where the funds obtained from the sale of items from the accessory inventory have been reasonably used to carry out improvements.

Article 713. Use of leased land inconsistent with the terms of the agreement

If the lessee's use of the leased land does not comply with the terms of the agreement and the lessee continues such use despite the lessor's warning, the lessor may bring a claim against the lessee for failure to perform contractual obligations, demand compensation for resulting damages, and/or terminate the agreement without observing the notice period.

Article 714. Expenses and installations of the land lessee

714.1. The lessor shall be obliged to reimburse the lessee for necessary expenses in accordance with Article 680 of this Code.

714.2. Upon termination of the legal relations arising from the land lease, the lessor shall also reimburse the lessee for other expenses approved by the lessor that increase the value of the leased land after the lease term. If the lessor refuses to approve expenses, the approval may be replaced by a court decision at the request of the lessee, provided that expenses are necessary for preserving or continuously improving profitability of the enterprise and are permissible for the

lessee considering substantial interests of the lessor. This provision shall not apply if the lease agreement is terminated or the lease legal relations are terminated within less than three years. The court may also decide on the increase in value and determine its amount. The court may establish that the lessor shall pay the increase in value in installments and specify conditions for such installment payments. If, at the time the lease legal relations are terminated, the lessor is unable to compensate the increase in value, even in installments, the lessee may demand that the lease continue under previous terms until the value increase is compensated. If consent is not obtained, the court, at the request of the party, shall decide on continuation of lease legal relations.

714.3. The lessee shall have the right to remove any installations added to the land. The lessor may prevent removal by providing reasonable compensation, provided that such removal does not deprive the lessee of substantial interests. An agreement excluding the lessee's right to remove installations shall only be valid if reasonable compensation is provided.

Article 715. Limitation period under a land lease agreement

715.1. Claims by the lessor for compensation arising from alteration or deterioration of the leased land, as well as claims by the lessee under Article 714 of this Code for reimbursement of expenses or removal of installations, shall become unenforceable after six months.

715.2. The limitation period for lessor's claims for compensation shall commence from the moment the land is returned. The limitation period for lessee's claims shall commence from the termination of the lease legal relations.

715.3. If the right to reclaim is lost due to the lapse of the limitation period, the lessor shall also lose the right to bring claims for compensation for damages.

Article 716. Pledge right of the lessor

The lessor shall have a pledge right over objects installed by the lessee on the leased land and over fruits of the leased property for claims arising from legal relations under a land lease agreement. The pledge right shall not extend to objects necessary for the lessee and his family to subsist until the next harvest, nor to objects necessary for ordinary use of the leased property in accordance with its purpose. In this case, the provisions of Article 698 of this Code shall apply.

Article 717. Adjustment of a land lease agreement

717.1. If the conditions forming the basis for determining contractual obligations change after the conclusion of the agreement to such an extent that a significant disproportion arises between mutual obligations, either party to the agreement may demand an amendment of contractual terms, except for the lease term. An adjustment of the lease fee may not be demanded when the income from the leased property increases or decreases as a result of the lessee's management, unless otherwise provided.

717.2. A demand for amendment of contractual terms may not be made later than two years from the commencement of the lease or from the entry into force of the last modification of contractual obligations. This provision shall not apply if exceptional natural disasters, typically not covered by insurance, fundamentally alter the proportion of contractual obligations.

717.3. A demand for amendment of contractual terms may not be made earlier than from the lease year in which notice of such amendment is given.

717.4. If one of the parties does not consent to the amendment of contractual terms, the other party may bring a claim to the court to replace such consent with a court decision.

717.5. The right to demand change of contractual terms under this Article may not be excluded. Any change that provides special negative consequences or benefits for a party based on whether they exercise or fail to exercise their rights under this Article shall be null and void.

Article 718. Alienation and encumbrance of leased land

If the leased land is sold or encumbered with rights or claims of third parties, Article 699 of this Code shall apply.

Article 719. Termination, extension, and dissolution of a land lease agreement

719.1. Legal relations under a land lease agreement shall terminate upon the expiration of the term for which the agreement was concluded.

719.2. If a land lease agreement is concluded for a term of at least 3 years, legal relations under the agreement shall be extended for an indefinite term unless, within 3 months after a request by one party regarding continuation, the other party refuses to continue relations. The request and refusal should be made in writing. If consequences of non-compliance are not directly indicated in the request and the request is not made during the 3 year of the lease, it shall be invalid.

719.3. If the lease term is not specified, either party may terminate the agreement no later than the third business day of any lease year. Termination shall take effect at the end of the following lease year. In case of doubt, the lease year shall be considered a calendar year. Any agreement specifying a shorter period should be in writing. Where premature termination of the lease is allowed under the law subject to statutory notice periods, termination shall occur only at the end of the lease year. notice of termination should be given no later than the third business day of the lease half-year to which the termination applies.

719.4. If the lease agreement is concluded for more than thirty years, either party may give notice of termination after thirty years, effective at the end of the next lease year, no later than the third business day of any lease year. If the agreement is concluded for the lifetime of the lessor or lessee, termination shall not be allowed.

719.5. If the lessee becomes incapacitated and the lessor does not agree to sublease leased property to a third party to ensure its proper use, the lessee may terminate legal relations subject to the statutory notice periods. Any agreement contrary to this rule shall be void.

719.6. Upon the death of the lessee, the heirs, as well as the lessor, shall have the right to give notice of termination six months in advance, effective at the end of a calendar quarter. Only in this case may the heirs contest termination by the lessor and request continuation of legal relations if it is likely that they, other co-heirs, or any third party entrusted by them will ensure proper use of the leased property. If the heirs do not give notice at least three months before the lease term expires and do not provide information indicating proper use of the property, the lessor may refuse continuation of legal relations. Objections and information should be submitted in writing. If consent is not obtained, the court shall decide upon request.

719.7. In the cases provided for in Articles 677.1.4, 685.1, and 686 of this Code, termination of the agreement shall be allowed without observing notice periods. The lessor may immediately terminate the agreement if the lessee delays payment of the lease fee or a significant part thereof for more than three months. If the lease fee is collected for a period of less than one year, termination shall only be allowed if the lessee fails to pay the lease fee or a substantial part thereof for two consecutive periods. If the lessor is secured before the end of the period, termination shall be excluded. If the lessee pays the debt through set-off and immediately notifies the lessor after the termination notice, termination shall have no effect.

719.8. Notice of termination shall be made in writing.

Article 720. Continuation of legal relations under a land lease agreement

720.1. The lessee may demand continuation of legal relations under a land lease agreement from the lessor when:

720.1.1. an enterprise is leased and such enterprise forms the economic basis of the lessee's livelihood.

720.1.2. a land plot is leased and the lessee cannot maintain his livelihood-related enterprise without such land, and termination of the lease legal relations would cause negative consequences for the lessee or his family that cannot be justified even by substantial interests of the lessor.

720.2. In the cases specified in Article 720.1, the lessee may demand the lease agreement be extended for a reasonable period, considering all circumstances. If the lessor cannot agree to continuation of legal relations under previous terms, the lessee may only demand continuation under reasonably modified terms. Such continuation may be requested repeatedly.

720.3. The lessee may not demand continuation of legal relations under a land lease agreement when:

720.3.1. he has given notice of termination.

720.3.2. the lessor has the immediate right to terminate.

720.3.3. the lease of an enterprise, lease of additional land plots assisting in the creation of an enterprise, or lease of reclaimed marshlands and raw land is concluded for at least 18 years, or other land plots are leased for at least 12 years.

720.3.4. the lessor intends to reclaim temporarily leased land for his own use or for performance of legal or other state duties.

720.4. A notice by the lessee demanding continuation of legal relations under a land lease agreement shall be made in writing. At the lessor's request, the lessee shall immediately provide the grounds for the demand.

720.5. The lessor may refuse continuation of legal relations only if the lessee does not demand continuation at least one year before termination or refuses continuation in response to a request from the lessor in accordance with Article 719.2. If the notice period for termination is 12 months or less, a demand for continuation may be submitted within one month after receipt of the termination notice.

720.6. If no agreement is reached, the court shall, on the basis of the claim, issue a decision on the continuation of the legal relations under the contract, the lease term, and the conditions for continuing these relations. However, the court may decide to continue the legal relations under the contract only until a point counted from the beginning of the current legal relations

that does not exceed the time limits specified in Article 720.3.3 of this Code. The continuation of the legal relations under the contract may also be limited to only a part of the leased land.

720.7. The lessee should submit an application to the court no later than nine months before the termination of legal relations under the agreement, and (if the notice period for termination is 12 months or less) two months after the termination notice is submitted to the court. If it is considered reasonable to avoid negative consequences, and if the land lease agreement has not yet expired, the court may allow the application to be submitted at a later time.

720.8. The right to demand the continuation of legal relations under the agreement in accordance with Article 720 of this Code may be excluded only if an application is submitted to the court withdrawing this demand for the purpose of resolving the dispute concerning the lease relationship. Any agreement that provides for specific negative consequences or advantages for one party as a result of exercising or not exercising its rights shall have no legal force.

Article 721. Premature termination and liquidation of a land lease agreement

721.1. If the parties to a land lease agreement have the right to terminate the lease prematurely, they shall retain this right even after the legal relations under the agreement have been extended or the agreement has been amended.

721.2. At the request of one party, the court may decide on the liquidation of a land lease agreement that has been terminated prematurely or partially. If the validity of the lease agreement is extended only for a part of the leased land, the court may determine the lease fee for that part.

Article 722. Return of leased land

722.1. After termination of legal relations under the agreement, the lessee shall return the leased land in a condition corresponding to proper use according to its designated purpose at the time of return. The lessee shall have no right to retain the land based on claims against the lessor. If the lessee has allowed a third party to use the leased land, the lessor may demand return of the land from that third party after termination of the lease legal relations.

722.2. If lease legal relations are terminated during any lease year, the lessor shall compensate the lessee for the value of fruits not yet arisen but reasonably obtainable according to proper management rules until the end of the lease year. The risk associated with the produce shall be reasonably accounted for. If it is not possible to determine the value of fruits due to seasonal factors, the lessor shall compensate the lessee for expenses incurred in proper management to the extent necessary. This provision shall also apply to trees intended for pruning but not yet pruned. If the lessee has pruned more trees than permitted under proper use, the lessee shall compensate the lessor for the excess. Claims for compensation for other damages shall not be excluded.

722.3. After termination of legal relations, the lessee shall provide from the remaining agricultural produce such quantity necessary to continue proper management until the next harvest, even if the lessee did not receive such produce at the beginning of the lease. If the quantity or quality of the produce provided exceeds what the lessee initially received, the lessee may claim compensation from the lessor.

722.4. If the lessee fails to return the leased land after termination of the legal relations, the lessor may demand payment of the lease fee for the period of retention as compensation. Claims for compensation for other damages shall not be excluded.

Chapter 35

Franchising

Article 723. Franchising agreement

A franchising agreement is a long-term obligation relationship under which independent enterprises mutually undertake to assist in the production and sale of goods and the provision of services, when necessary, through the performance of specific obligations.

Article 724. Obligations of the franchisor

724.1. The franchisor is obliged to provide the franchisee, in the form applied by the franchisor, with standardized intangible property rights, trademarks, product samples, packaging, the concept for production, acquisition, sale of goods and the organization of activities, as well as other information necessary to support sales.

724.2. The franchisor is obliged to protect the joint operational system from third-party interference, continuously improve it, and support the franchisee by acquainting him with business practices, providing information, and enhancing their qualifications.

Article 725. Obligations of the franchisee

725.1. The franchisee should pay the fee calculated with regard to the effort invested in implementing the franchising system, act as a conscientious entrepreneur, and, in cases directly related to the purpose of the agreement, receive services and procure goods through the franchisor or persons designated by the franchisor.

725.2. If, at the time the agreement was concluded, the franchisee paid an entry fee and this fee was not included in the franchise fee, the franchisor shall be obliged to return this fee upon termination of the agreement.

Article 726. Obligation not to disclose entrusted information

When concluding a franchising agreement, the parties should clearly and fully inform each other about matters related to franchising, particularly the franchising system, and provide information in good faith. They shall be obliged not to disclose the entrusted information even if the agreement is not concluded.

Article 727. Form of the franchising agreement

The franchising agreement should be concluded in writing. In addition to clearly specifying the bilateral obligations of the parties, the duration of the agreement, the conditions for its

termination or extension, and other essential elements, the parties should fully describe the franchising system in the text of the agreement.

Article 728. Duration of the franchising agreement

728.1. The parties shall determine the term of the franchising agreement taking into account the demand related to the sale of the relevant goods and services.

728.2. If the duration of the agreement exceeds ten years, either party shall have the right to terminate the agreement by observing a one-year notice period required for termination. If neither party exercises this right to terminate the agreement, the agreement shall be extended for a period of two years. If the agreement is terminated due to the expiry of its term or upon the initiative of the parties, they shall, in accordance with the principle of mutual trust, endeavor to extend the agreement under the same or modified conditions until the actual end of their business relationship.

Article 729. Fair competition

729.1. The parties shall be obliged to engage in fair competition with each other even after the contractual relationship has ended. In this regard, a prohibition may be imposed on the franchisee from competing within the boundaries of a certain territory for a period not exceeding one year.

729.2. If the prohibition on competing endangers the franchisee's professional activity, an appropriate financial compensation should be provided to the franchisee, even after the term of the agreement has expired.

Article 730. Liability of the franchisor

The franchisor shall be liable for the rights and information envisaged under the franchising system. If the franchisor culpably breaches its contractual obligations, the franchisee may reduce the payment. The amount of the reduction should be definitively determined based on an opinion by an independent expert. The costs related to this shall be borne by the parties.

Article 731. Provisions applicable to franchising legal relations

731.1. If the subject of the franchising agreement is the granting of rights to use intellectual property, the provisions of the legislation on copyright and related rights, as well as patent law, shall apply.

731.2. If the franchisee is regularly engaged in distributing the goods of the franchisor or any enterprise affiliated with the franchisor, the provisions of this Code regarding commercial agency and concession agreements shall apply.

731.3. If participants of the franchising agreement assume other obligations (including sales, lease of property, contracting, or services), the provisions of this Code relating to those types of contracts shall apply to their legal relations.

Chapter 36

Gratuitous use

Article 732. Agreement on gratuitous use

Under an agreement on gratuitous use, the lender of any item shall undertake to provide it for the borrower's use, and the borrower shall undertake to return that item to the lender. These obligations should be performed by the parties without compensation.

Article 733. Liability of the lender of an item given for gratuitous use

733.1. The lender of an item given for gratuitous use shall be liable to the borrower only for acts or defects caused intentionally or through gross negligence.

733.2. If the lender intentionally conceals the existence of any rights or claims of third parties, or any defect of the item given for gratuitous use, the lender shall be obliged to compensate the borrower for the damage resulting from such concealment.

Article 734. Maintenance of an item taken for gratuitous use

734.1. The borrower should bear ordinary costs necessary for maintaining and caring for the item taken for gratuitous use. The lender's obligation to reimburse other expenses shall be determined in accordance with the rules on management of the affairs of another without authorization and unjust enrichment.

734.2. The borrower shall not be liable for alteration or deterioration of the item taken for gratuitous use if such change or deterioration occurs within the scope of its use as specified by the agreement.

Article 735. Use of an item taken for gratuitous use in accordance with the agreement

The borrower may not use the item taken for gratuitous use for any purpose other than the one specified in the agreement. Without the lender's consent, the borrower shall have no right to allow third parties to use the item.

Article 736. Obligation to return an item taken for gratuitous use

736.1. The borrower should return the item taken for gratuitous use after the expiration of the term specified in the agreement.

736.2. If the period of gratuitous use is not specified, the borrower should return the item after using it for the purposes of gratuitous use. If the period necessary for the borrower to use the item expires, the lender may demand its return earlier.

736.3. If the term of use is not specified or cannot be determined based on the purposes of gratuitous use, the lender may demand the return of the item taken for gratuitous use at any time.

736.4. If the borrower gives the item taken for gratuitous use to third parties, in case of doubt, the lender may demand its return from those third parties at any time.

Article 737. Early termination of legal relations under an agreement of gratuitous use

The lender may terminate the agreement of gratuitous use prematurely, when, first, the lender unexpectedly needs the item given for gratuitous use, second, the borrower uses the item in violation of the terms of the agreement, including giving it to third parties, or the item is exposed to significant risk due to the borrower's lack of sufficient diligence, or, third, the borrower dies.

Article 738. Time limits under an agreement of gratuitous use

The lender's rights to claim compensation for damage resulting from the alteration or deterioration of the item given for gratuitous use, as well as the borrower's rights to claim reimbursement for necessary expenses incurred, become invalid after six months due to the expiration of the limitation period.

Chapter 37

Loan

§ 1. Loan agreement

Article 739. Definition and form of a loan agreement

739.1. Under a loan agreement, one party (the lender) shall undertake to transfer ownership rights to money or other fungible items to the other party (the borrower), and the borrower shall undertake to return received items to the lender in the form of the same amount of money or items of the same kind, quality, and quantity.

739.2. If the amount of the subject of the loan agreement exceeds three thousand manats, or regardless of the amount, if one of the parties to the agreement is a legal entity, the debt agreement should be concluded in writing.

739.3. The day on which the borrower or a third party designated by the borrower acquires the right to dispose of the subject of the loan agreement is considered the day the debt is granted. If the subject of the loan agreement is money provided cashlessly, the day the loan is granted is the day the debt amount is credited to the account of the borrower or the third party designated by the borrower at the servicing credit institution or another person. When the lender's and the borrower's (or the designated third party's) accounts are held with the same institution, the day the funds are credited to the borrower's or designated party's account is considered the day the loan is granted.

739.4. The lender may not provide a loan/debt for the purpose of purchasing a share (stock) in its own charter capital. A share (stock) in the lender's charter capital may not be used as security for the borrower's obligations toward the lender.

Article 740. Interest under a loan agreement

740.1. Unless otherwise provided by law or by the agreement, the lender shall have the right to receive interest from the borrower in the manner and amount specified in the agreement.

740.2. Unless otherwise specified in this Code, the amount or method of calculating the interest and/or other fees for granting the loan shall be determined by agreement of the parties.

740.3. If interest for the use of the loan is stipulated but the relevant amount is not specified in the agreement, the amount shall be calculated in accordance with Article 439.3 of this Code.

740.4. Interest, including interest calculated for delay, and other fees may be calculated only on the outstanding principal debt amount that remains unpaid up to the day the loan is repaid.

740.5. Unless otherwise provided in the agreement, interest and/or fees under the loan agreement should be paid at the end of each year during which the agreement is in force. if the loan is to be repaid before one year has elapsed, the interest and/or fees should be paid at the same time as the loan is repaid.

740.6. Interest under a loan agreement shall be calculated by dividing the annual interest rate by three hundred sixty-five, or by three hundred sixty if provided in the loan agreement, and multiplying the result by the actual number of days the loan was provided (including the day the loan was granted but excluding the day it is repaid).

740.7. Any payment received by the lender from the borrower under the loan agreement may not be treated as if it were received on any later day.

740.8. Interest and/or other fees under a loan agreement shall be paid within the time limits specified in the loan agreement.

740.9. The provisions of this paragraph concerning payment of interest and/or fees shall apply when the law or the loan agreement provides for the payment of such interest and/or fees.

740.10. The regular granting of money as loans for the purpose of earning income, as well as granting loans to an unlimited number of persons, may be carried out only by a person authorized to conduct lending activities in accordance with normative legal acts.

Article 741. Unilateral termination of the obligation to lend or borrow

741.1. Unless otherwise provided in this Code, if it becomes evidently clear that the loan will not be repaid on time due to a significant deterioration in the borrower's financial situation or the borrower providing false information to the lender, or if the borrower fails to fulfill any obligation stipulated in the loan agreement as a condition for receiving the loan, including failing to provide security, the lender may unilaterally refuse to perform its obligation to lend, in whole or in part.

741.2. Before the subject of the loan agreement is transferred to the borrower, the borrower may unilaterally refuse to accept the loan, in whole or in part.

Article 742. Loan/debt repayment

742.1. The borrower should repay the loan (including interest and/or fees) to the lender within the period and as specified in the loan agreement (taking Article 740 of this Code into account). Unless otherwise provided in the agreement, the loan shall be considered repaid on the day the loaned item is delivered to the lender or to a third party designated by the lender. If the subject of the loan agreement is money and is repaid cashlessly, the repayment date shall be the day the loan amount is credited to the account of the lender or the third party designated by the lender at the servicing credit institution or

another person. If the lender's and borrower's (or the designated third party's) accounts are held with the same institution, the repayment date shall be the day funds are credited to the lender's or designated person's account.

742.2. If no repayment period is specified in the loan agreement, the lender may demand repayment of the loan at any time. The borrower should repay the loan, including interest and/or fees, within one month after receiving the lender's demand for performance, unless a longer period is agreed upon by the parties.

742.3. Unless otherwise provided in this Code, the borrower may repay the loan early by paying the interest and/or fees accrued from the day the loan was granted until the day it is repaid.

742.4. The period specified in Article 742.2 of this Code shall be calculated from the time the notice is received.

742.5. Unless otherwise provided by law or the loan agreement provides more favorable terms for the borrower, the lender may demand premature repayment of a loan granted for a fixed term (including interest and/or other payables to the lender up to the date the loan is demanded prematurely) when:

742.5.1. there are grounds to assume that the loan will not be repaid on time due to a significant deterioration in the borrower's financial situation (including deterioration that occurred before the agreement was concluded but became known to the lender only afterward) or due to the borrower providing false information to the lender.

742.5.2. repayment of part of the loan and/or payment of interest and/or fees under a loan agreement providing for installment payments is delinquent by 90 (ninety) days or more, or the repayment deadlines for the loan (including interest and/or fees) are violated twice in succession (each for not less than 90 days).

742.5.3. the borrower fails to fulfill an obligation related to securing the loan, or the security is lost (destroyed, terminated, etc.) or its value decreases for reasons not attributable to the lender (including when the guarantor's or surety's financial situation significantly deteriorates), and in such circumstances there are grounds to assume the loan will not be repaid on time.

742.5.4. the borrower fails to allow the lender to monitor the use of the loan for its designated purpose in the manner specified in the agreement, or the loan is not used for its designated purpose as specified in the loan agreement.

§ 2. Credit agreement

Article 743. Definition of a credit agreement

743.1. Under a credit agreement, the lender undertakes to transfer ownership of money to the borrower in the amount and on the terms specified in the agreement, and the borrower undertakes to repay received funds to the lender within the term specified in the agreement, with the payment of interest and/or other charges specified in the agreement. Only a person authorized to carry out lending activities in accordance with normative legal acts may act as a lender under a credit agreement.

743.2. Unless otherwise provided in this paragraph of this Code, the provisions of this Code on loan agreements shall apply correspondingly to credit agreements.

743.3. Borrowing on behalf of the Republic of Azerbaijan, as well as lending from the funds of specialized state bodies, the Central Bank of the Republic of Azerbaijan, and through pawnshops, shall be carried out in accordance with relevant legal acts. Matters related to lending that are not regulated by those legal acts shall be governed by this Code.

Article 744. Procedure for concluding a credit agreement and its content

744.1. A credit agreement shall be concluded in writing between the parties, and a copy of the credit agreement is provided to the borrower.

744.2. The credit agreement should specify at least the following:

744.2.1. the name and address of the lender.

744.2.2. the name and address of the borrower.

744.2.3. the amount and currency of the credit.

744.2.4. the term for repayment of the credit and the conditions of repayment.

744.2.5. the purpose of the credit.

744.2.6. the annual interest rate applied to the credit and/or the amount of other charges, as well as the effective annual interest rate (if a variable interest rate is agreed upon in the agreement, the initial effective annual interest rate).

744.2.7. if applicable, clear and precise information about any periods during which interest on the credit is not charged.

744.3. Except for the cases provided in Article 743.3 of this Code, the effective annual interest rate under a credit agreement shall be calculated in accordance with the procedure established by the Central Bank of the Republic of Azerbaijan.

Article 745. Specifics of the credit agreement

745.1. Article 742.5.3 of this Code shall apply to the loss or decrease in the value of collateral for fulfilling a credit obligation only on the condition that the borrower has not replaced the collateral or provided additional security within the period specified in the credit agreement.

745.2. If the borrower fulfills the obligations under the credit agreement prematurely, the lender may demand compensation for damages only if such compensation is provided for in the credit agreement, in accordance with this Code.

745.3. Article 740.7 of this Code shall apply to relationships arising from credit agreements on the condition that the payment is made by the end of the operation day (the time determined by the lender for accepting payments). Unless a shorter period is specified in the credit agreement by the lender, a payment made after the end of the operation day through a payment terminal or other means shall be considered made not later than the next business day.

745.4. The statute of limitations for claims arising from the lender's rights under a credit agreement shall be one year.

745.5. Unless otherwise provided in the credit agreement (except for the determination of a higher amount), interest for delayed payments (delinquency interest) on the credit shall be calculated by adding the Central Bank of the Republic of Azerbaijan's refinancing rate to the annual interest rate specified in the credit agreement for the day the monetary obligation or its relevant part is due. When late payment interest is applied as established in this Article, no additional fees, penalties, or other forms of payment may be demanded.

745.6. If the damage suffered by the lender due to delayed payments on the credit exceeds the amount of interest calculated under Article 745.5 of this Code, the lender may demand compensation from the borrower for the excess amount either through court proceedings or by obtaining a separate agreement with the borrower after the date the damage occurred.

§ 3. Consumer loan agreement

Article 746. Definition of a consumer loan agreement

746.1. Under a consumer loan agreement, the lender shall undertake to provide money to an individual borrower (hereinafter – the consumer) for purposes not related to entrepreneurial or professional activity, and the consumer shall undertake to repay borrowed funds with interest and/or other charges specified in the agreement, in the manner and within the term established by the agreement.

746.2. The provisions of this paragraph of this Code shall not apply to:

746.2.1. loan agreements related to the acquisition of rights in real estate or secured by a mortgage on real estate.

746.2.2. the agreements in which, at the time of conclusion, the loan amount is below or exceeds 300 times the minimum monthly wage established nationwide.

746.2.3. crediting to a bank account for a term of up to 90 (ninety) days.

746.2.4. agreements on loans provided by credit unions to their members.

746.2.5. agreements on loans provided by a lender conducting lending activities under Article 743.1 of this Code to its own employees.

746.2.6. agreements on loans provided by investment service organizations for transactions involving securities or derivative financial instruments.

746.2.7. credit agreements concluded pursuant to a settlement agreement reached through court or mediation.

746.2.8. restructuring agreements that set a new repayment term for the credit debt and other payments without interest.

746.2.9. agreements on loans secured by an item transferred to the lender's ownership, where the consumer's obligation is limited solely to that item.

746.3. Unless otherwise provided by the provisions of this paragraph, the provisions of this Code on loan and credit agreements apply correspondingly to consumer loan agreements.

Article 746-1. Initial information for a consumer loan agreement

746-1.1. Before concluding a consumer loan agreement, the lender should provide the consumer with the following information on paper or another durable medium (any means that allows the information to be stored for a period appropriate to its purpose and enables the unchanged reproduction of the stored information):

746-1.1.1. the type of the loan.

746-1.1.2. the name and address of the lender.

746-1.1.3. the amount and currency of the loan.

746-1.1.4. the repayment term and conditions of the loan.

746-1.1.5. if the loan is issued for the purchase of specific goods or the provision of a service through a connected loan agreement, the relevant goods or service and its cash price (if a lump-sum payment is made at the time of purchase).

746-1.1.6. the annual interest rate and/or other charges on the loan and the conditions of their application, as well as the effective annual interest rate.

746-1.1.7. if any, clear and precise information about periods during which no interest is charged.

746-1.1.8. the amount, number, and frequency of payments to be made by the consumer, as well as the order of allocation of underpayments or overpayments against the obligation.

746-1.1.9. if applicable (except when opening an account is not necessary), costs of maintaining one or more accounts used for recording payment and cash operations, including costs of using payment instruments, other costs arising from the loan agreement, and conditions for changing these costs.

746-1.1.10. if any, notarial costs payable by the consumer regarding the conclusion of the loan agreement.

746-1.1.11. if applicable, the consumer's obligation to enter into an additional service agreement, including an insurance agreement, required to obtain the loan.

746-1.1.12. legal consequences of the consumer failing to make payments on time.

746-1.1.13. if any, delinquency fees.

746-1.1.14. if any, collateral required for the loan.

746-1.1.15. the consumer's right to withdraw from the consumer loan agreement, and the period and conditions for exercising this right.

746-1.1.16. the consumer's right to repay the credit prematurely and, if applicable, the lender's right to compensation, including the amount and calculation method.

746-1.1.17. if applicable, the cases in which the lender may demand premature repayment of the loan under Article 742.5 of this Code.

746-1.1.18. the consumer's right to obtain, free of charge, information on the refusal to grant a loan based on data received from credit bureaus for the purpose of assessing creditability.

746-1.1.19. the consumer's right to receive a copy of the draft agreement from the lender free of charge upon request.

746-1.1.20. the validity period of the information provided by the lender.

746-1.2. The information specified in Article 746-1.1 of this Code is presented in a standard information form. The standard information form is approved by the Central Bank of the Republic of Azerbaijan.

746-1.3. The lender may include additional loan-related information in the standard information form.

746-1.4. The information provided by the lender should be clear and comprehensible.

746-1.5. When concluding a remote consumer loan agreement with voice communication (telephone call, video call, etc.), the lender provides only the following information at the beginning of the call:

746-1.5.1. the name of the lender and the purpose of the call.

746-1.5.2. the first abd last names, and relationship of the person contacting the consumer on behalf of the lender.

746-1.5.3. that the service offered is a consumer loan.

746-1.5.4. amount of the proposed consumer loan, the annual and the effective annual interest rates.

746-1.5.5. a note that additional costs may arise for the consumer in connection with the proposed consumer loan.

746-1.5.6. the consumer's right to withdraw from the consumer loan agreement, and the period and conditions for exercising this right.

746-1.5.7. the validity period of the information provided by the lender.

746-1.6. When Article 746-1.5 applies, the lender informs the consumer that it is possible, upon the consumer's request, to receive other information listed in Article 746-1.1 in the manner specified therein and ensures the provision of such information upon request.

746-1.7. If the consumer exercises the right under Article 746-1.1.18 of this Code and contacts the lender, the lender should provide the relevant information in writing no later than the next business day.

Article 746-2. Conclusion and content of a consumer loan agreement

746-2.1. A consumer loan agreement shall be executed in writing on paper or another durable medium.

746-2.2. The consumer credit agreement should clearly and precisely specify at least the following:

746-2.2.1. the type of the loan.

746-2.2.2. the names and addresses of the parties.

746-2.2.3. the amount and currency of the loan.

746-2.2.4. the repayment term and conditions of the loan.

746-2.2.5. if the loan is granted in connection with the purchase of specific goods or services through a connected loan agreement, the relevant goods or services and their cash price (if a lump-sum payment is made at the time of purchase).

746-2.2.6. the annual interest rate and/or other charges applicable to the loan, conditions for their application, the effective annual interest rate, and all payments included in its calculation.

746-2.2.7. if applicable, clear information about periods during which no interest is charged.

746-2.2.8. the amount, number, and frequency of payments to be made by the consumer, as well as the order in which underpayments or overpayments are allocated against the obligation.

746-2.2.9. if applicable (except where opening an account is not required), costs of maintaining one or more accounts for recording payment and cash operations, including costs of using payment instruments, other costs arising from the loan agreement, and conditions for changing these costs.

746-2.2.10. if any, notarial costs payable by the consumer in connection with concluding the loan agreement.

746-2.2.11. legal consequences of the consumer failing to make payments on time.

746-2.2.12. if any, delinquency fees (delinquency interest).

746-2.2.13. if any, information on conditions of securing the fulfillment of the loan obligation and insurance requirements.

746-2.2.14. the consumer's right to withdraw from the consumer loan agreement, and the period and conditions for exercising this right.

746-2.2.15. the consumer's right to repay the loan prematurely and, if any, the lender's right to compensation, including the amount and calculation method.

746-2.2.16. if any, cases in which the lender may demand premature repayment of the loan under Article 742.5 of this Code.

746-2.2.17. the consumer's right, during the term of the agreement, based on a request to obtain free of charge twice a year on paper (or any time on another durable medium) a statement showing the outstanding loan balance in the form of a repayment schedule (including payments to be made, their dates, the structure of payments, interest calculated according to the annual interest rate, and any other applicable charges).

746-2.2.18. whether there are opportunities for out-of-court dispute resolution, and if so, the procedure.

746-2.2.19. if any, other contractual terms.

746-2.2.20. the name and address of the Central Bank.

746-2.3. It is prohibited to provide for a variable interest rate or allow increases in interest and other charges under a consumer loan agreement.

746-2.4. In cases where the bank account is credited, the lender shall periodically inform the consumer via statement on paper or another durable medium about:

746-2.4.1. the period covered by the statement.

746-2.4.2. the dates and amounts of crediting.

746-2.4.3. the balance from the previous statement and its date.

746-2.4.4. the new balance as of the current statement date.

746-2.4.5. the amounts and dates of payments made by the consumer.

746-2.4.6. the contractual interest rate.

746-2.4.7. any fees and other charges applied.

746-2.4.8. if applicable, the minimum amount payable.

746-2.5. A consumer loan agreement may also be concluded remotely, without the simultaneous physical presence of the lender and consumer, using one or more communication means, including at the time of concluding the agreement, in accordance with Article 406.3 of this Code.

746-2.6. Other requirements for the remote conclusion of a consumer credit agreement shall be determined by the Central Bank of the Republic of Azerbaijan.

Article 746-3. Consumer's right to withdraw from a consumer loan agreement

746-3.1. The consumer may withdraw from a consumer loan agreement without giving any reason within 30 (thirty) days from the date the loan amount is provided. In such a case, the consumer should repay the loan amount and the interest accrued on that amount from the day it was provided until the day of repayment. Except for state fees and service charges paid by the lender, it is not permitted to collect any compensation or other payments from the consumer.

746-3.2. If the consumer exercises the right under Article 746-3.1, any additional service agreements concluded with the lender or third parties providing services under the loan agreement shall be terminated, and the consumer shall bear no obligations under such agreements.

Article 746-4. Early implementation of a consumer loan agreement

746-4.1. The consumer may at any time fully or partially repay the consumer loan without prior notice. In this case, interest and/or other charges calculated for the remaining term of the credit shall be proportionally reduced according to the amount repaid early.

746-4.2. During premature repayment, the lender may demand compensation from the consumer for loss in accordance with this Code, considering the provisions of Article 746-4.

746-4.3. Compensation amount under Article 746-4.2 may not exceed 1% of the early repaid amount if more than 1 year remains until the end of the agreement, and 0.5% if one year or less remains.

746-4.4. Compensation may not be claimed in the following cases:

746-4.4.1. when premature repayment occurs under an insurance agreement concluded in connection with the agreement.

746-4.4.2. in cases of crediting a bank account.

746-4.5. If, within the last twelve months, the total early repaid amount of the consumer loan exceeds forty times the minimum monthly wage established nationwide, the lender may claim higher compensation (proportionate to the actual loss) by proving the loss in court or through a separate

agreement with the consumer after the loss occurs. In this case, the lender's loss is the difference between the interest rate under the credit agreement and the interest rate of a credit of the same type lent at the time of early repayment.

746-4.6. In all cases, the compensation amount may not exceed the interest calculated at the annual rate for the period between the date of premature repayment and the agreement's maturity date.

Article 746-5. Other features of consumer loan agreements

746-5.1. (Except in cases specified in Articles 746-3 and 746-4), the lender may not charge the consumer any fee for making payments under the agreement, or providing information to the consumer (subject to the requirements of Article 746-2.2.17).

746-5.2. If interest (delinquency interest) is stipulated for delayed payments under a consumer loan agreement, the amount of such interest may not exceed the amount calculated by adding five percentage points to the annual interest rate specified in the consumer loan agreement. In this case, no additional delinquency charges (fines, penalties), commissions, or any other form of payment may be demanded. The calculation of delinquency interest may not continue for more than 180 days. If the damage suffered by the lender exceeds the amount of the delinquency interest, the lender may demand that the consumer compensate the portion of the damage exceeding that amount.

746-5.3. Article 742.5.3 of this Code shall apply to cases of the loss or decrease in value of the security for a consumer loan obligation only on the condition that, after the lender has made a demand, the consumer has not replaced the security or provided additional security within two months

746-5.4. Any ambiguities or conflicts in the consumer loan agreement should be interpreted in favor of the consumer.

746-5.5. Any expenses or fees not explicitly stated in the consumer loan agreement may not be demanded from the consumer.

746-5.6. A provision in a consumer loan agreement that allows the lender to unilaterally change any term of the consumer loan agreement shall be invalid. This rule shall not apply to situations that improve the consumer's position, including those that ease the consumer's debt burden.

Article 746-6. Connected/linked loan agreement

746-6.1. A connected loan agreement is a consumer loan agreement linked economically to the agreement on the purchase of goods or provision of services. Economic linkage exists if:

746-6.1.1. the lender uses the seller's or service provider's services to prepare or conclude the credit agreement.

746-6.1.2. the purchase of goods (supply of services) are explicitly specified in the credit agreement.

746-6.2. If the goods or services under the linked contract are not delivered, partially delivered, or delivered not in accordance with the purchase/service agreement, then the consumer shall have the right to suspend obligations under the linked credit agreement, and request a refund from the lender.

746-6.3. The consumer can exercise the rights specified in Article 746-6.2 of this Code only if:

746-6.3.1. the consumer requested fulfillment of the purchase/service agreement from the seller/service provider, and the conditions were not met within one month of the request.

746-6.3.2. the purchase and sale agreement was canceled due to goods being of inadequate quality, provided the consumer informed the lender.

746-6.3.3. the consumer returned the goods (services) received under a canceled purchase/service agreement, except if the cancellation was due to the seller/service provider failing to deliver.

746-6.4. Upon receiving a consumer request under Article 746-6.3, the lender should refund payments within 10 business days. The lender shall then have the right to claim these amounts and other costs from the seller/service provider.

746-6.5. The provisions on the supply of services in Article 746-6 of this Code also apply to relations concerning the performance of works.

Chapter 38

Leasing

Article 747. Leasing agreement

747.1. Under a leasing agreement, the lessor shall be obligated to transfer a specified item, for an agreed fee, for a defined period, and under other terms (including granting the lessee the right to purchase the property), to the lessee for use. The lessee shall be obligated to pay rent at specified intervals.

747.2. The lessor is obligated to prepare or acquire the property specified in the agreement.

747.3. Under a leasing agreement, the lessee may be assigned the obligation, or granted the right, to acquire or lease the leased asset after the agreement expires, provided that the agreement does not end with the full depreciation of the asset. When calculating the final value, the depreciation factor should be taken into account in all cases. If there is no relevant provision in the agreement, the lessee shall have the right to acquire the leased asset.

Article 747-1. Subjects of the leasing agreement

747-1.1. Subjects of the leasing agreement are the lessor, the lessee, and the seller (supplier).

747-1.2. The lessor is a legal entity or an individual who, under the leasing agreement, transfers an item, acquired using attracted or own financial resources and owned by the lessor, to the lessee as a leasing object for an agreed fee, for a specified term, and under specified conditions (including a provision on whether the ownership right transfers to the lessee), granting temporary possession or use.

747-1.3. The lessee is a legal entity or an individual who, in accordance with the leasing agreement, accepts the leasing object for an agreed fee, for a specified term, and under specified conditions for temporary possession and use.

747-1.4. The seller (supplier) is a legal entity or an individual who sells the leasing object to the lessor under a purchase and sale agreement.

747-1.5. In accordance with the procedure and cases established by this Code, any resident or non-resident of the Republic of Azerbaijan may be a subject of a leasing agreement.

Article 747-2. Object of leasing

The object of leasing shall consist of movable or immovable items classified as fixed assets under the legislation, except for items that are removed from civil circulation or whose civil circulation is restricted under the laws of the Republic of Azerbaijan.

Article 747-3. Forms of leasing

747-3.1. The main forms of leasing regulated by this Code are domestic leasing and international leasing.

747-3.2. In domestic leasing, both the lessor and the lessee are residents of the Republic of Azerbaijan.

747-3.3. In international leasing, the lessor or the lessee (or both) are non-residents of the Republic of Azerbaijan..

Article 747-4. Subleasing

747-4.1. Subleasing is formalized through a subleasing agreement.

747-4.2. In subleasing, the lessee under the original leasing agreement transfers the object received from the lessor to a third party (the sublessee under the subleasing agreement) for a fee and for the period specified in the subleasing agreement, granting possession and use.

747-4.3. When an item is transferred under a subleasing agreement, the right to claim against the seller shall pass to the sublessee.

747-4.4. The written consent of the lessor is mandatory for subleasing the leasing object.

Article 747-5. Legal form of leasing operations

747-5.1. The legal form of leasing operations is either a leasing agreement concluded between the lessor and the lessee, together with a purchase and sale agreement concluded between the lessor and the seller. or a tripartite agreement concluded among those persons in accordance with Article 747-5.2 of this Code and other articles related to leasing.

747-5.2. In addition to the conditions specified by this Code, the purchase and sale agreement concluded in connection with leasing should also specify the following:

747-5.2.1. The leasing object is acquired by the lessor specifically for the purpose of leasing.

747-5.2.2. Unless otherwise provided in the leasing agreement, the lessee shall enjoy the buyer's rights arising from the purchase and sale agreement concluded between the lessor and the seller regarding the leasing object.

Article 748. Leasing agreement form

748.1. A leasing agreement shall be concluded in written form.

748.2. The leasing agreement shall specify the following:

748.2.1. the form of leasing indicated in the title of the agreement.

748.2.2. a precise description of the leasing object.

748.2.3. the scope of rights granted with respect to the leasing object.

748.2.4. the place and manner of delivery of the leasing object.

748.2.5. the duration of the leasing agreement.

748.2.6. the procedure for accounting the leasing object on the balance sheet.

748.2.7. the procedure for maintenance and repair of the leasing object.

748.2.8. list of additional services to be provided by the lessor under the leasing agreement.

748.2.9. total amount of the leasing payments and the amount of the lessor's fee.

748.2.10. the payment schedule reflecting the settlement procedure, as well as the method of calculating leasing payments in cases of premature performance of the leasing agreement.

748.2.11. unless otherwise provided in the agreement, the parties' obligations to insure the leasing object against risks associated with the leasing agreement.

748.3. The leasing agreement should specify circumstances considered indisputable and clear breaches of the parties' obligations that constitute grounds for termination of the agreement, and necessarily include the procedure for settlements between the parties and for repossession of the leasing object.

748.4. The leasing agreement may provide the lessee with the right to extend the term of the agreement by maintaining or modifying its conditions.

Article 748-1. Rights and obligations of the participants in a leasing agreement

748-1.1. The lessor should deliver the leased property (the leasing object) to the lessee in line with the terms of the leasing agreement and in a condition suitable for its intended use.

748-1.2. When accepting the property, if the lessee discovers any defects, he should record this in the acceptance protocol and inform the lessor so that the lessor may pursue claims against the seller (a legal entity or an individual) to eliminate the defects.

748-1.3. The lessee may directly assert, against the seller of the leasing object, claims related to the quality and completeness of the object, delivery deadlines, and other requirements stipulated in the purchase and sale agreement between the seller and the lessor.

748-1.4. The lessor is not liable for defects that, at the time of concluding the leasing agreement, were agreed upon, previously known to the lessee, or could have been discovered by the lessee during inspection of the leasing object or verification of its operational condition when concluding the agreement.

748-1.5. Once the leasing agreement enters into legal force, the lessee (and respectively the lessor) shall have the right to demand performance of the obligations under the leasing agreement and, if such obligations are not fulfilled, to demand through court compensation for damages incurred during preparation for receipt of the leasing object, provided that direct expenses were incurred for such preparation.

748-1.6. If stipulated in the purchase and sale agreement, warranty service for the leasing object shall be provided by the seller.

748-1.7. Unless otherwise provided in the leasing agreement, the lessee shall perform technical maintenance and medium and routine repairs of the leasing object at his own expense. Major repairs of the leased property shall be carried out by the lessor unless otherwise specified in the agreement.

748-1.8. Upon termination of the leasing agreement, the lessee should return the leasing object to the lessor in the condition in which it was received, taking into account normal wear and tear (depreciation) or the wear conditions stipulated by the agreement.

748-1.9. If the lessee fails to return the leasing object or returns it late, the lessor shall have the right to demand payment for the delay period.

748-1.10. If the lessee, with the written consent of the lessor, improves the leasing object at his own expense, and such improvements cannot be removed without damaging the object, then after termination of the leasing agreement, unless otherwise provided in the agreement, the lessee shall have the right to demand compensation for the value of those improvements.

748-1.11. If the lessee improves the leasing object at his own expense without the written consent of the lessor, and such improvements cannot be removed without damaging the object, then after termination of the leasing agreement the lessee shall have no right to demand compensation for the value of those improvements.

748-1.12. The lessor shall have the right to reclaim, without dispute, monetary amounts and the leasing object, and thereby terminate the leasing agreement ahead of time, if:

748-1.12.1. the lessee uses the leasing object in a manner not consistent with the terms of the leasing agreement or with the object's intended purpose.

748-1.12.2. the lessee conducts subleasing without the lessor's permission.

748-1.12.3. the lessee fails to keep the leasing object in working condition, thereby impairing its consumer qualities.

748-1.12.4. the lessee fails to make payments for the use of the leasing object for more than two consecutive payment periods stipulated by the agreement.

748-1.13. Other rights and obligations of the participants in a leasing agreement shall be regulated by the Civil Code of the Republic of Azerbaijan.

Article 748-2. Property relations during leasing

748-2.1. The leasing object, which is transferred to the lessee for temporary possession or use, shall remain the property of the lessor.

748-2.2. Unless otherwise provided in the leasing agreement, the rights of possession and use of the leasing object shall be transferred to the lessee in full.

748-2.3. The lessor shall have the right to reclaim the leasing object from the possession and use of the lessee in the cases provided for in Article 748-1.11 of this Code and in the leasing agreement.

748-2.4. Improvements made to the leasing object by the lessee, if not otherwise stipulated in the leasing agreement, shall be the property of the lessee.

748-2.5. In financial leasing, ownership of the leasing object shall transfer to the lessee before the expiration of the contract term, provided all leasing payments have been made, unless the financial leasing agreement provides otherwise.

Article 748-3. Accounting of the leasing object

A leasing object transferred to the lessee under a financial leasing agreement shall, by mutual agreement of the parties, be recorded on the balance sheet of either the lessor or the lessee.

Article 748-4. Assignment and pledging of the leasing object to third parties

748-4.1. The lessor may assign their rights under the leasing agreement to a third party, in whole or in part.

748-4.2. For the purpose of obtaining financial resources, the lessor may use the leasing object to be received under the terms of the leasing agreement as a pledge.

Article 748-5. Registration of property that is the object of a leasing agreement

Rights in property that is the object of a leasing agreement shall be registered with the relevant public authority in cases provided for by this Code and in accordance with this Code and other normative legal acts.

Article 748-6. Insurance of the leasing object and entrepreneurial (financial) risks

748-6.1. Unless otherwise provided in the leasing agreement, the seller shall insure the leasing object against the risks of loss (destruction), defects, or damage from the moment the property is delivered to the lessor until the expiration of the leasing agreement.

748-6.2. Entrepreneurial (financial) risks may be insured by agreement of the parties to the leasing agreement.

748-6.3. The obligations of the insurer, the party deriving profit, and the insurance term shall be determined by the leasing agreement.

748.6.4. The lessee shall insure, in cases determined by the legislation of the Republic of Azerbaijan, his liability for damages caused to the life, health, or property of third parties during the use of the leasing object.

748-6.5. The lessee shall have the right to insure, in favor of the lessor, the risk of his liability arising from a breach of the leasing agreement.

Article 748-7. Risk allocation between the parties to a leasing agreement

748-7.1. Unless otherwise provided in the leasing agreement, the lessee shall bear responsibility for protecting the leased property from all types of damage, including destruction, loss, deterioration, looting, premature wear, errors during installation or use, and risks arising during operation, from the moment of actual receipt of the leasing object.

748-7.2. Unless otherwise provided in the leasing agreement, the party that selected the seller shall bear the risk related to the seller's insolvency.

748-7.3. Unless otherwise provided in the leasing agreement, the party that selected the leasing object shall bear the risk arising from the leasing object's unsuitability for the intended purposes under the leasing agreement.

Article 748-8. Third-party claims directed at the leasing object

748-8.1. Third-party claims arising from the obligations of the lessee may not be directed at the leasing object.

748-8.2. Third-party claims directed at the property of the lessor may only apply to the leasing object to the extent of the lessor's ownership rights in it. If the claim is enforced and a third party acquires the lessor's rights, both the rights and obligations of the lessor under the leasing agreement shall be mandatorily transferred to that third party.

Article 748-9. Lessee's obligations in case of loss of the leasing object

Unless otherwise provided in the leasing agreement, the loss of the leasing object or the loss of its functional capability due to the fault of the lessee shall not release the lessee from his obligations under the leasing agreement.

Article 748-10. Leasing payments

748-10.1. During the term of the leasing agreement, the total amount of payments under the agreement shall constitute leasing payments. Leasing payments are those made by the lessee in favor of the lessor for the use of the leasing object provided under the leasing agreement.

748-10.2. The amount, method, form, and frequency of leasing payments shall be carried out in accordance with the leasing agreement, taking into account the provisions of this Code.

748-10.3. If settlements of leasing payments between the lessee and the lessor are made using products produced by the leasing object (in kind), the value of such products shall be determined by agreement of the parties and recorded in the leasing agreement.

748-10.4. Unless otherwise specified in the leasing agreement, the lessee's obligation to make leasing payments shall arise from the time the lessee begins using the leasing object.

748-10.5. The leasing agreement may provide a grace period of up to 6 months (180 days) from the start of the use of the leasing object for the payment of leasing fees.

748-10.6. Leasing payments shall be transferred directly to the account of the lessor.

Article 748-11. Total amount of leasing payments

748-11.1. The total amount of leasing payments shall include the following:

748-11.1.1. Depreciation payments for the leasing object.

748-11.1.2. Necessary costs associated with acquiring the leasing object.

748-11.1.3. Interest on loans taken to acquire the leasing object.

748-11.1.4. The lessor's fee.

748-11.1.5. If the leasing object is insured by the lessor, the insurance premium paid.

748-11.1.6. Fees for additional services provided by the lessor.

748-11.1.7. Other expenses of the lessor stipulated in the leasing agreement.

748-11.2. Amounts included in leasing payments should be substantiated by the lessor with the appropriate documentation.

Article 748-12. Right to inspect the leasing agreement

748-12.1. The lessor shall have the right to monitor the lessee's compliance with the conditions related to the leasing object specified in the leasing agreement.

748-12.2. The purpose and procedure for such inspections shall be set forth in the leasing agreement.

748-12.3. The lessee shall ensure that the lessor has unhindered access to, and the opportunity to review, financial documents related to the leasing and the leasing object.

Article 748-13. Lessor's right of financial control

748-13.1. The lessor shall have the right to exercise financial control over the lessee's fulfillment of obligations related to the leasing object under the leasing agreement.

748-13.2. Purposes and procedures of financial control shall be provided for in the leasing agreement.

748-13.3. The lessor shall have the right to send written requests to the lessee to obtain information necessary for financial control, and the lessee shall be obliged to respond to such requests.

748-13.4. If the lessee fails to fulfill his obligations for leasing payments, the lessor shall have the right to take measures aimed at securing the obligations in accordance with this Code and the leasing agreement.

Article 749. Lessor's liability

749.1. In accordance with the rules of lease agreements, the lessor shall be liable to the lessee for delays in delivery, failure to deliver, or delivery of defective property.

749.2. The parties may agree that the lessee should first require performance from the party delivering the property before making claims against the lessor.

Article 750. Lessee's liability

If the leasing agreement is terminated early due to the fault of the lessee, the lessor may not make claims unrelated to the fulfillment of his own interests. When determining claims, the residual value of the leased property, outstanding interest on lease payments, and other saved expenses shall be taken into account.

Article 751. Other rules applicable to leasing

The provisions of the property lease agreement that do not contradict Articles 747–750 of this Code shall apply to leasing.

Chapter 39

Sub/contracting

Article 752. Sub/contracting agreement

752.1. Under a contracting agreement, the contractor shall undertake to perform the work specified in the agreement, and the customer to pay the agreed remuneration to the contractor.

752.2. If the agreement involves the production of any goods and the contractor produces them using materials acquired by himself, ownership of the finished goods shall be transferred to the customer. If the goods are exchanged items, the rules of sale and purchase shall apply.

752.3. Preparation of estimates related to the agreement shall not be remunerated unless otherwise specified in the agreement.

Article 753. Agreement on remuneration

753.1. The customer shall be obliged to pay the contractor the agreed remuneration. If, under the circumstances, the agreement can only be performed in exchange for remuneration, it is considered that the remuneration has been agreed upon by tacit consent. If the amount of remuneration is not specified, the ordinary remuneration shall be deemed to be agreed. Once the agreed remuneration is paid, all work included in the scope of the agreement shall be deemed paid.

753.2. If the basis for remuneration for performing the work stipulated in the agreement changes due to customer's instructions after the agreement is concluded, a new price should be agreed upon, taking into account any increase or decrease in value.

753.3. If the customer requests work not provided for in the agreement, the contractor has the right to receive separate remuneration for performing such work. If the customer does not agree that additional work can only be performed for separate remuneration, the contractor should inform the customer about the right to separate remuneration before starting the work.

753.4. The work not stipulated in the agreement and not required by the customer shall not be remunerated. If required, the contractor shall remedy results of such work. If the contractor fails to do so within a reasonable period, the customer may remedy it at the contractor's expense. In addition, the contractor shall be liable to the customer for all other damages.

Article 754. Consequences of deviating from the approximate estimate

754.1. If the contractor significantly exceeds the approximate estimate, he may demand only the agreed remuneration, except in cases where the additional cost could not have been foreseen in advance.

754.2. The contractor shall promptly inform the customer of such a deviation from the approximate estimate that could not have been foreseen at the time the agreement was concluded. If the customer terminates the agreement due to the deviation from the estimate, he shall be obliged to pay for the completed work according to the approximate estimate.

Article 755. Obligation to perform the work personally

The contractor shall be obliged to perform the work personally only in cases where this requirement arises from the agreement, specific circumstances, or the nature of the work.

Article 756. Customer's obligation to compensate for damage

756.1. If the customer does not accept the completed work, the contractor may demand payment for the unfinished part of the work and compensation for damages. The customer shall also be obliged to compensate for damages if he fails to perform the actions necessary for the completion of the work.

756.2. The amount of compensation shall be determined, on the one hand, depending on the duration of the delay and the amount of the remuneration, and on the other hand, depending on what the contractor could have earned by using his labor force in another manner if the customer had not violated the deadline.

Article 757. Contractor's pledge right over a movable item developed by the contractor

If a movable item belonging to the customer is in the contractor's possession for the purpose of preparation or repair, the contractor may use a right of pledge over that item as security for his claims.

Article 758. Mortgage rights over land plots under construction

If the subject of the agreement is a building or its individual parts, the contractor may, based on his claims arising from the agreement, demand a mortgage over the land plot belonging to the customer on which the building is being constructed.

Article 759. Termination of the agreement for work

759.1. The customer may withdraw from the agreement at any time before the work is completed, but should pay the contractor for the work performed and compensate for damages caused by the termination of the agreement.

759.2. If the agreement is terminated for a reason directly caused by the contractor's actions (or inaction) or related to such actions, the contractor may claim only remuneration for the work performed, provided that the customer has some interest in that work.

Article 760. Termination of the agreement at the contractor's initiative

760.1. If the agreement is terminated by the contractor for a reason not directly caused by the customer's actions and not related to such actions, the contractor shall terminate the agreement in such a manner that the customer can obtain the work elsewhere under equal or more favorable conditions. In such a case, the contractor may demand payment for the work performed, provided that the customer has some interest in the work already completed.

760.2. If the agreement is terminated by the contractor for a reason directly caused by or related to customer's actions (or inaction), the contractor may demand payment for the work performed and compensation for damages caused by the termination of the agreement.

Article 761. Contractor's right to demand part of the remuneration – *deleted*.

Article 762. Obligation to perform the works agreement without defects

762.1. The contractor shall perform the work for the customer in such a way that the result is free from defects, as well as from third-party rights or claims.

762.2. The result shall be considered free from defects if it conforms to the agreed quality. If no quality was agreed upon, the result shall be considered free from defects if it is suitable for use in accordance with the agreement or for ordinary use.

762.3. If the contractor provides a result different from the one ordered or performs the work in insufficient quantity, this is treated as a defect, unless it is clearly possible to accept it as proper performance.

762.4. The result shall be considered free from third-party rights and claims if no third party can assert any rights against the customer.

Article 763. Additional performance claim in case of defects

763.1. If the product has a defect, the customer may demand additional performance. The contractor may choose either to eliminate the defect or produce a new product.

763.2. For the purpose of additional performance, the contractor shall cover additional costs for labor and materials, including transportation expenses. If additional performance requires disproportionate expenses, the contractor may refuse it.

763.3. If the contractor produces a new product, he may require the customer to return the defective one.

Article 764. Remedying the product's defect by the customer

764.1. If the contractor does not refuse additional performance despite disproportionate costs, but the period set for additional performance expires without result, the customer may remedy the defect himself and demand reimbursement of the expenses incurred.

764.2. The customer may demand an advance from the contractor to cover necessary costs of eliminating the defect.

Article 765. Withdrawal from the agreement due to a product defect

If, due to a defect in the product, the defect is not completely eliminated after the period set for additional performance expires, the customer may withdraw from the agreement. In this case, the contractor shall be obliged to compensate the customer for the expenses related to the agreement.

Article 766. Reduction of remuneration due to product defects

If, after the expiry of the period set for additional performance, the customer does not accept the additional performance and does not declare withdrawal from the agreement, he may reduce the remuneration amount by the amount that the defect diminishes the product value.

Article 767. Performance of the work using the contractor's materials

767.1. If the contractor performs the work using own materials, he shall be liable for defective materials.

767.2. The contractor shall be liable for improper use of customer's materials. The contractor shall provide the customer with an account of how the materials were used and return any remaining materials to the customer.

Article 768. Contractor's duty to inform the customer in a timely manner

768.1. The contractor shall inform the customer in a timely manner when:

768.1.1. the material received from the customer is defective or unusable.

768.1.2. following the customer's instructions would result in a weak or unusable product.

768.1.3. any other circumstances beyond the contractor's control pose a threat to the strength or usability of the product.

768.2. If, despite the contractor's timely warning, the customer does not replace the defective or unusable material within the appropriate period, does not modify the instructions regarding the manner of performance, or does not eliminate other circumstances that could harm the product's usability and durability, the contractor may withdraw from the agreement and demand compensation for the damages caused.

Article 769. Payment of remuneration for completed work

If the agreement does not provide for installment payments of the remuneration, the customer shall pay the contractor's remuneration after the work has been completed.

Article 770. Acceptance of completed work

If, under the agreement or due to the nature of the work, acceptance is required, the customer shall be obliged to accept the completed work. Upon acceptance, the customer shall pay the remuneration. If the customer does not accept the work within the period determined by the contractor, the work shall be deemed accepted.

Article 770-1. Payment of the purchase price (remuneration) in contractor relations arising from the alienation of shares connected to components located on the land plot of an unfinished building

770-1.1. In contractor relations arising from the alienation of shares connected to components located on the land plot of an unfinished building, payment of the purchase price (remuneration) may be demanded only if:

770-1.1.1. the agreement specified in Article 144-1.4 of this Code has been notarized.

770-1.1.2. a security record in favor of the acquirer has been entered in the state register of real estate regarding the shares connected to the components located on the land plot of the building.

770-1.2. The conditions specified in Article 770-1.1 of this Code shall also apply in cases where the contractor, acting as the seller, undertakes obligations regarding the transfer of ownership rights to the shares connected to components located on the land plot of an unfinished building.

770-1.3. If the agreements referred to in Articles 770-1.1 and 770-1.2 of this Code do not provide for separate stages or parts, payment of the purchase price (remuneration) may be made in stages according to the construction phases, without exceeding the percentages listed below:

770-1.3.1. after commencement of excavation and earthworks – 30% of the contractual amount.

770-1.3.2. after completion of building's exterior and interior walls and roof covering – 10% of the contractual amount.

770-1.3.3. after completion of roof surface and gutter installation – 8% of the contractual amount.

770-1.3.4. after completion of heating system installation – 3% of the contractual amount.

770-1.3.5. after completion of water line installation – 3% of the contractual amount.

770-1.3.6. after completion of electrical line installation – 3% of the contractual amount.

770-1.3.7. after completion of window installation (including glass fitting) – 10% of the contractual amount.

770-1.3.8. after completion of interior plastering (finishing) works – 6% of the contractual amount.

770-1.3.9. after completion of floors in areas serving more than one component in a building with multiple components – 3% of the contractual amount.

770-1.3.10. after completion of facade works – 10% of the contractual amount.

770-1.3.11. after completion of construction of objects serving the building but built separately, including the water reservoir – 9% of the contractual amount.

770-1.3.12. after the building is fully completed and an operating permit has been issued – 5% of the contractual amount.

770-1.4. The provisions of this Code regarding the sale of immovable property shall apply accordingly to purchase and sale agreements for shares connected to components located on the land plot of an unfinished building.

Article 771. Contractor's liability for the destruction of the customer's property

The contractor shall be liable for the destruction or damage of the customer's property if such destruction or damage occurs due to the contractor's negligence.

Article 772. Contractor's risk

772.1. The risk of accidental destruction or damage of the completed work shall remain with the contractor until the work is delivered to the customer. Upon delivery of the work to the customer, the risk of accidental destruction or damage shall pass to the customer. The customer's delay in accepting the work shall be considered equivalent to delivery.

772.2. The risk of accidental destruction or damage of materials shall fall on the party that supplied the materials.

Article 773. Consequences of accepting a defective product

If the customer knowingly accepts a product that is defective without raising any claims, he shall not acquire any rights regarding those defects.

Article 774. Warranty period

If the contractor has undertaken an obligation to provide a warranty period for the product, any defect discovered during the validity of that warranty shall give rise to corresponding rights.

Article 775. Consequences of the contractor's intentional concealment of a defect

If the contractor intentionally conceals a defect, he cannot rely on any agreement that excludes or limits the customer's rights related to the defect.

Article 776. Limitation period for claims under the contract for work

776.1. The customer may bring a claim regarding defects in the work within one year from the date the work was accepted, and a claim relating to a building within five years.

776.2. If the work is accepted in parts under the agreement, the limitation period for claims regarding defects begins on the date the work as a whole is accepted.

Chapter 40

Mandate

Article 777. Mandate agreement

777.1. Under a mandate agreement, the person who undertakes to perform the mandate (the agent) assumes the obligation to carry out transactions, tasks, or other services entrusted to him by another person (the principal), without guaranteeing the achievement of a specific result.

777.2. A mandate agreement may be concluded either verbally or in writing. The agreement enters into force once the agent accepts the mandate.

777.3. *Deleted.*

777.4. Pursuant to this Code, the legislation on mandate agreements shall apply only subsidiarily (as a supplementary mechanism) to agreements of any other typ, including agreements for services.

Article 778. Content of the mandate

778.1. The agent shall perform the mandate in good faith, and in doing so shall protect legitimate interests of the principal.

778.2. Where the specific content of the mandate is not expressly indicated, it shall be determined by the nature of the transactions to be concluded or the services to be supplied. For example, the mandate shall specify the authority to perform legal acts necessary for its execution. Provisions relating to representation of third parties shall remain applicable.

778.3. If the principal has given instructions concerning the execution of the mandated transaction, the agent may depart from those instructions only if, given the circumstances, it shall be impossible to obtain approval, and in addition, if there are grounds to assume that the principal, had he been aware of the situation, would have permitted such a deviation. If the agent departs from principal's instructions without such grounds and to the detriment of the principal, the agent shall compensate the damage caused.

Article 779. Liability of the agent

779.1. The agent shall be liable for damage caused to the principal as a result of failing to perform the mandate with sufficient good faith, whether intentionally or through negligence. Under a gratuitous mandate agreement, the agent shall be liable for damage caused to the principal due to failure to perform the mandate with sufficient good faith only if such failure is intentional or the result of gross negligence.

779.2. The degree of good faith for which the agent is accountable shall be determined by the nature of the mandate, taking into account the following:

779.2.1. risks associated with professional activity and specialised knowledge required for the performance of the mandate.

779.2.2. abilities and qualities of the agent known or expected to be known to the principal.

Article 780. Agent's personal obligations. Liability to third parties

780.1. The agent shall perform the mandate personally, except where:

780.1.1. the principal has authorised the agent to entrust performance to third parties.

780.1.2. delegation of performance to third parties arises from the circumstances.

780.1.3. such delegation is consistent with accepted business practice.

780.2. If the agent, without having the authority to do so, has entrusted the performance of the transaction or the rendering of services to a third party, the agent shall be liable for the acts of that person as if they were the agent's own acts.

780.3. If the agent, having the authority to do so, has entrusted the performance of the transaction or the rendering of services to a third party, the agent shall be liable only for exercising the necessary level of good faith in the selection and instruction of that third party, unless otherwise provided in the agreement or required by the circumstances.

780.4. In all cases, the principal may bring claims that the agent has against the third parties directly against those third parties.

Article 781. Duty to provide information and report to the principal

The agent shall, at any time upon the principal's request, provide information on the progress of the mandate's execution and, after the execution of the mandate, submit a report.

Article 782. Duty to deliver the results of the mandate

782.1. The agent shall deliver to the principal everything obtained as a result of the execution of the mandate.

782.2. The agent shall be required to calculate interest on the amount of money he delays delivering.

782.3. If, on behalf of the principal but in the agent's own name, the agent has acquired claims against third parties at the principal's expense, those rights shall transfer to the principal only after the principal has fulfilled all obligations arising from the mandate agreement.

782.4. If the agent is insolvent, the principal may, while preserving the agent's right of retention, demand the delivery of movable property acquired by the agent in the agent's own name but at the principal's expense.

Article 783. Reimbursement of the agent's expenses and remuneration

783.1. The principal shall reimburse the agent for the expenses incurred in good-faith performance of the mandate, including interest, and release the agent from any obligations undertaken for this purpose.

783.2. The principal shall be required to pay remuneration to the agent only if it has been agreed upon or is deemed to have been agreed, particularly in cases where, given the circumstances, the agent shall conclude such transactions or provide such services as part of an independent professional activity.

783.3. If, in the circumstances specified in Article 783.2 of this Code, the amount of remuneration has not been determined, the remuneration stipulated shall be the tariff rate, if a tariff exists. if no tariff exists, the remuneration customary at the agent's place of business.

Article 784. Liability of the principal

The principal shall be liable to the agent for damage suffered by the agent in the course of executing the mandate, unless the principal proves that the damage did not arise through the principal's fault.

Article 785. Liability of multiple persons under the mandate agreement

785.1. If the mandate has been given jointly by several persons, they shall jointly be liable to the agent.

785.2. If the mandate has been jointly accepted for performance by several persons, they shall be jointly liable and may bind the principal only through joint action, unless they have been authorised to delegate the performance of the mandate to third parties.

Article 786. Termination of the mandate agreement

786.1. Either party to a mandate agreement may terminate it at any time. If the agreement is onerous, the party giving notice of termination shall compensate the other party for the damage incurred as a result of the termination, unless the terminating party proves that the termination occurred directly due to the conduct of the other party or is connected with such conduct.

786.2. Unless otherwise provided in the agreement or required by the nature of the mandate, the mandate agreement shall terminate upon the death, loss of legal capacity, or declaration of insolvency of either the principal or the agent.

786.3. If termination of the mandate agreement under Article 786.2 of this Code, or termination by the agent without fault on the part of the principal, results in a threat to the protection of principal's interests, the agent, his/her heirs, or his/her representatives shall ensure the continuation of the mandate relationship until the principal, his/her heirs, or his/her representatives are able to continue such legal relations themselves.

786.4. The principal or his/her heirs remain bound by the obligations arising from the transactions performed by the agent before the agent becomes aware of the termination of the mandate agreement, to the same extent as if the agreement had not been terminated.

786.5. If the agreement is terminated by the agent for a reason directly caused by, or connected with, the conduct of the principal, the agent may claim remuneration for the work performed.

786.6. If the agreement is terminated by the agent for a reason not directly caused by, or connected with, the conduct of the principal, the agent may claim remuneration for the work performed only if the principal has some interest in the work completed.

Chapter 41

Brokerage

Article 787. Definition of a broker agreement

787.1. Under a broker agreement, the broker is tasked with providing intermediary services to the client in exchange for remuneration.

787.2. Unless otherwise provided by the provisions of this chapter of the Code, the rules on mandate agreements shall apply to broker agreements.

Article 788. Broker's right to receive remuneration. Reimbursement of expenses

788.1. The broker shall have the right to receive remuneration after an agreement is concluded as a result of his intermediary services or assistance. If the agreement is concluded subject to a suspensive condition, remuneration may only be claimed once that condition occurs.

788.2. Reimbursement of broker's expenses shall be paid only if separately agreed. This shall also apply in cases where the agreement is not concluded.

788.3. If the broker has provided services to another participant in a manner contrary to the broker agreement, or has agreed to receive remuneration from another party in violation of the principle of good faith, his right to remuneration and reimbursement of expenses shall be excluded.

42-ci Chapter

Commercial representative (agent)

Article 789. Agreement on a commercial representative (agent)

789.1. Under an agreement on a commercial representative, a person engaged in independent professional activity (the commercial agent) shall be granted a long-term mandate to provide intermediary services, and/or conclude, on behalf of and for the account of any manufacturer, industrialist, or merchant (the principal), agreement for the purchase and sale of goods, as well as agreements on the provision of services (commercial transactions).

789.2. Both individuals and legal entities may act as commercial agents. The following shall not be considered commercial agents:

789.2.1. persons engaged in intermediary activity or concluding transactions incidentally.

789.2.2. persons working on commercial and commodity exchanges.

789.2.3. persons employed under a labor agreement with the principal.

789.3. The agreement on a commercial representative shall be concluded in writing.

789.4. Obligations not regulated by the agreement shall be governed by this Code and, additionally, by commercial practices in the place where the commercial representative operates.

Article 790. Duties of the commercial agent

790.1. The general duties of a commercial agent shall arise from Article 778 of this Code.

790.2. The commercial agent shall:

790.2.1. endeavor, as an intermediary, to conclude or assist in concluding agreements for the principal, and work towards the optimal increase in the number of the principal's clients.

790.2.2. notify the principal of all orders and/or concluded agreements.

790.2.3. provide the principal with all necessary information in the agent's possession.

790.2.4. comply with the principal's reasonable instructions.

790.2.5. obtain the principal's prior consent before offering, on the agent's own account or on the account of another principal, goods or services similar to those of the principal.

790.3. The contract may impose additional duties on the commercial agent, including:

790.3.1. provide regular reports on specific matters.

790.3.2. achieve a minimum turnover (quota) regarding orders or agreements.

790.3.3. when necessary and for additional remuneration, store and dispatch goods on behalf of the principal and collect amounts due from principal's debtors.

790.4. The commercial agent shall guarantee the performance of agreements by clients on behalf of the principal only when:

790.4.1. the guarantee is expressly provided in writing in advance.

790.4.2. the guarantee specifically applies to a certain agreement or, with clients identified in advance, to several agreements.

790.4.3. separate remuneration for assuming the guarantee is agreed upon, and the payment of this remuneration to the commercial agent is due immediately after the agreement with the client is concluded. Any agreements contrary to this shall be invalid.

Article 791. Duties of the principal

791.1. The principal shall act in good faith with respect to the commercial agent. He shall:

791.1.1. provide the commercial agent with the necessary information concerning the principal's goods and services, operational procedures, and prices.

791.1.2. supply the commercial agent with all information necessary for performing the agreement on the commercial representative, including promptly notifying the agent where it is foreseeable that the volume of commercial transactions will be significantly less than the commercial agent could reasonably expect.

791.1.3. notify the commercial agent within a reasonable time regarding the acceptance, rejection, or non-performance of any commercial transaction proposed by the agent as intermediary.

791.1.4. pay remuneration to the commercial agent.

791.2. The agreement may also specify other duties of the principal, including respecting the commercial agent's exclusive rights (~~monopoly right~~) if so established.

Article 792. Remuneration of the commercial agent

792.1. The commercial agent shall be entitled to a fixed monthly remuneration and/or remuneration dependent on the turnover or volume of agreements (commission remuneration).

792.2. Remuneration shall be calculated in accordance with the agreement. If it is not regulated by the agreement, the commercial agent shall be entitled to remuneration equal to the

one accepted under business practices for the goods presented by the agent or similar goods. If no business practices exist, any party to the agreementmay apply to the court for determination of a reasonable remuneration, taking all circumstances into account.

792.3. Article 793 of this Code shall apply in cases where remuneration is entirely or partially based on commission principles.

Article 793. Commission remuneration of the commercial agent

793.1. The commercial agent shall be entitled to commission remuneration for:

793.1.1. all commercial transactions concluded during the term of the agreement concerning the commercial agent, either as a result of agent's activities or with persons previously engaged as clients by the agent for the purpose of similar transactions.

793.1.2. all transactions concluded with clients in a specific geographic area or with a specific group of clients, if the agent has *exclusive* rights for that area or group.

793.1.3. commercial transactions concluded after the expiry of the agreement concerning the commercial agent, provided that the transaction arises from agent's activities during the agreement term or within a reasonable period thereafter, or that the client's order was received while the contractual legal relationship with the agent or principal was still in effect.

793.2. If a commercial transaction is concluded as a result of the activities of multiple commercial agents, they shall share the commission remuneration proportionally according to the influence each had on the conclusion of the transaction.

793.3. The commercial agent's right to claim commission arises after the principal has fulfilled, or should have fulfilled, its obligations under the agreement with the third party. The claim for commission shall arise no later than the moment the third party fulfills, or should fulfill, its contractual obligations after the principal has performed its obligations.

793.4. If it is certain that the agreement between the principal and a third party will not be performed, and non-performance is not due to the principal's fault, the right to claim commission shall be excluded. If the commercial agent has already received commission for such an agreement, they shall be obliged to return it.

793.5. In the month following the end of each calendar quarter, the principal shall provide the commercial agent with an account of the commission due for that quarter. The account shall contain all necessary information to verify the amount and payment timing of the commission.

793.6. Commission for each quarter shall be paid no later than one month after the end of the quarter.

793.7. The timing of providing accounts and payment of commissions in accordance with Articles 793.5 and 793.6 may be shortened or extended by agreement of the parties, provided that the extension does not exceed six months.

793.8. The commercial agent shall have the right to review all documents of the principal, including accounting records necessary for the calculation of commission remuneration.

Article 794. Duration and termination of the commercial agent agreement

794.1. Legal relations under a commercial agent agreement shall terminate at the end of the period specified in the agreement, unless the agreement explicitly limits its duration. However, if the commercial agent continues his activities with the principal's tacit or express consent, or if

a new agreement is concluded after the original one, the agreement shall be deemed concluded for an indefinite term from the outset.

794.2. An agreement concluded for an indefinite term may be terminated by either party upon giving notice within a reasonable period. The reasonable period shall be at least one month during the first year, at least two months during the second year, and three months if the agreement has been in force for more than two years. If a fixed-term agreement is converted into an indefinite-term agreement in accordance with Article 794.1, the notice period shall be calculated based on the entire duration of the agreement.

794.3. The parties to the agreement may agree on a longer notice period for termination. This notice period for termination shall be the same for both the principal and the commercial agent.

Article 795. Termination of the commercial agent agreement due to extraordinary circumstances

795.1. Either party to a commercial agent agreement may terminate the agreement at any time without observing the notice period if:

795.1.1. the other party significantly breaches its duties, and, after receiving written notice specifying the breach, continues to fail to perform its obligations after the specified period has elapsed.

795.1.2. other extraordinary circumstances occur for which neither party is responsible, and such circumstances make it no longer reasonable for the party giving notice to maintain the contract in force.

795.2. Claims by either party for compensation for damages caused by the other party's breach of duties shall remain valid notwithstanding termination under this Article.

Article 796. Compensation for clients

796.1. After termination of the agreement, the commercial agent shall be entitled to compensation for clients he has attracted, provided that:

796.1.1. he has attracted new clients for the principal or significantly increased the volume of transactions with existing clients.

796.1.2. the principal can continue to benefit from advantages arising from Article 796.1.1.

796.1.3. the termination of the agreement causes the commercial agent to lose commission remuneration.

796.2. The maximum amount of compensation shall be limited to the annual remuneration. The annual remuneration of the commercial agent shall be calculated as the average remuneration over the last years (up to 5 years) preceding the termination of the agreement.

796.3. Compensation shall not be paid when:

796.3.1. the agreement is terminated due to the fault of the commercial agent.

796.3.2. the commercial agent terminates the contractual relationship on personal grounds.

796.3.3. the commercial agent assigns the rights and obligations arising from the agreement to any third party with the consent of the principal.

Article 797. Compensation for damages

Upon termination of the contractual relationship, the commercial agent may also claim compensation for damages resulting from the principal's unlawful or improper alteration or termination of the contractual relationship, except in cases provided for in Article 796 of this Code.

Article 798. Consequences of the commercial agent's death

In the event of the commercial agent's death, his heirs may claim compensation for clients.

Article 799. Non-competition after termination of the commercial agent agreement

The commercial agent may undertake not to compete with the principal after the termination of the agreement. Such non-competition shall be valid only if (i) it applies to the territory, persons, and types of goods in which the commercial agent had representation rights. (ii) it is limited to a maximum period of two years from the date of termination of the contractual relationship.

Chapter 43

Commercial Concession

Article 800. Concession agreement

800.1. A concession agreement is a general agreement (standard form agreement) between a manufacturer or merchant (the principal) and a person engaged in independent professional activity (the concessionaire), under which the concessionaire undertakes to:

800.1.1. purchase certain goods (contractual goods) from the principal periodically.

800.1.2. resell those goods to third parties in their own name and at their own expense.

800.1.3. when doing so, sell the contractual goods within certain territories and/or to certain clients (contractual territory and contractual clients). The principal shall grant the concessionaire exclusive rights to sell the goods (~~monopoly right~~), while the concessionaire shall guarantee the sale of principal's goods under his control.

800.2. Unless otherwise provided in the agreement, the concessionaire shall have no right to sell the contractual goods outside the contractual territory or to clients other than the contractual clients.

800.3. A simple purchase for resale cannot form the basis of a concession agreement. Regular commercial dealings also cannot form the basis of a concession agreement.

Article 801. Application of provisions on commercial agents to concession agreements

801.1. Unless otherwise agreed, Articles 789.3, 790.2.3–790.2.5, and 791.1.1–791.1.3 of this Code shall apply to legal relations between the concessionaire and the principal.

801.2. Subject to the following conditions, Articles 794–798 of this Code shall also apply to legal relations under a concession agreement:

801.2.1. mutual notice periods for termination under Article 794.2 are extended by three months.

801.2.2. for the purpose of calculating compensation under Articles 796.1 and 796.2, the remuneration potentially due to the concessionaire is based on the performance of duties corresponding to those of a commercial agent.

801.3. In other cases, compensation shall be paid only if:

801.3.1. at the time of termination of the agreement, the principal is aware of the client base increased or expanded by the concessionaire and is able to supply goods to those clients in the volume previously supplied by the concessionaire.

801.3.2. the concessionaire is no longer using the clients for the sale of competing goods.

Article 802. Relationship between the standard concession agreement and purchase and sale agreement

802.1. Relations between the principal and the concessionaire shall be governed by the standard (uniform) agreement. In addition to the provisions arising from Article 800.1 of this Code, the standard agreement may provide that the concessionaire shall:

802.1.1. maintain a certain trade/service establishment.

802.1.2. employ the necessary staff.

802.1.3. perform repairs of sold goods.

802.1.4. participate in staff training and advertising activities.

802.1.5. always keep a certain quantity of goods in stock.

802.1.6. annually accept from the principal a specified volume or quantity of goods (quota).

802.2. Separate agreements for the sale of goods to third parties shall not be dependent on the standard agreement. However, the standard agreement may specify general terms applicable to all purchase and sake agreements, including:

802.2.1. discounts granted to the concessionaire from the principal's general price list.

802.2.2. payment periods.

802.2.3. terms of the principal's warranty.

802.3. Under the standard agreement the principal may not unilaterally:

802.3.1. set resale prices for the concessionaire.

802.3.2. change any quotas that may have been agreed.

802.4. Article 802.3 of this Code shall not apply in cases provided for by the Competition Code of the Republic of Azerbaijan.

Article 803. Concessionaire's right to make final decisions

803.1. The concessionaire shall have the right to freely organize his commercial activities, including the freedom to set resale prices.

803.2. If the concessionaire's organization of trade, or methods of sale or service, endanger the optimal sale of the principal's goods, the principal may immediately terminate the agreement in accordance with Article 795 of this Code, taking into account the concessionaire's right under Article 803.1.

Article 804. Protection of the concessionaire's clients

804.1. During the duration of the standard agreement, the principal shall be prohibited from approaching the concessionaire's clients, either directly or through third parties, for the purpose of selling the same or similar goods.

804.2. The parties may agree to permit the principal to sell goods directly to the concessionaire's clients as an exception. In this case, the principal shall be obliged to pay the concessionaire commission in accordance with Article 793 of this Code.

Article 805. Principal's obligation to deliver goods

805.1. The principal shall be obliged to deliver to the concessionaire the goods ordered in accordance with the standard agreement.

805.2. The principal may refuse to deliver goods only on essential grounds.

805.3. If delivery of the goods is refused, or the goods are not delivered for other reasons, the concessionaire shall be released from the obligation to reach the specified quota of goods for that year in accordance with the order. Claims for compensation for other damages shall remain unaffected.

Article 806. Principal's warranty

806.1. The principal shall warrant that the goods are free from defects at the time of delivery to the concessionaire. If the concessionaire provides, in advance and in writing, instructions applicable in their country regarding warranty, the principal shall be obliged to provide at least such warranty. The period for making warranty claims starts from the day the concessionaire resells the goods, but no later than six months from the date of delivery of the goods by the principal. Agreements deviating from this shall be invalid unless explicitly negotiated and expressed in writing.

806.2. The concessionaire may not make any changes to the goods intended for sale, or to their packaging, without the principal's prior consent. If the principal makes changes to the goods, he shall notify the concessionaire within a reasonable time.

Article 807. Consequences of termination of the concession agreement

807.0. After termination of the standard agreement between the concessionaire and the principal:

807.0.1. the concessionaire may no longer act as the principal's concessionaire vis-à-vis clients. Furthermore, he may not use the principal's trademarks or logos. The concessionaire shall be obliged to transfer all trademarks and logos registered in their name and used prior to the agreement to the principal. The principal shall bear the initial registration and transfer costs.

807.0.2. if the concessionaire maintained a warehouse to fulfill obligations to clients or the principal, the principal shall be obliged to purchase remaining goods in the concessionaire's warehouse. If the goods are in good condition suitable for sale, the purchase price shall not be lower than the price paid by the concessionaire to the principal at the last purchase. The concessionaire may refuse the purchase, which grants them the right to sell the remaining goods to clients within a reasonable period.

Chapter 44

Commission

Article 808. Commission agreement

808.1. Under a commission agreement, one party (the commission agent) shall undertake, for remuneration and on the instructions of the other party (the principal), to conclude one or more transactions in his own name but at the expense of the principal. The rights arising from the transaction concluded by the commission agent with a third party shall belong to the commission agent, and he bears the obligations even if the principal is named in the transaction or enters directly into relations with the third party in the performance of the transaction.

808.2. *Deleted.*

808.3. A commission agreement may be concluded for a fixed term or without specifying a term of validity, with or without specifying the territory of performance, with or without imposing an obligation on the principal not to grant to third parties the authority to conclude transactions on behalf of the principal for his interests and at his expense, and with or without conditions regarding the assortment of goods that constitute the subject of the commission.

Article 809. General duties of the commission agent

809.1. The commission agent shall perform the assigned work conscientiously and protect the interests of the principal.

809.2. The commission agent shall conclude transactions only with bona fide third parties and may not grant credit to third parties without the consent of the principal.

809.3. The commission agent shall inform the principal about the progress of his work, including the performance of the commission assignment.

809.4. The commission agent may not disclose the name of the principal without his permission.

Article 810. Instructions of the principal

810.1. The commission agent shall follow the instructions of the principal, including adhering to price limits.

810.2. The principal may refuse a transaction concluded with deviations, detrimental to him, except in cases where the commission agent offers compensation for the loss.

810.3. All benefits arising from a transaction concluded by the commission agent on more favorable terms shall belong to the principal.

Article 811. Reporting by the commission agent

811.1. The commission agent shall be obliged to inform the principal about the terms of the transaction and the actions performed in his own name but at the expense of the principal.

811.2. Unless otherwise agreed, the commission agent shall not be obliged to disclose the name of the third party, except in cases where there is concern that the commission agent may be insolvent.

811.3. The right to refuse disclosure of the third party's name shall not affect the obligation to provide any other information necessary for reporting. At the request of the principal, the commission agent shall submit all information, including the name of the third party, to a notary. The notary, while preserving the anonymity of the third party, shall provide this information to the principal.

Article 812. Duties of the commission agent regarding commission goods

812.1. If the commission goods sent to the commission agent upon the instructions of the principal are damaged, the commission agent shall protect the principal's rights, preserve evidence regarding the condition of the goods, and immediately notify the principal.

812.2. With respect to the commission goods intended for the principal, the commission agent shall assume the rights and obligations of a seller.

Article 813. Liability of the commission agent for goods

The commission agent shall be liable for the loss or damage of goods taken into custody unless such loss or damage results from force majeure.

Article 814. Liability of the commission agent for performance by a third party

814.1. The commission agent shall be liable for the fulfillment of obligations by the third party with whom he concluded a transaction on behalf of the principal, provided that he has assumed such liability. This liability shall cover all obligations arising for the third party from the transaction.

814.2. In this case, the commission agent shall be paid additional remuneration. Unless otherwise provided in the agreement, the amount of additional remuneration shall be determined according to the usual remuneration for bank guarantees.

Article 815. Commission fee

815.1. The commission agent may request a commission fee if the transaction concluded on behalf of the principal is performed by the third party, or if the transaction is not performed for reasons for which the principal is responsible.

815.2. The commission fee amount shall be determined by the commission agreement. if the agreement contains no such provision, and if commission transactions fall within the scope of commission agent's business activities, the fee shall be determined according to local business practices.

815.3. In addition, the commission agent may request reimbursement of expenses incurred during the performance of the commission agreement, provided that such expenses are deemed necessary considering all circumstances. The commission agent shall not be reimbursed for

ordinary operational expenses of himself or his staff, or for other expenses paid under the agreement or covered by the commission fee.

Article 816. Transactions by the commission agent with himself

816.1. If the goods have an official exchange or market price, and the principal has not provided otherwise, the commission agent shall have the right to conclude transactions with himself.

816.2. The commission agent shall notify the principal of the transactions concluded with himself and provide evidence of the exchange or market price that existed at the moment the notice was sent.

Article 817. Commission agent's right of sale

817.1. If the principal should, according to the agreement or the circumstances, take possession of the commission goods but fails to do so, the commission agent shall acquire the right to sell the commission goods.

817.2. If the goods are perishable or if changes are detected that could later cause their depreciation, and there is no time to contact the principal, the commission agent shall have the right, after giving prior notice to the principal, to arrange the sale of the goods.

Article 818. The ownership right to objects delivered by the principal

Ownership of the objects delivered by the principal to the commission agent shall remain with the principal until the commission transaction is executed.

Article 819. Transaction on performing actions in one's own name but at the expense of the principal

819.1. Under a transaction concerning performing actions in his own name but at the expense of the principal, the commission agent shall be both creditor and debtor with respect to the third parties.

819.2. The commission agent shall deliver to the principal everything received from the performance of the commission agreement.

819.3. The principal may assert claims arising from the transaction concluded by the commission agent only after the commission agent has assigned the claim.

819.4. The assignment by the commission agent of claims arising from such a transaction to a creditor shall be invalid. If the claim has been pledged, the principal may demand cancellation of the pledge. If the pledged claim has already been transferred to the creditor, the commission agent may demand that the creditor return what he has received on the basis of that claim.

Article 820. Security right of the commission agent

820.1. Based on claims arising for the commission agent against the principal from any commission transaction, including previous ones, the commission agent shall obtain a statutory pledge right over commission goods that he lawfully possesses or controls under documents. The commission agent shall also acquire this pledge right over goods that do not belong to the principal but which the commission agent in good faith believed to belong to the principal.

820.2. The commission agent may obtain security for claims that he has against a third party arising from the execution of the commission transaction.

Article 821. Termination of the commission agreement

821.1. The commission agreement is terminated upon the death of the commission agent.

821.2. The parties to the commission agreement may terminate the agreement at any time. If the principal gives notice of termination, he shall reimburse the commission agent for the expenses incurred.

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 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.

Article 825. Rights of the bailee

825.1. The bailee shall have the right to change the type of conditional storage only if, after learning the condition of the assignment, it can reasonably be expected, considering the circumstances, that the bailor would consent to such a change. Until then, the bailee shall notify the bailor about the change and, unless there is a risk of delay, wait for the bailor's decision.

825.2. The bailee may change the conditions of the bailment only if the bailee, upon consideration of 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.

Article 826. Bailment of the replaceable goods

826.1. If the money is the subject of the bailment and if it is explicity or implicity 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.

§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 shall 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.

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 excess 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. The warehouse owner's right to receive remuneration and reimbursement of expenses, as well as the right of pledge

830.1. If a specific fee (storage charge) has not been agreed upon, the warehouse owner shall have the right to receive the usual fee for storage. If the depositor takes back the goods in whole or in part, the storage fee shall in any case be paid. If the storage period exceeds three months, the storage fee shall be paid accordingly at the end of every three-month period.

830.2. In addition to the storage fee, the warehouse owner shall have the right to reimbursement of all expenses that are not directly related to the storage itself, such as freight charges, customs duties, and repair costs. Accordingly, upon the warehouse owner’s request, the depositor shall immediately reimburse these expenses.

830.3. For all claims arising from the storage agreement, the warehouse owner shall have a pledge right over the stored goods, the depositor’s goods, in the capacity of a commission agent.

§3. Storage of items in hotels and restaurants

Article 831. Liability of the hotel or restaurant owner

831.1. A hotel or restaurant owner is a person who provides lodging to other persons (guests). The hotel or restaurant owner is liable for any damage, deterioration, or theft of items that guests keep in hotel’s or restaurant’s rooms, or in another place designated by the hotel or restaurant owner or its staff outside the establishment, or that the hotel or restaurant owner or its staff have otherwise accepted for safekeeping.

831.2. The obligation to compensate shall not extend to automobiles, items located in automobiles, or live animals.

831.3. The hotel or restaurant owner is exempt from liability if he proves that the damage was caused by the guest, a person accompanying the guest, or a person received by the guest, or that it resulted from the nature of the item or from force majeure.

Article 832. Storage of money, documentary securities, and other valuables in hotels and restaurants

The hotel or restaurant owner is obliged to accept for safekeeping money, documentary securities, valuables, and other precious items, except in cases where, due to their amount or degree, their significance or volume is excessive or dangerous for the hotel or restaurant. The hotel or restaurant owner may require that such items be delivered in a locked or sealed box (casket or small chest).

Article 833. Limitation of liability of the hotel or restaurant owner

833.1. The hotel or restaurant owner shall bear the liability provided for in Article 831.1 of this Code in an amount not exceeding one thousand and one hundred manats.

833.2. However, if the item has been lost, deteriorated, or damaged due to the fault of the hotel or restaurant owner or its staff, or if the item is one that they have accepted for safekeeping, or have failed to accept for safekeeping in violation of Article 832 of this Code, the liability shall not be limited.

Article 834. Exclusion of liability of the hotel or restaurant owner

In the cases provided for in Article 832 of this Code, any contractual exclusion of liability shall have no legal effect. In other cases, the liability of the hotel or restaurant owner may be excluded in advance only with respect to the part of the damage exceeding the maximum amount established in Article 833.1 of this Code. Release from liability shall occur only if the guest provides written notice to that effect, containing no additional provisions.

Article 835. Loss of the guest's right to compensation

If the guest does not notify the hotel or restaurant owner of the damage, deterioration, or loss of the item as soon as he becomes aware of it, the guest shall lose the right to compensation for the damage.

Article 836. Pledge right of the hotel or restaurant owner

For claims arising from the guest's stay at the hotel, the services provided to the guest, and other services rendered for the guest's needs, including incurred expense, the hotel or restaurant owner has a pledge right over the items specified in Article 831.1 of this Code that belong to the guest. In this case, the provisions applicable to the landlord's pledge right over the rented living quarters shall apply.

§4. Storage in a consignment warehouse

Article 837. Consignment warehouse agreement

837.1. A consignment warehouse agreement shall grant any business operator (the consignor) the right to store goods (consignment goods) in the warehouse of another person (a merchant) who independently engages in commercial activity in an artisanal manner, for the purpose of ensuring rapid delivery of those goods to customers. The merchant shall undertake

the obligation to store the consignment goods and, under the terms of the consignment warehouse agreement, shall have the right to dispose of those goods.

837.2. Unless otherwise provided in the following provisions of this section of the Code, the provisions on warehouse storage shall apply to the storage of consignment goods, and the provisions on purchase and sale shall apply to the consignor's withdrawal of goods from the consignment warehouse.

Article 838. Obligations of the merchant

838.1. The merchant should store consignment goods separately and identify them as the property of the consignor.

838.2. When consignment goods are delivered to the warehouse, the merchant shall inspect their completeness and defect-free condition and immediately inform the consignor of any visible defects. Hidden defects shall be reported immediately upon their discovery. If the merchant fails to do so, the goods shall be deemed to have been accepted for storage.

838.3. If defects are discovered in consignment goods, the merchant shall take necessary measures to protect consignor's rights against forwarding agents, carriers, or insurance companies.

Article 839. Liability of the merchant

839.1. The merchant shall bear liability for the storage of the goods as a commission agent.

839.2. The merchant shall have the right to insure consignment goods against theft, fire, and damage by third parties, and upon the consignor's request, shall be obliged to do so at the consignor's expense.

Article 840. Withdrawal of goods from the consignment warehouse

840.1. During the term of the consignment warehouse agreement, the merchant shall have the right to withdraw goods from the consignment warehouse for the purpose of delivering them to customers within the scope of the merchant's ordinary commercial activity.

840.2. When goods are withdrawn from the consignment warehouse, the relationship between the consignor and the merchant shall be governed by a purchase and sale agreement regarding those goods. The purchase price and other conditions of the sale shall be determined by agreement between the parties, while all remaining matters shall be regulated by this Code.

840.3. The consignor may revoke the merchant's authority to withdraw goods at any time, provided that at the same time the consignor offers to immediately take back the consignment warehouse.

Article 841. Storage fee for the consignment warehouse

Unless otherwise agreed, no fee shall be paid to the merchant for storage in the consignment warehouse.

Chapter 46

Freight

§1. Passenger Freight (Transporting)

Article 842. Passenger freight (transporting) agreement

842.1. Under a passenger freight agreement, the carrier shall undertake to transport the passenger, as well as his hand luggage, from the place of departure to the place of destination by a designated mode of transport, and the passenger shall undertake to pay the fare.

842.2. A passenger freight agreement shall be deemed concluded from the moment the passenger obtains a transport document (ticket) from the carrier, *or when the fare is paid through a payment instrument*, or when the passenger, with the carrier's consent, occupies a seat on the transport vehicle.

842.3. Unless otherwise provided in this section of the Code, the provisions on the mandate agreement shall apply to the passenger freight agreement.

Article 843. Passenger transporting cost

843.1. If no specific price has been set for the carriage, the tariff price shall apply. if there is no tariff, the usual fare charged for the corresponding portion of the route on that type of transport shall be deemed the agreed price.

843.2. The fare shall be paid at the carrier's request, but no later than the moment the passenger alights from the transport vehicle.

Article 844. Substitution of the passenger by another person

Before the carriage begins, the passenger may request that another person (a third party) take his place for the journey. The carrier may object to the participation of the third party if the third party does not meet specific requirements of the carriage or if legal provisions prevent his participation. The carrier may require the passenger to reimburse any additional expenses arising from the third party's travel.

Article 845. Termination of the passenger freight agreement before the start of carriage

845.1. At any time before the carriage begins, the passenger may declare the agreement terminated.

845.2. Upon termination of the agreement, the carrier shall lose the right to the agreed fare. However, the carrier may demand reasonable compensation. The amount of compensation shall be determined by deducting from the fare the expenses saved by the carrier and the income the carrier could reasonably obtain by reselling the travel right to another person.

845.3. Taking into account the expenses usually saved and the income typically obtainable from reselling the trip, the contract may specify, for each mode of transport, a percentage of the fare to be charged as compensation.

Article 846. Performance of passenger carriage and carrier's liability

846.1. The carrier shall perform the carriage in accordance with the agreement, provisions in force for the protection of passengers, and rules for the operation of passenger transport vehicles. If the agreement contains no specific provisions, usual conditions in force for the relevant portion of the route for ordinary modes of transport shall be deemed the agreed terms. If the carriage does not meet these requirements, it shall be considered to have been performed with a defect.

846.2. If the carriage is performed with any defect, provided that the passenger immediately notifies the carrier of the defect and the carrier does not remedy it without delay the passenger shall be entitled to:

846.2.1. demand a reasonable reduction of the fare.

846.2.2. declare the agreement terminated for the future, if the carriage has substantially worsened due to the defect or if, for reasons apparent to the carrier, continuing the carriage would not be reasonable for the passenger.

846.3. If the agreement is terminated in accordance with Article 846.2.2 of this Code, the passenger may leave the transport vehicle at the nearest safe place. In this case, the carrier shall lose the right to receive the portion of the fare corresponding to the unperformed part of the carriage. If the specified transport services no longer hold interest for the passenger due to the termination of the contract, the carrier shall also lose the right to the residual fare.

846.4. If the notified defect arises from circumstances for which the carrier is responsible, the passenger may claim additional compensation for any damage resulting from non-performance of the passenger freight agreement.

Article 847. Force majeure in passenger carriage

847.1. If, at the time of concluding the carriage agreement, an unforeseen event occurs outside the control of the parties, which is unrelated to the technical maintenance or operation of the transport vehicle and could not have been prevented with reasonable care, and as a result the carriage becomes significantly more difficult, dangerous, or deteriorates, the contract may be terminated by either the carrier or the passenger.

847.2. In case of termination of the agreement, the passenger may leave the vehicle at the nearest safe place, and the carrier shall lose the right to receive the portion of the fare corresponding to the unperformed part of the carriage. The parties shall share equally any additional costs incurred for returning the passenger. any remaining additional costs are borne by the passenger.

Article 848. Settlement of passenger claims

The passenger shall submit claims to the carrier under Article 846 of this Code no later than one month after the completion of the carriage specified in the agreement. After this period, the passenger may submit claims only if he could not reasonably comply with the deadline through no fault of his own. If the carrier does not accept the passenger's claims, they may be enforced up to six months after the completion of the carriage, provided that they have not been settled earlier through court proceedings.

Article 849. Limitation of the carrier's liability

849.1. If legal or official provisions, or international conventions, apply to individual or all transport services, and under these provisions or conventions the right to compensation arises only under certain conditions or limitations, or may be excluded under certain conditions, the carrier may invoke such provisions against the passenger only to the extent that they are complied with.

849.2. In all other cases, the carrier may, by agreement with the passenger, limit its liability to three times the fare, provided that no damage is caused intentionally or through gross negligence, and that the carrier is liable for damage suffered by the passenger only if it results from the fault of the carrier or another person for whom the carrier is responsible.

§2. Carriage of loads

Article 850. Agreement on transportation of loads (freight agreement)

850.1. Under a freight agreement, the carrier shall undertake, for a fee (freight), to transport the goods from the place of origin to the place of destination, and the consignor, consignee, or another authorized person shall undertake to pay the freight.

850.2. Unless otherwise provided in the following provisions of this section of the Code, the provisions on the mandate agreement shall apply to freight agreement.

Article 851. Consignor and Consignee. *Carrier*

The consignor is considered to be an individual or legal entity who is the initiator of the carriage and on whose behalf the carriage of the shipment is executed. The consignor can be both the person who has the goods before shipment and the person to whom the goods are shipped (consignee). *A consignee is an individual or legal entity authorized to receive cargo on the basis of a transaction. A carrier is an individual or legal entity that transports goods for a fee from its location to its destination on the basis of a contract and owns vehicles under the right of ownership, lease or use*

Article 852. Forwarder (Expeditor). Transport commission agent

852.1. A forwarder is a person who organizes the transportation of goods from the initial point to the destination via third parties (carriers) in their own name but at the expense of the consignor.

852.2. In relations with carriers, the forwarder has the rights and obligations of the consignor.

852.3. The forwarder shall follow the consignor's instructions and select carriers under their own responsibility. If the forwarder performs the carriage fully or partially themselves, they assume the rights and obligations of the carrier. If several consignors' goods have the same intermediate or final destinations, the forwarder may consolidate the goods and organize group transportation. In all cases, the forwarder shall protect the interests of the consignor, follow their instructions, and inform them of all difficulties encountered.

852.4. The forwarder shall have the right to remuneration for their services and reimbursement of expenses incurred on behalf of the consignor. The forwarder's remuneration may include:

852.4.1. a percentage of the carriers' fees (commission).

852.4.2. and/or remuneration for all transportation costs from start to finish, including the cost of carriage and the forwarder's fee.

852.5. The forwarder shall be liable to the consignor for any deviations from their instructions. The forwarder shall also be liable for the fault of carriers, except in cases where the forwarder can prove that they exercised due diligence in selecting the carriers.

Article 853. Necessary information *and documents* from the consignor

853.1. The consignor shall accurately provide the carrier with the following information:

853.1.1. The address of the consignee.

853.1.2. The place of delivery.

853.1.3. The number of packages, type of packaging, contents, and gross weight.

853.1.4. The shipping period and mode of transport.

853.1.5. If the goods are valuable – their value.

853.1.6. If the goods are particularly dangerous or potentially hazardous – the specific type of danger and the precautionary measures to be taken.

853.1-1. The consignor shall also provide the carrier with all documents and other information necessary for proper performance of the freight agreement.

853.2. The consignor is liable for any damage resulting from the absence or inaccuracy of this *information or documents*.

Article 854. Luggage Receipt (Way-Bill)

854.1. The freight agreement and its execution may be confirmed by a document prepared in a standard form (waybill). Until proven otherwise, the waybill confirms:

854.1.1. The agreement between the consignor and the carrier.

854.1.2. Acceptance of the goods for carriage by one or more carriers.

854.1.3. Acceptance of the goods by the consignee.

854.1.4. Any claims or remarks made by one of the contract participants.

854.1.5. The consignor's or consignee's right to give instructions regarding the goods.

854.1.6. The carrier's pledge over the goods.

854.2. The waybill shall be prepared in three originals, bearing the signatures or stamps of the consignor and carrier. The first copy shall be given to the consignor, the second shall accompany the goods, and the third shall be kept by the carrier.

854.3. The waybill shall include the following information:

854.3.1. The information specified in Article 853 of this Code.

854.3.2. Place and date of preparation.

854.3.3. Name and address of the consignor.

854.3.4. Name and address of the carrier.

854.3.5. Place and date of loading.

854.3.6. Names and numbers of the packages.

854.3.7. Carriage cost (freight, additional expenses).

854.3.8. If necessary, consignor's special instructions regarding the conditions of carriage.

854.4. If necessary, the waybill may also include additional information:

854.4.1. Prohibition on unloading or transferring the goods to other transport.

854.4.2. Expenses incurred by the consignor or advanced to the consignee.

854.4.3. Amount paid by the consignee to the carrier (additional charges attached to the goods, to be executed upon delivery).

854.4.4. Value of the goods.

854.4.5. Instructions of the consignor regarding insurance.

854.4.6. Agreed time periods for carriage.

854.4.7. List of documents provided to the carrier together with the goods.

854.5. The consignor shall be responsible to the carrier for the accuracy and completeness of the information in the waybill.

854.6. If the consignor provides false or incomplete information under Articles 854.3.2, 854.3.4–854.3.8, or 854.4 of this Code, they shall be liable to the carrier for all resulting damage.

854.7. Even if the waybill is not prepared, is prepared incorrectly or incompletely, or is lost, the freight agreement shall remain in force. The participants may prove the existence and content of the agreement by any means that substantiate the agreed terms of carriage.

Article 855. Load packaging

855.1. The consignor shall ensure that the load is properly packaged. They shall be liable for defects in the packaging that are not visibly apparent.

855.2. The carrier, upon unconditionally accepting the load for carriage, shall be liable for consequences of visible defects that exist at that time.

Article 856. Disposing Right of the Freight (Load)

856.1. As long as the loads are still in the carrier's possession, the consignor shall have the right, upon compensating the carrier for expenses and losses, to take back the goods or change the place of delivery and the consignee. These provisions shall not apply when:

856.1.1. the freight agreement or the waybill specifies that only the consignee has the right to give instructions regarding the goods.

856.1.2. the first copy of the waybill is delivered to the consignee.

856.1.3. the consignee requests delivery after the goods have arrived at the destination, or the carrier has given the second copy of the waybill to the consignee.

856.1.4. the consignor has received a receipt from the carrier confirming that the loads have been collected and cannot return them.

856.2. In the cases specified in Articles 856.1.1–856.1.4, the carrier shall unconditionally follow the instructions of the consignee. In the case specified in Article 856.1.4, the carrier shall be only obliged to comply until the loads reach the destination if the receipt of collection has been provided to the consignee.

Article 857. Receipt about acceptance of the load

The carrier shall immediately notify the consignee when the loads have arrived at the place of destination.

Article 858. Obstacles during freight

858.1. If the goods are not accepted, payment is not made, or the consignee cannot be identified, the carrier shall notify the consignor and, at the consignor's risk and expense, either take the goods into temporary storage or deliver them to a third party for storage. If the consignor and consignee do not give necessary instructions regarding the goods within a reasonable period, the carrier, with the assistance of an expert, may sell the goods as a commission agent in the interest of an authorized person.

858.2. If the goods are perishable or their estimated value does not cover the costs, the carrier shall immediately ascertain this fact with the assistance of a formally designated expert and sell the goods in the same manner as in the case of obstacles to delivery. The participants shall be notified of the sale order as far as possible.

858.3. The carrier shall be obliged to maximize the protection of the owner's interests when exercising the authority given for handling the goods. If the carrier breaches these duties due to their fault, they shall be liable for compensation for the resulting damage.

Article 859. Liability of the carrier of loads

859.1. If the loads are lost or destroyed, the carrier shall compensate their full value. If the loads are not delivered within three months after being accepted for carriage by the carrier, they shall be deemed lost unless proven otherwise.

859.2. In addition, the carrier shall be liable for all damage arising from delayed delivery, damage, or partial destruction of the loads.

859.3. The liability specified in Articles 859.1–859.2 shall not apply if the carrier proves that the loss or destruction of the loads occurred as a result of:

859.3.1. the nature of loads or the direct purpose of the transport, even if the risk was known.

859.3.2. the fault or instructions of the consignor or consignee.

859.3.3. circumstances that could not have been prevented even with due diligence on the part of the carrier.

859.4. If the carrier performs the carriage wholly or partially through another carrier, they shall remain liable. The carrier retains a right of recourse against any carrier to whom they have entrusted the goods for carriage.

859.5. All claims against the carrier shall be enforceable only after the loads have been unconditionally accepted and freight paid. This provision shall not apply if:

859.5.1. the carrier is liable for intentional acts or gross negligence.

859.5.2. If the claims are based on visibly apparent damage to the goods, provided the consignee discovers such damage within a reasonable and permissible period considering the circumstances and immediately notifies the carrier, but no later than eight days after delivery.

Article 860. Right to pledge the load

860.1. The carrier shall have the right of pledge over the loads to secure the freight and compensation of expenses. The provisions of Article 182 of this Code shall apply to the acquisition of this right of pledge. The right of pledge shall also arise in cases where the consignor is not the owner of the loads but has authority from the owner to give instructions regarding the loads, provided the carrier acted in good faith.

860.2. If the carrier exercises its right of pledge, the loads may only be delivered upon deposit of the disputed amount in court. This amount shall substitute the loads in respect of the carrier's pledge rights.

860.3. *Deleted.*

Article 861. Claim duration during freight

861.1. Claims against the carrier shall expire after one year. In the case of loss, destruction, or delay of the goods, the period shall run from the day the delivery should have been made. in the case of damage, it shall run from the day the goods were delivered to the consignee. The consignor or consignee may raise claims at any time through the procedure of objection, provided they submitted their reclamation within the one-year period and the claim does not expire due to acceptance of the goods. Cases of intentional acts or gross negligence by the carrier are exceptions to this limitation.

861.2. The claim period for claims against the forwarder (expeditor) is one year from the moment the right to bring the claim arises. Before filing a claim against the forwarder, a written claim shall be submitted to them. The claim may be submitted within the limitation period. If the forwarder rejects the claim, partially accepts it, or fails to respond within 30 days, legal action may be taken against them in court.

Chapter 47

Supply of tourist services

Article 862. Agreement on provision of tourist services

862.1. Under an agreement on provision of tourist services, the organizer of these services shall undertake to provide the user, as a package, with tourist services (a tourist trip), while the tourist shall be obliged to pay the organizer the agreed remuneration for the agreed services.

862.2. The content of tourist services may include transportation to one or several destinations covered by the trip, as well as return transportation to the place where the trip began. However, tourist services (a tourist trip) shall be deemed to be provided only if, in addition to transportation, the organizer provides at least one of the following services:

862.2.1. meals.

862.2.2. accommodation in hotels.

862.2.3. sightseeing at the destination or participation in cultural events.

862.3. The organizer of a tourist trip is any person who enters into an agreement on provision of tourist services. The organizer may also act as the carrier or provide other tourist services.

862.4. Articles 844, 845, and 847–849 of this Code shall apply accordingly to agreements on provision of tourist services.

Article 863. Organization of a tourist trip and the organizer's liability for defects

863.1. The organizer of a tourist trip shall carry out the trip in such a way that it possesses the guaranteed characteristics and has no defects that exclude or reduce its value, or its suitability for normal use or for the purposes of the agreement.

863.2. If the defects specified in Article 863.1 of this Code exist, Articles 846.2–846.4 of this Code shall apply. However, termination of the agreement shall be permitted only if the organizer of the tourist trip fails to remedy the situation within a reasonable period set for him by the participant of the trip. If it is impossible to remedy the situation, or the organizer refuses to do so, or immediate termination of the agreement is in the special interest of the trip participant, then setting such a period shall not be required.

Chapter 48

Rent/a

§1. General provisions about rent/a

Article 864. Rent/a agreement

864.1. Under a rent/a agreement, one party (the renta recipient) transfers property into the ownership of the other party (the renta payer), and the renta payer, in return for the received property, undertakes to pay the renta recipient a periodic monetary amount in the form of renta.

864.2. A renta agreement may establish the obligation to pay renta indefinitely (perpetual renta) or for the lifetime of the renta recipient (life renta).

Article 865. Form of the renta agreement

865.1. A renta agreement shall be concluded in writing through the preparation of a document signed by both parties.

865.2. A renta agreement that provides for the alienation of immovable property for the purpose of paying renta shall be notarized.

Article 866. Registration of transfer of ownership under a renta agreement involving immovable property

The transfer of ownership under a renta agreement that provides for the alienation of immovable property for the purpose of paying renta shall be registered in the state register of immovable property.

Article 867. Alienation of property for the purpose of paying renta

867.1. Property alienated for the purpose of paying renta may be transferred by the renta recipient into the ownership of the renta payer either for consideration or free of charge.

867.2. If the renta agreement provides that the property is transferred for consideration, the rules on sale and purchase apply to the relationship between the parties regarding the transfer and payment for the property. if the property is transferred free of charge, the rules on gift agreements shall apply, provided that no different arrangement is established by the provisions of this Chapter and such application is not contrary to the nature of the renta agreement.

Article 868. Encumbrance of immovable property with renta

868.1. Renta encumbers the land plot, building, structure, or other immovable property transferred for its payment. If the renta payer alienates such property, the obligations under the renta agreement transfer to the acquirer.

868.2. A person who has transferred immovable property encumbered with renta into the ownership of another person bears subsidiary liability to the renta recipient for claims arising from violations of the renta agreement, unless joint liability for this obligation is provided for in this Code or in the agreement.

Article 869. Securing the payment of renta

869.1. When a land plot or other immovable property is transferred for the payment of renta, the renta recipient shall acquire a pledge right over that property as security for the renta payer's obligation.

869.2. An essential term of an agreement providing for the transfer of a monetary sum or other movable property for the payment of renta is a provision requiring the renta payer to provide security for the performance of his obligations or to insure, for the benefit of the renta recipient, the risk of non-performance or improper performance of these obligations.

869.3. If the renta payer fails to fulfill the obligations specified in Article 869.2 of this Code, or if the security for the renta conditions is lost or deteriorates due to circumstances for which the renta recipient is not responsible, the renta recipient shall have the right to terminate the renta agreement and claim compensation for losses resulting from its termination.

Article 870. Form and amount of renta

870.1. Renta is paid in money in the amount determined by the agreement. The renta agreement may provide that the renta be paid in the form of property equivalent in value to the monetary amount, or through the performance of work or provision of services.

870.2. The amount of renta paid shall be increased in the cases and manner provided for in the renta agreement.

§2. Perpetual renta

Article 871. Perpetual renta recipient

871.1. Only individuals and non-profit organizations may be recipients of perpetual renta, provided that this is not contrary to the law and is consistent with the purposes of their activities.

871.2. The rights of the renta recipient under a perpetual renta agreement may be assigned to persons listed in Article 871.1 of this Code through the assignment of claims, and may pass by inheritance or through legal succession in the event of reorganization of legal entities, unless the agreement provides otherwise.

Article 872. Payment periods for perpetual renta

If the perpetual renta agreement does not specify another period, perpetual renta shall be paid at the end of each calendar quarter.

Article 873. Renta payer's right to redeem perpetual renta

873.1. The payer of perpetual renta shall have the right to redeem it.

873.2. Unless the agreement provides otherwise, the obligation to pay renta shall not terminate until the renta recipient receives the full redemption amount.

873.3. A clause in a perpetual renta agreement whereby the renta payer waives the right to redeem the renta shall be invalid.

873.4. The agreement may stipulate that the right to redeem perpetual renta cannot be exercised during the lifetime of the renta recipient or for another specified period.

Article 874. Redemption of perpetual renta at the demand of the renta recipient

874.0. The recipient of perpetual renta may demand that the payer redeem the renta if:

874.0.1. the renta payer delays payment for more than one year, unless the agreement specifies another period.

874.0.2. the renta payer violates obligations to secure the payment of renta.

874.0.3. circumstances arise that clearly indicate the renta will not be paid in the amount and within the timeframes specified in the agreement.

874.0.4. the immovable property transferred for the payment of renta becomes joint property or is divided among several persons.

874.0.5. in other cases provided for in the agreement.

Article 875. Redemption price of perpetual renta

875.1. In the cases provided for in Articles 873 and 874 of this Code, perpetual renta shall be redeemed at the price determined in the agreement establishing such renta.

875.2. If a perpetual renta agreement, where property was transferred for consideration for the purpose of paying renta, does not contain a clause specifying the redemption price, redemption shall be carried out at a price equal to the annual amount of renta payable.

875.3. If a perpetual renta agreement, where property was transferred free of charge for the purpose of paying renta, does not contain a redemption price clause, the redemption price shall include both the annual amount of renta payments and the value of the transferred property.

Article 876. Risk of accidental loss or damage of property transferred for payment of perpetual renta

876.1. The risk of accidental loss or accidental damage of property transferred free of charge for the payment of perpetual renta shall be borne by the renta payer.

876.2. If property transferred for consideration for the payment of perpetual renta is accidentally lost or accidentally damaged, the payer may demand termination of the renta payment obligation or modification of its payment terms, as appropriate.

§3. Life renta

Article 877. Life renta recipient

877.1. Life renta may be established for the lifetime of the individual who transferred the property for the payment of renta, or for the lifetime of another individual designated by the transferor.

877.2. Life renta may be established in favor of several individuals, and unless the life renta agreement provides otherwise, their shares in the right to receive renta are considered equal.

877.3. Unless the life renta agreement provides otherwise, if one of the renta recipients dies, his share in the right to receive renta shall pass to surviving recipients. When the last renta recipient dies, the obligation to pay renta shall terminate.

877.4. An agreement establishing life renta in favor of an individual who is not alive at the time the agreement is concluded shall be invalid.

Article 878. Payment periods for life renta

If the life renta agreement does not provide otherwise, life renta shall be paid at the end of each calendar month.

Article 879. Termination of the life renta agreement at the request of the renta recipient

879.1. If the renta payer significantly breaches the life renta agreement, the renta recipient may demand that the payer redeem the renta, or that the agreement be terminated and damages be compensated.

879.2. If an apartment, residential house, or other property was transferred free of charge for the payment of life renta, and the renta payer significantly breaches the agreement, the renta recipient may demand the return of that property and have its value offset against the redemption price of the renta.

Article 880. Risk of accidental loss or damage of property transferred for life renta

The accidental loss or accidental damage of property transferred for the payment of life renta shall not release the renta payer from the obligation to pay renta under the terms specified in the life renta agreement.

Chapter 49

Settlement agreement and abstract acknowledgment of existing debt

Article 881. Settlement agreement

881.1. Under a settlement agreement, the parties resolve a dispute or uncertainty between them concerning rights or claims through mutual concessions.

881.2. The legal effect of a settlement agreement is that any reference to previously disputed or uncertain rights and claims is excluded on the basis of that agreement, and regardless of their legal status, only what is established in the settlement agreement is valid for the participants. Unless otherwise agreed:

881.2.1. any security and priority rights related to a claim, for example, pledge rights, ownership reservation, and suretyship rights, remain in force, provided that such claim is confirmed by the settlement agreement.

881.2.2. the legal effect of the settlement agreement shall not extend to claims that were unknown to a participant at the time the settlement agreement was concluded.

881.3. No specific form is required for entering into a settlement agreement. However, if the settlement agreement contains transactions that should be executed in a specific form, the agreement shall be prepared in the form required for those transactions, except in cases where the settlement agreement is recorded in protocol form through court procedure.

~~881.4. If the settlement agreement has been concluded in protocol form through court procedure, or immediate enforcement is initiated against a participant of a notarized settlement agreement in connection with certain claims of the other participant, then enforcement may be carried out either under the settlement agreement or under a legally binding court decision.~~

881.5. A settlement agreement shall be invalid if the participants cannot exercise their legal relationships or claims, particularly due to mandatory legal provisions that prevent such implementation.

Article 882. Abstract agreement on the acknowledgment of existing debt

882.1. Any agreement that provides for the acknowledgment of a debt, including acknowledgment in a manner that constitutes the basis of an obligation (an abstract agreement on the acknowledgment of existing debt), is valid only if the debt obligation is given in written form and in the form required for substantiating the existence of the acknowledged debt. If a specific form is prescribed for the creation of the obligation whose existence is being acknowledged, that same form is required for the acknowledgment.

882.2. Unless otherwise provided in this Code, no objections arising from the principal transaction may be raised against a claim based on an abstract agreement on the acknowledgment of existing debt.

882.3. Article 881.5 of this Code shall apply accordingly.

882.4. Articles 882.1–882.3 of this Code shall apply correspondingly to any agreement that provides for the acceptance of the performance of an obligation, including acceptance in a manner that constitutes the basis of an obligation (an agreement on the assumption of an obligation).

882.5. If the debt has been acknowledged through settlement (payment) or by agreement, compliance with the prescribed form is not mandatory.

Chapter 50

Insurance

§ 1. General provisions on insurance

Article 883. Insurance and reinsurance agreement

883.1. An insurance agreement is an agreement that sets out the conditions under which the insurer undertakes the obligation, in exchange for the insured paying the relevant insurance premium, to compensate losses or damages related to risks to which the insured object may be exposed, or to pay an agreed monetary amount upon the occurrence of a specified event.

883.2. A reinsurance agreement is an agreement that sets out the conditions under which the reinsurer, in exchange for the reinsurance premium, assumes or shares with the reinsured all or part of the risks insured by the reinsured.

Article 884. Subjects of insurance relations

884.1. Insurance relations are based on the transfer or sharing of risks related to the protection of property interests concerning the property, life, health, civil liability, and *lawful* activities, including entrepreneurial activity, of the insured or the person covered by insurance.

884.2. Persons who are parties to an insurance or reinsurance agreement, or who hold rights and/or duties arising from the performance of such an agreement, are subjects of insurance relations.

884.3. The insurer is the party to the insurance agreement that is obliged, under compulsory insurance laws governing types of compulsory insurance (hereinafter — compulsory insurance laws) and under voluntary insurance agreements, to pay the insurance indemnity when the insured event occurs.

884.4. The insured is the party to the insurance agreement who pays the insurance premium and has an insurable interest in having the insured object covered by insurance.

884.5. The insured is the person whose property interests are insured under the insurance agreement. Unless another person is specified as the insured in a personal insurance agreement, the policyholder is also deemed the insured person. In property insurance, regardless of whether another person is designated as the insured person, the recognition of the policyholder as the insured person cannot be restricted in any way, including by contractual terms.

884.6. The beneficiary is the person entitled to receive the insurance payment under compulsory insurance *laws* or under the insurance agreement. If no other beneficiary is named in the insurance agreement, the policyholder and/or the insured shall be deemed the beneficiary.

884.6–1. In property insurance, any person who has an insurable interest in property damaged as a result of an insured event is deemed a 'victim,' regardless of whether that person is the owner of the property.

884.6–2. In personal insurance, the person who suffers harm to his health as a result of the insured event is considered a 'victim,' and if the person dies, his family members are considered the victims.

884.7. The reinsurer is the party to the reinsurance agreement that reinsures (accepts for reinsurance) the risks that are insured or reinsured under insurance or reinsurance agreements concluded by the original insurer or original reinsurer.

884.8. The reinsured (the cedent) is the insurer or reinsurer that reinsures (cedes) the risks it has insured or reinsured by transferring them to the reinsurer under the reinsurance agreement.

Article 885. Insurance sectors

885.1. Insurance is divided, in terms of the insurers' field of activity, into life insurance and non-life insurance (general insurance), and, in terms of the insured object, into personal insurance and property insurance.

885.2. Each of the life and non-life insurance sectors consists of the insurance classes specified in *Article 14 of the Law of the Republic of Azerbaijan on Insurance Activity*.

885.3. The insurance classes that fall under the life insurance sector are classified as personal insurance based on the insured object.

885.4. The insurance classes that fall under the non-life insurance sector may relate to either personal insurance or property insurance.

Article 885-1. Agrarian Insurance System

Relations covered by the agrarian insurance system are regulated by this Code, the Laws of the Republic of Azerbaijan on Insurance Activity, and on Agrarian Insurance.

Article 886. Insurance object and insurance subject

886.1. The insurance object is any lawful property interest of the insured or the person covered by insurance.

886.2. Illegal interests, as well as lawful interests that are prohibited from being insured ~~by law~~, fines provided for in the *Criminal Code*, *the Code of Administrative Offenses, and other laws of the Republic of Azerbaijan,* as well as interests related to participation in games (*including licensed casino games*), betting, and lotteries, may not be the subject of insurance.

886.3. The insurance subject is the person, property, or circumstance to which the insured property interests pertain under the insurance agreement.

Article 887. Object of personal insurance

Objects of personal insurance are property interests of the insured or the person covered by insurance related to life, health, working capacity, and pension provision. In personal insurance, both the insured person and another person specified in the agreement (the insured) may be insured.

Article 888. Object of property insurance

888.1. Objects of property insurance are property interests of the insured related to ownership, use, and/or disposal of property, conduct of entrepreneurial activity, compensation for harm caused to the health of other individuals or to the property of individuals, as well as damage caused to legal entities, and property interests related to production activity. Property insurance includes insurance of property and civil liability.

888.2. In property insurance, risks insured include damage, loss (destruction), or deficiency of property, as well as risks related to the loss of property rights.

888.3. In civil liability insurance, risks insured include obligations arising from causing harm to the life, health, or property of third parties (insurance against liability for harm), as well as obligations arising from civil-law agreements (insurance against breach of contractual obligations).

888.4. Insurance of mixed financial risks, credit risks, trade and investment risks, assignment and guarantee risks, legal costs, and other risks related to property interests specified in Article 888.1 are also classified as property insurance based on the insured object.

Article 889. Insurable interest

889.1. An insurable interest is a property interest that forms the basis of a person's right to insure an object, conditioned on the possibility of financial loss in the event of an insured event.

889.2. The existence of an insurable interest is recognized *by law or* by a civil-law agreement. If there is no such recognized connection between a person and the insured object, the insurable interest is deemed not to exist.

889.3. The policyholder has an insurable interest in his own life, as well as in the life of his spouse, parents, children, employees, employer, debtor, guardian, or a person under his guardianship.

889.4. An insurance agreement concluded without an insurable interest is invalid from the moment it is concluded.

889.5. The potential future acquisition of an insurable interest does not constitute a basis for concluding an insurance agreement.

889.6. If the insurable interest ceases to exist during the term of the insurance agreement, the contract shall be terminated.

889.7. If, at the time an event or circumstance that can be recognized as *an insured event under property insurance* occurs, there is no insurable interest, that event or circumstance is not deemed an insured event, and the insurer is released from obligations to pay the indemnity.

Article 890. Reinsurance

890.1. Reinsurance is the sharing or transfer, in whole or in part, of the risks insured or reinsured by the insurer under an insurance agreement to a reinsurer ~~in accordance with the procedures established by insurance legislation~~.

890.2. Terms of reinsurance are determined by a reinsurance agreement concluded in writing between the reinsurer and the reinsured.

890.3. All information required for the security certificate under Article 940 of this Code shall be specified in the reinsurance agreement.

890.4. When the insurer or reinsurer reinsures the risks insured (reinsured) under insurance or reinsurance agreements, the consent of the relevant insured or reinsured parties is not required.

890.5. Reinsurance may be conducted in facultative or obligatory form, and in proportional or non-proportional types.

890.6. Proportional reinsurance is a type of reinsurance in which, in the event of an insured event under the relevant insurance agreement, the reinsurer is obliged to pay an insurance indemnity proportionate to the risk assumed under the reinsurance agreement.

890.7. Non-proportional reinsurance is a type of reinsurance in which, in the event of an insured event under the relevant insurance agreement, the reinsurer is obliged to pay an insurance indemnity exceeding the reinsured's own retention limit.

890.8. Facultative reinsurance is a form of reinsurance in which each risk is individually assessed and reinsured separately.

890.9. Obligatory reinsurance is a form of reinsurance in which all risks meeting the conditions specified in the reinsurance agreement are automatically reinsured.

Article 891. Insurer's (reinsurer's) obligation to the insured under a reinsurance agreement

891.1. Subject to Article 891.2 of this Code, an insurer that reinsures the risks it has insured under an insurance agreement (the reinsured under the reinsurance agreement) bears full and direct obligations to the insured under that insurance agreement.

891.2. The insurer is released from performing its obligations under the relevant insurance agreement to the extent that the reinsurer, selected at the explicit written request of the insured, is unable to fulfill its obligations.

891.3. Subject to Article 891.4 of this Code, a reinsurer that retrocedes (re-reinsures) risks under a reinsurance agreement bears full and direct obligations to the reinsured under the reinsurance agreement.

891.4. If the reinsurer retrocedes relevant risks to a reinsurer selected at the explicit written request of the reinsured, it is released from performing its obligations under the reinsurance agreement to the extent that the second reinsurer is unable to fulfill its obligations.

Article 892. Right of the reinsurer to request documents

The reinsurer has the right to request from the reinsured relevant insurance rules and agreements, as well as supporting documents or copies thereof in the event of an insured event.

Article 893. Coinsurance

893.1. Coinsurance is an activity and associated legal relations in which multiple insurers, based on an agreement among themselves, simultaneously insure risks specified in an insurance agreement by sharing the obligations to pay the insurance indemnity.

893.2. An insured object may be insured by several insurers under a single agreement. This agreement shall include terms specifying the rights and obligations of each insurer based on their agreed shares.

893.3. One of the coinsurers may represent all co-insurers in relation to the insured, with obligations limited to their share.

893.4. An insurer that does not have a license to operate in the relevant type of insurance may not participate in coinsurance.

Article 894. Group insurance

894.1. In group insurance, a single insurance agreement covers multiple insured objects.

894.2. Group insurance may be carried out for both personal and property insurance.

894.3. In group personal insurance, where the identities of the insured are specified, the insured shall familiarize each insured person with all terms of the insurance agreement applicable to them. In this case, a document confirming that the insured persons have been appropriately informed about the insurance agreement (e.g., a list) is an integral part of the insurance certificate. During group insurance, if the identity of the insured is specified in a personal insurance agreement, or if the insured property is individually listed in a property insurance agreement, an insurance certificate may be issued for each insured person or for each insured property according to the agreement between the parties.

894.4. In group insurance where the identity of the insured is not specified in a personal insurance agreement, or the insured property is not individually listed in a property insurance agreement, the scope of insured persons or insured property shall be defined to the extent that it is possible to individually determine, for each insured person or property, the occurrence of the insured event, its consequences, and the amount of the insurance payment to be provided under the insurance object.

Article 895. Dual (multiple) insurance

895.1. Where the same property is insured against the same risks with two or more insurers for an amount exceeding the actual insurance value at the time the insurance agreement is concluded (dual or multiple insurance), each insurer is liable, in the event of an insured event, to pay compensation in proportion to the insurance amount specified in the respective insurance agreement, provided that the total compensation does not exceed the actual insurance value.

895.2. If property is insured for an amount exceeding its actual value under one or more insurance agreements with the intention of obtaining unlawful gain, each insurance agreement concluded for this purpose is invalid from the moment it is concluded. In such cases, the insured's intent to obtain unlawful gain shall be proven in court.

Article 896. Partial insurance

896.1. If the insurance amount specified in a property insurance agreement is less than the insurance value (partial insurance), the insurer pays compensation in proportion to the ratio of the insurance amount to the insurance value, provided that the provision regarding partial insurance is included in the insurance agreement.

896.2. In the event of total destruction of partially insured property, if the full insurance amount is paid, the right to the remnants of the insured object transfers to the insurer in proportion to the ratio of the insurance payment to the insurance value.

896.3. In the cases specified in Article 930.1 of this Code, at the time the insured event occurs, insurance coverage cannot be considered partial insurance.

Article 897. Compulsory insurance

897.1. Implementation of compulsory insurance is required *by compulsory insurance laws*.

897.2. A person *in whose favor* a compulsory insurance agreement shall be concluded has the right to demand, in court, that the person obligated to insure them under the law arrange such insurance, if they are aware that it has not been done.

897.3. If a person obligated *under compulsory insurance laws* fails to fulfill this obligation, or concludes the relevant insurance agreement on terms that worsen the position of the insured compared to the conditions prescribed *by those laws*, that person is liable to the insured for at least the insurance coverage established *by law* under that compulsory insurance at the time an event recognized as an insured event occurs or a circumstance arises.

897.4. Except where different provisions are established by compulsory insurance laws, relations arising from the implementation of compulsory insurance types are regulated by this Code and the Law of the Republic of Azerbaijan on Insurance Activity.

Article 898. Deductible amount and waiting period

898.1. Franchise or deductibles, as well as waiting periods, may be established in compulsory insurance *laws* and in insurance agreements for voluntary insurance types.

898.2. The deductible is the portion of losses or damage resulting from an insured event that is not covered by the insurance and remains on the insured. *The deductible is subtracted from the loss amount determined under the insurance agreement, or in the case of partial insurance, from the insurer's share of the loss.*

898.3. If a franchise is provided, it shall not apply if the loss resulting from the insured event exceeds that amount *or if any other condition agreed in the insurance agreement occurs*

898.4. An unconditional deductible *shall apply* in all cases.

898.5. If a waiting period is specified in the insurance agreement, compensation for losses occurring during that period remains the responsibility of the insured.

898.6. If a conditional waiting period is established, the insurance claim or payment shall also cover losses arising during that period, provided that the consequences of the insured event continue for that period or longer.

898.7. If an unconditional waiting period is established in the insurance agreement, 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 insured event occurrence

§2. Key requirements for an insurance agreement

Article 899. Form of an insurance agreement

899.1. The insurance agreement shall be concluded in writing *in any of the following forms*:

899.1.1. by the parties drafting and mutually signing a document called an insurance agreement based on relevant insurance rules.

899.1.2. by the insurer issuing an insurance certificate to the insured, provided that the insured confirms his/her agreement with relevant insurance rules.

899.1.3. in another manner provided for in compulsory insurance *laws*.

899.1-1. The forms of the insurance agreement specified in Article 899.1 of this Code may also be concluded in electronic document form.

899.2. In the case provided for in Article 899.1.2 of this Code, the insurance certificate shall specifically list the risks insured for the subject of insurance.

899.3. The insurer shall be liable for non-compliance with Articles 899.1 and 899.2 of this Code.

Article 900. Content of the insurance agreement

900.1 In the case provided for in Article 899.1.1 of this Code, the insurance agreement shall include the following:

900.1.1. name and address of the insurer.

900.1.2. name (for individuals also middle and last names, and *personal identification number*. for *legal entities also the TIN*) and address of the insured.

900.1.3. the subject of insurance and its address, as well as the name (for individuals also middle and last names, date of birth, *personal identification number*. *for legal entities also the TIN*) and address of the insured person(s).

900.1.4. the name (for individuals also middle and last names, date of birth, and *personal identification number*. *for legal entities also the TIN*) and address of the beneficiary.

900.1.5. the amount of the sum insured for each insured subject or part thereof, or for each insured person, by individual risks.

900.1.6. the total insurance premium and the premium amount for each insured subject, and the procedure for its payment.

900.1.7. the duration and territory in which the insurance agreement is effective.

900.1.8. the procedure for amendments and additions to the insurance agreement, as well as for its termination.

900.1.9. the insured risks covered under the insurance agreement, and, if agreed, any additional insurance coverage provided under the relevant insurance rules.

900.1.10. the procedure and grounds for payment of the insurance indemnity.

900.1.11. the grounds for refusal to pay the insurance indemnity.

900.1.12. the liability of the parties for non-performance or improper performance of the terms of the insurance agreement.

900.1.13. the procedure for resolving disputes.

900.1.14. other terms determined by mutual agreement of the parties to the insurance agreement ~~provided they do not contradict the legislation~~.

900.1.15. signatures of parties to the insurance agreementt, for legal entities, also their seals.

900.2 The procedure for concluding a compulsory insurance agreement is determined by compulsory insurance *laws*.

Article 901. Insurance certificate

901.1. Unless otherwise provided in *the Law of the Republic of Azerbaijan on Compulsory Insurance*, the insurer shall issue to the insured a document confirming the conclusion of the insurance agreement — an insurance certificate. This requirement shall also apply when the insurance agreement as per Article 899.1.1 of this Code.

901.2. If the insured person under the agreement is not the same as the policyholder, the insurance certificate may also be issued to the insured person upon the written request of the policyholder.

901.3. Unless otherwise specified in *the Law of the Republic of Azerbaijan on Compulsory Insurance* or in the insurance agreement, the insurance certificate shall be issued on the day the first installment or the full amount of the insurance premium is paid. in the case of group insurance, within 3 business days from the payment of the first installment or full premium.

901.4. If the insurance certificate is lost or destroyed, the policyholder or the insured may request a duplicate from the insurer.

901.5. From the date the written request provided for in Article 901.4 of this Code is received, the insurer shall provide the policyholder or the insured with a duplicate of the insurance certificate within 3 business days, at its own expense unless otherwise stated in the agreement.

Article 902. Contents of the insurance certificate

902.1. The insurance certificate shall include the following:

902.1.1. name and address of the insurer.

902.1.2. name (for individuals also first and last names, and *personal identification number*. for legal entities also the *TIN*) and address of the policyholder.

902.1.3. the insured subject and its location, or the name (for indivudals also middle and last names, date of birth, and *personal identification number*. for legal entities also the *TIN*) and address of the insured person.

902.1.4. insurance risks.

902.1.5. insurance amount.

902.1.6. amount of the insurance premium, and the procedure and terms of its payment.

902.1.7. duration and territorial scope of the insurance agreement.

902.1.8. if applicable, the names (for individuals also middle and last names, and *personal identification number*. for legal entities also the *TIN*) and addresses of other persons related to the insurance agreement (beneficiary, insurance agent, insurance broker).

902.1.9. signatures and/or seals of the insurer confirming issuance of the insurance certificate, and of the insured confirming familiarity with the relevant insurance rules.

902.2. The insurance certificate shall clearly indicate the name, address, and phone number of the *Central Bank of the Republic of Azerbaijan*, to which the policyholder or insured may submit a complaint if they believe their rights under the insurance agreement have been violated.

Article 903. Insurance premium

903.1. Insurance premium is the amount of money the policyholder shall pay to the insurer in accordance with the insurance agreement in exchange for the acceptance or sharing of risks.

903.2. The amount of the insurance premium, or the rules for its calculation and payment, shall be determined by the insurance agreement for voluntary insurance, and by compulsory insurance *laws* for compulsory insurance.

903.3. 'Unless otherwise provided in *the Law of the Republic of Azerbaijan on Compulsory Insurance*, the insurance agreement may allow the insurance premium to be paid in installments.

903.4. Unless otherwise provided in the agreement, the insurance agreement enters into force after payment of the first installment or the full amount of the insurance premium.

903.5. If the insurance premium or its any portion is not paid on time, the insurer may set, in writing, a period of up to 15 days for payment, taking into account the requirement of Article 903.6 of this Code.

903.6. In all cases, the insurance premium or its agreed first installment shall be paid no later than 1 month from the date the insurance agreement is concluded.

903.7. Payment of the premium under an insurance agreement concluded in electronic document form confirms that the policyholder has familiarized himself/herself with and agreed to relevant insurance rules and the terms of the insurance agreement, and also confirms the fact of conclusion of the agreement.

Article 904. Insurance amount (sum insured)

904.1. The sum insured is the upper limit of the insurer's liability for the insured risks.

904.2. The sum insured is determined *by compulsory insurance laws in the case of compulsory insurance*, and by the insurance agreement *in the case of voluntary insurance*.

Article 905. Disputes regarding the value of insured property

Except in cases where it is proven that the policyholder intentionally provided incorrect information to the insurer regarding the insured property, the parties may not dispute the value of the property as specified in the insurance agreement.

Article 906. Commencement and expiry of insurance coverage

906.1. Unless otherwise provided in compulsory insurance laws or voluntary insurance agreements, when the first installment or full amount of the insurance premium is paid, the insurance coverage period begins at 24:00 on the day the insurance agreement is concluded, and ends at 24:00 on the last day the insurance agreement is valid, except for cases specified in compulsory insurance laws.

906.2. If any of the events listed in Articles 919.1.1–919.1.8 of this Code occur, insurance coverage under the insurance agreement is deemed terminated from the moment such event occurs. in the case provided for in Article 919.1.9 of this Code, coverage is deemed terminated at the end of the last day of the period defined in Article 920.2 of this Code.

Article 907. Mandatory nature of the compulsory insurance agreement

907.1. A person who is legally obligated under *compulsory insurance laws* to obtain compulsory insurance shall conclude the relevant compulsory insurance agreement by freely selecting an insurer authorized to conduct that type of compulsory insurance.

907.2. An insurer authorized to conduct a type of compulsory insurance may not refuse to conclude a compulsory insurance agreement with a person who applies for insurance of relevant risks and has an insurable interest.

907.3. Failure of a person, required to obtain insurance as the policyholder, as well as failure of an insurer obligated to provide insurance as the insurer, to conclude the relevant

compulsory insurance agreement results in liability as provided in the *Code of Administrative Offenses of the Republic of Azerbaijan*.

Article 908. Invalidity of the insurance agreement

908.1. In addition to the general grounds for invalidity of transactions specified in this Code, an insurance agreement is deemed invalid from the moment of its conclusion when:

908.1.1. the insurance object concerns property to be confiscated pursuant to a court judgment (*decision*) that has entered into legal force.

908.1.2. the insurance agreement is concluded by persons not authorized to conclude an agreement on behalf of the insurer or the policyholder.

908.1.3. at the moment of conclusion of the agreement, the insurance subject does not exist.

908.1.4. the insurance object concerns unlawful interests of the policyholder, or interests whose insurance is prohibited *by law*.

908.1.5. property is insured under one or several insurance agreements for an amount exceeding its actual value, the portion of the insured sum exceeding the insurable value is invalid.

908.1.6. the insurance agreement includes additional conditions not provided f.r in the insurance rules that worsen the position of the policyholder, such conditions are invalid.

908.1.7. a person who is neither entitled to engage in insurance activity nor authorized to conduct the relevant type of insurance acts as the insurer in concluding the insurance agreement (in this case, the paid premiums shall be returned to the policyholder in full).

908.1.8. no insurable interest exists.

908.2. The insurer may not claim that the insurance agreement is invalid for the purpose of refusing to fulfill its obligations due to the failure to comply with the rules for concluding an insurance agreement as provided in Article 899.1 of this Code.

Article 909. Designation of the beneficiary

909.1. When concluding an insurance agreement, the policyholder has the right to designate any person(s) as the beneficiary, as well as change the beneficiary before the occurrence of the insured event. For insurance agreements used as a condition of pledge or leasing relationships, the beneficiary may be designated or changed only with the consent of the pledgee or the lessor, respectively.

909.2. In an insurance agreement covering pledged property, the pledgee may be recognized as the beneficiary only to the extent of the debtor's (pledgor's) debt at the time the insurance indemnity is paid. Regarding the portion of damage exceeding the debt amount, the pledgor (debtor) shall be recognized as the beneficiary.

909.3. An individual who insures his or her own life may designate any person(*s*) as the beneficiary in the relevant insurance agreement.

Article 910. Written consent of the insured in personal insurance agreements

In personal insurance, when the policyholder and the insured are not the same person, the insurance agreement may be concluded only if the insured (or his/her legal representative) is informed in writing of the proposal to conclude the agreement for his/her benefit.

Article 911. Duty to provide information when concluding an insurance agreement

911.1. When concluding an insurance agreement, the policyholder has the right to review the insurer's annual balance sheet confirmed by an independent auditor, as well as the financial results of the insurer's annual performance.

911.2. When concluding an insurance agreement, the policyholder shall provide the insurer with all circumstances known to him/her, *as well as those requested in writing by the insurer*, that may influence the insurer's decision to refuse to enter into the agreement or conclude it under modified terms.

911.3. A policyholder who concludes insurance agreements with multiple insurers regarding the same insurable interest shall inform each insurer of this fact. The information shall include the name of the other insurer and the corresponding sum insured. Upon request, relevant documents confirming this information shall be provided.

Article 912. Duty to notify about increase of insurance risk

912.1. After the conclusion of the insurance agreement, the policyholder shall inform the insurer or the insurance intermediary acting on behalf of the insurer of all changes that occur regarding the circumstances disclosed under Article 911.2 of this Code.

912.2. For insurance agreements used as a condition of pledge or leasing relationships, it is the duty of the pledgee or lessor, who is aware of such changes, to inform the insurer or the insurance intermediary acting on behalf of the insurer about any changes that occur regarding the circumstances previously disclosed under Article 911.2 of this Code.

912.3. Notification to the insurer's agent of any changes arising after the conclusion of the insurance agreement, regarding the circumstances reported in accordance with Article 911.2 of this Code, shall be considered as notification to the insurer.

Article 913. Duty to familiarize the policyholder with the terms of the insurance agreement

When concluding an insurance agreement, the insurer, insurance broker, or insurance agent shall familiarize the policyholder with the terms of compulsory insurance or, in the case of voluntary insurance, the insurance rules on which the contract is based. *At that, the policyholder shall be provided with an information sheet drafted in a style that is easily understandable to everyone, which explains what to do in the event of an incident that may be considered an insured event, and the legal grounds on which the insurer may refuse to pay the insurance indemnity*.

Article 914. Evaluation of insurance risk

914.1. When concluding a property insurance agreement, the insurer has the right to inspect the insured subject, assess it using various methods (determining its physical and technical characteristics, preparing diagrams and drawings, taking photographs and videos), and, if necessary, determine its actual value. For this purpose, while *considering the requirements of Article 10.10 of the Law of the Republic of Azerbaijan on Insurance Activity,* the insurer may appoint an independent expert.

914.2. The insurer evaluates the insured property and insurance risks either directly itself or through a relevant person engaged in auxiliary insurance activities appointed in accordance with *Article 10.10 of the Law of the Republic of Azerbaijan on Insurance Activity,* or through an independent expert.

914.3. When concluding a personal insurance agreement, the insurer may require the insured person to undergo a medical examination, either at the insurer's or the policyholder's expense, depending on the terms of the insurance agreement to assess the insured person's state of health.

914.4. Independent experts and persons engaged in auxiliary insurance activities appointed for the purpose of assessing insurance risk may exercise all rights held by the insurer in relation to such evaluation.

Article 915. Insurance rules

The insurance rule, being the set of rules and conditions forming the basis for the voluntary type of insurance offered by the insurer, are determined by the insurer itself taking into account the requirements of this Code and the Law of the Republic of Azerbaijan on Insurance Activity, or in another manner provided under Articles 16.5 and 16.6 of the Law on Insurance Activity.

Article 916. Content of insurance rules

916.1. The insurance rules shall specify the following:

916.1.1. insurance classes to which the relevant type of insurance belongs or those combined under this type.

916.1.2. the specific category of insurance subjects—insured persons, items, or events.

916.1.3. the procedure for determining sums insured.

916.1.4. insurance risks.

916.1.5. exclusions from insurance risks and/or limitations of insurance coverage.

916.1.6. the procedure for concluding the insurance agreement, as well as making additions, amendments, and terminating it.

916.1.7. rights and responsibilities of the parties.

916.1.8. responsibilities of the policyholder when an insured event occurs.

916.1.9. the procedure and conditions for making insurance payments, and the specific list of documents required for payment.

916.1.10. grounds for refusal to make an insurance indemnity.

916.1.11. the period for deciding whether to make or refuse the insurance payment.

916.1.12. liability of the parties for failure to fulfill or improper fulfillment of the terms of the insurance agreement.

916.1.13. the procedure for resolving disputes.

916.1.14. insurance tariffs and their economic justification.

916.1-1. In addition to the matters listed in Article 916.1 of this Code, the insurance rules relating to agricultural insurance shall also include other matters specified in the Law of the Republic of Azerbaijan on Agricultural Insurance.

916.2. The exclusions and limitations specified in Article 916.1.5 of this Code may be included in insurance coverage if agreed upon in the insurance agreement.

Article 917. Additional requirements for life insurance agreements

917.1. If a life insurance agreement is concluded under the condition that the insured participates in the insurer's profit, the rules for distribution of such profit shall be specified in the agreement.

917.2. Failure of the policyholder to fulfill the duty of disclosure at the time of concluding the life insurance agreement may not serve as grounds for the insurer to refuse to fulfill its obligations under the agreement after 5 years from the date of conclusion of the agreement. However, if the policyholder deliberately failed to fulfill the duty of disclosure, refusal of the agreement shall be allowed.

Article 918. Conclusion of an insurance agreement through a single (unified) insurance agreement

918.1. By mutual agreement between the policyholder and the insurer, the continuous insurance of various parts of homogeneous property (goods, cargo, etc.) under similar conditions over different periods may be carried out on the basis of a single insurance agreementby issuing a unified insurance agreement.

918.2. Regarding each part of the property mentioned in Article 918.1 of this Code, the policyholder shall provide the insurer with the information agreed upon in the insurance agreement in a timely manner, and if the agreement does not specify the time for submitting such information, then immediately after obtaining such information. Even if at the moment of obtaining such information it is already known that the insurer will not compensate the losses, the policyholder is not exempt from the obligations set out in this Article.

918.3. Upon the policyholder's request, the insurer shall issue an insurance certificate for each separate part of the property covered under the agreement referred to in Article 918.1 of this Code.

Article 919. Premature termination of an insurance agreement

919.1. The insurance agreement shall be terminated early when:

919.1.1. the insured subject no longer exists.

919.1.2. the policyholder, if an individual, dies or, if a legal entity, is liquidated, except in the following cases:

919.1.2.1. if the policyholder who concluded a property insurance agreement designated a person to receive the insured property when concluding the agreement and changed this designation with the insurer's consent before the insured event occurred, then upon the policyholder's death, the rights and obligations under that agreement shall pass to the person who receives the insured property in accordance with inheritance rules *of this Code*.

919.1.2.2. unless otherwise provided by *compulsory insurance laws* or the agreement, the rights and obligations of the policyholder shall pass to the new owner, holder, or user of the inherited property that is the subject of insurance, subject to the mutual consent of both the new owner and the insurer, formalized in the agreement.

919.1.2.3. if a policyholder who concluded a life insurance agreement in favor of another person dies, the rights and obligations under the agreement shall pass to the person in whose favor the agreement was made, after his/her written consent is obtained.

919.1.2.4. if the policyholder is a legal entity that undergoes reorganization while the insurance agreement is in force, its rights and obligations under the agreement shall transfer to the legal successor ~~in accordance with legislation~~.

919.1.3. if the insured person, not a policyholder, dies and the insurer objects to replacing that person with another proposed by the policyholder.

919.1.4. if the insured property is alienated and, unless otherwise provided by the *Law of the Republic of Azerbaijan on Compulsory Insurance* or the insurance agreement, the insurer objects to transferring the policyholder's rights and obligations to the new owner, holder, or user. if the insurer does not object to such transfer during alienation, the policyholder *is replaced* without requiring additional insurance Premium.

919.1.5. when the possibility of an insured event no longer exists and the insurance risk ends for reasons not constituting an insured event.

919.1.6. when the insurer has *fully* fulfilled its obligations to the policyholder.

919.1.7. when the policyholder fails to pay the insurance premium in the manner specified in the *compulsory insurance laws* or the insurance agreement.

919.1.8. when the insurable interest no longer exists.

919.1.9. when either the policyholder or the insurer requests early termination of the insurance agreement.

919.2. If during the validity of the insurance agreement the policyholder is declared legally incapable or has limited legal capacity by a court decision, then in the case of liability insurance, the agreement shall be deemed terminated from the moment the relevant court decision enters into force. In all other cases, the policyholder's rights and obligations are exercised by his/her guardian or custodian.

Article 920. Notice on early termination of the insurance agreement

920.1. In the cases specified in Article 919 of this Code, when circumstances arise that constitute a ground for terminating the insurance agerement, the party interested in the termination shall immediately notify the other party, *taking into account Article 920.2 of this Code*.

920.2. When *the insurance agreement* is terminated early upon the request of the policyholder or the insurer *in accordance with Article 919.1.9 of this Code*, the requesting party shall send the other party a written notice with justification at least 30 days in advance (if the insurance agreement is concluded for more than five years—60 days in advance. if it is concluded for less than 3 months—5 business days in advance).

Article 921. Consequences of early termination of the insurance agreement

921.1. When the insurance agreement (or, in the case of group insurance, the agreement in relation to any insured item) is terminated early upon the request of the policyholder, the insurer shall refund the insurance premium for the remaining period of the agreement, after deducting the portion of administrative expenses proportional to the unexpired term of the agreement. In case the policyholder requests termination due to the insurer's failure to fulfill its obligations under the agreement, the insurer

shall refund the insurance premium in full (in the case of group insurance, also the premiums paid for each insured item).

921.2. When the insurance agreement (or, in the case of group insurance, the agreement in relation to any insured item) is terminated early upon the request of the insurer, the insurer shall refund the insurance premiums in full (including premiums paid for each insured item in group insurance). However, if the termination request results from the policyholder's failure to fulfill obligations under the agreement, the insurer shall refund the insurance premium for the unexpired term ~~after deducting administrative expenses~~ (also applicable to premiums paid for each insured item in group insurance). *In this case, the insurer may deduct from the refundable portion of the insurance premium under the insurance agreement (and, in the case of group insurance, the portion of the premium proportionate to any insured subject under the agreement) the part of the expenses for carrying out the work that is proportionate to the unexpired term of the contract.*

921.3. If an insurance agreement is terminated early (and, in the case of group insurance, also in relation to any insured subject under the contract), and if by the time of termination the insurer has paid Insurance indemnity equal to or exceeding the insurance premium paid by the insured (and, in the case of group insurance, the premiums paid in respect of any insured subject under the contract), the insurance premium (and, in the case of group insurance, the premiums paid in respect of any insured subject under the contract) shall not be refunded to the insured.

921.4. If an insurance agreement is terminated early and, by the time of termination, the Insurance indemnity paid ~~by the insurer to the insured~~ is less than the insurance premium paid (and, in the case of group insurance, less than the premiums paid in respect of any insured subject under the contract), the insurance premium shall be refunded to the insured in the amount of the difference between the insurance premium and the Insurance indemnity, in accordance with the procedure provided for in Articles 921.1 and 921.2 of this Code, as applicable.

921.5. When the insurance agreement is deemed terminated based on a court decision as prescribed in Article 919.2 of this Code, the insurer shall refund the insurance premium for the unexpired term (also for each insured item in group insurance), after deducting administrative expenses, to the legal representative of the policyholder in accordance with Articles 921.3 and 921.4.

921.6. If a moratorium is imposed on the insurer in accordance with the Law of the Republic of Azerbaijan on Insurance Activity, the refund of insurance premiums to be returned to the policyholder due to early termination of the agreement shall be suspended for the duration of the moratorium.

§3. Insured event and Insurance indemnity

Article 922. Insured event

922.1. An insured event is an event that occurs or a circumstance that arises during the period in which the insurance agreement is in force and that constitutes grounds for the payment of Insurance indemnity to the insured, the insured person, or other beneficiary persons in accordance with *compulsory insurance laws* or the insurance agreement.

922.2. Events and circumstances that are considered insured events are determined by compulsory insurance *laws* for compulsory insurance, and for voluntary insurance, by insurance agreements based on the agreement of the parties.

922.3. An insured event shall have the probability of occurrence and/or elements of randomness.

Article 923. Notification of an insured event

923.1. The policyholder or the insured person, or the beneficiary, upon becoming aware of the occurrence of an insured event, shall immediately or within the shortest possible time notify the insurer or its representative, as well as authorized public authorities that should be notified of such an event ~~in accordance with the legislation~~, by any means. ~~Compulsory insurance legislation and the insurance agreement may provide for a reasonable period and/or method for notifying the insurer of the insured event~~

923.2. If the policyholder or the insured person, as well as the beneficiary, who has notified the insurer of the occurrence of an insured event, has not notified authorized public authorities referred to in Article 923.1 of this Code of the event, the insurer shall immediately notify the said authorities of the event.

923.3. Whether the policyholder or the insured person has notified the insurer of the occurrence of an insured event, the insurer shall notify authorized public authorities that have been informed of the event.

923.4. Notification of the insurer of the occurrence of an insured event by persons other than those obligated to notify under Article 923.1 of this Code, including authorized public authorities and, where applicable, the injured party, by any means, shall also be considered notification of an insured event.

Article 924. Confirmation of an insured event

924.1. The insurer (or an appointed independent expert or a person engaged in auxiliary activities in the insurance field) has the right, taking into account Article 924.2 of this Code, to request from the insured the documents and information confirming the fact of occurrence of an insured event and/or necessary for determining the amount of Insurance indemnity.

924.2. With respect to events that may be considered insured events and that are subject to investigation or registration ~~in accordance with the legislation~~, it is the duty of the insurer or its representative to submit a written request to authorized public authorities to obtain a document confirming the fact and/or cause of the occurrence of such events, as well as their consequences.

924.3. Based on a written request from the insurer or its representative, public authorities shall provide, within 10 days from the date of receipt of the request, any information requested in connection with the insured event, the disclosure of which is not prohibited by the Law of the Republic of Azerbaijan on Access to Information.

Article 925. Damage assessment

925.1. The insurer shall determine, *within the shortest possible time*, the amount of damage caused as a result of an insured event on the basis of an insurance claim submitted by the insured, the insured person, or the beneficiary, or their representative.

925.2. The insurer shall assess the damage using various methods, including by determining physical and technical characteristics of the damaged object or the accident site by different means, preparing schemes and drawings, and conducting photo and video recording, either directly or through an appropriate person engaged in auxiliary insurance activities appointed as its representative, *taking into account the requirement of Article 10.10 of the Law of the Republic of Azerbaijan on Insurance Activity. The insurer shall provide the policyholder, the insured person, and the beneficiary with information on the damage assessment (the specific amounts of expenses required for the repair or restoration of each part of the damaged property) on paper, as well as by e-mail or other electronic communication means.*

925.2-1. For compulsory types of insurance, the mandatory assessment of damage to state and municipal property resulting from the occurrence of an insured event shall be carried out in accordance with the Law of the Republic of Azerbaijan on Valuation Activity.

~~925.3. If no agreement is reached between the parties regarding the assessment and the amount of damage caused as a result of an insured event by the insurer, the assessment of the amount of damage shall be carried out by an independent expert appointed in compliance with the requirement of *Article 10.10 of the Law of the Republic of Azerbaijan on Insurance Activity*.~~

925.4. Independent experts appointed for the investigation of an insured event and assessment of damage, as well as persons engaged in auxiliary insurance activities *and valuers* (*valuation organizations*), may exercise all the rights held by the insurer in this regard.

925.5. Under a property insurance agreement, the policyholder, the insured person, or a third party shall present the damaged property to the insurer or its authorized representative in the condition immediately following the insured event, except where:

925.5.1. it is not possible to preserve the damaged property in the condition immediately following the event due to the need to take necessary measures to prevent or reduce the damage, eliminate the consequences of the insured event, prevent other adverse effects, or avoid leaving the damaged property unattended in a manner that could pose a risk of further loss, or prevent obstruction of the actions or activities of other persons, including where the property is removed from the accident site for these purposes.

925.5.2. the insurer's representative fails to inspect the damaged property within 5 days after the insurer has been notified of the insured event in accordance with the procedure provided for in this Code.

925.5.3. in other cases, the insurer has given written consent for the damaged property not to be preserved in the condition immediately following the insured event.

925.6. Total loss of property means that the costs required to repair or restore such property to its condition prior to the insured event exceed the limit specified in the insurance agreement.

Article 925-1. Assessment of damage by an independent expert

925-1.1. In accordance with Article 16.2 of the Law of the Republic of Azerbaijan on Compulsory Insurance and Article 925.2 of this Code, where no agreement is reached between the parties regarding the assessment of damage caused as a result of an insured event by the insurer and the amount thereof, the assessment of the amount of damage shall be carried out by a person performing independent expert

activity, taking into account the requirements of Article 10.10 of the Law of the Republic of Azerbaijan on Insurance Activity.

925-1.2. The independent expert shall be selected from among 3 independent experts proposed by the policholder, the insured, or the beneficiary and appointed by the insurer within 3 (three) working days.

925-1.3. If the insurer fails to appoint an independent expert within the period specified in Article 925-1.2 of this Code, the policyholder, the insured person, or the beneficiary has the right to apply to an independent expert of their own choosing for the assessment of the damage.

925-1.4. Where applicable, if the policyholder, the insured, or the beneficiary does not accept results of the damage assessment carried out by an independent expert in accordance with Article 925-1.2 of this Code, they may request a repeated assessment of the damage in the manner provided for in that Article.

925-1.5. The independent expert shall submit results of the damage assessment to the insurer and, where applicable, to the policyholder, the insured person, or the beneficiary.

925-1.6. Costs incurred for the assessment of damage shall be borne by the following persons:

925-1.6.1 the insurer, where the independent expert is appointed in accordance with Articles 925-1.2 and 925-1.3 of this Code.

925-1.6.2. the person requesting the repeated assessment, where the independent expert is appointed in accordance with Article 925-1.4 of this Code.

Article 926. Insurance indemnity

926.1. Insurance indemnity is financial compensation paid by the insurer *in accordance with compulsory insurance laws or* the insurance agreement upon the occurrence of an insured event.

926.2. The insurer shall make the insurance indemnity within the limits of the insured sum.

926.3. The procedure for determining and paying insurance indemnity is established by compulsory insurance *laws* for compulsory insurance, and by the insurance agreement ~~concluded on the basis of the relevant insurance rules~~.

926.4. Where several injured parties are identified as a result of an insured event, any of them who submits an insurance claim shall be recognized as a beneficiary, taking into account the requirement of Article 927.3 of this Code.

Article 927. Additional requirements for insurance indemnity under property insurance

927.1. In property insurance and in insurance of civil liability for damage caused to property, insurance indemnity may not exceed the amount of actual damage suffered by the policyholder or the insured person, as well as by the injured third party, as a result of the occurrence of an insured event.

927.2. After an agreement is reached between the parties on the amount of damage, insurance indemnity under property insurance shall be paid, at the insurer's choice and *taking into account Article 927.4 of this Code, in any of the following forms:*

927.2.1. payment of the amount of damage in cash to the beneficiary.

927.2.2. payment of the cost of services rendered or goods sold to the policyholder (the insured person or the beneficiary) for the purpose of eliminating the damage caused as a result of the insured event, directly to the service provider or seller.

927.2.3. repair or restoration of property that is the subject of insurance, or of property belonging to an injured third party.

927.2.4. where specified in the insurance agreement, replacement of the insured property in accordance with the terms specified in that agreement.

927.3. *Except for the case provided for in Article 927.5 of this Code,* in insurance of pledged property, the pledgee who is the beneficiary on the date of occurrence of the insured event may not receive insurance indemnity exceeding the amount owed to him by the debtor (the pledgor) under the debt (credit) agreement as of the date the insurance indemnity is paid.

927.4. If, at the time of occurrence of the insured event, the beneficiary under property insurance was a trustee (authorized manager) of the property, the forms of insurance indemnity provided for in Articles 927.2.3 and 927.2.4 of this Code shall apply. The forms of insurance indemnity provided for in Articles 927.2.1 and 927.2.2 of this Code shall apply where results of the elimination of the damage by the beneficiary acting as the trustee of the property are submitted to the insurer.

927.5. Where an insured event resulting in the total loss of pledged property occurs, the pledgee who is the beneficiary shall have the right, if provided for in the insurance agreement, to receive insurance indemnity in the amount of the unpaid portion of the debt determined under the debtor's (pledgor's) debt (credit) agreement.

Article 928. Insurance indemnity under personal insurance

Insurance indemnity under personal insurance shall be paid to the person entitled to receive it in the manner prescribed by *compulsory insurance laws* or the insurance agreement, regardless of payments specified under social insurance as well as compulsory or voluntary insurance.

Article 929. Deduction of insurance premium from insurance indemnity

When paying insurance indemnity, the insurer has the right to deduct from the amount of the insurance indemnity the amount of insurance premium payable to it by the policyholder that is due or overdue.

Article 930. Reduction of the insured sum in accordance with insurance indemnity

930.1. Unless otherwise provided by compulsory insurance laws or the insurance agreement, the insured sum specified in the insurance agreement shall be deemed reduced by the amount of insurance indemnity paid under that agreement. however, coverage under the insurance agreement shall not be considered partial insurance coverage. Unless otherwise provided by compulsory insurance laws, it is not mandatory in such a case to amend the insurance agreement in connection with the reduction of the insured sum.

930.2. In the case provided for in Article 930.1 of this Code, the insured sum specified in the insurance agreement may be restored by paying an additional insurance premium corresponding to the reduced portion of the insured sum.

Article 931. Priority of compulsory insurance indemnity

Where the obligations of one or more insurers arise under two or more insurance agreements to compensate for damage and/or losses caused by a single insured event, insurance

indemnity under compulsory insurance agreements shall be paid first. In such a case, an insurer that has concluded a voluntary insurance agreement may, at its own discretion, fulfill its obligations toward the policyholder (the insured person or the beneficiary) before the insurer that has concluded the compulsory insurance agreement.

~~**Article 932. Postponement of decision on insurance indemnity**~~

~~If, in connection with an event that may be considered an insured event, administrative or criminal proceedings are initiated regarding a third party in the case of liability insurance, or regarding the insured or the insured person in other cases the insurer shall make its decision on whether or not to pay the relevant Insurance indemnity only after the competent authority issues its final decision in that case.~~

Article 933. ***Grounds for payment of insurance indemnity***

933.1. Insurance indemnity shall be made *when each of the following conditions is met*:

933.1.1. the occurrence of the insured event and the insurance claim submitted by the policyholder, the insured person, or the beneficiary to the insurer ~~within the period specified in the insurance agreement~~.

933.1.2. where the event that may be considered an insured event shall be reported to any public authority ~~under the legislation~~, a relevant document provided by that authority regarding the event.

933.1.3. other documents required for the payment of Insurance indemnity as provided for in *compulsory insurance laws* and the relevant insurance rules.

933.2. Article 933.1.1 of this Code shall not apply to insured events under the health (medical) insurance class.

933.3. In cases specified in the Law of the Republic of Azerbaijan on Compulsory Insurance, the document referred to in Article 933.1.2 of this Code is not required. Except in cases where there is damage to health, if, as a result of an insured event under a voluntary insurance agreement, the amount of damage is less than the limit determined for this purpose in the relevant insurance rules, and if the insurer has no justified suspicion regarding the distortion of the causes and details of the insured event, the document provided for in Article 933.1.2 of this Code may not be required for the payment of insurance indemnity.

Article 934. Payment of insurance indemnity

934.1. The insurer shall pay the insurance indemnity, or provide the policyholder, the insured person, or the beneficiary with a written and justified notice of refusal to pay, no later than 7 working days from the date of receipt by the insurer of the last document referred to in Article 933.1 of this Code (taking into account Article 933.3 of this Code).

934.2. If the insurer fails to pay the insurance indemnity within the period established by compulsory insurance laws or the insurance agreement, it shall pay a penalty equal to 0.1 percent of the insurance indemnity amount for each day of delay.

Article 935. Grounds for refusal to pay insurance indemnity

935.1. *Unless otherwise provided in the Law of the Republic of Azerbaijan on Compulsory Insurance*, *the insurer* may refuse to pay insurance indemnity in the following cases:

935.1.1. depriving the insurer of the ability to determine whether the event constitutes an insured event as a result of non-compliance with the requirements of Article 923.1 of this Code.

935.1.2. except for cases excluding liability under *this Code, the Code of Administrative Offenses, and the Criminal Code of the Republic of Azerbaijan*, the deliberate act or omission of the policyholder, and where applicable the injured party, that caused *the event*, as well as intentional criminal acts directly causally related to *the event*.

935.1.3. where the event results from military operations or military-type activities, and the insurance of military risks is not provided for in the agreement or *compulsory insurance laws*.

935.1.4. the policyholder's deliberate failure to take necessary and feasible measures to prevent or reduce damage to the insured property. the insurer may refuse payment to the extent that the damage would have been reduced if the measures had been taken. where the policyholder was capable of taking necessary and possible measures to prevent damage to the insured property or reduce its extent, but deliberately failed to take such measures. in such a case, payment of insurance indemnity may be refused to the extent by which the damage would have been reduced had the policyholder taken the possible measures.

935.1.5. non-compliance with Article 925.5 of this Code regarding presentation of the damaged property to the insurer, which fully or partially prevents the insurer from determining the extent of the damage.

935.1.6. intentional provision of false information by the policyholder regarding the insurance object, the insured person, and/or the insured event, which fully or partially prevents the insurer from assessing the insurance risk or determining the causes of the insured event and/or the extent of the damage, taking into account Article 935.2 of this Code.

935.1.7. where the policyholder, the insured person, or the beneficiary under property insurance fully recovers the damage from the person responsible for the damage. if the liable party compensates only partially, the insurer may refuse the amount already compensated.

935.1.8. where the event is not deemed an insured event under *compulsory insurance laws* or the insurance agreement.

935.1.9. where, in case an insured event occurs 15 days after the expiry of the contractual deadline for payment of any subsequent installment of the insurance premium, or, in the case provided for in Article 903.5 of this Code, 3 days after the expiry of the period determined by the insurer, the relevant part of the insurance premium has not been paid.

935.1.10. other cases provided for in compulsory insurance laws.

935.2. If the inaccuracy of the information provided for in Article 911.2 of this Code was known to the insurer at the time the insurance agreement was concluded, or if the policyholder was not at fault in providing incorrect information, as well as *where the insurance agreement was concluded despite the policyholder's failure to respond to the requested information*, the insurer may not rely on the fact of providing incorrect information *or failing to provide the requested information* as grounds for refusing payment of insurance indemnity.

935.3. Even in cases under Article 935.1.5 of this Code where the insurer is fully or partially prevented from determining the extent of the damage, the insurer may not refuse payment beyond the amount proven by obvious facts.

935.4. Except for cases excluding liability under this Code, the Code of Administrative Offenses, and the Criminal Code of the Republic of Azerbaijan, if an insured event occurs as a result of the deliberate act

or omission of a beneficiary who is not considered the policyholder or the insured person under the insurance agreement, that beneficiary shall be deprived of the right to receive insurance indemnity.

Article 936. The subrogation right

936.1. The right of subrogation, taking into account Article 936.6 of this Code, is the right of the insurer who has paid the insurance indemnity to exercise the rights and remedies that the person who received the indemnity has against a ~~third~~ party responsible for the damage.

936.2. In property insurance, the right of the beneficiary to claim compensation from the liable party for the damage is transferred to the insurer that has paid the insurance indemnity, to the extent of the amount of the insurance indemnity paid, through subrogation.

936.3. Upon receiving the insurance indemnity, the beneficiary shall provide the insurer with all necessary documents to exercise the right of subrogation.

936.4. If the beneficiary refuses to file a claim against the liable party, to exercise the rights ensuring the claim, or provide necessary documents to the insurer, the insurer is released from its obligation to pay the insurance indemnity to the extent of the amount it can recover from the liable party through subrogation.

936.5. The insurer may exercise the right of subrogation against the liable party, and/or against an insurer covering the liable party for relevant risks associated with the insured event, as well as against any other person who, ~~under the law~~, may be held financially liable to the insured or the beneficiary for the damage.

936.6. The right of subrogation shall not apply to cases related to life insurance classes and personal accident insurance.

§4. Insurance intermediation

Article 937. Participation of insurance intermediaries in insurance relations

937.1. An insurance (reinsurance) agreement may be concluded between the parties either directly or through services of insurance intermediaries—insurance agents or insurance brokers. *An agricultural insurance agreement is concluded through services of intermediary agricultural insurers as determined by the Law of the Republic of Azerbaijan on Agricultural Insurance.*

937.2. An insurer may use intermediary services of an insurance agent acting on its behalf in the following insurance operations by concluding a *mandate (agency) agreement*:

937.2.1. conclusion of insurance agreements and conducting transactions related thereto.

937.2.2. conducting transactions related to insurance agreement continuation or renewal.

937.2–1. The mandate agreement for the provision of intermediary services concluded between the insurer and the insurance agent shall specify the following:

937.2–1.1. the number and date of the mandate agreement.

937.2–1.2. the name and address of the insurer.

937.2–1.3. where the insurance agent is an individual: his first, middle and last names, place of residence, series and number of the identity document, series and number of the license, and TIN.

937.2–1.4. where the insurance agent is a legal entity: its name, registered address, series and number of the license, TIN, and—if it is engaged exclusively in insurance agency activities—the first,

middle and last names of the head of the executive body. if its principal activity is another type of activity, then, in addition to the head of the executive body, first, middle and last names of employees who have passed the attestation provided for in the Law of the Republic of Azerbaijan on Insurance Activity.

937.2–1.5. the subject matter of the mandate agreement.

937.2–1.6. the list of insurance types to be offered by the insurance agent to clients.

937.2–1.7. amount of the commission fee payable to the insurance agent under the mandate agreement.

937.2–1.8. the rights and obligations of the parties.

937.2–1.9. the liability of the parties for breach of the contractual terms.

937.2–1.10. the territory in which the mandate agreement is effective.

937.2–1.11. the validity of the mandate agreement.

937.2–1.12. details of the parties.

937.3. An insurance broker, representing the policyholder (reinsured) in relations with the insurer (reinsurer), may, on the basis of a mandate agreement, act as an intermediary in the following insurance operations:

937.3.1. conclusion of insurance (reinsurance) agreements and conducting transactions related thereto.

937.3.2. conducting transactions related to the continuation or renewal of insurance (reinsurance) agreements.

937.3.3. execution of insurance (reinsurance) agreements, including conducting transactions and/or providing advice regarding insurance (reinsurance) claims and insurance payments.

Article 938. Conclusion of insurance or reinsurance agreements through insurance intermediation

938.1. Where an insurance agreement is concluded through an insurance agent, the insurance agent may sign the agreement on behalf of the insurer only on the basis of written authorization granted by that insurer.

938.2. Where an insurance (reinsurance) agreement is concluded through an insurance broker, the agreement may be signed by the insurer and the policyholder, or by the insurance broker on the basis of written authorization granted by the policyholder (reinsured).

938.3. Where an insurance (reinsurance) agreement is concluded through insurance intermediation, the name and address of the insurance agent or insurance broker (and, if an individuals, also the last name) shall be indicated in the agreement, as applicable.

938.4. An insurance intermediary who is informed of any changes arising after the conclusion of the insurance agreement in relation to the circumstances reported in accordance with Article 911.2 of this Code shall communicate such information to the insurer within one day from the date of receipt thereof.

Article 938–1. Information to be disclosed by the insurance intermediary to the policyholder before concluding an insurance agreement

938–1.0. Before the conclusion, renewal, or amendment of any insurance agreement concluded through insurance intermediation, the insurance intermediary shall provide the applicant for insurance with at least the following information:

938–1.0.1. his name and place of residence (for legal entities — registered address).

938–1.0.2. register and retrieval means.

938–1.0.3. whether they have shareholder, affiliated person, or subsidiary relationships with the insurer proposed as a party to the insurance agreement.

938–1.0.4. the right and procedure to lodge a complaint against insurance intermediaries, as well as the methods and means of submitting such a complaint.

938–1.0.5. whether they carry out insurance intermediation on the basis of obligations under a mandate agreement concluded with one or more insurers (providing objective information on the names, addresses, and market position of those insurers), or without such an agreement.

938–1.0.6. coverages provided on the basis of insurance types that correspond to requirements and needs of the applicant for insurance.

Article 939. Provision of documents to the parties of an insurance agreement by an insurance broker

939.1. An insurance broker shall, within 3 days from the date on which the insurance agreement concluded through the broker is signed by the last of the parties, provide the policyholder with a copy of that agreement and/or the relevant insurance certificate. Where this is not possible, the broker shall provide a cover note provided for in Article 940 of this Code, which shall remain valid until a copy of the insurance agreement or the insurance certificate is delivered to the policyholder.

939.2. An insurance broker shall, within 10 days from the date on which the reinsurance agreement concluded through the broker is signed by the last of the parties, provide the reinsured with a copy of the relevant reinsurance agreement or with the cover note provided for in Article 940 of this Code.

939.3. An insurer (reinsurer) that assumes or shares risks under an insurance (reinsurance) agreement concluded through an insurance broker may request any information relating to that contract from the insurance broker.

Article 940. Cover note

940.1. A cover note is a document issued by an insurance broker to the policyholder (reinsured) confirming the placement of insurance risks.

940.2. A cover note shall contain the following information:

940.2.1. the full name and address of the insurer (reinsurer) that assumes or shares the risks under the insurance (reinsurance) agreement.

940.2.2. the full name and address of the insured (reinsured).

940.2.3. the period and territory for which the insurance contract is in force.

940.2.4. the insurance risks covered under the insurance (reinsurance) agreement.

940.2.5. the amount of the insurance (reinsurance) sum corresponding to the insurance or reinsurance risk assumed or shared by the insurer (reinsurer), specified separately for each insured object or part thereof, or for each insured person, by individual risks.

940.2.6. the total amount of the insurance (reinsurance) premium, the amount for each insured object, and the procedure for payment.

940.3. Where an insurance risk is placed with several insurers (reinsurers), the information provided for in Articles 940.2.3–940.2.6 of this Code shall be indicated separately in respect of each insurer (reinsurer).

Article 941. Participation of insurance intermediaries in the payment of insurance premiums and indemnities

941.1. An insurance agent may collect insurance premiums on behalf of the insurer only on the basis of written authorization granted by the insurer.

941.2. Where an insurance (reinsurance) agreement is concluded via an insurance broker, depending on the agency service agreement concluded between the broker and the policyholder (reinsured) and/or the insurer (reinsurer), the policyholder (reinsured) may pay the insurance (reinsurance) premium directly to the insurer (reinsurer) or through the insurance broker.

941.3. The insurance (reinsurance) premium shall be considered paid under the relevant insurance (reinsurance) agreement from the moment it is received by the insurance broker.

941.4. An insurance broker shall hold funds received as insurance (reinsurance) premiums in a bank account designated as an 'insurance premium account,' separate from other accounts, for the purpose of transferring them to the insurer (reinsurer), and may not use these funds for other purposes.

941.5. An insurance intermediary who has received the insurance premium shall transfer it in full to the insurer's relevant bank account within 5 business days from the date of receipt. A reinsurance broker who has received the reinsurance premium shall transfer it to the relevant bank account of the reinsurer within the period and in the manner agreed with the reinsurer. For each day of delay in transferring the insurance (reinsurance) premium within the time limits specified in the first and second sentences of this Article, the insurance intermediary shall pay a penalty of 0.1% of the untransferred amount per day.

941.6. The commission fee agreed in the relevant agreement between the insurance broker and the reinsurer may be deducted from the reinsurance premium when transferring it in accordance with Article 941.5 of this Code.

941.7. An insurance broker shall hold funds received from the insurer (reinsurer) for insurance payments in a bank account designated as an 'insurance payment account,' separate from other accounts, for the purpose of transferring them to the insured (reinsured) or the beneficiary, and may not use these funds for other purposes.

941.8. An insurance broker shall transfer the funds specified in Article 941.7 to the relevant insured (reinsured) or beneficiary no later than 3 days from the date the funds are credited to the insurance payment account.

Article 942. Subsidiary liability of insurance intermediaries towards the insured or reinsured

An insurance intermediary shall bear subsidiary liability to the policyholder (reinsured) for any harm to their interests resulting from entering into an insurance or reinsurance agreement with a person who does not have a license to conduct the relevant insurance or reinsurance activity, or with an insurer who is not authorized to conduct the relevant type of insurance. non-compliance with Articles 941.5 and 941.8 of this Code. This subsidiary liability covers obligations of the insurer (reinsurer) under the insurance (reinsurance) agreement and requires the intermediary to fulfill these obligations toward the insured (reinsured) as if they were the insurer (reinsurer).

Chapter 51

Bank deposit

Article 943. General provision on bank deposits

The rules of this Chapter of the Code relating to banks shall also apply to other credit institutions that accept deposits from legal entities, as well as to the national postal operator.

Article 944. Bank deposit agreement

944.1. Under a bank deposit (saving) agreement, one party (the bank), having accepted from the other party (the depositor) or for the benefit of the other party a sum of money (the deposit), shall undertake to return the deposit amount to the depositor and pay interest thereon under the terms and in the manner provided for in the agreement.

944.2. The relations between the bank and the depositor with respect to the account into which the deposit is placed shall be governed by the rules on the bank account agreement, unless otherwise provided by the provisions of this Chapter of the Code or unless a different rule follows from the nature of the bank deposit agreement.

Article 945. Right to attract funds as deposits

945.1. The right to attract funds as deposits shall belong to banks and the national postal operator that are entitled to do so in accordance with a special permit (license) issued in the manner prescribed by law.

945.2. If a deposit is accepted from an individual by a person who does not have such a right, or in violation of the procedure established by law or banking rules adopted in accordance with the law, the depositor may demand the immediate return of the deposit amount, payment of interest thereon, and, in addition, compensation for all damages caused to the depositor. If such a person accepts funds of a legal entity under the terms of a bank deposit agreement, such an agreement shall be invalid.

945.3. Unless otherwise provided by law, the consequences set out in Article 945.2 of this Code shall also apply when:

945.3.1. funds of individuals and legal entities are attracted by selling shares and other securities whose issuance to them has been deemed unlawful.

945.3.2. funds of individuals are attracted as deposits in exchange for promissory notes or other securities that exclude the depositor's right to receive the deposit on first demand and exercise other rights provided for by the rules of this Chapter of the Code.

Article 946. Bank deposit agreement form

946.1. A bank deposit agreement shall be concluded in writing. The written form of a bank deposit agreement shall be deemed complied with if the placement of the deposit is confirmed by a bank passbook, ~~a bank or deposit certificate~~, or another document issued by the bank to the depositor, provided that such document meets the requirements established by law for such documents, the banking rules determined in accordance with the law, and the business practices applied in banking.

946.2. Failure to comply with the written form of a bank deposit agreement shall render the agreement invalid. Such an agreement shall be void.

Article 947. Types of deposits

947.1. A bank deposit agreement may be concluded on the condition that the deposit is repayable on first demand (a demand deposit) or on the condition that the deposit is repayable after the expiration of the period specified in the agreement (a time deposit). The agreement may also provide for deposits to be made under other repayment conditions that do not contradict the law.

947.2. Under any type of bank deposit agreement, the bank should, at the depositor's first demand, immediately pay at least one quarter of the deposit amount, and pay the remaining portion within no later than five banking days, except for deposits made by legal entities under other repayment conditions provided for in the agreement. Any contractual clause by which an individual waives the right to receive the deposit on first demand shall be void.

947.3. Except for demand deposits, where a time deposit or another type of deposit is returned to the depositor at the depositor's request before the expiration of the term or before the occurrence of other circumstances specified in the bank deposit agreement, interest on the deposit shall be paid in an amount corresponding to the interest paid by the bank on demand deposits, unless a different interest rate is provided for in the agreement.

947.4. If the depositor does not demand the return of the amount of a time deposit after the expiration of the term, or the return of a deposit made under other repayment conditions after the occurrence of the circumstances provided for in the agreement, the agreement shall be deemed to be extended under the conditions of a demand deposit, unless otherwise provided for in the agreement.

Article 948. Interest on the deposit amount

948.1. The bank shall pay the depositor interest on the deposit amount at the rate determined by the bank deposit agreement. If the agreement does not contain provisions on the interest rate, the bank shall pay interest at the rate determined in accordance with Article 449.1 of this Code.

948.2. Unless otherwise provided by the bank deposit agreement, the bank shall have the right to change the interest rate paid on demand deposits. If the bank reduces the interest rate, the new rate shall apply to deposits made before the notification of depositors of the reduction, starting one month after such notification, unless otherwise provided by the agreement.

948.3. Where an individual places a deposit on the condition that it is to be returned after the expiration of a specified period or upon the occurrence of circumstances provided for in the agreement, the interest rate determined in the bank deposit agreement may not be unilaterally reduced by the bank. Unless otherwise provided by the agreement, the interest rate under such a bank deposit agreement concluded with a legal entity may not be unilaterally changed by the bank.

Article 949. Procedure for accrual and payment of interest on the deposit amount

949.1. Interest on the amount of a bank deposit shall be accrued from the day following the day the amount is received by the bank until the day preceding the day of return of the amount to the depositor or its write-off from the depositor's account on other grounds. This rule shall not apply to one-day deposits.

949.2. Unless otherwise provided by the bank deposit agreement, interest accrued on the deposit amount shall be paid to the depositor, at the depositor's request, separately from the deposit amount after the end of each quarter. Interest not claimed during that period shall increase the deposit amount on which interest is accrued. Upon return of the deposit, all interest accrued up to that moment shall be paid.

Article 950. Ensuring the return of the deposit

950.1. Banks shall ensure the return of deposits of individuals through compulsory insurance, and in cases provided for by law, through other means. ~~In addition, deposits of natural persons placed with a bank in which more than fifty percent of the charter capital (participation interests or shares) belongs to the Republic of Azerbaijan or to municipalities are guaranteed by their subsidiary liability for the depositor's claims against the bank in accordance with the procedure provided for in Article 453 of this Code.~~

950.2. The methods for ensuring the return of deposits of legal entities by the bank shall be determined by the bank deposit agreement.

950.3. When concluding a bank deposit agreement, the bank shall inform the depositor how the return of the deposit will be ensured.

950.4. If the bank fails to perform the obligations provided for in the bank deposit agreement to ensure the return of the deposit, or if the security for the return of the deposit is lost or its conditions deteriorate, the depositor may demand from the bank the immediate return of the deposit amount, payment of interest in the amount determined in accordance with Article 948.1 of this Code, and compensation for the damage caused.

Article 951. Placement of funds by third parties into the depositor's account

Unless otherwise provided by the bank deposit agreement, funds received by the bank from third parties in the depositor's name, with the necessary details of the depositor's deposit

account indicated, shall be credited to the deposit account. It is presumed that the depositor has expressed consent to receive funds from such persons by providing them with the necessary details of the deposit account.

Article 952. Deposits in favor of third parties

952.1. A deposit may be placed with the bank in the name of a specific third person. Unless a different period is provided for in the bank deposit agreement, that person acquires the rights of a depositor from the moment they submit their first claim to the bank based on those rights or otherwise notify the bank of their intention to exercise such rights. Indication of the name of the individual or legal entity in whose favor the deposit is placed is an essential term of the relevant bank deposit agreement. A bank deposit agreement concluded in favor of an indivudal who was not alive at the time of conclusion of the agreement, or a legal entity that did not exist at that time, shall be void.

952.2. The person who concluded the bank deposit agreement may exercise the depositor's rights in respect of the funds placed in the deposit account until the third person declares his intention to exercise the depositor's rights.

952.3. The rules on agreements in favor of a third party shall apply to a bank deposit agreement in favor of a third party, provided that such application does not contradict the rules of this Article and the nature of a bank deposit.

Article 953. Bank passbook

953.1. Unless otherwise agreed by the parties, the conclusion of a bank deposit agreement with an individual and the placement of funds into the deposit account shall be confirmed by a bank passbook. The bank deposit agreement may provide for the issuance of a registered (named) bank passbook or a bearer (unnamed) bank passbook. The bank passbook shall indicate and be certified by the bank with: the name and location of the bank, and if the deposit is placed at a branch, also the name and location of the relevant branch. the number of the deposit account. all amounts credited to the account. all amounts debited from the account. and the balance of funds in the account as of the moment the bank passbook is presented to the bank. Unless proven otherwise, the information on the deposit indicated in the bank passbook shall serve as the basis for settlements between the bank and the depositor.

953.2. The bank shall carry out the payment of the deposit, the payment of interest on the deposit, and the execution of the depositor's instructions regarding the transfer of funds from the deposit account to other persons upon presentation of the bank passbook. If a registered bank passbook is lost or becomes unfit for presentation, the bank shall issue a new bank passbook upon the depositor's application. Restoration of rights under a lost bearer *documentary* bank passbook shall be carried out in accordance with the procedure established for bearer securities.

953.3. The bank shall be released from liability if it settles under a bank passbook with a person who acquired it unlawfully or as a result of loss, provided that the bank had no knowledge of those circumstances. However, if the bank lacked such knowledge due to gross negligence, it shall not be released from liability.

953.4. A new creditor who has acquired a claim against the bank by way of assignment of that claim in accordance with the procedure established by this Code may demand that the bank passbook be handed over to him.

Chapter 52

Bank account

Article 954. Bank account agreement

954.1. Under a bank account agreement, the bank shall undertake to accept and credit to an account opened for the customer (the account holder) the funds received into that account, to execute customer's instructions regarding the transfer and payment of relevant amounts from the account, and carry out other transactions on the account.

954.2. The bank may use the funds held in the account, while guaranteeing the customer's unrestricted right to dispose of those funds.

954.3. The bank may not determine or control the directions in which the customer's funds are used, nor may it impose any restrictions—other than those provided *by law or* by the bank account agreement—on the customer's right to dispose of the funds at its own discretion.

954.4. The rules of this Chapter relating to banks shall also apply to other credit institutions and the national postal operator that conclude and perform bank account agreements in accordance with the special permit (license) granted to them. *These rules shall apply to cash accounts opened and maintained by the central depository in connection with the provision of financial services, taking into account the requirements of the Law of the Republic of Azerbaijan 'on the Securities Market.'*

Article 955. Bank account agreement form

955.1. A bank account agreement shall be concluded in writing.

955.2. Failure to comply with the written form of a bank account agreement shall render the agreement invalid. Such an agreement shall be void.

Article 956. Conclusion of the bank account agreement

956.1. When concluding a bank account agreement, an account shall be opened with the bank for the customer or for a person designated by him, under the terms agreed by the parties.

956.2. The bank shall conclude a bank account agreement with a customer who applies with an offer to open an account on the basis of conditions announced by the bank for opening such accounts and that comply with the requirements provided by law and determined by banking rules adopted pursuant to the law.

956.3. Where the conduct of relevant transactions on an account is provided for by law, by the bank's charter, and by the special permit (license) granted to it, the bank shall have no right to refuse to open such an account, except in cases where such refusal is due to the bank's lack of capacity to accept the client for banking services, or where such refusal is permitted by law or other legal acts.

956.4. If a bank unreasonably evades the conclusion of a bank account agreement, the customer shall have the right to apply to a court with a claim to compel the bank to conclude the agreement. A bank that unreasonably refuses to conclude a bank account agreement shall compensate the client for the damage caused thereby.

Article 957. Confirmation of the right to dispose of funds in the account

957.1. The rights of persons who issue instructions on behalf of the customer regarding the transfer and payment of funds from the account shall be confirmed by the customer's submission to the bank of documents provided for by law, and determined in accordance with the law by banking rules and by the bank account agreement.

957.2. At the request of third parties, including requests related to the customer's fulfillment of obligations toward such parties, the customer may instruct the bank to debit funds from the account. The bank shall accept such instructions on the condition that the instructions contain, in written form, the necessary information enabling identification of the person entitled to submit the relevant request at the time the request is made.

957.3. The agreement may also provide that the right to dispose of funds in the account is confirmed by other documents using electronic payment instruments and facsimiles of handwritten signatures, codes, passwords, and other means confirming that the instruction has been issued by a duly authorized person.

957.4. If the bank debits funds from the account on the basis of an instruction that does not reflect the true will of the account holder, the bank shall be liable, unless it proves that such instruction was issued due to the fault of the account holder.

Article 958. Account transactions performed by the bank

The bank shall perform for the customer those transactions that are provided for by law, by banking rules adopted pursuant to the law, and by business practices applied in banking for accounts of that type, unless otherwise provided by the bank account agreement.

Article 959. Time limits for account transactions

959.1. The bank shall credit funds received into the customer's account no later than the same business day on which the transaction occurs (within the working hours established by the bank for accepting customer instructions and conducting banking operations), unless otherwise provided by law.

959.2. Upon the customer's instruction, the bank shall pay out or transfer his funds no later than the day following the day on which the relevant payment instruction is received by the bank, unless different time limits are provided by law, by banking rules adopted in accordance with the law, or by the bank account agreement.

Article 960. Account crediting

960.1. In cases where, under the bank account agreement, the bank makes payments despite absence of funds in the account (account crediting), the bank shall be deemed to have extended a loan to the customer in corresponding amount as of the day such payment is made.

960.2. The rights and obligations of the parties in connection with account crediting shall be governed by the rules on loans and credit, unless otherwise provided by *this Code or* by the bank account agreement.

Article 961. Payment for bank's services in conducting account transactions

961.1. *Where provided for in the bank account agreement, the customer* shall pay for bank's services in conducting transactions with the funds in the account.

961.2. Unless otherwise specified in the bank account agreement, the bank may deduct the fee for the banking services referred to in Article 961.1 of this Code from the funds in the customer's account after completion of each transaction.

Article 962. Interest for the bank's use of funds

962.1. Unless otherwise provided by the bank account agreement, the bank shall pay interest for the use of the funds in the customer's account, and such interest shall be credited to the account.

962.2. The interest referred to in Article 962.1 of this Code shall be paid by the bank at the rate specified in the bank account agreement, and if the agreement does not contain a relevant provision, at the rate determined by the bank for demand deposits.

962.3. The amount of interest shall be credited to the account at the intervals provided for in the agreement, and if no such intervals are provided, at the end of each quarter.

Article 963. Set-off of mutual claims of the bank and the customer under the account

963.1. Bank's monetary claims against the customer related to account crediting and payment of fees for banking services, as well as monetary claims of the customer against the bank for the payment of interest for the use of funds, shall be terminated by set-off, unless otherwise provided by the bank account agreement. Such claims shall be set off by the bank.

963.2. The bank shall notify the customer of the set-off carried out in the manner and within the time limits provided for in the agreement, and if the parties have not agreed on relevant conditions, in the manner and within the time limits customary in banking for informing customers about the status of funds in the relevant account.

Article 964. Grounds for debiting funds from the account

964.1. The bank shall debit funds from the account based on the customer's instruction.

964.2. Debiting of funds from the account without the customer's instruction shall be permitted pursuant to a court decision, as well as in cases provided for by law or stipulated in the agreement between the bank and the customer.

Article 965. Order of debiting funds from the account

965.1. Where the amount of funds in the account is sufficient to satisfy all claims presented against the account, funds shall be debited in the order in which the customer's instructions and other documents for debiting are received (calendar order), unless otherwise provided by law.

965.2. *Unless otherwise provided by the Law of the Republic of Azerbaijan 'on Encumbrances of Movable Property,'* where the funds *in the account* are insufficient to satisfy the customer's instructions and all claims brought against him, funds shall be debited from the account in the following order:

965.2.1. in the first place, debiting from the account shall be carried out on the basis of *payment orders* that provide for the transfer or payment of funds from the account for the fulfillment of claims for compensation for damage caused to life or health, as well as claims for the recovery of alimony, or *on the basis of payment orders issued pursuant to enforcement documents related to such claims*.

965.2.2. in the second place, debiting shall be carried out in respect of *payment orders* providing for the transfer or issuance of funds for 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 payment orders issued on the basis of execution documents related to these claims*.

965.2.3. in the third place, the debiting shall be carried out in respect of *payment orders* providing for the payments to the state budget, off-budget state fund for obligatory social insurance *and unemployment insurance payments, compulsory health insurance fund for compulsory health insurance premiums* and the municipal budgets.

965.2.4. in the fourth place, the debiting shall be carried out in respect of *payment orders* providing for the satisfaction of claims of the bank in respect of the issued loans.

965.2.5. in the fifth place, the debiting shall be carried out in respect of *the payment order, issued on the basis of execution documents* 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 orders in calendar order.

965.3. *Unless otherwise specified by the Law of the Republic of Azerbaijan 'on Encumbrance of Movable Property,'* the debiting of funds from the account on claims relating to the same order shall be carried out in calendar order of receipt of *payment orders*.

Article 966. Bank's liability for improper conduct of account transactions

In cases where funds received for the customer are not credited to the account in a timely manner, or are unjustifiably debited by the bank, or where the bank fails to properly execute the customer's instructions regarding the transfer or payment of funds from the account, the bank shall pay interest on the relevant amount in the manner and at the rate provided for in Article 449 of this Code.

Article 967. Bank secrecy

967.1. The bank shall guarantee the confidentiality of bank accounts and bank deposits, account transactions, and information about the customer.

967.2. Information constituting bank secrecy shall be provided to the customer and his representative. Such information may be provided to other persons only in the cases and in the manner specified in the Law of the Republic of Azerbaijan 'on Banks.'

967.3. If information constituting bank secrecy is disclosed by the bank, the customer whose rights have been violated may demand compensation from the bank for the damage caused.

Article 968. Restriction of the right to dispose of the account

Restrictions on the customer's right to dispose of the funds in the account shall not be permitted, except in cases provided for by law, including where a court decision imposes seizure on the funds in the account or suspends account transactions, *as well as in cases determined by the Law of the Republic of Azerbaijan 'on Encumbrances of Movable Property.'*

Article 969. Termination of the bank account agreement

969.1. A bank account agreement may be terminated at any time upon the customer's application.

969.2. Unless otherwise provided by the bank account agreement, the bank account agreement may be terminated by a court at the bank's request where:

969.2.1. the amount of funds held in the customer's account is less than the minimum amount specified by banking rules or by the agreement, provided that such amount has not been restored within one month from the day the bank notified the customer thereof.

969.2.2. no transactions have been carried out on the account for one year, unless otherwise provided by the agreement.

969.2.3. there are serious grounds, in particular where it is proven that the bank account holder has used the bank account for illegal purposes.

969.3. The balance of funds in the account shall be paid to the customer or, at his instruction, transferred to another account no later than seven days from the day the bank receives the customer's relevant written application.

969.4. Termination of the bank account agreement shall constitute grounds for closing the customer's account.

Article 970. Banks' accounts

Unless otherwise provided by law, other legal acts, or banking rules determined in accordance therewith, the provisions of this Chapter of the Code shall also apply to correspondent accounts, correspondent sub-accounts, and other accounts of banks.

Chapter 53

Settlements between participants in civil turnover

§ 1. General provisions on settlements

Article 971. Cash and cashless settlements

971.1. Settlements involving individuals, if they are not related to the conduct of their entrepreneurial activity, may be carried out in cash or in a cashless manner without any limitation on the amount.

971.2. *Deleted.*

971.3. Cashless settlements shall be carried out by banks and other payment service providers, as well as by the central depository, in accordance with the law.

Article 972. Forms of cashless settlements

972.1. When carrying out cashless settlements, settlements by payment orders, letters of credit, collection (incasso), cheques, payment cards, electronic settlements, as well as other forms of settlements provided for by law, by banking rules adopted in accordance with the law, and by business practices applied in banking, shall be permitted.

972.1-1. Cashless settlements on cash accounts opened by the central depository in connection with the provision of financial services shall be carried out taking into account the requirements of the Law of the Republic of Azerbaijan 'on the Securities Market.'

972.2. The parties to an agreement shall have the right to choose and specify in the agreement any of the forms of settlement listed in Article 972.1 of this Code.

§ 2. Settlements by payment orders

Article 973. General provisions on settlements by payment orders

973.1. In settlements by a payment order, the bank, upon the payer's instruction and using the funds available in his account, shall undertake to transfer a specified amount of money to the account of the person designated by the payer in this or another bank within the period provided for by law or determined in accordance with the law, unless a shorter period is provided for in the bank account agreement or established by business practices applied in banking practice.

973.2. The provisions of this Para of the Code shall apply to relations concerning the transfer of funds through a bank by a person who does not have an account with that bank, unless otherwise provided by law, by banking rules adopted in accordance with the law, or unless a different rule follows from the nature of such relations.

973.3. The procedure for carrying out settlements by payment orders shall be governed by law, as well as by banking rules adopted in accordance with the law and by business practices applied in banking.

Article 974. Conditions for execution of a payment order by the bank

974.1. The content and form of a payment order and the settlement documents submitted together with it shall comply with the requirements established by law and by banking rules adopted in accordance with the law.

974.2. If a payment order does not comply with the requirements specified in Article 974.1 of this Code, the bank may request clarification of the content of the order. Such a request shall be made to the payer immediately after the order is received. If no response is received within the time limits provided for by law or by banking rules adopted in accordance with the law, or, in their absence, within a reasonable time, the bank may return the order to the payer without execution, unless otherwise provided by law, by banking rules adopted in accordance with the law, or by an agreement between the bank and the payer.

974.3. Unless otherwise provided by an agreement between the payer and the bank, the bank shall execute the payer's order if there are funds available in his account. The bank shall execute orders while observing the order of priority for debiting funds from the account. If there are no funds in the payer's account, the bank shall notify him thereof.

Article 975. Execution of the order

975.1. A bank that has accepted the payer's payment order shall transfer the relevant amount of money to the payee's bank for crediting to the account of the person specified in the order within the period established by Article 973.1 of this Code.

975.2. The bank may involve other banks to execute transactions for the transfer of funds to the account specified in the customer's order.

975.3. The bank shall immediately notify *the payer* of the execution of the order. *Other requirements regarding notification after execution of a payment order shall be governed by the Law of the Republic of Azerbaijan 'on Payment Services and Payment Systems.'*

Article 976. Liability for non-execution or improper execution of an order

976.1. If a customer's order is not executed or is improperly executed, the bank shall bear liability on the grounds and in the amount provided for in Chapter 23 of this Code.

976.2. Where non-execution or improper execution of an order occurs due to a violation of the rules for conducting settlement transactions by a bank engaged to execute the payer's order, the court may impose the liability provided for in Article 976.1 of this Code on that bank.

976.3. If a violation by the bank of the rules for conducting settlement transactions has resulted in unlawful retention of funds, the bank shall pay interest in the manner and at the rate 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. In settlements by letter of credit, the bank acting on the payer's instruction and order to open a letter of credit (the issuing bank) shall undertake to make payment to the beneficiary or pay, accept, or discount a bill of exchange, or authorize another bank (the executing bank) to perform such actions. The rules applicable to the executing bank shall also apply to the issuing bank that makes payment to the beneficiary or pays, accepts, or discounts a bill of exchange.

977.2. The procedure for carrying out settlements by letter of credit shall be governed by law, as well as by banking rules established in accordance therewith and by business practices applied in banking.

Article 978. Revocable letter of credit

978.1. A letter of credit that may be amended or canceled by the issuing bank without prior notice to the beneficiary shall be deemed a revocable letter of credit. Revocation of the letter of credit shall not give rise to any obligations of the issuing bank toward the beneficiary.

978.2. The executing bank shall carry out payment or other transactions under a revocable letter of credit, provided that, by the time of execution, it has not received notice of the amendment or cancellation of the letter of credit.

978.3. A letter of credit shall be deemed revocable only if expressly stipulated in its text.

Article 979. Irrevocable letter of credit

979.1. A letter of credit shall be deemed irrevocable if it may not be canceled or amended without the consent of the beneficiary.

979.2. At the request of the issuing bank, the executing bank participating in the letter of credit transaction may confirm an irrevocable letter of credit (a confirmed letter of credit). Such confirmation signifies that the executing bank assumes, in addition to the obligation of the issuing bank, an obligation 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 amended or canceled without the consent of the executing bank.

Article 980. Execution of a letter of credit

980.1. For the execution of a letter of credit, the beneficiary shall submit to the executing bank documents confirming that all the terms of the letter of credit have been fulfilled. If at least one of these terms is breached, the letter of credit shall not be executed. The executing bank shall verify the submitted documents only as to their formal compliance.

980.2. If the executing bank has made payment or performed another transaction under the terms of the letter of credit, the issuing bank shall reimburse the executing bank for the expenses incurred in connection with the execution of the letter of credit. The reimbursement of such expenses, as well as all other expenses of the issuing bank related to the execution of the letter of credit, shall be borne by the payer.

Article 981. Refusal to accept documents

981.1. If the executing bank refuses to accept documents which, on their face, do not comply with the terms of the letter of credit, it shall immediately notify the beneficiary and the issuing bank, indicating the reasons for such refusal.

981.2. If, after receiving the documents accepted by the executing bank, the issuing bank considers them, on their face, not to comply with the terms of the letter of credit, it may refuse to accept them and demand from the executing bank the amount paid to the beneficiary in breach

of the terms of the letter of credit, or, in the case of an unpaid letter of credit, refuse to reimburse the amounts paid.

Article 982. Bank liability for breach of letter of credit terms

982.1. Except for the cases provided for in this Article, liability for breach of the terms of the letter of credit shall be borne by the issuing bank vis-à-vis the payer, and by the executing bank vis-à-vis the issuing bank.

982.2. Where the executing bank unjustifiably refuses to make payment under a paid or confirmed letter of credit, liability toward the beneficiary may be imposed on the executing bank.

982.3. Where the executing bank improperly makes payment under a paid or confirmed letter of credit as a result of a breach of the terms of the letter of credit, liability toward the payer may be imposed on the executing bank.

Article 983. Closure of a letter of credit

983.1. A letter of credit shall be closed at the executing bank upon:

983.1.1. expiration of the letter of credit.

983.1.2. the beneficiary's application to waive use of the letter of credit before its expiration, provided that such waiver is permitted by the terms of the letter of credit.

983.1.3. the payer's request for full or partial revocation of the letter of credit, provided that such revocation is permitted by the terms of the letter of credit.

983.2. The executing bank shall notify the issuing bank of the closure of the letter of credit.

983.3. Any unused balance 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 credit the returned amounts to the account on which the payer's funds were deposited.

§ 4. Settlements by encashment (collection)

Article 984. General provisions on settlements by encashment (collection)

984.1. In settlements by encashment/collection, the bank (the issuing bank), acting on the customer's instruction, shall undertake to carry out, for the customer's account, operations for obtaining payment and/or acceptance of payment from the payer.

984.2. The issuing bank that has received the customer's instruction may engage another bank (the executing bank) to carry out the instruction. The procedure for effecting settlements by encashment/collection shall be governed by law, banking rules established pursuant to law, and business practices applied in banking.

984.3. In the event of failure to execute, or improper execution of, the customer's instruction, the issuing bank shall be liable to the customer on the grounds and in the amount provided for in Chapter 23 of this Code.

984.4. If the failure to execute or improper execution of the customer's instruction is related to a violation by the executing bank of the rules for carrying out settlement operations, liability to the customer may be imposed on that bank.

984.5. Relations related to settlements by collection that are not regulated by this Code shall be governed by banking legislation.

Article 985. Execution of an encashment/collection order

985.1. If any document is missing or if the documents, on their face, do not comply with the collection order, the executing bank shall immediately notify the person from whom it received the collection order. If the indicated defects are not remedied, the bank may return the documents without execution.

985.2. Documents shall be presented to the payer in the form in which they were received, except for bank markings and entries necessary for the formalization of the collection operation.

985.3. If the documents are payable upon presentation, the executing bank shall present them for payment immediately after receiving the collection order. If the documents are payable at another time, the executing bank shall, immediately after receiving the collection order, present the documents for acceptance by the payer, and payment shall be demanded no later than the date on which the payment period specified in the document expires.

985.4. Partial payments may be accepted in cases where this is established by banking rules or where special authorization is provided in the collection order.

985.5. Amounts received (collected) shall be immediately placed at the disposal of the issuing bank by the executing bank, and the issuing bank shall credit such amounts to the customer's account. The executing bank may deduct from the collected amounts the remuneration due to it and reimbursement of expenses.

Article 986. Notification of operations performed

986.1. If payment and/or acceptance has not been obtained, the executing bank shall immediately notify the issuing bank of the reasons for the failure to make payment or for the refusal of acceptance. The issuing bank shall immediately inform the customer thereof and request instructions regarding further actions.

986.2. If instructions regarding further actions are not received within the period established by banking rules, or, in the absence of such a period, within a reasonable time, the executing bank shall be entitled to return the documents to the issuing bank.

§ 5. Cheque

Article 986-1. Definition of a cheque and its content

986-1.1. A cheque is an unconditional written order issued by the drawer to a bank, instructing the bank to pay the amount of money stated therein to the holder of the cheque.

986-1.2. A cheque shall contain the following requisites:

986-1.2.1. the designation 'cheque' included in the text of the document.

986-1.2.2. a simple and unconditional order to pay a specific sum of money.

986-1.2.3. the name of the bank that is to make the payment.

986-1.2.4. the place of payment.

986-1.2.5. the date and place of issuance of the cheque.

986-1.2.6. the signature of the drawer.

986-1.3. Banks shall be permitted to issue only such cheque forms as contain the following information printed typographically: the name, address, and telephone number of the paying bank. the name and address of the drawer (account holder). and the account number of the paying bank.

986-1.4. Cheques include settlement cheques, bank cheques, cash cheques, and traveler's cheques.

986-1.5. A settlement cheque is a cheque intended for cashless settlements between accounts.

986-1.6. A bank cheque is a cheque issued by one bank to another bank for the purpose of effecting interbank settlements.

986-1.7. A cash cheque is a cheque constituting a written order by a customer to receive cash funds from the customer's bank account.

986-1.8. A traveler's cheque is an obligation of an organization that undertakes to pay the amount stated in the cheque to the cheque holder whose specimen signature is indicated on the cheque, where the cheque is issued at one location and cashed at another. Payment of traveler's cheques is carried out by the issuer of the cheque, its branch, or another organization designated by the issuer, on the basis of the holder's signature.

Article 986-2. Application of provisions on bills of exchange to cheques

Except for provisions relating to the acceptance of a bill of exchange, the provisions of Articles 1005.2.4, 1006, and 1009–1012 of this Code shall also apply to relations arising from cheques.

Article 986-3. Requirement of funds for a cheque

986-3.1. A cheque may be issued only if the drawer has funds in his bank accounts and has the right to dispose of those funds by means of cheques.

986-3.2. If the drawer's funds or the credit granted to him are insufficient to pay the cheque, the bank shall have the right to refuse payment. If the bank pays unsecured amount, the rights of the cheque holder shall transfer to the bank. If the bank fully or partially refuses to pay the cheque, the following consequences shall apply:

986-3.2.1. The drawer, or the person who signed the cheque on behalf of the drawer if the cheque was wholly or partially unpaid, shall be jointly liable to compensate the cheque holder for damages amounting to 6 percent of the unpaid portion of the cheque amount. The cheque holder shall retain the right to claim compensation for other damages.

986-3.2.2. The bank shall note on the cheque itself that it was wholly or partially unpaid due to lack of funds and, without delay, return it to the cheque holder. The bank shall also immediately notify the Central Bank of the Republic of Azerbaijan, which maintains the register of cheque drawers who have signed such cheques.

986-3.2.3. A drawer who has issued an unsecured cheque is prohibited from issuing cheques for one year and shall immediately return all cheque forms in his possession to the paying bank and to all other banks with which he is a customer. The paying bank shall immediately demand this in writing from the drawer and from all persons authorized to dispose of the funds in the accounts, and thereafter prohibit them from issuing cheques.

986-3.2.4. If, within one month after this claim, the drawer proves to the paying bank that he has paid the cheque holder the unpaid portion of the cheque amount as well as compensation for damages in accordance with Article 986-3.2.1 of this Code, or that the paying bank has sufficient funds to fully pay

those amounts, the prohibition on issuing cheques under Article 986-3.2.3 of this Code shall have no effect for the future.

Article 986-4. Exclusion of acceptance of a cheque

The payer shall not accept a cheque. Any notation on the cheque regarding acceptance shall be deemed invalid.

Article 986-5. Name of the person entitled to receive payment under a cheque

986-5.1. A cheque may be made payable:
986-5.1.1. to a specific person.
986-5.1.2. to the bearer (without a named payee).
986-5.2. If a cheque is issued to a specific person with the clause 'or to bearer' or with wording having the same meaning, it shall be considered a bearer cheque.
986-5.3. A cheque that does not indicate the name of the holder shall be considered a bearer cheque.
986-5.4. A cheque may be made payable to the drawer himself.

Article 986-6. Invalidity of interest clauses in a cheque

Any clause providing for interest written on a cheque shall be deemed invalid.

Article 986-7. Transfer of a cheque

986-7.1. A cheque made payable to a specific person and presented for payment may be transferred to another person by endorsement.
986-7.2. A cheque may also be transferred by endorsement to the drawer or to any person liable under the cheque. These persons may, in turn, endorse the cheque further.
986-7.3. An endorsement by the paying bank is invalid. A blank endorsement shall be considered a bearer endorsement. Except where a bank has several branches and the endorsement is made in favor of a branch other than the one where the cheque was issued, an endorsement to a bank shall have only the effect of a receipt for payment.
986-7.4. Except for provisions concerning acceptance of a bill of exchange, the provisions of Articles 993.3, 993.4, 1018, and 1020 of this Code shall also apply to cheques.

Article 986-8. Presumption in favor of the cheque holder. Loss of a cheque

986-8.1. Article 1019.1 of this Code shall apply to the presumption in favor of the cheque holder.
986-8.2. If the cheque holder loses the cheque, the person in possession of the cheque—whether it is a bearer cheque or a cheque transferred by endorsement—shall be obliged to return it only if he acquired it in bad faith or with gross negligence.

Article 986-9. Cheque guarantee (aval)

Payment of the cheque amount may be guaranteed in whole or in part by means of an aval (cheque guarantee) given by an avalist. Such a guarantee of payment may be provided by any third party or by any person whose signature already appears on the cheque, except for the paying bank.

Article 986-10. Presentation of a cheque for payment

986-10.1. A cheque shall be paid upon presentation. Any other instruction shall be deemed invalid.

986-10.2. A cheque payable in the country where it was issued shall be presented for payment within one month. A cheque payable in a country other than the country of issue shall be presented for payment within two months if the place of issue and the place of payment are on the same continent, and within three months if they are on different continents. Cheques issued in the territory of one member state of the Commonwealth of Independent States (CIS) and payable in the territory of another CIS member state shall be considered as cheques issued and payable on the same continent. The above-mentioned periods shall commence from the date indicated on the cheque as the date of issue.

986-10.3. If a cheque is payable in a place where a calendar different from that of the place of issue is in force, the date corresponding to the date of issue shall be determined according to the calendar of the place of payment, and the payment period shall be calculated accordingly.

Article 986-11. Revocation of a cheque

986-11.1. Revocation of a cheque shall be valid only after the expiration of the period for its presentation.

986-11.2. If the cheque has not been revoked, the bank may execute payment even after the expiration of the presentation period.

986-11.3. If the drawer confirms that the cheque has been lost by themself or by any third person, they may prohibit the payer from making payment.

Article 986-12. Consequences of the drawer's death, loss of legal capacity, or insolvency

The death of the drawer, loss of legal capacity, or declaration of insolvency after the cheque has been issued shall not affect the validity of the cheque.

Article 986-13. Payment under a cheque and receipt of payment. Cheques issued in foreign currency

With regard to payment under a cheque, issuance of a receipt for payment, and cheques issued in foreign currency, Articles 1028, 1029.4, and 1030 of this Code shall apply accordingly.

Article 986-14. Crossed cheque

986-14.1. The drawer, as well as any cheque holder, may cross a cheque with the consequences provided for in Articles 986-14.2 to 986-14.6 of this Code. Crossing is effected by drawing two parallel lines on the face of the cheque. The crossing may be general or special. If there is no indication or the word 'bank,' or another notation having the same meaning, between the lines, the crossing is deemed general. If the name of a bank is written between the lines, the crossing is deemed special. A general crossing may be

converted into a special crossing, but a special crossing may not be converted into a general one. Any erasure of the crossing or of the indicated bank's name shall be deemed invalid.

986-14.2. A drawee may pay a generally crossed cheque only to a bank or to its own customer.

986-14.3. A drawee may pay a specially crossed cheque only to the bank indicated, or, if that bank is itself the drawee, to that bank's customer. The indicated bank may entrust another bank with the collection of the cheque.

986-14.4. A bank may accept a crossed cheque only from its own customer or from another bank.

986-14.5. A cheque bearing several special crossings may be paid by the drawee only if no more than two crossings appear on the cheque.

986-14.6. A drawee or bank that fails to comply with the above provisions shall be liable to compensate the damage caused, in an amount not exceeding the cheque amount.

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 shall 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.

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 pat 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.

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.

Article 986-18. Change of text of the cheque

Article 1045 of the Code applies to change of text of the cheque.

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 shall pay cheque or from the date of recovery a payment by cheque from him through the courts.

Article 986-20. Declaration of cheque invalid

Article 1047 of the Code applies to declaration of cheque invalid.

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.

Chapter 54

Securities

§ 1. General provisions about securities

Article 987. Definition of securities

987.1. A security is a document that certifies the existence of contractual relations between its owner and the issuer and the owner's rights arising from that agreement. For the purposes of Chapter 54 of this Code, the person who has issued, or delivered a security shall be referred to as the issuer.

987.2. The types of securities, their mandatory details, requirements applicable to them, and relations connected with securities and the securities market shall be determined by this Code and by the Law of the Republic of Azerbaijan 'on the Securities Market.'

987.3. The absence of mandatory details of a security or failure of the security to comply with the form established for it shall render it invalid (void).

Article 988. Obligations under a security and their performance

988.1. Any claim fixed in a security against the issuer shall be certified by that security. The validity of such a claim shall not depend on the existence or validity of the transaction giving rise to it. Refusal to perform an obligation certified by a security on the grounds of absence or invalidity of its underlying basis shall not be permitted.

988.2. ~~The debtor under a security shall perform the obligation only simultaneously with the delivery of the security to them.~~ *To the extent that the issuer has performed in favor of the owner of the security*, the issuer shall be released from their obligation to the same extent.

988.3. *The issuer* who delivered the security and all persons who endorsed it shall be jointly liable to the security owner. If the claim of *the owner* of the security is satisfied by one or more persons who have assumed obligations under the security, such person(s) shall acquire a right of recourse against the remaining persons who have assumed obligations under the security.

~~988.4. Refusal to perform an obligation certified by a security on the grounds of absence or invalidity of its underlying basis shall not be permitted.~~

988.5. If the security *owner* discovers fraud or forgery in the security, he may assert against the debtor who delivered the security to him a claim for due performance of the obligation certified by the security and for compensation of damages.

Article 989. ***Registered (named) securities***

989.1. A security in which the name of the owner is specified, or in respect of whose ownership rights are registered with the central depository, shall be a registered (named) security.

989.2. The debtor under a registered security shall perform the obligation only to the person confirmed as the individual to whom the security is issued in his name, or who has otherwise acquired ownership of the security, or to that person's legal successor. If the debtor performs the obligation without such confirmation, he shall not be released from the obligation toward a third person who proves his rights to the security.

Article 990. ***Bearer securities***

990.1. A security shall be deemed a bearer security if, under it, *the issuer* undertakes to perform the obligation to any person who presents the security.

990.2. If prohibited by a court decision or another lawful order, *the issuer* shall not make subsequent payments under a bearer security.

Article 991. Documentary securities

991.1. A documentary security is a form of security printed on special paper forms (certificates) prepared in a special manner for the purpose of preventing forgery.

991.2. Requirements relating to documentary security forms and the persons producing them shall be determined by the Central Bank of the Republic of Azerbaijan.

Article 992. State registration of securities

Securities (with the exception of investment fund share and mortgage securities certifying a mortgage right over immovable property) shall be subject to state registration by the Central Bank of the Republic of Azerbaijan and entered into the State Register of Securities.

~~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 individuals at securities market based on special permission (license).~~

~~992-1.5. Professional participants of securities market are the juridical and individuals 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.~~

Article 993. Creation and transfer of ownership rights in securities

993.1. Except for mortgage securities certifying a mortgage right over immovable property, ownership rights to other dematerialized (non-documentary) securities arise, upon issuance, from the moment they are registered with the central depository after such securities have been alienated to their first owner. Ownership rights to documentary securities arise from the moment such securities are alienated to their first owner.

993.2. The owner may transfer ownership rights to a security to another person by concluding transactions in the manner specified in Article 1078-20 of this Code.

993.3. Except for mortgage securities certifying a mortgage right over immovable property, ownership rights of a person acquiring dematerialized securities arise upon registration of the transfer of such securities with the central depository, while ownership rights of a person acquiring documentary securities arise upon conclusion of the relevant transaction.

993.4. When ownership rights to a security are transferred to another person and other conditions provided for in Article 1078-21 of this Code are fulfilled, all rights certified by the security pass to the acquirer, provided that the right to transfer such security exists.

993.5. If provided for in the agreement or in the security itself, the participation of other persons, in particular the issuer, shall be necessary for the transfer of ownership rights to the security.

Article 994. Damage or deterioration of *documentary* securities

If a *documentary* security becomes unsuitable for circulation as a result of damage or deterioration, its *owner* may demand that *the issuer* issue a new security in exchange for the return of the damaged or deteriorated security, provided that it is still possible to reliably identify its essential content and distinguishing features. The costs of replacing the damaged or deteriorated *documentary* security shall be borne by its owner.

Article 995. Declaration of a *documentary security* as invalid

995.1. If a *documentary security* has been lost, the court may declare it invalid upon the application of *its owner*, ~~at the place of residence of the issuer if the issuer is an individual, or~~ at the location of the issuer if the issuer is a legal entity. If bearer securities are lost, the court may, at the applicant's request, prohibit the issuer from making payment under the security.

995.2. An application for declaring a *documentary security* invalid may be submitted by the person who was *its owner* at the time of the loss or at the time the loss was discovered. The applicant shall prove *ownership* of the security and the fact of its loss. ~~If the holder of a security with a coupon sheet or a share coupon loses only the coupon sheet or the share coupon, it is sufficient for substantiating the application to present the principal security~~.

Article 996. Uncertificated securities

996.1. Except for a mortgage bond certifying a mortgage right over immovable property, an uncertificated security is a security in the form of an electronic document in which the name of the owner and other particulars are reflected in a record maintained by the central depository. The Law of the Republic of Azerbaijan 'on Electronic Signature and Electronic Document' shall not apply to uncertificated securities, except for a mortgage bond certifying a mortgage right over immovable property.

996.2. A person who has recorded a right in uncertificated form shall, at the request of the right holder, issue a document confirming the recorded right.

996.2-1. The emergence of ownership rights to a mortgage bond, the state registration of a mortgage bond, the transfer (circulation) of rights under a mortgage bond, and the termination of a mortgage bond shall be determined in accordance with the Law of the Republic of Azerbaijan 'on Mortgage.' A mortgage bond certifying a mortgage right over immovable property shall be executed only in the form of an electronic document. Rights under a mortgage bond certifying a mortgage right over immovable property shall be transferred by ensuring, in electronic form, compliance with the requirements established by Article 1078-20.11 of this Code.

~~996.3. The rights certified by the above method of recording, the procedure for the official recording of rights and right holders, the procedure for documentary confirmation of records, and the procedure for conducting transactions in uncertificated securities shall be determined by law or in the manner prescribed by law.~~

~~996.4. Transactions in uncertificated securities may be carried out only by applying to the person maintaining the registration of rights. The transfer, assignment, and restriction of rights shall be officially recorded by that person, who bears responsibility for the integrity of official records, ensuring their confidentiality, providing accurate information regarding such records, and making official entries regarding transactions carried out.~~

Article 997. Types of securities

997.1. Securities shall include bonds, shares, bills of exchange, depositary receipts, investment fund share, pledge securities, mortgage bonds, and real estate certificates.

997.2. Bonds and shares are investment securities. Investment securities are placed by issues and, regardless of the time of acquisition, are securities within one issue that provide identical scope and duration of rights. An issuance of securities is a set of securities of one type belonging to an issuer and having the same state registration number. *Investment securities are issued in registered form, uncertificated ~~or certificated~~. The procedure for the issuance of investment securities shall be determined by the Law of the Republic of Azerbaijan 'on the Securities Market.'*

997.3. *Bills of exchange* are payment securities.

997.4. A depositary receipt is a security that certifies rights to an underlying asset (a security of a foreign issuer) and grants its owner the right to demand from the issuer that issued it the securities of the

foreign issuer constituting the underlying asset, as well as the rights certified by those securities. The procedure for the issuance, state registration, and circulation of depositary receipts shall be determined by the Central Bank of the Republic of Azerbaijan.

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. Persons guilty of violating this Code and other legislative acts of the Republic of Azerbaijan on the securities *market* shall bear liability in cases and in the manner provided for by the civil, administrative, or criminal legislation of the Republic of Azerbaijan.

997.8. Damage caused as a result of violation of the legislation of the Republic of Azerbaijan on the securities *market* shall be compensated in the manner prescribed by this Code and the *Law of the Republic of Azerbaijan 'on the Securities Market.'*

~~997.9. Administrative measures applied by the relevant executive authority exercising state supervision over the securities market in respect of securities market participants—such as administrative penalties, suspension or revocation of the relevant license, restriction or suspension of securities transactions, and other measures within its statutory powers—may be appealed through administrative and/or judicial procedures. The filing of such an appeal shall not suspend the effect of the applied measure until a court decision is rendered.~~

Article 997-1. State and municipal securities

997-1.1. State securities are securities issued by the relevant executive *authority* and by an entity duly authorized for this purpose in accordance with the prescribed procedure.

997-1.2. Municipal securities are securities issued by a municipality in the manner prescribed by law.

~~§ 2. Order~~

~~Article 998. Definition of an 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.~~

~~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.~~

~~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.~~

~~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.~~

~~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.~~

~~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.~~

~~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.~~

~~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.~~

§ 3. Promissory note

Article 1004. Definition of a promissory note

Promissory notes are *registered* securities by which the drawer instructs another person (the drawee) to pay a specified amount to a specified person (a bill of exchange), or undertakes to pay a specified amount to a specified person or to that person's order (a promissory note)

Article 1005. Bill of exchange

1005.1. A bill of exchange is a document containing the following requisites:

1005.1.1. the designation 'promissory note' included in the text of the document.

1005.1.2. an unconditional order of the drawer to pay a specified sum.

1005.1.3. the name of the person who is to make the payment (the drawee).

1005.1.4. the name of the person to whom or to whose order payment is to be made.

1005.1.5. the date of issuance of the promissory note.

1005.1.6. the signature of the drawer.

1005.1.7. the place of issuance of the bill of exchange.

1005.1.8. the time of payment (maturity of the bill of exchange).

1005.1.9. the place where payment is to be made.

1005.2. A document that does not contain any of the particulars specified in Article 1005.1 of this Code shall not have the force of a bill of exchange, except in the following cases:

1005.2.1. a bill of exchange in which the maturity is not specified shall be deemed payable at sight (a bill payable upon presentation).

1005.2.2. if the place of payment is not specifically indicated, the place indicated next to the name of the drawee shall be deemed the place of payment and, at the same time, the place of residence or location of the drawee.

1005.2.3. a bill of exchange in which the place of issuance is not specified shall be deemed signed at the place indicated next to the name of the drawer.

1005.2.4. a bill of exchange that is not fully completed at the time of issuance and is transferred to other persons with the right granted to them to complete the missing requisites thereafter shall have the legal force of a blank bill of exchange.

Article 1006. Köçürmə veksellərinin növləri Types of bills of exchange

1006.1. A bill of exchange may be drawn to the order of the drawer himself.

1006.2. A bill of exchange may be drawn payable to the drawer himself.

1006.3. A bill of exchange may be drawn for the account of a third person.

Article 1007. Place of payment under a bill of exchange

A bill of exchange may be payable at the premises of a third person, at the place of residence or location of the drawee, or at any other place.

Article 1008. Interest on a promissiory note

1008.1. In a bill of exchange payable at sight or at a fixed period after presentation, the drawer may stipulate that interest shall be calculated on the amount of the promissory note.

1008.2. The interest rate shall be indicated in the promissory note. In the absence of such indication, the stipulation shall be deemed not written.

1008.3. If the date from which interest is to be calculated is not indicated, interest shall be calculated from the date of issuance of the promissory note.

Article 1009. Promissory note amount

1009.1. If the promissory note amount is indicated both in words and in figures and there is a discrepancy between them, the amount written in words shall prevail.

1009.2. If the amount in a bill of exchange is stated several times in words and several times in figures and there is a discrepancy between them, the bill of exchange shall be valid for the lesser amount.

Article 1010. Invalid signatures on a bill of exchange

Where a bill of exchange bears signatures of persons incapable of assuming obligations under the bill, forged signatures, signatures of fictitious persons, or signatures which cannot, for any other reason, render the persons who signed or on whose behalf the signatures were affixed liable, the validity of the signatures of other persons shall not be affected.

Article 1011. Signing of a bill of exchange without authority of representation

Any person who signs a bill of exchange as a representative of another one without authority to act on that person's behalf shall be personally liable under the promissory note and, if he has paid the bill, shall have the rights that the person represented would have had. The same shall apply to a representative who has exceeded his authority.

Article 1012. Liability of the drawer

1012.1. The drawer shall be liable for acceptance and payment.

1012.2. The drawer may assume liability for acceptance, but may not disclaim liability for payment.

Article 1013. Acceptance of the promissory note

1013.1. By acceptance, the drawee shall undertake the obligation to pay the bill of exchange at maturity. In the event of non-payment, the drawer may bring an action against the acceptor.

1013.2. Acceptance shall be expressed by a written declaration on the promissory note.

1013.3. If the promissory note is payable at a fixed period after presentation, or if, under a special condition, it shall be presented for acceptance within a specified period, the date of acceptance shall be the date on which it is given, unless the holder requires that the date of presentation be indicated.

1013.4. If the drawer has designated a place of payment other than the residence or place of business of the drawee without indicating the third person at whose premises payment is to be made, the drawee may designate such person at the time of acceptance.

1013.5. If the promissory note is payable at the residence or place of business of the drawee, the drawee may, in the acceptance, indicate any address at the place where payment is to be made.

1013.6. The drawee may limit acceptance to a part of the amount of the promissory note.

1013.7. In all other respects, acceptance shall be unconditional. Any other alteration of the contents of the bill of exchange by acceptance shall be deemed a refusal of acceptance.

Article 1014. Presentation of a bill of exchange for acceptance

1014.1. The holder or any person in possession of the promissory note may present it to the drawee for acceptance at the drawee's residence or place of business at any time prior to maturity.

1014.2. The drawer may:

1014.2.1. stipulate in the bill of exchange that it may be presented for acceptance with or without fixing a time limit.

1014.2.2. prohibit presentation of the bill of exchange for acceptance, except in the case of a bill payable at the premises of a third person, or payable at a place other than the residence or place of business of the drawee, or payable at a fixed period after presentation.

1014.2.3. stipulate that the promissory note may not be presented for acceptance before a specified time.

1014.3. Any endorser may stipulate that the promissory note may be presented for acceptance with or without fixing a time limit, provided that the drawer has not prohibited presentation for acceptance.

1014.4. A bill of exchange payable at a fixed period after presentation shall be presented for acceptance within one year from the date of its issuance. The drawer may set a different period. Endorsers may shorten this period.

Article 1015. Withdrawal of acceptance of a bill of exchange

1015.1. If the drawee who has made an acceptance notation on a bill of exchange crosses out that notation before the bill is returned, the acceptance shall be deemed to have been withdrawn.

1015.2. However, if the drawee has given written notice of his acceptance to the holder or to any of the persons who have signed the bill, he shall remain liable to them in accordance with the terms of his acceptance.

Article 1016. Aval (promissory note guarantee)

1016.1. Payment of a bill of exchange may be secured, in whole or in part, by a promissory note guarantee (aval).

1016.2. An aval may be given by a third person or by one of the persons who has signed the promissory note.

1016.3. A promissory note guarantee shall be given on the bill of exchange itself or on an allonge. For an avalist who is not the drawee or the drawer, it is sufficient to place a signature on the face of the bill of exchange.

1016.4. The aval shall indicate for whose account it is given. In the absence of such indication, it shall be deemed to have been given for the account of the drawer.

1016.5. The avalist shall be liable in the same manner as the person for whom the guarantee is given. The avalist's obligation shall remain valid even if the obligation guaranteed is invalid.

1016.6. By paying the bill of exchange, the avalist shall acquire the rights arising from the promissory note against the person for whom the guarantee was given and against all persons liable to that person under the bill of exchange.

Article 1017. Transfer of a promissory note

1017.1. Any bill of exchange may be transferred to another person by endorsement.

1017.2. An endorsement may also be made in favor of the drawer or of any other person liable under the promissory note. This shall also apply to the drawee, whether or not he has accepted the bill. Such persons may also further endorse the promissory note.

Article 1018. Liability of the endorser

Unless otherwise provided by agreement, the endorser shall be liable for acceptance and payment. If the endorser prohibits further endorsement in his endorsement, he shall not be liable to persons in whose favor the promissory note is subsequently endorsed.

Article 1019. Presumptions in favor of the promissory note holder

1019.1. A person in possession of a bill of exchange shall be deemed the lawful holder if he establishes his right through an unbroken chain of endorsements, even if the last endorsement is a blank endorsement. In such case, endorsements that have been crossed out shall be deemed not written. Where a blank endorsement is followed by another endorsement, the person who signed the latter endorsement shall be deemed to have acquired the promissory note by virtue of the blank endorsement.

1019.2. If a previous holder has lost the bill of exchange for any reason, the new holder who proves his right under Article 1019.1 of this Code shall be obliged to return the promissory note only if he acquired it unlawfully or acquired it with gross negligence.

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

If an endorsement contains a stipulation creating a pledge, the holder may exercise all rights arising from the bill of exchange. however, any endorsement made by him shall have effect only as an endorsement by way of re-endorsement.

Article 1022. Endorsement after maturity

1022.1. An endorsement made after maturity shall have the same effects as an endorsement made before maturity.

1022.2. An undated endorsement shall be deemed, unless the contrary is proved, to have been made before maturity.

Article 1023. Maturity (periods for payment) of a bill of exchange

1023.1. A bill of exchange may be drawn payable:
1023.1.1. at sight.
1023.1.2. at a fixed period after sight.
1023.1.3. at a fixed period after date.
1023.1.4. on a fixed day.
1023.2. Bills of exchange providing for other maturities or for successive maturities shall be invalid.

Article 1024. Bill of exchange payable at sight

1024.1. A bill of exchange payable at sight shall be paid upon presentation. It shall be presented for payment within one year from the date of its issuance. The drawer may shorten or extend this period. Endorsers may shorten these periods.
1024.2. The drawer may stipulate that a bill of exchange payable at sight may not be presented for payment before a specified time. In such case, the period for presentation shall run from that time.

Article 1025. Bill of exchange payable within a fixed period after presentation

1025.1. For a bill of exchange drawn payable at a fixed period after presentation, the period of payment shall be determined by the date indicated in the acceptance.
1025.2. If no date is indicated in the acceptance, the drawee shall be deemed to have accepted the bill on the last day of the period prescribed for presenting it for acceptance.

Article 1026. Calculation of maturity of promissory notes

1026.1. For a bill of exchange drawn for one or more months after date or after presentation, the period of payment expires on the corresponding day of the month in which payment is due. If the corresponding day does not exist in that month, the period shall expire on the last day of that month.
1026.2. If the bill of exchange is drawn for a period of one and a half months or multiple months plus half a month, the full months shall be counted first.
1026.3. If the period of payment is specified as the beginning, middle, or end of the month, these expressions shall mean the first, fifteenth, or last day of the month, respectively.
1026.4. The expressions ‘eight days’ or ‘fifteen days’ indicate a full period of eight or fifteen days, not one or two weeks.
1026.5. The expression ‘half a month’ indicates a period of fifteen days.
1026.6. If a bill of exchange is payable on a certain day according to a calendar different from that of the place of issuance, the period of payment shall be determined according to the calendar of the place of payment.
1026.7. If a bill of exchange drawn for a fixed period after date is subject to different calendars at the place of issuance and the place of payment, the corresponding date shall be

determined according to the calendar of the place of payment, and the period of payment shall be calculated accordingly.

1026. The periods for presenting bills of exchange shall be calculated in accordance with Article 1026.7 of this Code.

Article 1027. Presentation of a promissory note for payment

1027.1. The holder of a bill of exchange drawn for a fixed period after date or after presentation shall present it for payment either on the day it becomes due or on one of the two business days following that day.

1027.2. If the bill of exchange is not presented for payment within the period specified in Article 1027.1 of this Code, the debtor may deposit the amount of the bill with a court at the creditor's place of residence.

Article 1028. Presentation of a receipt for payment. Partial payment

1028.1. When paying a bill of exchange, the drawee may require the holder to issue a receipt confirming the payment.

1028.2. The holder may not refuse to accept partial payment.

1028.3. If a promissory note is partially paid, the drawee may require that the partial payment be noted on the bill and that a receipt for such payment be issued.

Article 1029. Payment before and at maturity

1029.1. The holder shall not be obliged to accept the bill of exchange for payment before its maturity.

1029.2. A drawee who pays the bill before maturity shall do so at his own risk.

1029.3. A person who pays the bill on time shall be released from the obligation.

1029.4. The drawee shall be obliged to verify the continuity of endorsements, but is not required to verify the signatures of endorsers.

Article 1030. Foreign currency denominated promissory notes

1030.1. If a bill of exchange is drawn in a foreign currency, its amount may be paid in Azerbaijani manats at the exchange rate on the day of maturity. If the debtor delays payment, the holder may, at his discretion, demand that the amount of the bill be paid in manats either at the exchange rate on the day of maturity or on the day of payment.

1030.2. The exchange rate of the foreign currency shall be determined by the Central Bank of the Republic of Azerbaijan. However, the drawer may stipulate that the amount to be paid shall be calculated at the exchange rate specified in the bill.

1030.3. If the drawer makes it a mandatory condition that payment shall be made in the specific currency indicated on the bill, the provisions of Articles 1030.1 and 1030.2 of this Code shall not apply.

Article 1031. Refusal to pay or accept a promissory note

1031.1. If payment of a bill of exchange is refused, the holder may, upon maturity, exercise his recourse rights against the endorsers, the drawer, and other persons liable on the bill.

1031.2. If the drawee wholly or partially refuses to accept the bill of exchange, the holder shall have the same rights until the bill becomes due.

Article 1032. Refusal from acceptance or payment in respect of an official act (protest)

1032.1. Refusal of acceptance or payment shall be confirmed by a formal act prepared in accordance with Article 1033 of this Code (protest for refusal of acceptance or payment).

1032.2. A protest for refusal of acceptance shall be made within the periods prescribed for presenting the bill for acceptance. If the first presentation of the bill for acceptance occurs on the last day of the period, the protest may also be made on the following day.

1032.3. A protest for refusal to pay a bill of exchange with a fixed payment day or a fixed period after date or after presentation shall be made on one of the two business days following the due date of the bill. A protest for a bill of exchange payable at sight shall be made within the periods specified in Article 1032.2.

1032.4. The filing of a protest for refusal of acceptance shall relieve the holder from presenting the promissory note for payment and from filing a protest for refusal of payment.

1032.5. When the drawee suspends payments, the holder may exercise his rights under the promissory note only after the bill has been presented to the drawee for payment and a protest has been made, regardless of whether the drawee has accepted the bill.

Article 1033. Protest for refusal of acceptance or payment under the promissory note

1033.1. A protest shall be drawn up by a bailiff, notary, or another person authorized by *the Central Bank of the Republic of Azerbaijan* to prepare official documents.

1033.2. A protest shall indicate the following:

1033.2.1. the name of the person issuing the protest.

1033.2.2. the name of the person against whom the protest is directed.

1033.2.3. a statement that the request for payment or acceptance directed to the person against whom the protest is issued was unsuccessful, or that the person could not be found, or that it was impossible to determine the residence or location of the person against whom the protest is issued.

1033.2.4. the place and date where the unsuccessful request or attempt was made.

1033.3. The person drawing up the protest shall sign it and affix a seal or stamp on the back of the bill of exchange or on an attached sheet.

1033.4. If multiple copies of the same bill of exchange are presented, or if the original and a copy are presented, issuing the protest on one copy or on the original is sufficient. It shall be indicated on other copies or on the copy which contains the protest or the original. This indication shall be signed by the person drawing up the protest.

1033.5. If the acceptance is limited to part of the amount of the promissory note, a copy of the bill shall be prepared and the protest shall be made on that copy or on an attached sheet. Endorsements and other notations on the bill shall also appear on the copy.

1033.6. If several claims arising from a bill of exchange are to be made against several persons or against the same person, a single protest shall suffice for all claims.

1033.7. The person drawing up the protest shall retain one copy, which shall indicate:

1033.7.1. the amount of the promissory note.

1033.7.2. the maturity date.

1033.7.3. the place and date of the protest.

1033.7.4. the name of the drawer and of the drawee, and, if applicable, the name of the person to whom payment is to be made or to whose order it is to be made.

Article 1034. Notice of refusal of acceptance or payment on the promissory note

1034.1. The holder of a promissory note shall give notice of refusal of acceptance or payment to his endorsers and to the drawer within four business days following the day of the protest. Each endorser shall, within two business days after receiving the notice, inform his own endorser of that notice, indicating the names and addresses of those who sent previous notices, including the drawer. The periods mentioned above commence from the day the previous notice is received.

1034.2. If, under Article 1034.1 of this Code, a notice is sent to a person who has signed the bill of exchange, the same notice shall also be sent within the same period to any person who has given an aval for the bill.

1034.3. If any endorser fails to indicate his address or provides an incorrect address, sending the notice to the preceding endorser is sufficient.

1034.4. The notice may be given in any form, including by simply returning the bill of exchange.

1034.5. The person required to send the notice shall be able to prove that it was sent within the prescribed period. If the notice was mailed within the period, compliance with the period shall be deemed satisfied.

1034.6. A person who fails to send the notice within the period shall not lose his rights but shall be liable for any loss resulting from his negligence, up to the amount of the bill.

Article 1035. Release from the obligation to protest for fefusal of acceptance or payment

1035.1. The drawer, an endorser, or an avalist may, by a condition included in and signed on the bill, release the holder from the obligation to make a protest for refusal of acceptance or payment.

1035.2. Such a condition shall not release the holder from the duty to present the bill within the prescribed period or to send notices. In a dispute with the holder, the person relying on the condition shall prove that the periods were observed.

1035.3. If the condition is included by the drawer, it shall apply to all persons who have signed the bill. If included by an endorser or an avalist, the condition shall apply only to that person.

Article 1036. Liability of persons liable on the promissory note

1036.1. All persons who have drawn, accepted, endorsed, or given an aval on a bill of exchange shall be jointly and severally liable to the holder.

1036.2. The holder shall have the right to make a claim against any one of these persons individually or against all of them collectively, without regard to the order of their signatures.

1036.3. Anyone who has signed the bill of exchange shall retain the same right after making payment.

1036.4. If the promissory note contains a notation regarding acceptance, in cases of acceptance, a protest for non-payment shall constitute an enforcement document and serve as the basis for unconditionally debiting the drawee's account. If there are insufficient funds in the drawee's account, the protestor may require that the obligations under the promissory note be directed to the property of the obligor on the bill.

1036.5. The holder's right to satisfy claims from the property of the drawee shall be exercised in accordance with judicial enforcement procedures, except in cases specified in Article 1036.4. Except where the promissory note is deemed invalid, the court shall, irrespective of the terms of the agreement underlying the bill, issue a decision in favor of the holder based on the bill properly registered and protested in accordance with the law, through an expedited procedure (within seven business days).

Article 1037. Rights of the holder in case of refusal of payment or acceptance

1037.0. The holder may demand from the person against whom a claim is made:

1037.0.1. The amount of the bill of exchange that has not been accepted or paid, and if stipulated, interest.

1037.0.2. Interest from the due date of payment.

1037.0.3. Costs of protest and sending notices, as well as other expenses.

Article 1038. Rights of the drawee

The drawee may demand from the persons liable on the bill the full amount paid, interest calculated from the date of payment, and any expenses incurred.

Article 1039. Presentation of bill of exchange documents

1039.1. Any person liable on the bill, against whom a claim has been made or may be made, may demand that the bill be delivered to him together with the protest and the receipt for payment in exchange for the payment of the bill amount.

1039.2. Any endorser who has paid the bill may strike through his endorsement and the endorsements of subsequent endorsers.

Article 1040. Recourse claim after partial acceptance

If a recourse claim is made after partial acceptance, the person who pays the portion of the bill not accepted may demand that this payment be noted on the bill and that a receipt for the payment be issued. The holder shall also provide him with a certified copy of the bill and the protest so that he can exercise his subsequent recourse rights.

Article 1041. Backward tratta

Unless otherwise agreed, a person entitled to make a claim may receive payment by presenting a new bill, payable at the drawee's place of residence and due immediately upon presentation, to one of the persons liable (backward tratta).

Article 1042. Loss of rights by holder upon expiry of deadlines

1042.1. The holder loses his rights against endorsers, the drawer, and other persons liable on the bill (except the acceptor) when the following deadlines expire:

1042.1.1. for presenting a bill payable on demand or after a specified period.

1042.1.2. for giving a protest resulting from refusal of acceptance or payment.

1042.1.3. for presenting the bill when a condition for payment is included.

1042.2. If the holder fails to present the bill for acceptance within the period stipulated by the drawer, he loses his rights arising both from refusal of payment and refusal of acceptance.

1042.3. If the deadline for presenting the bill for payment is stipulated in the endorsement, only the endorser may invoke it.

1042.4. If an unavoidable obstacle prevents presentation or protest within the prescribed period, the deadlines are extended by the duration of the obstacle plus 14 days. Events attributable to the holder personally, or to a person the holder has tasked with presenting the bill or giving protest, shall not constitute unavoidable obstacles.

Article 1043. Issuance of multiple copies of a bill

1043.1. A bill of exchange may be issued in several identical copies. These copies shall bear consecutive numbers on the bill, otherwise, each is considered a separate bill. If it is not indicated that the bill is issued in a single copy, the holder may demand the issuance of multiple copies at his own expense, by directly approaching the preceding endorser. The endorser shall assist regarding his endorser and preceding endorsers, including the drawer. Endorsers are obliged to repeat their endorsements on the new copies.

1043.2. Payment on one copy extinguishes the rights arising from all other copies, even if it is not noted that all other copies are invalidated. However, the drawee remains liable for each copy he has accepted and not returned. Endorsers who have given copies to different persons, as well as subsequent endorsers, remain liable for all copies they have signed and not returned.

1043.3. The person sending a copy for acceptance shall indicate where that copy is in the other copies. The person holding that copy shall deliver it to the lawful holder of the other copies. If he refuses, the holder may exercise his claim rights only after the following are confirmed by protest:

1043.3.1. . the copy sent for acceptance has not been delivered despite the demand.

1043.3.2. acceptance or payment could not be obtained on another copy.

Article 1044. Copies of a promissory note

1044.1. Any holder of a bill of exchange may make a copy of it.

1044.2. The copy shall exactly reproduce the original, including all endorsements and other entries. It shall indicate up to which endorsement it is valid.

1044.3. The copy may be endorsed and guaranteed (aval) in the same manner and with the same effect as the original.

1044.4. The copy shall indicate who holds the original document.

1044.5. If the original contains a clause that only endorsements on the copy are valid, any endorsements made on the original after the last endorsement at the time of copying shall be invalid.

Article 1045. Alteration of the text of a promissory note

If the text of a bill of exchange is altered, persons signing after the alteration shall be liable according to the content of the amended text. Persons who signed before the alteration shall be liable according to the original text.

Article 1046. Statute of limitations for claims arising from bills of exchange

1046.1. Claims against the acceptor arising from a bill of exchange shall be payable within three years from the due date.

1046.2. Claims of the promissory note holder against endorsers and the drawer shall be payable within one year from the date of protest.

1046.3. Claims among endorsers and against the drawer shall be payable six months from the date the endorser pays the promissory note or from the date a claim is made against them.

1046.4. When calculating legal or bill-specified periods, the day on which the period begins shall not be counted.

Article 1047. Declaring the promissory note invalid

A lost or destroyed promissory note may be declared invalid by a court at the place of payment.

Article 1048. Promissory Note. Requisites

1048.1. A promissory note shall include:

1048.1.1. the word ‘promissory note’ in the text.

1048.1.2. an unconditional promise to pay a specified sum.

1048.1.3. the details listed in Articles 1005.1.4–1005.1.9 of this Code.

1048.2. A document lacking any of these requisites has no validity as a promissory note.

1048.3. The promissory note issuer is liable on the same grounds as the acceptor of a bill of exchange.

1048.4. Promissory notes with a specified term shall be presented to the issuer within the periods specified in Article 1014.4. The issuer shall confirm the presentation by noting the date and signing. The countdown of the period shall begin on the day the presentation is recorded.

1048.5. Otherwise, provisions applicable to bills of exchange apply to promissory notes.

Article 1048-1. Treasury bills

1048-1.1. A treasury bill is a promissory note issued to determine amounts payable from the state budget or attract short-term available funds from individuals.

1048-1.2. Treasury bills shall be issued in cases such as:

1048-1.2.1. insufficient funds at the treasury for payments to budget organizations.

1048-1.2.2. attracting funds to meet current budget needs.

1048-1.2.3. debts owed by the budget to enterprises or organizations, regardless of ownership form (e.g., overpaid taxes, refundable amounts).

1048-1.3. The payment date of a treasury bill may be:

1048-1.3.1. a certain period after issuance.

1048-1.3.2. a specified date.

1048-1.4. Treasury bills shall be paid within the fiscal year of issuance.

1048-1.5. They may be used as payment for goods, work performed, or services rendered.

1048-1.6. Treasury bills can be recorded in the appropriate accounting organization.

1048-1.7 Treasury bills may be sold or purchased on the secondary market in accordance with applicable legislation, through endorsement in the name of the buyer.

1048-1.8. Legal entities may submit treasury bills to the treasury in lieu of taxes or other obligations.

1048-1.9. Treasury bills may not be presented to the treasury for payment before the due date.

1048-1.10. Upon maturity, the treasury bill is presented to the issuing treasury (payer) for payment. If the treasury (payer) refuses to pay, the holder shall officially record the refusal through a protest act.

1048-1.11. To attract available funds of legal entities and individuals to the budget, a treasury bill is issued as a discount security and is sold by the treasury at a price below its nominal value. upon maturity, the payer fully pays the bill amount to the holder of the bill.

Article 1048-2. Accounting of promissory notes

1048-2.1. Accounting of promissory notes is the submission of a bill to the accounting organization by the holder before the payment date and receiving the remaining amount after deducting the discount.

1048-2.2. In Azerbaijan, accounting, domiciliation, acceptance for collection, payment services, and other operations related to promissory notes may only be performed by accounting organizations registered with *the Central Bank of Azerbaijan* (banks, bill houses, and other specialized financial-investment institutions).

1048-2.3. Re-accounting of promissory notes is the acquisition by the accounting bank of bills from holders before the payment date, paying the bill amount at a discount set by the Central Bank.

1048-2.4. Rules for accounting and re-accounting of bills are established by regulations of *the Central Bank of the Republic of Azerbaijan*.

~~§4. Check~~

Article 1049. Definition of a check and its content

1049.1. 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.

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.

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.

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.

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.

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.

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.

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.

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 it payment period shall be determined in accordance with the calendar of the place of payment.

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.

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.

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.

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.

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.

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.

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.

Article 1066. Modification of a check's content

Article 1045 of this Code shall apply to modification of a check's content.

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.

~~**Article 1068. Announcement of a check invalid**~~

~~Article 1047 of this Code shall apply to announcement of a check invalid.~~

~~**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.~~

§5. Bond

Article 1070. Definition of a bond

A bond is a debt investment security that confirms the issuer's indebtedness to the bondholder and, depending on its terms, provides for the payment of interest (coupon) or discount and the principal amount on a specified date.

Article 1071. Payment of claims arising out of debt obligation in form of a bond – ***deleted.***

Article 1072. Announcement of a bond invalid – ***deleted.***

Article 1073. Interest-bearing security coupons, rent papers and dividend coupons – ***deleted.***

Article 1074. Cards, marks, and similar documents – ***deleted.***

Article 1075. Public debt bonds. Obligatory character of a prospectus– ***deleted.***

~~**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.~~

Article 1076-1. Secured bonds

1076-1.1. Secured bonds are bonds whose obligations are secured by collateral, a guarantee, as well as a government or municipal guarantee.

1076-1.2. Upon the transfer of rights arising from secured bonds, the rights to the security shall also be deemed transferred. The transfer of rights to the security without the transfer of rights under the bonds shall be invalid.

1076-1.3. Information on the security for secured bonds shall be reflected in the decision on the bond issuance and in the issuance prospectus (*information memorandum*).

1076-1.4. Where the security for secured bonds is provided by a third party, that party shall sign the decision on the bond issuance. If the party providing the security is a legal entity, the decision on the bond issuance shall be signed by its *sole executive body or by all members of its collegial executive body* and certified with a seal.

1076-1.5. The value of the security for secured bonds shall not be less than the total nominal value of the bonds and the interest payable thereon (if any)

~~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.~~

Article 1076-2. Security trustee for secured bonds

1076-2.1. The security trustee for secured bonds is an investment company, central depository, or bank that acts as the pledgee holding the security in its own name for the benefit of the bond owners, for the purpose of monitoring compliance of such security with the requirements of legislation and the prospectus (information memorandum). There shall be no interdependence between the issuer and the trustee.

1076-2.2. The trustee shall be designated in the issuer's decision on the bond issuance and operate on the basis of an agreement concluded with the issuer.

1076-2.3. Where the trustee allows any action or omission that does not comply with the requirements of legislation or the prospectus (information memorandum), or fails to meet the requirements for a trustee established by this Code, the issuer shall, at the request of the Central Bank of the Republic of Azerbaijan, replace the trustee with another person.

1076-2.4. The trustee shall not be liable for any damage arising as a result of any action or omission in the exercise of its rights and obligations, unless it is proven that such action or omission resulted from unlawful or bad-faith conduct.

Article 1076-3. Collateral backed bonds

1076-3.1. The subject matter of the pledge for collateral backed bonds may be investment securities, real estate certificates, immovable property and movable property for which ownership rights are registered in an official register, as well as the mortgage coverage defined in Article 1076-6 of this Code.

1076-3.2. Within a single issue of collateral backed bonds, each bond *owner* shall have equal rights with all other bond *owners* of that issue in respect of the pledged property.

1076-3.3. The pledging of property for collateral backed bonds shall be carried out in accordance with the procedures prescribed by legislation for pledges.

~~1076-3.4. Securities that constitute the subject matter of the pledge for pledge-secured bonds shall be deposited with a depository and encumbered with obligations in accordance with the legislation on securities.~~

1076-3.5. Prior to the state registration of collateral backed bonds, the securities constituting the subject matter of the pledge (including bearer securities) shall be deposited in the depository system and the pledge thereof shall be registered in accordance with the Law of the Republic of Azerbaijan 'on the Securities Market.'.

1076-3.6. After *the rights* to the securities constituting the subject matter of the pledge *have been restricted, the pledgor* shall officially notify the trustee thereof.

1076-3.7. Where the issuer fails to perform or improperly performs its obligations under collateral backed bonds, *enforcement* against the *pledged property* may be initiated by the trustee in accordance with legislation upon the written request of any bond *owner* addressed to the trustee. The trustee shall examine the facts of non-performance or improper performance of the issuer's obligations specified in the bond *owner*'s written request and shall initiate *enforcement* against the pledged property only if such facts are confirmed.

1076-3.8. Proceeds obtained from the sale of the pledged property shall be distributed to the persons who are *owners* of collatearl backed bonds. Where the amount of proceeds obtained from the sale of the pledged property exceeds the amount of unperformed obligations under the bonds, such excess shall be returned to the issuer after the obligations have been fully satisfied.

1076-3.9. *Owners* of collateral backed bonds shall have the right to submit the claims specified in Article 1076-3.7 of this Code within the period established by legislation after the due date for performance of the obligation.

Article 1076-4. Guarantee backed bonds

1076-4.1. A guarantee provided to secure the performance of obligations under bonds shall be executed in accordance with the procedure established by legislation.

1076-4.2. A guarantee provided to secure the performance of obligations under bonds may not be revoked until the obligations under such bonds have been fully performed.

1076-4.3. The guarantee shall be held by the trustee until the issuer has fully performed its obligations under the bonds.

Article 1076-5. Bonds backed by government and municipal guarantees

The procedure for the issuance of bonds secured by government and municipal guarantees shall be governed by the relevant legislation.

Article 1076-6. Mortgage bonds

1076-6.1. Mortgage bonds are bonds secured by a mortgage coverage.

1076-6.2. The mortgage coverage shall consist of primary and additional assets.

1076-6.3. The primary assets shall be the issuer's claim rights arising from loans granted for the acquisition of residential premises and secured by a mortgage over the same or another residential property (mortgage loans).

1076-6.4. Additional assets may constitute no more than 20 percent of the nominal value of the mortgage coverage and may include the following:

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 the issuer's deposits held with the Central Bank of the Republic of Azerbaijan.

1076-6.4.3. Securities issued by states determined by the relevant executive authority and by the central banks of such states.

1076-6.5. Unless otherwise provided by a regulation of the Central Bank of the Republic of Azerbaijan, mortgage bonds may be issued only in the currency of the primary assets (mortgage loans) included in the mortgage cover.

1076-6.6. The weighted average maturity of mortgage bonds may not exceed the weighted average maturity of the mortgage loans included in the mortgage cover. The procedure for calculating weighted average maturities shall be determined by the Central Bank of the Republic of Azerbaijan.

1076-6.7. Mortgage bonds may be issued only by credit institutions and entities established by the relevant executive authority for the purpose of granting mortgage loans.

1076-6.8. The issuer's obligations under mortgage bonds may be transferred in whole or in part, together with the assets included in the mortgage cover of such bonds, to third parties entitled to issue mortgage bonds in accordance with Article 1076-6.7 of this Code, provided that such transfer is stipulated in the prospectus (information memorandum). In the event of the issuer's bankruptcy or failure to perform obligations as defined in Article 1076-13 of this Code, issuer's obligations shall be transferred to third parties only in the manner prescribed by that Article.

Article 1076-7. Interest on mortgage bonds

1076-7.1. Mortgage bonds shall confer on their owners the right to receive interest in the amount and manner specified in the mortgage bond prospectus (information memorandum). In this case, interest payments shall be made under the terms of issuance of the mortgage bonds, but at least once a year.

1076-7.2. Interest payments on the assets included in the mortgage cover shall ensure the payment of interest on the mortgage bonds.

1076-7.3. Unless otherwise provided by a regulation of the Central Bank of the Republic of Azerbaijan, where the mortgage loans included in the mortgage cover are granted at fixed interest rates, the interest on mortgage bonds shall be fixed, and where the mortgage loans included in the mortgage cover are granted at variable interest rates, the interest on mortgage bonds shall be variable. Where variable interest rates are established, the interest rates on the mortgage loans included in the mortgage cover and the interest rates on the mortgage bonds shall be linked to the same interest rate benchmark.

Article 1076-8. Specific features of the issuance of mortgage bonds

1076-8.1. In addition to the information provided for in Article 5.3 of the Law of the Republic of Azerbaijan 'on the Securities Market', the prospectus (information memorandum) of mortgage bonds shall contain the following information:

1076-8.1.1. Information on the assets included in the mortgage cover (value, composition, and the terms and procedure for repayment of the debts).

1076-8.1.2. Where early redemption of mortgage bonds is specified, the terms of such redemption, or, where early redemption is not permitted, information to that effect.

1076-8.1.3. Information on the media entities in which information relating to the repayment of mortgage bonds will be published.

1076-8.1.4. Information relating to the trustee.

1076-8.2. In the event of early redemption of mortgage bonds, such early redemption shall apply to all bonds of a single issue on the same terms.

1076-8.3 Each issuance of mortgage bonds issued by the issuer shall be secured by one mortgage cover. Securing several issues of mortgage bonds with a single mortgage cover shall be permitted only where such is provided for in a pre-approved prospectus (information memorandum).

Article 1076-9. Requirements for the mortgage cover

1076-9.1. Assets included in the mortgage cover may not be encumbered with other obligations, and no disposal of assets included in the mortgage cover may be made without the consent of the trustee. Until the occurrence of the cases provided for in Article 1076-13 of this Code, cash proceeds received from the assets included in the mortgage cover shall be held in the issuer's account and used at its discretion.

1076-9.2. At the time a mortgage loan is granted, only rights relating to immovable property that has been valued at market value by an ~~independent~~ appraiser may be included in the mortgage cover.

1076-9.3. Rights relating to loans secured by mortgages over non-residential immovable property, vacant land plots, and unfinished construction may not be included in the mortgage cover.

1076-9.4. For the purpose of increasing the liquidity of mortgage bonds, unless a lower interest ratio is provided for by a regulation of the Central Bank of the Republic of Azerbaijan, rights under mortgage loans granted in an amount exceeding 85 percent of the calculated market value of the mortgaged property shall not be included in the mortgage cover.

1076-9.5. The value of principal amounts of the assets included in the mortgage cover shall be at least 110 percent of the total nominal value payable by the issuer under its mortgage bonds. In this calculation, only the portion of the principal of each loan not exceeding 80 percent of the market value of the mortgaged property securing that loan shall be taken into account.

1076-9.6. Terms of mortgage loans related to the rights included in the mortgage cover shall provide for repayment of the principal and interest in cash by installments at least quarterly throughout the loan term.

1076-9.7. Rights under loans classified as non-standard by the Central Bank of the Republic of Azerbaijan may not be included in the mortgage cover.

1076-9.8. Immovable property related to the rights included in the mortgage cover shall be insured against the risk of destruction or damage for the entire period during which the obligation under the mortgage loan is in force, based on market value and in an amount not less than the outstanding balance of the secured loan.

1076-9.9. Mortgage agreements related to the rights included in the mortgage cover shall contain a condition prohibiting the mortgagor, without the consent of the mortgagee, from alienating the mortgaged property, encumbering it with other obligations, or otherwise disposing of it (except for testamentary dispositions), as well as from taking actions that harm or lead to deterioration of the mortgaged property.

Article 1076-10. Register of the mortgage cover

1076-10.1. Upon making a decision on the issuance of bonds, each issuer of mortgage bonds shall establish and maintain, under the control of the trustee, a register of the mortgage cover securing bonds.

1076-10.2. From the moment a relevant entry is made in the register of the mortgage cover, the assets shall be deemed to be included in the mortgage cover.

1076-10.3. The register of the mortgage cover shall include at least the following information:

1076-10.3.1. Details of the documents confirming the issuer's rights in respect of the assets included in the mortgage cover.

1076-10.3.2. The amount of the assets included in the mortgage cover (principal and interest rate), payment schedules, or the conditions allowing such amounts to be determined.

1076-10.3.3. The status of performance of obligations in respect of the assets included in the mortgage cover.

1076-10.3.4. The name, a description sufficient for identification, and the location of the mortgaged property related to the rights included in the mortgage cover.

1076-10.3.5. The value of the mortgaged property related to the rights included in the mortgage cover as appraised by an ~~independent~~ appraiser.

1076-10.4. The register of the mortgage cover shall be maintained in hard and soft copy in accordance with the procedure established by the Central Bank of the Republic of Azerbaijan. The register of the mortgage cover and any amendments thereto shall be submitted to the Central Bank of the Republic of Azerbaijan.

1076-10.5. Assets included in the mortgage cover may be removed from the register of the mortgage cover or replaced with other assets only with the consent of the trustee. The trustee shall consider the issuer's request in this regard within five business days and notify the issuer of the outcome in writing.

1076-10.6. The trustee may permit the issuer to dispose of assets included in the mortgage cover only where such disposal does not contravene this Code or the issuance prospectus (information memorandum).

Article 1076-11. Rights and obligations of the trustee in relation to the mortgage cover

1076-11.1. The trustee shall verify the compliance of the mortgage cover with the requirements of Articles 1076-6 and 1076-9 of this Code at the time of issuance of mortgage bonds and, unless a shorter period is established by a regulation of the Central Bank of the Republic of Azerbaijan, at least once every six months thereafter.

1076-11.2. Where the mortgage cover fails to comply with the requirements of Articles 1076-6 and 1076-9 of this Code, the trustee shall notify the issuer thereof in writing and require the elimination of identified violations. The issuer shall eliminate all identified deficiencies no later than ten business days from the date of receipt of such request and provide the trustee with the relevant information and documents confirming this.

1076-11.3. The trustee shall submit a report on results of the verification of the mortgage cover to the Central Bank of the Republic of Azerbaijan in the form and manner determined by that authority.

1076-11.4. The trustee shall disclose, no later than five business days after the expiry of the period established for the elimination of violations, a notice in the Azerbaijani language and in other languages in which the prospectus (information memorandum) was published, regarding violations identified in the mortgage cover that were not eliminated by the issuer in accordance with Article 1076-11.2 of this Code

and that may pose a significant threat to payments under the bonds. Such notice shall be published in the media outlet in which the prospectus (information memorandum) was published (or, if that media outlet is no longer operating, in another media outlet) and shall be submitted to the Central Bank of the Republic of Azerbaijan. The Central Bank of the Republic of Azerbaijan shall publish the notice on its website in the Azerbaijani language and in other languages in which the prospectus (information memorandum) was published within three business days of receipt thereof.

1076-11.5. The trustee shall have the right at any time to request information from the issuer regarding payments under mortgage bonds and review issuer's relevant documents. The issuer shall provide the information and documents requested by the trustee no later than three business days from the date of receipt of the request. If the issuer fails to respond or provides an incomplete response, the trustee shall immediately notify the Central Bank of the Republic of Azerbaijan thereof in writing.

1076-11.6. To protect the bond owners, the trustee shall exercise the rights and perform the obligations in relation to the mortgage cover as established by this Code and by the Law of the Republic of Azerbaijan 'on the Securities Market'.

Article 1076-12. Accounting and pledge of assets Included in the mortgage cover

1076-12.1. From the moment assets are included in the mortgage cover, their accounting shall be maintained separately from the issuer's other assets. No attachment may be placed on such assets, and no claims may be directed against them, for the satisfaction of creditors other than the bond owners.

1076-12.2. In accordance with this Code, assets included in the mortgage cover shall be deemed pledged in favor of the bond owners from the moment the prospectus (information memorandum) of the mortgage bonds is approved. The statutory pledge shall also extend to any subsequent changes to the assets included in the mortgage cover once the trustee has given written consent to such changes in accordance with Articles 1076-10.5 and 1076-10.6 of this Code.

1076-12.3. The bond owners shall have equal preferential rights, compared to other creditors of the issuer, to the nominal value and interest paid under mortgage bonds with respect to the assets included in the same mortgage cover. Preferential rights of bond owners shall apply equally to all assets included in the mortgage cover (both primary and additional), including any income generated from such assets.

1076-12.4. Bond owners shall have equal preferential rights, compared to other creditors of the issuer, over the residual portion of assets recorded in this mortgage cover register only after the claims of bond owners secured by the issuer's other mortgage cover register have been fully satisfied.

1076-12.5. Bond owners whose claims have not been fully satisfied from the mortgage cover shall have rights in relation to the issuer's assets not included in the mortgage cover on an equal basis with the creditors of the issuer in respect of other unsecured obligations.

Article 1076-13. Bankruptcy, forced liquidation, and non-performance of obligations of the issuer of mortgage bonds

1076-13.1. When the issuer is declared bankrupt or is subject to forced liquidation, none of the assets included in the mortgage cover may be distributed among the issuer's other creditors until the claims of the mortgage bond owners are fully satisfied.

1076-13.2. If the issuer is declared bankrupt, is compulsorily liquidated, fails to perform any condition of the prospectus (information memorandum) related to the fulfillment of obligations, or persistently violates obligations established by this Code (hereinafter, for the purposes of this Article, 'non-

performance of obligations'), the bond owners may not demand early payment of their bonds. In such cases, bond owners shall comply with the provisions of this Article regarding the sale of assets included in the mortgage cover and other related measures.

1076-13.3. In the event of bankruptcy, forced liquidation, or non-performance of obligations by the issuer, the trustee shall submit written notice to the Central Bank of the Republic of Azerbaijan, attaching documents confirming the facts of bankruptcy, forced liquidation, or non-performance. Such notice may also be submitted to the Central Bank by any bond owner.

1076-13.4. The Central Bank of the Republic of Azerbaijan shall review the information referred to in Article 1076-13.3 within five business days of receipt and, if the fact of bankruptcy, forced liquidation, or non-performance is confirmed, shall make a decision to place the assets included in the mortgage cover under the control of the trustee and communicate this decision to the trustee and issuer within one business day.

1076-13.5. From the date the decision referred to in Article 1076-13.4 is communicated to the trustee and issuer, income generated from the assets included in the mortgage cover shall be added to the mortgage cover and shall be deemed pledged in favor of the bond owners by law. The trustee shall take all necessary measures for the collection, custody, and management of such income.

1076-13.6. Within five business days of receiving the decision referred to in Article 1076-13.4, the trustee shall prepare and submit to the Central Bank of the Republic of Azerbaijan, for approval, terms and conditions for the sale or management of the assets included in the mortgage cover to protect the rights of bond owners. The Central Bank shall review the submitted proposal within five business days and make a decision. Following this decision, the assets included in the mortgage cover may be sold under the approved terms.

1076-13.7. The trustee shall operate under the supervision of the Central Bank of the Republic of Azerbaijan and may at any time request instructions. Where necessary, the trustee may, under conditions approved by the Central Bank, engage independent lawyers, accountants, or other specialists for remuneration to assist with the sale or management of the assets included in the mortgage cover.

1076-13.8. Proceeds obtained from the sale of assets included in the mortgage cover shall be distributed as follows, with any remaining funds added to the issuer's general assets by the trustee:

1076-13.8.1. Payment of the trustee's service fees for managing and selling the mortgage cover, as specified in the agreement with the issuer.

1076-13.8.2. Payment of current obligations related to the sale of the mortgage cover.

1076-13.8.3. Fulfillment of obligations under the bonds.

1076-13.9. In the event that the issuer becomes insolvent or is subject to forced liquidation, no interference by the administrator is permitted in the activities of the property manager relating to the management and sale of the assets included in the mortgage cover, the distribution of proceeds obtained, or any other matters, until the obligations specified in Article 1076-13 of this Code are fully performed.

1076-13.10. After the complete sale of assets included in the mortgage cover, the trustee shall hand over documents and remaining assets to the issuer, or, in the event of bankruptcy or forced liquidation, to the property administrator, and submit written notice to the Central Bank confirming that the trustee has fulfilled its duties.

1076-13.11. If the issuer does not agree with the decision specified in Article 1076-13.4 of this Code, it may apply through administrative procedure and to the court for the annulment of that decision. The issuer or any bond owner may apply to the court with a claim for the procedures provided for in Article 1076-13 of this Code concerning the sale or management of the assets included in the mortgage cover to be carried out under judicial control, or for the replacement of the administrator with another person. When

considering the issue of replacing the administrator, a new candidate shall be submitted to the court by the Central Bank of the Republic of Azerbaijan.

§6. Share (stock)

Article 1077. Definition of a share and its content

1077.1. *A share is an investment security that certifies the share owner's participation in the charter capital of the joint-stock company that issued the share in proportion to the nominal value of that share, the right to receive dividends from its profits, the right to receive a portion of the remaining property after liquidation, as well as the right to participate in the management of the joint-stock company*. Only a joint-stock company may be the issuer of shares.

1077.2. Shares may be issued as ordinary or preferred shares. The nominal value of a share is the monetary expression of the share's value as determined by the company's charter. The nominal value of shares shall be expressed in the national currency of the Republic of Azerbaijan. Initial placement of shares at a price below their nominal value is not permitted.

1077.3. Each ordinary share, having the same nominal value, grants its *owner* equal rights in the same scope.

1077.4. Within one issue of preferred shares, each share, having the same nominal value, grants its *owner* equal rights in the same scope.

1077.5. An ordinary share is a type of share that grants its *owner* the right to receive a portion of the issuer's profit in the form of dividends, participate in the management of the issuer's activities, and receive a portion of the remaining property after the issuer's liquidation.

1077.6. A preferred share is a type of share that, regardless of the results of the issuer's ~~business~~ activities, ~~generally~~ guarantees its *owner* the receipt of dividends in the form of a fixed percentage of the share's nominal value, grants priority rights over other shareholders in receiving a portion of the remaining property after the issuer's liquidation, as well as other rights specified in the terms of the share issuance and in the issuer's charter.

1077.7. Based on a decision of the general meeting of shareholders, a joint-stock company may consolidate several shares of the same type into one share, or split one share into several shares of the same type. When a decision on the consolidation or splitting of shares is made at the general meeting, corresponding amendments shall also be made to the charter of the joint-stock company. The procedures for the consolidation and splitting of shares of joint-stock companies shall be determined by the *Central Bank of the Republic of Azerbaijan.*

~~§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.~~

§ 8. Real estate certificate

Article 1078-1. Real estate certificate

1078-1.1. A real estate certificate is a security placed among individuals and legal entities that grants its owners the right, subject to compliance with the conditions specified in the terms of issuance, to demand performance from the issuer through the transfer into their ownership of buildings (apartments, non-residential premises) whose construction (reconstruction) is financed at the expense of the funds obtained from the placement of these securities.

1078-1.2. A real estate certificate is a registered security. The procedure for the issuance, state registration, and circulation of real estate certificates shall be determined by the Central Bank of the Republic of Azerbaijan.

§ 9. Pledge certificate and mortgage certificate

Article 1078-2. Pledge certificate and mortgage certificate

1078-2.1. Securities that certify the security of obligations include a pledge certificate and a mortgage certificate.

1078-2.2. A mortgage certificate is a registered security that certifies, in favor of its *owner*, without the need to present other evidence or proof secured by the mortgage of property as specified in the mortgage agreement, the existence of monetary and other obligations and the right to demand performance of such obligations, as well as the pledge (mortgage) right specified in the agreement on the mortgage of property.

1078-2.2-1. A mortgage certificate certifying a mortgage right over immovable property is a dematerialized registered security that certifies, in favor of its owner, without the need to present other evidence or proof secured by the mortgage of immovable property as specified in the mortgage agreement, the existence of monetary and other obligations and the right to demand performance thereof, as well as the mortgage right specified in the agreement on the mortgage of immovable property.

1078-2.3. A pledge certificate is a registered security that certifies the pledging of property and rights and the rights and obligations arising therefrom between the *pledgor* and, if the pledgor is not the debtor, also the debtor, and the pledgee.

1078-2.4. *Taking into account the requirements of Article 996.2-1 of this Code*, the rights of the pledgee or the mortgagee under obligations secured by a pledge or mortgage of *property* or rights may be formalized and certified by the execution of a pledge certificate or a mortgage certificate.

1078-2.5. Under obligations secured by a pledge or mortgage, the debtor~~, the pledgor, and the mortgagor~~ is *the person* liable under the pledge certificate or the mortgage certificate. The debtor, the pledgor, and the mortgagor may be the same or different persons.

1078-2.6. The *owner* of a pledge certificate or a mortgage certificate certifying a pledge or mortgage right over property (*the pledgee or mortgagee* (creditor)) may, without the consent of the debtor and *the pledgor*, assign its claim under the debt to another person by means of an endorsement on the *pledge certificate or the mortgage certificate*, provided that such endorsement does not contradict the nature of the obligation, the agreement with the debtor and *the pledgor or mortgagor*, or the applicable legislation.

~~1078-2.7. When a secured claim under a pledge or mortgage is transferred to another person, the rights of the pledgee or mortgagee under the pledge certificate or mortgage certificate shall accordingly pass to that person.~~

1078-2.8. For the purpose of securing an obligation under an agreement concluded between the *owner* of a pledge certificate or mortgage certificate (*the pledgee or mortgagee*) and another person, the pledge certificate or mortgage certificate may itself be pledged or mortgaged, respectively. In such case, the pledge or mortgage right shall be subject to state registration in the general manner. however, such right may not be certified by a pledge certificate or a mortgage certificate.

~~1078-2.9. The state registration of mortgage list and hypothec certificate (*except for the mortgage list, certifying the right of mortgage on real estate*) shall be carried out in the official register. The official state register shall be maintained 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.~~

~~§ 10. Derivative securities~~

~~Article 1078-3. Derivative securities~~

~~1078-3.1. Futures, options and other securities specified in accordance with legislation are included to the derivative 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 derivative securities.~~

~~1078-3.5. Other specification related with circulation of derivative securities shall be determined by the corresponding executive power bodies.~~

§ 11. Privatization securities

Article 1078-4. Privatization securities

1078-4.1. Privatization securities are securities issued for the purpose of alienating state property in accordance with the procedure established by relevant legislation during the privatization of state property.

1078-4.2. The types of securities issued during the privatization of state property, their issuance, circulation procedures, and other related matters are determined by this Code and other normative legal acts, *including regulations*.

~~§ 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.~~

~~§ 13. Issuance of securities~~

~~Article 1078-6. Grounds of issuance of investment 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.

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.

1078-7.17. 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.

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.

Article 1078-9. Issue of government securities

1078-9.1. Issue of government 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 government securities are regulated by the normative legal acts passed by the corresponding body of executive power with getting opinion.

Article 1078-10. Issuance of municipal securities

Rules of issue and turnover of municipal securities are determined by the corresponding executive power.

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 certificating 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.

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).

Article 1078-13. Waver from state registration of investment securities issue

1078-13.1. Waver 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.

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.

Article 1078-15. Placement 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.

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.

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.

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.

~~**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.~~

§ 14. Circulation of securities

Article 1078-20. Securities transactions

1078-20.1. The circulation of securities is the process of transfer and registration of ownership rights as a result of the conclusion of civil-law transactions involving securities after their placement.

1078-20.2. Transactions in securities are concluded and carried out in accordance with this Code *and the Law of the Republic of Azerbaijan 'on the Securities Market.'*

~~1078-20.3. Ownership rights of a person acquiring registered (named) securities arise upon registration of the transfer of rights in the securities.~~

1078-20.4. If, during the circulation of securities, *violations of the requirements established by this Code and the Law of the Republic of Azerbaijan 'on the Securities Market' regarding the conclusion and execution of transactions in securities* are detected, *the Central Bank of the Republic of Azerbaijan* shall *suspend* the conclusion of transactions accompanied by violations of law or, *where clearing has occurred, freeze the accounts of the parties.*

1078-20.5. The rules for concluding purchase and sale transactions by types of securities are determined by this Code and, in accordance therewith, by *the Central Bank of the Republic of Azerbaijan*. *In cases provided for by the Law of the Republic of Azerbaijan 'on the Securities Market', where purchase and sale transactions in securities are carried out in a trading system other than a regulated market, such transactions shall be concluded in accordance with the rules of that trading system*

1078-20.6. The formalization and settlement of the debts of legal entities and individuals by securities shall be carried out in accordance with the rules determined by *the Central Bank of the Republic of Azerbaijan*.

1078-20.7. Transactions in *investment* securities shall be notarized if they are not concluded through *an investment company or a bank engaged in investment services (operations)*, or if the counterparty to such transactions is not *an investment company or a bank engaged in investment services (operations)*.

1078-20.8. With the exception of targeted sales, purchase and sale transactions involving placed shares of joint-stock companies with more than *fifty* shareholders shall be concluded through a stock exchange. *A purchase and sale agreement of securities concluded between parties known to each other at a pre-agreed price and under pre-agreed terms constitutes a targeted sale transaction*

1078-20.9. Upon the transfer of bills of exchange, mortgage securities (except for mortgage securities certifying a mortgage right over immovable property), and pledge securities, it is necessary to make an endorsement (indorsement) on the reverse side of the security regarding the assignment of the claim. An endorsement executed on a security transfers all rights certified by the security to the person (endorsee) to whom the rights in the security are transferred or to whom they are transferred by his order. The transfer

of rights under a mortgage security certifying a mortgage right over immovable property shall be carried out in accordance with Article 996.2-1 of this Code.

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 endorsee acts as a representative.

1078-20.10-1. Blank endorsements are not permitted on mortgage securities and pledge securities.

1078-20.11. Taking into account the requirements of Article 996.2-1 of this Code, an endorsement shall comply with the following requirements:

1078-20.11.1. It shall contain information about the endorsee and the signature of the endorser.

1078-20.11.2. It shall be unconditional and not subject to any conditions (any condition restricting the endorsement shall be deemed invalid; a partial endorsement is also invalid)

1078-20.11.3 It shall be written on the security itself or on an attached sheet (allonge).

1078.20.12. A person who causes damage as a result of insider trading or manipulation shall be liable to the injured person in an amount equal to three times the damage caused.

Article 1078-21. Transfer of rights *certified by securities*

1078-21.1. Rights *certified by securities* are transferred in accordance with Article 993 of this Code and the specific features established by this Article.

1078-21.2. Rights *certified* by bearer documentary *securities* are transferred by delivery of the certificate to the new holder.

1078-21.3. Rights *certified* by bearer documentary *securities* held *with the central depository* are transferred by crediting such securities to the 'depo' account of the new *owner*.

1078-21.4. Subject to the requirements of Article 996.2-1 of this Code, rights certified by other uncertificated securities are transferred through the depository system by debiting the securities from the owner's depo account and crediting them to the depo account of the new owner.

1078-21.5. Rights *certified by* registered documentary *securities* are transferred to the new owner by delivering the securities (certificates) and making the relevant entry *in the register of securities owners, or on the basis of an endorsement*. Rights *certified by* registered documentary *securities* held *with the central depository* are transferred by transferring the securities from the *owner*'s 'depo' account to the new owner's 'depo' account.

1078-21.6. Rights *certified* by securities pass to the acquirer from the moment *ownership of* such *securities* is transferred to that person.

1078-21.7. Rights *certified by bills of exchange, mortgage securities (except for mortgage securities certifying a mortgage right over immovable property), and pledge securities* are transferred to the new owner by means of a disposition made by the ~~authorized~~ owner on the security. *The transfer of rights under a mortgage security certifying a mortgage right over immovable property shall be carried out in accordance with Article 996.2-1 of this Code.*

1078-21.8. Taking into account the requirements of this Code, additional methods and specific features for the transfer of rights in respect of certain types of securities may be established by legislation.

1078-21.9. The procedure for reissuing a registered documentary security certificate in the name of the new owner upon the transfer of rights *certified by* such *security* shall be determined by *the Central Bank of the Republic of Azerbaijan*.

1078-21.10. The new *owner* acquires the rights *certified by securities* after performing the actions prescribed by law for the transfer of rights and after registration of such rights.

1078-21.11. A person transferring rights certified by bills of exchange, mortgage securities, and pledge securities (the endorser) shall be liable not only for the existence of the right but also for its enforcement. A person transferring rights certified by other types of securities shall be liable for the invalidity of the relevant claim but shall not not liable for its non-performance.

Article 1078-22. Exercise of rights *certified* by securities

1078-22.1. Rights *certified by* documentary securities are exercised by *the owner* of the securities upon presentation of the certificates of such securities.

1078-22.2. *Subject to the requirements of Article 996.2-1 of this Code,* rights certified by *other uncertificated* securities are exercised by identifying the information on the owner or nominal holder contained in the register or 'depo' accounts for such securities with the information on the person recorded in the register.

1078-22.3. Where certificates of documentary securities are held *with the central depository*, the rights certified by such securities shall be exercised, upon the owner's instruction, by the depository presenting the certificate of the security held with the central depository (together with the list of *owners*).

Article 1078-23. Encumbrance of securities with obligations

1078-23.1. Securities may be encumbered by pledge and other obligations specified in this Code, and such encumbrance shall enter into force from the moment it is registered in the depository system for securities.

1078-23.2. The procedure for encumbering securities with obligations shall be determined by this Code and other legislative acts.

~~1078-23.3. Information on decisions adopted by authorized bodies regarding the pledge of securities shall be reflected in the official register maintained by the relevant executive authority.~~

1078-23.4. Foreclosure on or transfer of rights in immovable property formalized by securities that constitute the subject matter of a pledge (mortgage) of securities shall be deemed *foreclosure* on or transfer of rights in such property. ~~Transfer of ownership of rights formalized by securities (including mortgage of immovable property) to the acquirer shall be effected by delivery of the relevant security.~~

1078-23.5. The rules for circulation of pledge securities and mortgage securities (*except for mortgage securities certifying a mortgage right over immovable property*) shall be determined by *the Central Bank of the Republic of Azerbaijan*.

1078-23.6. Pledge rights in securities shall be registered in the depository system solely on the basis of instructions issued by their owners.

1078-23.7. The instruction referred to in Article 1078-23.6 of this Code shall include the following:

1078-23.7.1. Information on the owner and the third persons in whose favor the rights are encumbered (for a legal entity – its full name and address; for an individual – first, last and middle names and address).

1078-23.7.2. The individual identification numbers of the owner and the third person in whose favor the rights are encumbered held at the central depository.

1078-23.7.3. The type, form, registration number, and quantity of the securities.

1078-23.7.4. The type of rights encumbered in the securities and the term of validity (if any).

1078-23.7.5 Documents confirming the transfer of rights in the securities.

1078-23.7.6. The signature of the owner.

1078-23.8. Pledge rights in securities shall arise from the moment they are registered in the depository system. If the pledgee is entitled to receive income from the pledged securities, such rights shall be registered in the depository system together with the pledge.

1078-23.9. Foreclosure on securities constituting the subject matter of a pledge shall be carried out out of court in cases determined by this Code.

1078-23.10. If the debtor fails to perform the obligation, the pledgee shall send the pledgor a notice of foreclosure on the pledged property containing the following information:

1078-23.10.1. The date on which the pledge was recorded at the central depository.

1078-23.10.2. Information on the pledged property (name of the issuer of the securities, registration number, type, form, quantity, and nominal value of the securities).

1078-23.10.3. Information on the obligation to be performed.

1078-23.10.4. Except in cases where foreclosure on the pledged property is provided for in the pledge agreement or where a pledge security has been issued, a proposal to notarize an agreement on foreclosure on the pledged property, or a notice on foreclosure on the pledged property by a notarial writ of execution or through court proceedings.

1078-23.10.5. Date of the notice, the position, name, and signature of the person issuing the notice.

1078-23.11. The pledgee shall send the notice of foreclosure on the pledged property to the central depository within seven business days from the date it is sent to the pledgor.

1078-23.12. Within three business days, the central depository shall register the notice, suspend transactions with the pledged securities, and notify the pledgee thereof.

1078-23.13. Where foreclosure on the pledged property is carried out out of court, the pledged property shall be offered for sale on a stock exchange on the basis of an agreement between the pledgor and the pledgee, or, in cases provided for by the Law of the Republic of Azerbaijan 'on the Securities Market' where transactions in securities are carried out in another trading system, in that trading system.

1078-23.14. Where a court makes a decision on the sale of the pledged property, such property shall be offered for sale on a stock exchange at the price specified in the pledge agreement, based on an instruction of enforcement officers, or, in cases specified in the Law of the Republic of Azerbaijan 'on the Securities Market' where transactions in securities are carried out in another trading system, in that trading system.

1078-23.15. If the price of the pledged property is not determined in the pledge agreement, the securities shall be offered for sale at their nominal value.

1078-23.16. If the pledged property is not sold on a stock exchange or, in cases provided for by the Law of the Republic of Azerbaijan 'on the Securities Market' where transactions in securities are carried out in another trading system, in that trading system, the securities constituting the pledged property shall be offered to the pledgee.

1078-23.17. The procedure for registration of pledges of securities, termination thereof, and foreclosure on pledged securities shall be determined by the Central Bank of the Republic of Azerbaijan.

1078-23.18. Where a pledge agreement is concluded for the purpose of fulfilling financial obligations in regulated markets, and the subject matter of the pledge under such agreement is cash, securities traded on a regulated market, or derivative financial instruments, and the pledgee or the pledgor is the Central Bank of the Republic of Azerbaijan, the central depository, a bank, an insurance company, or an

investment company, and the debt secured by the pledge is used solely for carrying out purchase and sale transactions on a regulated market, such pledge shall be deemed a financial collateral. Financial collateral shall also arise where transactions in securities and derivative financial instruments are carried out in another trading system in cases provided for by the Law of the Republic of Azerbaijan 'on the Securities Market'.

1078-23.18-1. Pursuant to Article 45.5 of the Law of the Republic of Azerbaijan 'on Payment Services and Payment Systems', where a settlement agent ensures completion of settlements in a clearing payment system by applying collateral mechanisms involving cash, government bonds, or securities issued by the Central Bank of the Republic of Azerbaijan, such collateral shall be deemed financial collateral.

1078-23.19. Where specified in a pledge agreement concluded between the pledgee and the pledgor, if obligations secured by financial collateral are not performed by the debtor, the pledged property shall pass into the ownership of the pledgee out of court. Notarization of the agreement provided for in this Article shall not be required.

Article 1078-24. Rules for the circulation of foreign issuers' securities in the Republic of Azerbaijan

The rules for the circulation of foreign issuers' securities in the Republic of Azerbaijan shall be determined by *the Central Bank of the Republic of Azerbaijan*.

Article 1078-25. Acquisition of securities by foreign investors

Acquisition of securities of Azerbaijani issuers by foreign investors, except in cases restricted by law, shall not be limited.

Article 1078-26. Consolidation, splitting and conversion of securities

1078-26.1. Consolidation of securities is the exchange of all securities of one type within one issuance by proportionally reducing the number of securities held by all owners. If securities have a nominal value, consolidation is accompanied by a proportional increase in nominal value.

1078-26.2. Splitting of securities is the conversion of one security into several securities of the same type by proportionally dividing its nominal value.

1078-26.3. Conversion of securities is the gratuitous exchange of one type of investment security issued by an issuer for another type of investment security of the same issuer or for securities of another issuer (in the event of reorganization of that issuer), except for the exchange of a share for a bond. In such cases, the original securities are canceled.

1078-26.4. Consolidation, splitting, and conversion of securities shall not alter the amount of funds raised by the issuer during the placement of these securities. They are not grounds for returning the value of securities taken back from their *owners* and securities are realized by their *owners* without any other expenditures.

1078-26.5. The decision of the issuer on the consolidation, splitting, and conversion of placed securities shall be registered with the *Central Bank of the Republic of Azerbaijan* in accordance with the procedure established by law.

1078-26.6. The rules for the consolidation, splitting, and conversion of securities are determined by *the Central Bank of the Republic of Azerbaijan*.

1078-26.7. The consolidation, splitting, conversion, and redemption of documentary securities shall be accompanied by the cancellation of the previous certificates of such securities.

Article 1078-27. Withdrawal ~~and cancellation~~ of securities

1078-27.1. Withdrawal ~~and cancellation~~ of securities are carried out in the following cases:

1078-27.1.1. *by a decision of the general meeting of shareholders regarding shares*.

1078-27.1.2. by the decision of *the Central Bank of the Republic of Azerbaijan*, if the issuance of securities is deemed unsuccessful.

1078-27.1.3. the issuance of securities is declared invalid by a court.

1078-27.1.4. issuer's activities are terminated under the procedure established by law.

1078-27.1.4-1. securities are redeemed after their circulation period has expired.

1078-27.1.5. in other cases specified by law.

1078-27.2. *Except for mortgage securities certifying a mortgage right over immovable property,* when *other securities registered with the state* are withdrawn ~~or canceled~~, *the Central Bank of the Republic of Azerbaijan* shall make corresponding entries in the state register of securities.

1078-27.3. Information regarding the withdrawal ~~and cancellation~~ of securities (except when withdrawn due to payment) shall be published in official media within seven business days from the date the relevant entries are made in the state register of securities by *the Central Bank of the Republic of Azerbaijan*.

1078-27.4. From the date of publication of information on the withdrawal ~~and cancellation~~ of securities, their circulation is prohibited. Any contracts concluded with such securities from that date shall be deemed invalid.

1078-27.5. Withdrawal ~~and cancellation~~ of securities shall be carried out after the relevant information has been published.

1078-27.6.. The procedure for withdrawal ~~and cancellation~~ of securities shall be determined by *the Central Bank of the Republic of Azerbaijan*.

~~§ 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. Depositary 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.

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.

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.

Article 1078-31. Asset management activities

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.

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.

Article 1078-33. Depository 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 depositary 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.

Article 1078-34. Activity for maintaining a 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.

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.

Article 1078-36. Stock Exchange members

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 offerror 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.

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.

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.

§ 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 individuals 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.

Article 1078-41. Self-regulating organizations of professional participants of the 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.

§ 17. Protection of interests of investors in securities market

Article 1078-42. Disclosure of information in securities market

1078-42.1. Disclosure 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.

Article 1078-43. Disclosure of information by issuer

1078-43.1. Issuer of securities whose securities are publicly offered should publish 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.

Article 1078-44. Disclosure of information by stock exchange

Stock exchange shall disclose the charter, rules, list of members, securities issued for turnover and concluded acts.

Article 1078-45. Disclosure of information by şelf-regulating organization of professional participants of securities markets

Organization regulating professional participants of securities shall explain information about its charters, rules, standards and members.

§ 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.

Article 1078-47. Insiders

1078-47.1. The followings are considered 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.~~

Chapter 55

Public announcement of a special reward. Contest

Article 1079. Concept of the public announcement of a special reward

A person who, by way of a public announcement, promises a reward for the performance of a certain act, for example for achieving a specific result, shall be obliged to pay the reward to the person who has performed that act. This rule shall apply even if the person performed the act without expecting a reward.

Article 1080. Revocation of a public announcement of a special reward

1080.1. A promise of a reward may be revoked until the act specified in the public announcement has been performed.

1080.2. Revocation of the reward specified in a public announcement shall be valid only if it is announced in the same manner as the original announcement of the reward or is announced by way of a special notice.

1080.3. The possibility of revocation may be excluded in the public announcement of the reward. In case of doubt, such exclusion shall be deemed permissible if a time limit has been set for the performance of the act specified in the public announcement.

Article 1081. Granting of the reward specified in a public announcement

1081.1. If several persons perform the act for which a reward has been promised, the reward shall be granted to the person who performed the act first.

1081.2. If several persons perform the act simultaneously, the reward shall be divided equally among them.

1081.3. If several persons participate in achieving the result for which the reward has been promised, the person who promised the reward shall distribute it among them on the basis of equitable consideration, taking into account the contribution of each participant to achieving the result. A manifestly unfair distribution has no binding force and may be modified by a court decision upon the application of one of the participants. If one of the participants does not accept the binding force of the distribution, the person who promised the reward shall have the right to refuse payment until all participants have resolved their dispute regarding their

respective entitlements. Each participant may demand that the reward be deposited for the benefit of all participants.

1081.4. In the cases provided for in Articles 1081.2 and 1081.3 of this Code, if the reward is indivisible by its nature or, according to the announcement, is intended for one person only, it shall be granted by drawing lots.

Article 1082. Concept of a contest and its legal consequences

1082.1. A contest is a public announcement promising a reward for the performance of a certain act, where the persons performing the act (participants) submit an application for the submission of works in order to participate in the contest and receive a prize awarded by a panel of judges consisting of one or more persons, or by the person who has promised the reward. A prize may also consist of a promise to give an assignment to a winner.

1082.2. Where the subject of a public announcement concerning a reward is the submission of works in order to participate in a contest with the awarding of a prize, such announcement shall be valid only if the deadline for the submission of works is specified.

1082.3. A decision as to whether a work submitted in due time complies with the terms of the contest and as to which participant deserves preference shall be made by the person indicated in the terms of the contest, or, if no such person is indicated, by the person who announced the contest. The decision shall be binding on all participants and may not be appealed to a court. This rule shall not apply if the procedure and conditions for awarding the prize are regulated otherwise.

1082.4. Where the submitted works are of equal merit, the provisions of Articles 1081.2 and 1081.4 of this Code shall apply to the awarding of the contest prize.

1082.5. The person who announced the contest may require the transfer of ownership of a work submitted by a participant for the purpose of obtaining the prize only if such transfer of rights is stipulated in the terms of the contest.

1082.6. If, in the terms of a contest for the development of a project, the person announcing the contest has indicated an intention to entrust further development of the project to the prize winner, that person shall be obliged, upon implementation of the project, to entrust its further development to one of the prize winners.

1082.7. A contest shall be prohibited if participation therein is made conditional upon the

1083.1. Games and bets are contracts that do not pursue any commercial purpose, under which participants obtain a gain or incur a loss, wholly or partially, depending on uncertainty or chance. *The provisions of this Chapter shall not apply to derivative financial instruments.*

1083.2. The following shall be regarded as games and bets:

1083.2.1. the deliberate granting of loans and advances for the purpose of a game or bet.

1083.2.2. commodity transactions or transactions in securities that are of a gaming or betting nature.

Article 1084. Exclusion of claims arising from *games* and bets, *except for lotteries, sports betting, and license-based casino games*

Except for lotteries, sports betting, and license-based casino games, no claims shall arise from *games* and bets.

Article 1085. Voluntary Payments

1085.1. Payments voluntarily made in the course of a game or bet may not be reclaimed.

1085.2. A contract or security signed by a player or bettor acknowledging an existing debt for the purpose of paying an amount lost in a game or bet may not be enforced, notwithstanding its issuance.

Article 1086. Claims arising from lotteries

The suspension or termination of a lottery in cases provided for by legislation shall not preclude the holder of a lottery ticket ~~(or another equivalent data carrier)~~ from claiming payment of winnings from the lottery organizer.

1086-1. Claims arising from license-based casino games

The suspension or revocation, in cases provided for by law, of a license for the organization of casino games shall not preclude a person who has won in casino games organized on the basis of such a license from claiming payment of the winnings from the casino organizer.

Section eight

OBLIGATIONS ARISING BY OPERATION OF LAW

Chapter 57

Management of another's affairs without mandate

Article 1087. Diligent management of another's affairs without mandate

1087.1. A person who manages affairs of another person (the performer) without mandate or other legal ground (the owner) shall be obliged to manage them diligently and in good faith.

1087.2. If the performer subsequently approves the management of the affairs without mandate, the provisions on mandate shall apply instead of the provisions of this Section.

Article 1088. Duty to give notice

1088.1. The performer shall notify the owner as soon as possible that he has assumed the management of the affairs and, unless delay entails any risk, shall await his decision.

1088.2. The performer shall continue the affairs commenced until such time as the owner is able to act on his own.

Article 1089. Performer's liability

1089.1. The performer shall be liable to the owner for compensation of damage caused intentionally or through negligence in the course of managing the affairs.

1089.2. Where the purpose of managing works is to protect the owner from an imminent danger, the performer's liability shall be limited to liability for intent and gross negligence.

1089.3. If the implementation of works is contrary to the owner's declared or otherwise clearly manifested will, the performer shall be liable to the owner even if the damage was not caused intentionally or through negligence, except where the performer proves that the damage could have occurred even without his intervention.

1089.4. Where the performer lacks or has limited legal capacity, he shall be liable only in accordance with the provisions on unlawful acts and unjust enrichment.

Article 1090. Performer's rights

1090.1. If the maintenance of works corresponds to the interests and the presumed will of the owner, the performer may claim reimbursement of expenses and release from obligations. Where the manager has acted with due diligence and in good faith, this rule shall apply even if the maintenance of works does not result in the expected outcome.

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 maintenance of works 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.

Chapter 58

Unjust enrichment

Article 1091. Definition of unjust enrichment

1091.1. A person who, without legal ground, acquires property at the expense of another person (the deprived person) shall be deemed unjustly enriched (the enriched person)..

1091.2. Unjust enrichment occurs only where there is no statutory or contractual ground justifying such enrichment. Enrichment without legal ground shall also be deemed to have occurred where it is based on a ground that has not been realized or on a ground that has subsequently ceased to exist.

Article 1092. Duty to return items obtained as a result of unjust enrichment

1092.1. The enriched person shall, at the request of the deprived person, return what has been acquired. The obligation to return shall also extend to:

1092.1.1. benefits derived from what has been acquired, taking into account the requirements of Article 157.5 of this Code.

1092.1.2. what the acquirer has obtained on the basis of what was acquired, or as compensation for it, or what he has deliberately failed to obtain.

1092.2. Where return in kind is impossible, the value thereof shall be reimbursed.

1092.3. If, at the time return is claimed, the enriched person proves that he is no longer enriched, claims under Articles 1092.1 and 1092.2 of this Code shall be excluded. This rule shall not apply to an enriched person who knew, prior to or at the time of the enrichment, that there was no legal ground for such enrichment.

Article 1093. Claim for restitution

1093.1. A deprived person who has transferred something to the enriched person not for the performance of an obligation, but in order for the enriched person to perform or refrain from performing a certain act, may reclaim what was transferred if the act of the enriched person does not correspond to the intended purpose.

1093.2. A claim for restitution shall be excluded where:

1093.2.1. attainment of the purpose was impossible from the outset and the transferor was aware of this.

1093.2.2. the transferor has dishonestly prevented attainment of the purpose.

Article 1094. Compensation of expenses of the enriched person

Reimbursement of expenses incurred in respect of an item acquired without legal ground by an unjustly enriched person shall be effected in accordance with the procedure established by Articles 157.6 and 157.7 of this Code.

Article 1095. Limitation period for the claim to return the object of unjust enrichment

The right to claim the return of the object of unjust enrichment shall lapse due to the expiration of the limitation period no later than two years from the time when the deprived person became aware of his right. In other cases, the limitation period shall be determined in accordance with the general provisions.

Section nine

OBLIGATIONS ARISING FROM INFRINGEMENTS OF PROPERTY RIGHTS (TORTS)

Chapter 59

Civil law infringements (torts)

Article 1096. Definition of civil law infringements (torts)

1096.1. A civil law infringement (tort) is a culpable, unlawful act (action or omission) that results in the direct infliction of damage or harm on another person (the injured party), to whom such rights are protected by law or statute, by violating the norms of civil legislation.

1096.2. A person who commits a tort bears civil liability.

1096.3. *Deleted.*

Article 1097. Grounds for liability for civil law infringements

1097.1. Damage caused as a result of a civil law infringement (tort) to the person or property of an individual, as well as damage caused to the property and business reputation of a legal entity, shall be compensated in full by the person who caused the damage. The law may impose the obligation to compensate for damage on a person other than the one who caused it.

1097.2. *Deleted.*

1097.3. The law may provide for compensation of damage even in the absence of fault on the part of the person who caused the damage (for an objectively unlawful act).

1097.4. *Deleted.*

1097.5. If the damage was caused at the request of or with the consent of the injured party, compensation for such damage may be refused.

Article 1098. Prevention of damage

1098.1. The threat of damage occurring in the future may constitute grounds for a claim seeking the prohibition of the activity that creates such a threat.

1098.2. If the damage caused results from the operation of a building, structure, or other production activity that continues to cause damage or creates a risk of new damage, the court may, in addition to ordering compensation for the damage, impose on the defendant the obligation to suspend or terminate the relevant activity.

1098.3. The court may refuse a claim for suspension or termination of the relevant activity only if such suspension or termination would be contrary to state interests. Refusal to suspend or terminate such activity shall not deprive the injured parties of the right to claim compensation for the damage caused by that activity.

Article 1099. Liability of a legal entity or an individual for a civil law infringement (tort) committed by its employee

1099.1. A legal entity or an individual shall be liable for a civil law infringement (tort) committed by its employee and shall compensate for the damage caused by the employee in the performance of employment (service, official) duties.

1099.2. For the purposes of applying the rules provided for in this Chapter of the Code, an employee is an individual performing work under an employment agreement, as well as an individual performing work under a civil law contract, provided that in doing so he/she acts or is required to act on the instruction of the relevant legal entity or individual and under its supervision with respect to the safe performance of the work.

Article 1100. Liability for damage caused by public authorities, local self-government authorities, and their officials

Damage caused to an individual or legal entity as a result of unlawful actions (or inaction) of public authorities, local self-government authorities, or their officials, including as a result of the adoption by a public authority or a local self-government authority of an act that does not

comply with the law or another legal act, shall be compensated by the Republic of Azerbaijan or the relevant municipality.

Article 1101. Liability for damage caused by unlawful actions of inquiry, preliminary investigation, prosecutorial, and judicial authorities

1101.1. Damage caused to an individual as a result of unlawful conviction, unlawful prosecution, unlawful application of detention as a preventive measure or of a written undertaking not to leave, or unlawful imposition of an administrative penalty shall be compensated in full by the Republic of Azerbaijan, in the manner prescribed by law, regardless of the fault of officials of the inquiry, preliminary investigation, prosecutorial, and judicial authorities.

1101.2. Damage caused to an individual or legal entity as a result of unlawful activities of inquiry, preliminary investigation, or prosecutorial authorities, where such activities do not lead to the consequences provided for in Article 1101.1 of this Code, shall be compensated on the grounds and in the manner established by law.

1101.3. Damage caused in the course of the administration of justice shall be compensated only if the judge's fault is established by a court judgment that has entered into legal force.

Article 1102. Compensation for damage by a person who has insured his liability – *deleted.*

Article 1103. Liability for a civil law infringement committed by a minor under fourteen years of age

1103.1. Parents (adoptive parents) or a guardian shall be liable for damage caused as a result of a civil law infringement committed by a minor under fourteen years of age, unless they prove that the damage did not arise through their fault.

1103.2. If a minor requiring guardianship was staying in a relevant *social service institution* or another similar institution which, by law, acts as his/her guardian, that institution shall be obliged to compensate for the damage caused by the minor unless it proves that the damage did not arise through its fault.

1103.3. If the damage was caused by a minor while under the supervision of *social service institutions* or other institutions obliged to exercise supervision over him/her, or of a person exercising supervision on the basis of a contract, such institution or person shall be liable for the damage unless it proves that the damage did not arise through its fault.

1103.4. The obligation of parents (adoptive parents), guardians, *social service institutions*, and other institutions to compensate for damage caused by a minor shall not terminate when the minor attains majority or acquires sufficient property to compensate for the damage.

1103.5. If the parents (adoptive parents), guardians, or other individuals referred to in Article 1103.3 of this Code have died or do not have sufficient means to compensate for damage caused to the life or health of the injured party, and the tortfeasor who has full legal capacity possesses such means, the court may, taking into account the property status of the injured party and the tortfeasor as well as other circumstances, decide that the damage be compensated in whole or in part at the expense of the tortfeasor himself/herself.

Article 1104. Liability for a civil law infringement committed by a minor between fourteen and eighteen years of age

1104.1. Minors between fourteen and eighteen years of age shall independently bear liability on general grounds for a civil law infringement that resulted in damage.

1104.2. If a minor between fourteen and eighteen years of age does not have sufficient income or other property to compensate for the damage, the parents (adoptive parents) or the custodian shall compensate for the damage in full or for the missing part, unless they prove that the damage did not arise through their fault.

1104.3. If a minor between fourteen and eighteen years of age who requires custodianship was staying in a relevant *social service institution* or another similar institution which, by law, acts as his/her custodian, that institution shall be obliged to compensate for the damage in full or for the missing part, unless it proves that the damage did not arise through its fault.

1104.4. The obligation of parents (adoptive parents), the custodian, and the relevant institution to compensate for damage caused by a minor between fourteen and eighteen years of age shall not terminate when the tortfeasor attains majority, or after attaining majority acquires sufficient income or other property to compensate for the damage, or acquires legal capacity before attaining majority.

Article 1105. Liability for a civil law infringement committed by an individual declared incapable

1105.1. Compensation for damage caused as a result of a civil law infringement committed by an individual declared incapable shall be paid by his guardian or by the organization obliged to supervise him, unless they prove that the damage did not arise through their fault.

1105.2. The obligation of the guardian or the supervising organization to compensate for damage caused by an individual declared incapable shall not terminate if that person is subsequently declared capable.

1105.3. If the guardian has died or does not have sufficient means to compensate for damage caused to the life or health of the injured party, and the tortfeasor has such means, the court may, taking into account the property status of the injured party and the tortfeasor as well as other circumstances, decide that the damage be compensated in whole or in part at the expense of the tortfeasor himself/herself.

Article 1106. Liability for a civil law infringement committed by an individual declared of limited capacity

Compensation for damage caused as a result of a civil law infringement committed by an individual declared of limited capacity shall be paid by the tortfeasor himself/herself.

Article 1107. Liability for a civil law infringement committed by an individual unable to understand the meaning of his actions

1107.1. A capable individual or a minor between fourteen and eighteen years of age shall not bear liability for damage caused if, at the time of committing a civil law infringement, he/she

was unable to understand the meaning of his/her actions or to control them. If damage was caused to the life or health of the injured party, the court may, taking into account the property status of the injured party and the tortfeasor as well as other circumstances, impose on the tortfeasor the obligation to compensate for the damage in whole or in part.

1107.2. A person who committed a civil law infringement shall not be exempt from liability if he/she brought himself/herself into a state in which he/she was unable to understand the meaning of his/her actions or to control them by consuming alcoholic beverages, narcotic drugs, psychotropic substances, or by other means.

1107.3. If a person who, as a result of a mental disorder, was unable to understand the meaning of his/her actions or to control them committed a civil law infringement, the court may impose the obligation to compensate for the damage on the spouse, parents, or adult children who live together with that person, were aware of the tortfeasor's mental disorder, but did not raise the issue of declaring him/her incapable.

Article 1108. Liability for damage caused by activities creating increased danger to others

1108.1. Individuals and legal entities who commit a civil law infringement as a result of activities associated with increased danger to others (use of vehicles, machinery, high-voltage electric power, atomic energy, explosives, highly toxic substances, etc.; construction activities and other related activities, etc.) shall be obliged to compensate for the damage caused by the source of increased danger, unless they prove that the damage arose as a result of force majeure or the intent of the injured party. The obligation to compensate for damage shall be imposed on the individual or legal entity who owns the source of increased danger by right of ownership or on another lawful basis (lease, power of attorney to operate a vehicle, etc.).

1108.2. The owner of a source of increased danger shall not be liable for damage caused by that source if he/she proves that the source left his/her possession as a result of the unlawful actions of other persons. In such cases, liability for damage caused by the source of increased danger shall be borne by the persons who unlawfully took possession of the source. If the owner of the source of increased danger is at fault in the unlawful removal of the source from his/her possession, liability may be imposed jointly on both the owner and the person who unlawfully took possession of the source.

1108.3. Owners of sources of increased danger shall bear joint liability, on the grounds provided for in Article 1108.1 of this Code, for damage caused to third persons as a result of the interaction of such sources (collision of vehicles, etc.). Damage caused to the owners themselves as a result of the interaction of sources of increased danger shall be compensated on general grounds.

Article 1109. Compensation for damage caused during firefighting – *deleted.*

Article 1110. Compensation for damage caused by an animal

The owner of an animal shall be obliged to compensate for damage caused by his/her animal to others. It does not matter whether the animal was under control, lost, or had escaped. If the owner has taken necessary measures to protect third parties, the obligation to compensate for the damage shall not apply.

Article 1111. Compensation for damage caused by the collapse of a building

1111.1. The owner of a building shall be obliged to compensate for damage resulting from the collapse of the whole or parts of the building, except in cases where the damage did not arise from improper maintenance or defects of the building.

1111.2. If damage is caused by something thrown, falling, or spilled from a building, liability shall rest with the person occupying the relevant premises, except where the damage resulted from force majeure or the fault of the injured party.

Article 1112. Compensation for damage caused by a medical institution

Damage caused to a person's health during treatment in a medical institution (surgery, misdiagnosis, etc.) shall be compensated on general grounds. The medical institution shall be exempt from liability if it proves that the damage did not occur due to its fault.

Article 1113. Liability for jointly committed civil law infringements

1113.1. Persons who jointly commit a civil law infringement shall bear joint liability to the injured party for the damage caused.

1113.2. At the request of the injured party and in the interests of justice, the court may apportion liability among the jointly responsible persons. Such shares shall be determined in accordance with the rules provided in Article 1114.2 of this Code.

Article 1114. Right of recourse of the person who compensated the damage

1114.1. A person who has compensated for damage caused by another (e.g., an employee in the performance of service or employment duties, a driver, etc.) shall have the right to recourse against that person for the amount paid, unless a separate amount is established by law.

1114.2. A tortfeasor who has paid compensation for jointly caused damage may claim from each of the other tortfeasors the portion of the compensation corresponding to their degree of fault. If the degree of fault cannot be determined, the shares shall be equal.

1114.3. When compensation has been paid for damage caused by an official of inquiry, preliminary investigation, prosecutorial, or judicial authorities, the Republic of Azerbaijan shall have the right of recourse against that official if the official's fault is established by a court judgment that has entered into legal force.

1114.4. Persons who have compensated for damage under the grounds provided in Articles 1103–1105 of this Code shall have no right of recourse against the tortfeasor.

Article 1115. Methods of compensation for damage

When satisfying a claim for compensation, the court shall, depending on the circumstances of the case, either require the responsible party to compensate in kind (providing property of the same type and quality, repairing damaged property, etc.) or impose an obligation to pay monetary compensation for the damage caused.

Article 1116. Consideration of the fault of the injured party and the property status of the tortfeasor – *deleted.*

Chapter 60

Compensation for damage caused to the life or health of an individual

Article 1117. Compensation for damage caused to the life or health of an individual in the performance of contractual obligations or other duties

Damage caused to the life or health of an individual in the course of performing contractual obligations, as well as during the performance of military service, police service, or other relevant duties, shall be compensated in accordance with the rules provided for in this Chapter of the Code, unless a higher degree of liability is stopulated by law or by contract.

Article 1118. Scope and nature of compensation for damage caused by injury to health

1118.1. In the event that an individual sustains bodily injury or his health is otherwise impaired, compensation shall be paid for the earnings (income) that the injured person possessed or would likely have possessed and lost, as well as for additional expenses incurred as a result of the impairment of health, including expenses for medical treatment, additional nutrition, purchase of medicines, prosthetic services, care by another person, sanatorium and resort treatment, acquisition of special means of transportation, vocational retraining, and other related expenses, provided that it is established that the injured person requires such assistance and care and does not have the right to receive them free of charge.

1118.2. When determining lost earnings (income), disability pensions assigned to the injured person in connection with the injury or other impairment of health, as well as other pensions, allowances, and similar payments assigned both before and after the damage was caused, shall not be taken into account and shall not serve as grounds for reducing the amount of compensation for damage (shall not be included in the calculation of compensation). Earnings (income) received by the injured person after the impairment of health shall also not be included in the calculation of compensation for damage.

1118.3. The scope and amount of compensation for damage payable to the injured person in accordance with Article 1118 of this Code may be increased by law or by contract.

Article 1119. Determination of lost earnings (income) as a result of impairment of health

1119.1. The amount of earnings (income) lost by the injured person and subject to compensation shall be determined as a percentage of the injured person's average monthly earnings (income) prior to the injury, other impairment of health, or loss of working capacity. Such percentage shall correspond to the degree of loss of the injured person's professional working capacity, and, where there is no professional working capacity, to the degree of loss of general working capacity.

1119.2. The lost earnings (income) of the injured person shall include all types of remuneration for labor, subject to income tax, received both at the principal place of employment and under secondary employment, as well as under civil-law contracts. One-time

payments, including compensation for unused leave and severance pay upon dismissal, shall not be taken into account. Benefits paid for periods of temporary incapacity for work or for maternity leave shall be taken into account. Income derived from entrepreneurial activity, as well as author's remuneration, shall be included in the lost earnings; income from entrepreneurial activity shall be determined on the basis of information provided by the relevant executive authority. All types of earnings (income) shall be taken into account in amounts calculated before the deduction of taxes.

1119.3. The injured person's average monthly earnings (income) shall be calculated by dividing the total amount of earnings (income) received during the twelve months preceding the impairment of health by twelve. If, prior to the damage, the injured person worked for less than twelve months, the average monthly earnings (income) shall be calculated by dividing the total amount of earnings (income) for the actual months worked prior to the impairment of health by the number of such months. Months during which the injured person did not work in full may, at the injured person's request, be replaced by preceding fully worked months, or, where replacement is not possible, shall be excluded from the calculation.

1119.4. If, at the time the damage was caused, the injured person was not employed, the earnings received by the injured person prior to dismissal, or the customary wage paid in the relevant locality to a worker of the same qualification, shall be taken into account, but not in an amount less than *six manats*.

1119.5. If, prior to the injury or other impairment of health, stable changes occurred in the injured person's earnings (income) that improved their property status (including an increase in salary for the position held, transfer to a higher-paid position, commencement of employment after completion of full-time education, or other cases where the stability of the change or the possibility of such change in remuneration is proven), only the earnings (income) received or to be received after the relevant change shall be taken into account when determining the average monthly earnings (income).

Article 1120. Compensation for damage caused by impairment of the health of a minor

1120.1. Where bodily injury is caused to a minor who has not attained the age of fourteen and has no earnings (income), or where the minor's health is otherwise impaired, the person liable for the damage shall compensate the expenses incurred in connection with the impairment of health.

1120.2. When the injured minor attains the age of fourteen, as well as where damage is caused to a minor between the ages of fourteen and eighteen who has no earnings (income), the person liable for the damage shall, in addition to compensating expenses related to the impairment of health, also compensate the damage resulting from the loss or reduction of working capacity, but in an amount not less than *six manats*.

1120.3. If, at the time of health impairment, the minor had earnings (income), compensation for damage shall be paid based on the amount of such earnings, but not less than *six manats*.

1120.4. After commencing employment, a minor whose health was previously impaired shall have the right to demand an increase in the amount of compensation for damage on the basis of the earnings obtained, but not exceeding the wage established for the position held or the earnings of a worker of the same qualification at the place of employment

Article 1121. Compensation for damage to persons suffering loss as a result of the death of the family breadwinner

1121.1. In the event of the death of the injured person (the family breadwinner), the following persons shall have the right to compensation:

1121.1.1. Persons incapable of work who were dependents of the deceased or who had the right to receive maintenance from the deceased as of the day of death.

1121.1.2. A child born after the death of the deceased.

1121.1.3. One of the parents, the spouse, or another family member, regardless of working capacity, who does not work and is engaged in caring for the deceased's children, grandchildren, siblings who were dependents of the deceased and who have not attained the age of fourteen, or who, although having attained that age, require the care of another person due to their state of health, as confirmed by a medical opinion.

1121.1.4. Persons who were dependents of the deceased and who lost their working capacity within five years after the death of the deceased.

1121.2. A parent, spouse, or other family member who does not work and is engaged in caring for the deceased's children, grandchildren, siblings, and who loses working capacity during the period of such care, shall retain the right to compensation for damage even after the care has ceased.

1121.3. Compensation for damage shall be paid to:

1121.3.1. minors — until they attain the age of eighteen.

1121.3.2. students over the age of eighteen — until completion of studies at an educational institution under a full-time form of education, but not beyond the age of twenty-three.

1121.3.3. women over the age of fifty-five and to men over the age of sixty-five — for life.

1121.3.4. *persons with disabilities* — for the duration of the disability.

1121.3.5. a parent, spouse, or other family member engaged in caring for the deceased's children, grandchildren, siblings — until the person receiving care attains the age of fourteen.

Article 1122. Amount of compensation for damage caused in the event of death of the family breadwinner

1122.1. Compensation for damage shall be paid to persons entitled to compensation in connection with the loss of the family breadwinner in an amount equal to that portion of the deceased's earnings (income), determined in accordance with the rules of Article 1119 of this Code, which such persons received or were entitled to receive for their maintenance during the lifetime of the deceased. When determining the amount of compensation to such persons, the deceased's income shall include, in addition to earnings (income), pensions and other similar payments received by the deceased during his or her lifetime.

1122.2. When determining the amount of compensation for damage, pensions assigned to persons in connection with the death of the family breadwinner, as well as other types of pensions assigned both before and after his/her death, and the earnings (income) and stipends received by such persons, shall not be included in the calculation of compensation for damage.

1122.3. The amount of compensation determined for each person entitled to compensation for damage in connection with the death of the family breadwinner shall not be recalculated subsequently, except in the following cases:

1122.3.1. The birth of a child after the death of the family breadwinner.

1122.3.2. The assignment of compensation to, or termination of compensation for, persons engaged in caring for the deceased family breadwinner's children, grandchildren, or siblings.

1122.4. The amount of compensation may be increased by law or by contract.

Article 1123. Subsequent modification of the amount of compensation for damage

1123.1. If, after compensation has been determined, the working capacity of an injured person who has partially lost working capacity is further reduced as a result of the impairment of health, the injured person may at any time demand a corresponding increase in the amount of compensation from the person charged with the obligation to compensate the damage.

1123.2. If the injured person's working capacity increases compared to the level existing at the time compensation was determined, the person charged with the obligation to compensate the damage caused to the injured person's health may demand a corresponding reduction in the amount of compensation.

1123.3. If the property status of the individual charged with the obligation to compensate the damage has improved, while the amount of compensation was reduced in accordance with Article 1116.3 of this Code, the injured person may demand an increase in the amount of compensation for damage.

1123.4. If the property status of the individual who caused the damage has deteriorated compared to the status existing at the time compensation was determined, due to disability, ~~*including* limited health capacity,~~ or due to attainment of pension age, the court may, upon that individual's request, reduce the amount of compensation for damage, except where the damage was caused by intentional acts.

Article 1124. Increase in the amount of compensation for damage in connection with the rise in subsistence costs and increase in the *minimum living standard*

1124.1. Where subsistence costs increase, the amount of compensation for damage caused to life or health of the injured person shall be indexed under the procedure established by law.

1124.2. Where the *minimum living standard* is increased, the amount of compensation for lost earnings (income), as well as other payments awarded in connection with impairment of the injured person's health or death, shall be increased proportionally to the increase in the *minimum living standard*.

Article 1125. Payments of compensation for damage

1125.1. Compensation for damage resulting from a reduction in the injured person's working capacity or from death shall be paid in the form of monthly payments. Where there are valid reasons, the court may, at the request of the individual entitled to compensation and taking into account the tortfeasor's financial capacity, award the payments due as a lump sum, but for a period not exceeding three years.

1125.2. Amounts payable in respect of additional expenses may also be awarded for future periods, within the time limits determined on the basis of a medical expert opinion, where

advance payment is required for relevant services or property, including the purchase of vouchers, payment of travel expenses, and payment for special means of transportation.

Article 1126. Compensation for damage upon termination of a legal entity

1126.1. Where a legal entity whose liability for damage caused to life or health has been duly established is reorganized, the obligation to make relevant payments shall be borne by its legal successor. Claims for compensation for damage shall also be brought against the legal successor.

1126.2. Where a legal entity whose liability for damage caused to life or health has been duly established is liquidated, relevant payments shall be capitalized in accordance with the procedure established by legislation for the purpose of payment to the injured person. Legislation may also establish other cases in which payments may be capitalized.

Article 1127. Compensation for funeral expenses

Persons liable for damage caused as a result of the death of the injured person shall compensate the person who incurred the funeral expenses for such expenses. Funeral allowances received by the individual who incurred the funeral expenses shall not be included in the calculation of compensation for damage.

Chapter 61

Compensation for damage caused by defects in goods, works, or Services

Article 1128. Grounds for compensation for damage caused by defects in goods, works, or services

1128.1. Damage caused to the life, health, or property of an individual as a result of design, formulation, or other defects in goods, works, or services (defective products), as well as as a result of false or incomplete information regarding goods, works, or services, shall be compensated by the seller or manufacturer of the goods, or by the person who performed the work or rendered the service (the contractor), regardless of fault and regardless of whether the injured person was in a contractual relationship with them. In cases where damage to property is caused by defects in goods, works, or services, this rule shall apply only provided that the defective product caused damage to other property and that such other property was predominantly intended for consumer use.

1128.2. *Deleted.*

1128.3. A product shall be deemed defective if, taking all circumstances into account, it does not provide the level of safety that may legitimately be expected from it.

1128.4. A product shall not be deemed defective solely because a better product has subsequently been placed on the market.

1128.5. For the purposes of this Code, any movable thing shall be deemed a product, including where it forms part of another movable or immovable thing, as well as electric current. Agricultural products obtained as a result of cultivation and not yet processed, as well

as products of animal husbandry, beekeeping, and fishing (natural agricultural products), shall not be considered products. The same rule shall apply to products obtained through hunting.

1128.6. For the purposes of this Code, a person who has manufactured the final product, a principal component of the product, or a part thereof shall be deemed the manufacturer. Any person who presents himself as the manufacturer by placing his name, trademark, or other distinguishing mark on the product shall also be deemed a manufacturer.

1128.7. *Deleted.*

1128.8. Where it is not possible to identify the manufacturer, any supplier of the product shall be deemed the manufacturer, unless, within one month of a claim being made, the supplier informs the injured person of the identity of the manufacturer or of the person who supplied the product to him. This rule shall also apply to imported goods where the name of the manufacturer is known but it is not possible to identify the person who first placed the product on the market.

Article 1129. Persons liable for damage caused by defects in goods, works, or services

1129.1. Compensation for damage caused by defects in goods shall be paid, at the injured person's choice, by the seller or the manufacturer of the product.

1129.2. Compensation for damage caused by defects in works or services shall be paid by the person who performed the work or rendered the service (the contractor).

1129.3. Compensation for damage caused as a result of failure to provide complete or accurate information about goods, works, or services shall be paid by the persons specified in Articles 1129.1 and 1129.2 of this Code.

1129.4. Where compensation for damage caused by a defective product is paid by the seller of the product, the provisions of Article 1114.2 of this Code shall apply.

Article 1130. Deadlines for compensation for damage caused by defects in goods, works, or services

1130.1. Compensation for damage caused by defects in goods, works, or services shall be paid if the damage occurred within the established service life of the goods, works, or services; where no service life has been established, compensation shall be paid if the damage occurred within ten years from the date of manufacture of the goods, works, or services.

1130.2. *Deleted.*

Article 1131. Grounds for exemption from liability for damage caused by defects in goods, works, or services

The seller or manufacturer of the goods, or the contractor performing the works or rendering the services, shall be exempt from liability if they prove that the damage resulted from force majeure or from the consumer's violation of the rules for use and storage of the goods, work, or results of the services.

Article 1132. Burden of proof

In cases of liability for damage caused by defects in goods, works, or services, the burden of proof shall rest with the injured person.

Section ten

INHERITANCE LAW

Chapter 62

General provisions of inheritance law

Article 1133. Definition of inheritence

1133.1. The property of a deceased person (the decedent) shall pass to other persons (heirs) by operation of law, by will, or on both grounds.

1133.2. Inheritance by operation of law (the transfer of the property of a deceased person to the persons specified by law) shall apply where the decedent has not made a will, or where the will is declared wholly or partially invalid.

Article 1134. Heirs

1134.1. In cases of inheritance by operation of law, heirs may be persons who were alive at the time of the decedent's death, as well as children born after the decedent's death.

1134.2. In cases of inheritance by will, heirs may be persons who were alive at the time of the decedent's death, as well as persons conceived during the decedent's lifetime and born after the decedent's death, regardless of whether such persons are the decedent's children, and regardless of whether they are individuals or legal entities.

Article 1135. Legal entities as heirs

In cases of inheritance by will, legal entities established prior to the opening of the inheritance shall be called to inheritance.

Article 1136. Illegitimate children as heirs of father

An illegitimate childe shall be deemed an heir of the father provided that paternity has been established in accordance with the procedure prescribed by law. If such a child predeceases the father, the child's descendants shall be entitled to claim the share of the inheritance that would have been due to his parent.

Article 1137. Unworthy Heir

A person who has intentionally obstructed the realization of the decedent's last will and thereby facilitated the calling to inheritance of himself or of persons close to him, or the increase of inheritance shares, or who has intentionally committed a criminal or other immoral act against the testator or against the last will expressed in the will, shall not be entitled to inherit

either by operation of law or by will (an unworthy heir), provided that such circumstances are confirmed by a court.

Article 1138. Parents not entitled to inherit

Parents who have been deprived of parental rights and whose parental rights have not been restored by the day the inheritance is opened shall not be entitled to inherit from their children by operation of law. Persons who have maliciously evaded the performance of duties imposed on them for the maintenance of the decedent shall likewise not be entitled to inherit by operation of law, provided that such circumstance is confirmed by a court.

Article 1139. Deprivation of the right to inherit by a court

The circumstance giving rise to the deprivation of an unworthy heir of the right to inherit shall be established by a court upon a claim brought by a person who derives certain property consequences from the deprivation of the unworthy heir of the right to inherit.

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 the right to inherit shall not prevent the person deprived of such right from inheriting the property of another decedent.

Article 1142. Obligations of a person deemed an unworthy heir

If a person after inheritance was adjudicated an unworthy heir by court, he/she is bound to return everything acquired by inheritance, together with all benefits and income derived therefrom.

Article 1143. Deadline for claiming for adjudication of unworthy heir

Interested persons shall bring a claim to have a person declared an unworthy heir within five years from the moment that person begins to possess the inheritance.

Article 1144. Share of a person deprived of the right to inherit

The inheritance share of a person deprived of the right to inherit shall pass to remaining heirs called to inherit and shall be distributed among them in proportion to their respective shares.

Article 1145. Opening of the inheritance

Inheritance opens upon the indidual's death or a court decision declaring him deceased.

Article 1146. Time of opening of the inheritance

The inheritance shall be deemed to open on the day of the decedent's death or on the day on which the court decision declaring an individual deceased enters into force.

Article 1147. Place of opening of the inheritance

1147.1. The place of the decedent's residence, or if unknown, the location of the inheritance, shall be deemed the place of opening of the inheritance.

1147.2. Where the inheritance is located in multiple places, the place of opening shall be the location of immovable property or its valuable part; if there is no immovable property, the location of movable property or its principal part shall be deemed the place of opening.

Article 1148. Place of opening of the inheritance for persons temporarily residing abroad

For a citizen of the Republic of Azerbaijan who temporarily resided abroad and died there, the place of opening of the inheritance shall be deemed the place of residence in the Republic of Azerbaijan prior to departure; if such place is unknown, the location of the inheritance or its principal part shall be deemed the place of opening.

Article 1149. Place of opening of inheritance for persons permanently residing abroad

For a citizen of the Republic of Azerbaijan who permanently resided abroad, the place of opening of the inheritance shall be deemed the country of his residence.

Article 1150. Opening of inheritance abroad

A citizen of the Republic of Azerbaijan who resided in Azerbaijan shall inherit property located in a foreign state in accordance with the legislation of that state.

Article 1151. Inheritance property

1151.1. Inheritance property (the estate) shall include the aggregate of property rights (assets) and obligations (liabilities) owned by the decedent at the time of death.

1151.2. The estate shall include a share in joint ownership belonging to the decedent, or, where in-kind division is impossible, the value of such property.

Article 1152. Bequeathing future property

At the time of drafting a will, the decedent may include in the will property not yet owned, provided that such property will belong to the decedent at the time of opening of the inheritance.

Article 1153. Inalienability of rights and obligations of a personal nature

Property rights and obligations of a personal nature, which can belong only to the decedent, as well as rights and obligations provided by law or contract that are effective only during the lifetime of the creditor and debtor and terminate upon their death, shall not be included in the inheritance.

Article 1154. Protection of the decedent's non-property rights

The heirs may exercise and protect the non-property rights of the decedent that do not form part of the estate in the manner prescribed by law.

Article 1155. Property not included in the inheritance

1155.1. Family registers (or writings), family chronicles, memorabilia, ritual objects, and graves shall not form part of the estate and shall not be divided among the heirs. Such items shall be assigned to an heir according to established custom. An heir who has renounced the inheritance may also accept these items.

1155.2. Documents relating to the decedent's personality, family, or the entirety of the estate shall remain part of the common property.

Article 1156. Consequences of acquiring property after execution of a will

If the testator acquires property related to immovable property specified in a will after the will was executed, and no new disposition is made regarding such property acquired after the will, that property shall not be considered part of the inheritance.

Article 1157. Co-heirs

Where there are multiple heirs, the inheritance shall belong to all heirs as a single entity until it is divided. From this property, necessary expenses may be paid for the care of the decedent during their last illness, medical treatment, burial, safeguarding and administration of the inheritance, payment of salaries, and execution of the will. These expenses shall be paid with priority over the value of the estate and over all other claims, including those secured by mortgage or other pledges.

Article 1157 - 1. Management of legacy by co-heirs

1157-1.1. Co-heirs shall jointly manage the legacy until it is divided. Decisions related to administration shall be taken by the heirs by a simple majority vote proportional to their respective shares of the inheritance.

1157-1.2. Any heir may take measures to protect (safeguard) the legacy without the consent of other co-heirs.

1157-1.3. Expenses incurred in connection with the administration of the legacy shall be borne by heirs proportionally to their respective shares of the inheritance.

Article 1158. Right to claim property from the inheritance

1158.1. If the testator has mistakenly bequeathed an item to an heir, the owner of the item may claim it according to general rules.

1158.2. If the decedent's property contains items belonging to another person hidden within it, such property shall be identified and returned to the rightful owner.

Chapter 63

Intestate succession

Article 1159. Heirs by law

1159.1. During intestate succession the following persons shall be considered as equal heirs:

1159.1.1. In the first order – the children of the deceased, a child born after the death of the decedent, the spouse (wife or husband), and the parents (adoptive parents).

1159.1.2. An adopted child and the descendants of the adopted child shall be equated to the children of the adopter and their descendants as heirs or relatives of the adopter.

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 descendants referred to above shall not be entitled to inherit if their parents have renounced the inheritance.

1159.1.5. The adopter and the relatives of the adopter shall be equated to the parents of the adopted person and other blood relatives of the adopted person as heirs of the adopted person and his or her descendants. After the death of the adopted person or his or her descendants, the parents of the adopted person, other ascendants by blood line, and siblings shall no longer have the right to inherit by law.

1159.2. In the second order – siblings of the deceased. The children of deceased's siblings, and their descendants, shall be considered heirs by law only if, at the time the inheritance is opened, their parents who would have been heirs of the decedent are not alive. In such cases, they shall inherit in equal shares the portion that would have belonged to their deceased parent.

1159.3. In the third order – grandparents on both maternal and paternal sides, as well as the mother and father of the grandmother and the mother and father of the grandfather. Parents of the grandmother and parents of the grandfather shall be considered heirs by law only if grandparents are not alive at the time the inheritance is opened.

1159.4. In the fourth order – aunts and uncles on both the maternal and paternal sides.

1159.5. In the fifth order – children of maternal and paternal aunts and uncles, and, if they are not alive, their children.

Article 1160. Order of succession by law

In intestate succession, the existence of at least one heir of a prior order excludes heirs of subsequent orders from inheriting.

Article 1161. Rights of incapable persons in succession

If persons who are incapable of work and were dependent on the decedent and unable to support themselves independently are not named in the will, they shall have the right to claim maintenance (alimony) from the inheritance. The amount payable as maintenance may be reduced taking into account the size of the inheritance assets.

Article 1162. Right of the surviving spouse to a share in joint property

The inheritance right of the surviving wife (husband) shall not apply to the portion of property belonging to him or her from the spouses' joint property.

Article 1163. Status of divorced spouses in succession

Spouses whose marriage has been dissolved shall not be entitled to inherit from one another.

Article 1164. Deprivation of inheritance rights upon actual termination of marriage

If it is established that the marital relationship between the spouse and the decedent was actually terminated at least three years prior to the opening of the inheritance and that the spouses lived separately, the court may, by decision, deprive the spouse of the right to inherit by law.

Article 1165. Transition of heirless property to treasury

1165.1. If there are no heirs either by law or by will, or *all heirs have renounced the inheritance*, or all heirs have been deprived of inheritance rights, property without heirs shall pass to the State. If the decedent was maintained in *social care institutions*, the *movable property belonging to that person* shall pass into the ownership of those institutions, *except for movable property that, under the law, must pass into state ownership*.

1165.2. *Deleted.*

Chapter 64

Testamentary Succession

Article 1166. Definition of a testament

An individual may, for the event of his or her death, bequeath all or part of his or her property to one or more persons, whether from among statutory heirs or from among third parties.

Article 1167. Persons entitled to make a testament

A will may be made by a legally capable adult person who, at the time of making the will, is able to form a conscious judgment regarding his/her actions and clearly express his/her will.

Article 1168. Making of testament personally by testator (testatrix)

A will shall be drawn up personally by the testator. The execution of a will through a representative shall not be permitted.

Article 1169. Joint testament

A testament shall contain the disposition of only one testator. The joint execution of a will by two or more persons shall not be permitted. Only spouses may execute a joint testament concerning reciprocal succession. Such a testament may be revoked at the request of either spouse, provided that both spouses are alive at the time of revocation.

Article 1170. Determination of shares by the testator

1170.1. The testator may determine, by will, the shares of the heirs designated therein or may specifically indicate which property is to be transferred to which heir. If no such indication is made in the will, the inheritance shall be divided equally among heirs.

1170.2. If several heirs are designated by the testimony, but the share of only one heir is specified therein, the remaining heirs shall receive the remaining property in equal shares.

Article 1171. Distribution of the inheritance among testamentary heirs

If several heirs are designated by the will and the share assigned to one of the heirs consists of the entire inheritance, all testamentary heirs shall receive equal shares.

Article 1172. Succession to property not covered by the testimony

If the shares of the heirs designated by the testimony do not cover the entire inheritance, succession to the property not covered by the will shall be effected by law. Unless otherwise provided in the will, such succession shall also apply to statutory heirs to whom part of the property has been bequeathed by will.

Article 1173. Proportional increase of shares among testamentary heirs

Where only testamentary heirs are designated and the share of each testamentary heir is specified, but the total of those shares does not cover the entire inheritance, their shares shall be increased proportionally.

Article 1174. Inadmissibility of third-party participation in determining inheritance shares

The testator may not delegate to another person the determination of who shall receive a share of the estate and in what amount.

Article 1175. Impossibility of precisely identifying heirs

If the testator has identified an heir by characteristics that may correspond to several persons, and it is impossible to determine which of them was intended, all such persons shall be deemed heirs with equal rights to shares.

Article 1176. Deprivation of the right to inherit under a testimony

1176.1. The testator may, by will, deprive one, several, or all statutory heirs of the inheritance, without being obliged to state the reasons therefor.

1176.2. A person who is expressly deprived of the inheritance by a direct provision of the will may not inherit by law any part of the estate not included in the will, even where the testamentary heirs have renounced acceptance of the inheritance.

Article 1177. Preservation of the right to inherit

Statutory heirs not named in the will shall retain the right to inherit the portion of the estate not disposed of by the will. If, at the time the inheritance is opened, none of the testamentary heirs is alive or all of them have renounced acceptance of the inheritance, such statutory heirs shall also inherit the property provided for in the will.

Article 1178. Inadmissibility of intestate succession

If, by will, the entire estate has been distributed among testamentary heirs, but at the time the inheritance is opened one of heirs is not alive, intestate succession shall not arise, and the share of such heir shall pass to remaining testamentary heirs in proportion to their respective shares.

Chapter 65

Form of a testament

Article 1179. Notarial form

1179.1. A testimony shall be made in writing. A written testimony may be executed either in notarial form or without notarial form.

1179.2. The notarial form requires that the will be drawn up and signed by the testator and certified by a notary or, in places where there is no notary, by the relevant executive authority.

Article 1180. Drafting of a testimony by a notary

1180.1. A will may be written by a notary from the words of the testator in the presence of two witnesses. Generally accepted technical means may be used when drafting the will.

1180.2. A will written by a notary from the words of the testator shall be read by the testator and signed by the testator in the presence of the notary and the witnesses.

Article 1181. Persons equalent to notary

When certifying a will, the following persons shall be deemed equivalent to a notary:

1181.1. The chief physician or head of a hospital, clinic, other medical institution or sanatorium, their deputies for medical affairs, the duty physician, or the head of a *social service institution for elderly or persons with disabilities*, or the head of a special educational institution, where the testator is undergoing treatment or residing in such institution.

1181.2. The head of an exploration, geographical, or other similar expedition, where the testator is participating in such an expedition.

1181.3. *The captain of a sea vessel or the captain (pilot in command) of an aircraft*, where the testator is on board such vessel or aircraft.

1181.4. The commander (head) of a military unit, formation, institution, or school, where there is no notary at the location of the military unit and where the testator is a servicemember of that unit, a civilian employee serving in that unit, or a member of such person's family.

1181.5. The head of a place of deprivation of liberty, where the testator is held in such a place.

Article 1182. Signing of testament by another person

If for any reason testator (testatrix) cannot sign a testament himself then another individual may sign it on testator (testatrix)'s request. In this case the reason for which testator (testatrix) cannot sign his (her) testament himself should be indicated.

Article 1183. Testament of a person with *a complete limitation of speech, hearing and vision*

1183.1. If testator (testatrix) is a person with *a complete limitation of speech and hearing or* illiterate person with *a complete limitation of speech and hearing* then he should make his 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 signature that substance of testament complies with testator (testatrix)'s will.

1183.2. Testator with *a complete limitation of vision* or illiterate testator (testatrix) should make his testament in notary office in presence of three witnesses. Relevant explanatory note on this matter should be written and read to him

1183.3. If testator (testatrix) is a person with *a complete limitation of speech, hearing and vision or* illiterate person *with a complete limitation of speech, hearing and vision*, he should make his 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 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) should be indicated in explanatory note. Explanatory note must be signed by witnesses and attested by notary.

Article 1184. Witnesses of testament

Persons who have not attained the age of legal capacity, persons declared legally incapable, heirs under a will and their relatives in ascending and descending lines, their siblings, wife (husband), and the person receiving a testamentary bequest (legatee) may not act as witnesses to a will.

Article 1185. Secrecy of the testament

A notary, any other person who has certified the will, a witness, as well as persons who have signed the will on behalf of the testator, may not disclose information relating to the content, execution, amendment, or revocation of the will until the inheritance is opened.

Article 1186. Home testament

The testator may write and sign the will personally.

Article 1187. Deposit of the testatement

1187.1. The testator may place the will written and signed by him personally into an envelope, seal it, and submit it to a notary or to officials of the consulates of the Republic of Azerbaijan in the presence of three persons. The presence of those persons shall be confirmed by their signatures notarized on the envelope.

1187.2. The safekeeping of this type of will shall be ensured by its official deposit with a notary (or with the consulates of the Republic of Azerbaijan).

Article 1188. Testament making using technical facilities

The text of a will may be expressed using generally accepted technical means; however, it must be signed by the testator. In this case, the testator shall execute and sign the will in the presence of two witnesses. These witnesses must certify that the will was executed in their presence using technical means. Immediately after the testator signs the will, the witnesses shall certify it by making an appropriate notation on the will indicating their names, surnames, and places of residence.

Article 1189. Closed testament

1189.1. At the request of the testator, the witnesses shall certify the will without becoming acquainted with its content (a closed will). In this case, the witnesses must be present with the testator at the time the will is executed.

1189.2. When certifying a closed will, the witnesses shall indicate that the will was executed by the testator in their presence, but that they are unaware of its content.

Article 1190. Testament making date

The will must indicate the date on which it was made. Failure to indicate the date shall result in the invalidity of the will only where doubts cannot be eliminated regarding the testator's legal capacity at the time of execution, amendment, or revocation of the will, as well as in cases where multiple wills exist.

Article 1191. Familiarization of interested persons with the content of the testament

After the death of the testator, the notary shall set a date and familiarize interested persons with the content of the will. A relevant record (protocol) shall be drawn up. If the envelope containing the will is sealed, the integrity of the seal shall be noted.

Article 1192. Substitute heir

1192.1. The testator may designate another heir (a substitute heir) in the will for the case where the heir appointed by him dies before the inheritance is opened, *renounces the inheritance*, or is deprived of the right to inherit.

1192.2. Any person who may be an heir under Articles 1134–1136 of this Code may be designated as a substitute heir.

Chapter 66

Mandatory share in the Inheritance

Article 1193. Definition of the mandatory share in the inheritance

The children, parents, and spouse (wife or husband) of the testator have a mandatory share in the inheritance, regardless of the content of the will. This share shall amount to one half of the share that would be due to them in inheritance by law (the mandatory share).

Article 1194. Moment when the right to claim the mandatory share arises

The right to claim the mandatory share arises at the moment the inheritance is opened. Such a right of claim passes by succession. Other heirs shall be jointly liable to the person entitled to claim the mandatory share.

Article 1195. Determination of the amount of the mandatory share

The full amount of the mandatory share shall be determined from the entire inheritance, including property designated for the performance of a testamentary charge or for any act intended for public benefit.

Article 1196. Determination of the mandatory share of each heir

When determining the mandatory share of each heir, all heirs by law who would have been called to inherit if there were no will shall be taken into account. Heirs under the will shall not be taken into account.

Article 1197. Inclusion of property previously received in the mandatory share

A person entitled to receive a mandatory share shall be obliged to include in that share all property received from the deceased during the latter's lifetime on the condition that such property be included in the mandatory share.

Article 1198. Consequences of refusal of a testamentary bequest

A person entitled to receive a mandatory share who is also a beneficiary of a testamentary bequest (legatee) may claim the mandatory share if he or she refuses the testamentary bequest. If he or she does not refuse the testamentary bequest, the right to the mandatory share shall be lost to the extent of the value of the testamentary bequest.

~~**Article 1199. Allocation of the mandatory share from property not provided for in the will**~~

~~If the will does not dispose of all the inheritance property, the mandatory share shall first be allocated from the property not provided for in the will; if this is insufficient, it shall be supplemented at the expense of the property disposed of in the will.~~

Article 1200. Increase of the mandatory share at the expense of a gifted item

Where the deceased has made a gift of property to a third person, a person entitled to a mandatory share may demand supplementation of the mandatory share in an amount equal to the increase that would have occurred had the gifted property been included in the inheritance. If two years have elapsed from the date of the gift by the time the inheritance is opened, the gift shall not be taken into account.

Article 1201. Right to demand supplementation of a share

If a person entitled to receive a mandatory share has been bequeathed property amounting to less than one half of the share he would have received under intestate succession, that person may demand the portion by which the bequeathed share is less than one half of the share due under intestate succession.

Article 1202. Refusal to accept the mandatory share

1202.1. An heir entitled to receive a mandatory share may refuse to accept it; however, such refusal shall not result in an increase of mandatory shares of other heirs. The refused share shall pass to the heirs under the will.

1202.2. Refusal of the mandatory *share* must be effected within the time period established for refusal of the *inheritance*.

Article 1203. Deprivation of the right to receive a mandatory share

1203.1. Deprivation of the right to receive a mandatory share shall, as a general rule, be possible in cases where circumstances exist that give rise to deprivation of the right to inherit.

1203.2. The testator may effect deprivation of the right to receive a mandatory share during his lifetime by applying to a court.

1203.3. A court decision on deprivation of the right to receive a mandatory share shall take effect from the moment the inheritance is opened. The same consequence shall apply where the testator applied to the court during his lifetime but the decision was rendered after his death.

~~**Article 1204. Transfer of the mandatory share to heirs under the will**~~

~~The share of an heir deprived of the right to receive a mandatory share shall pass to the heirs under the will.~~

Chapter 67

Testamentary bequest (Legacy)

Article 1205. Definition of a testamentary bequest

The testator may entrust an heir with the execution, for the benefit of one or more persons, of any obligation from the estate (testamentary bequest – legacy).

Article 1206. Subject matter of a testamentary bequest

The subject matter of a testamentary bequest may include: transferring ownership, possession, or other property rights in estate assets to the beneficiary of the bequest (legatee); acquiring and transferring non-estate property; performing certain work; providing services; and other similar acts.

Article 1207. Use of residential premises under a testamentary bequest

The testator may impose on the heir, to whom the residential house, apartment, or other living quarters have passed, the obligation to grant a person who lived with the testator for not less than one year prior to the opening of the inheritance a lifelong right to use the room or a specified part of it. If ownership of the residential premises passes to another person later, the lifelong right of use remains in force.

Article 1208. Non-transferability of the lifelong right of use of residential premises

1208.1. The lifelong right of use of residential premises is not alienated and does not pass to the heirs of the legatee.

1208.2. Unless otherwise provided in the will, the lifelong right of use of residential premises shall not grant the legatee's family members the right to reside in that premises.

Article 1209. Limits on the execution of a testamentary bequest

The heir entrusted with the execution of a testamentary bequest shall execute it within the limits of the actual value of the bequeathed estate, excluding the portion required to settle the debts of the deceased.

Article 1210. Execution of a testamentary bequest by other heirs

If the heir entrusted with executing a testamentary bequest dies before the inheritance is opened or renounces the inheritance, the obligation to execute the testamentary bequest shall pass to other heirs who have received a share, unless the will provides otherwise.

Article 1211. Termination of the execution of a testamentary bequest

If the heir entrusted with executing a testamentary bequest dies and the execution of the bequest is not possible without their participation, the obligation to execute the testamentary bequest shall be terminated.

Article 1212. Proportional execution of a testamentary bequest among multiple heirs

If the execution of a testamentary bequest is entrusted to several heirs, and unless otherwise provided in the will, each of them shall execute the testamentary bequest in proportion to their share in the estate.

Article 1213. Term for execution of a testamentary bequest

The beneficiary of a testamentary bequest may demand its execution within the three-year claim period calculated from the date the inheritance is opened.

Article 1214. Testamentary bequest and mandatory share

If the heir entrusted with the execution of a testamentary bequest is also entitled to a mandatory share, the heir shall execute the testamentary bequest only to the extent of the portion of the bequeathed property exceeding the mandatory share.

Article 1215. Liability of the beneficiary of a testamentary bequest

The beneficiary of a testamentary bequest shall not be liable for the debts of the deceased.

Article 1216. Refusal of a testamentary bequest

The beneficiary of a testamentary bequest may refuse to accept it. In such a case, the corresponding portion of the estate shall remain with the heir to whom the testamentary bequest was entrusted.

Article 1217. Release from execution of a testamentary bequest

If the beneficiary of a testamentary bequest refuses to accept it, the heir entrusted with the execution of the testamentary bequest is released from the obligation to execute it.

Article 1218. Transfer of a testamentary bequest to heirs

If the beneficiary of a testamentary bequest dies after the inheritance is opened, without having had the opportunity to consent to acceptance of the bequest, the right to receive the testamentary bequest shall pass to the heirs who accept it in their place.

Article 1219. Testamentary bequest for general useful purposes

1219.1. The testator may entrust an heir with the execution of any act for general useful purposes. Such an act may involve property or non-property obligations.

1219.2. If the entrusted act relates to property, the rules governing testamentary bequests shall apply.

1219.3. If the heir entrusted with executing an act for general public purposes dies, the obligation shall pass to other heirs who accept the inheritance.

1219.4. The execution of an act entrusted to an heir may be enforced against the heir by the executor of the will, or, if there is no executor, by any heir, as well as by any relevant political party, public association, trade union, religious organization, foundation, state authority, or local self-government body through judicial proceedings.

Chapter 68

Alteration or cancellation of testament

Article 1220. Possibilities for the alteration of testament

1220.0. The testator may at any time alter or cancell the testament by:

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. submitting an application to the notarial authority.

1220.0.3. destroying all copies of the will either by the testator or by a notary at the testator’s direction.

Article 1221. Inadmissibility of cancelled testament’s restoration

A testament cancelled by a subsequently executed testament cannot be restored, even if the later will was revoked by application.

Article 1222. Several testaments

If testator (testatrix) compiled several testaments that complement rather than entirely replace each other, all such wills remain in force. Instructions in a previous testament that are not modified by a subsequent will shall remain valid.

Article 1223. Supremacy of a notarial testament

1223.1. If a person has compiled a number of wills, and only one is in notarial form, preference shall be given to the notarial will.

1223.2. A notarial will cannot be cancelled by a will executed in any other form.

Article 1224. Grounds to deem testament invalid

1224.0. A testament shall be deemed null and void when:

1224.0.1. the person for whose benefit the will was executed dies before the testator.

1224.0.2. the bequeathed property is lost during the testator's lifetime or is otherwise disposed of by the testator.

1224.0.3. the sole heir refuses to accept the inheritance.

Article 1225. Invalidity of a testament

1225.1. A will shall be deemed invalid in cases generally giving rise to invalidity of legal acts.

1225.2. Testamentary provisions contrary to the law, as well as unclear or mutually contradictory terms, shall be invalid.

1225.3. A will may be declared invalid by a court if it was executed in violation of the rules established by this Code, or if the testator was unable to understand the nature of his or her actions or to control them.

Article 1226. Invalidity of individual testamentary provisions

1226.1. A testamentary provision that entitles a person to inherit property not included in the estate is invalid.

1226.2. If a person is bequeathed a sum of money not part of the estate, such a provision of the will is invalid.

1226.3. A testamentary provision that determines an heir's inheritance for a specified period, or not from the date of the testator's death but at a later date, or that determines who shall inherit after the death of an heir, is invalid.

Article 1227. Invalidity as a result of impossibility to execute testament order

A testamentary provision may be declared invalid at the heir's claim if it cannot be executed due to the heir's health or other objective reasons.

Article 1228. Consequences of invalidity of one testamentary provision

If one of several testamentary provisions is invalid or has lapsed, and the testator has not issued other provisions, the remaining provisions of the testament shall remain in force.

Article 1229. Inheritance in case of invalidity of a testament

If a will is declared invalid, an heir deprived of inheritance under that will may inherit under general rules of succession.

Article 1230. Disputes concerning the validity of a testament

Heirs under law and other interested persons may dispute the validity of a will on the grounds giving rise to invalidity of the legal act.

Article 1231. Limitation Period for filing a claim

1231.1. A claim regarding the invalidity of a will may be filed within two years from the opening of the inheritance.

1231.2. If the testator erroneously bequeaths someone else's property as his own to an heir, the limitation period specified in Article 1231.1 shall not apply to the property owner's claim.

Chapter 69

Testament execution

Article 1232. Subjects of testament execution

If there are no instructions in testament then heirs are entrusted with its execution. Heirs upon mutual agreement may commit testament's execution to one of them or to another person.

Article 1233. Appointment of an executor of a testament

For the precise execution of testamentary provisions, the testator may, by will, appoint one or more executors from among the heirs, as well as another person who is not an heir. If a non-heir is appointed, the consent of the executor is required. Such consent should be expressed either in the will itself or in a document attached to the will.

Article 1234. Refusal to act as executor

An executor of a will may refuse, at any time, to perform the duties assigned to him by the testator. The executor shall notify the heirs under the will in advance.

Article 1235. Appointment of an executor by a third party

The testator may entrust a third party with the appointment of the executor of the will. That person shall, immediately after the inheritance is opened, appoint the executor and inform the heirs accordingly. The person may refuse to carry out this task, and shall promptly notify the heirs of the refusal.

Article 1236. Full or partial execution of a will

An executor may be entrusted with executing the will in its entirety or with executing its individual provisions.

Article 1237. Inheritance safeguarding and management

From the moment the inheritance is opened, the executor shall begin safeguarding and managing the estate. The executor is authorized to perform all actions necessary for the execution of the will. Within this authority, the heirs lose the right to manage the estate.

Article 1238. Safeguarding and management of the inheritance by several executors

If there are several executors of a will, they may act individually only for the purpose of safeguarding the estate; in all other cases, decisions require agreement among them.

Article 1239. Reimbursement of expenses for execution of a testament

1239.1. The executor performs his duties gratuitously, unless remuneration is specified in the will.

1239.2. The executor shall have the right to reimbursement from the estate for necessary expenses incurred in safeguarding and managing the inheritance.

1239.3. A non-heir executor may not charge other expenses to the estate, except in cases provided for in Article 1249 of this Code.

Article 1240. Executor's report

After carrying out the will, the executor of the will is obliged, at the request of the heirs, to provide them with a report on their activities. The executor of the will performs their functions until all heirs have accepted the inheritance.

Article 1241. Removal of the executor of the will

If the executor of the will fails to perform his duties, an interested person may apply to the court with a request for the removal of the executor.

Article 1242. Liability of the executor of the will

If the executor of the will intentionally or through gross negligence deviates from the performance of the duties imposed on him by the will and thereby causes damage to the heirs, the executor shall be liable for such damage.

Chapter 70

Acceptance or refusal to accept an inheritance

Article 1243. Acceptance of an inheritance

1243.1. An inheritance shall be accepted by an heir either by law or by will.

1243.2. An inheritance shall be deemed accepted by an heir when the heir submits an application for acceptance of the inheritance to the notary *office* at the place where the inheritance is opened, or when the heir actually begins to possess or manage the property and thereby unequivocally demonstrates acceptance of the inheritance, *as well as when the heir fails to refuse the inheritance within the period specified in Article 1256 of this Code*.

1243.3. If an heir actually begins to possess or manage a part of the inheritance, it shall be deemed that the heir has accepted the inheritance in full, regardless of the form of the inheritance or its location.

~~1243.4. If one of the heirs refuses their inheritance share in favor of another heir, such action shall be deemed acceptance of the inheritance.~~

Article 1244. Acceptance of an inheritance by a person lacking legal capacity

An inheritance may be accepted by a legally capable person. Persons lacking legal capacity or with limited legal capacity shall accept an inheritance through their legal representatives.

Article 1245. Acceptance of an inheritance through a representative

An heir may accept an inheritance personally or through a representative.

~~Article 1246. Inheritance acceptance term~~

~~Heir may accept the legacy within 3 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.~~

~~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.~~

~~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 who accept inheritance it may be accepted without applying to court.~~

~~1248.2. In case provided for in the Article 1248.1 hereof heir, who delayed with acceptance of inheritance obtains his property share from the property remained of those that was accepted by other heirs or that was devolved into state property; he also obtains value of the remaining part of property due to him in terms of money.~~

Article 1249. Inadmissibility of disposal of inherited property

An heir who, without waiting for other heirs to appear, begins to possess or manage the inheritance may not dispose of the inheritance prior to obtaining a *certificate of inheritance*, except for expenses related to caring for the testator during illness, the testator's medical treatment and burial, maintenance of persons who were dependent on the testator, payment of wages, and expenses for the protection and administration of the inheritance.

Article 1250. Right to income received prior to filing a claim

If an heir by law begins to possess the inheritance without knowing of the existence of a will, and an heir by will does not know that the will is invalid, or if heirs by law and heirs by will do not know of the existence of closer heirs by law or of another will, the income they have received from the inheritance prior to the filing of a claim shall remain with them. They may also claim reimbursement of all capital invested by them in the inheritance.

Article 1251. Consequences of disposal of individual items included in the inheritance by an unauthorized person

If an unauthorized person has disposed of an item included in the inheritance in a manner that is valid with respect to the lawful heir, that person shall be obliged to transfer to the lawful heir everything obtained as a result of such disposal.

Article 1252. Death of an heir after the opening of the inheritance (hereditary transmission)

If an heir dies after the opening of the inheritance, the right of the deceased heir to receive a share from the original testator shall pass, as part of the deceased heir's estate, to his heirs under general rules.

~~**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.~~

~~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.~~

Article 1254. ***Inventory of the inheritance***

An heir may request that a notary draw up an inventory of the inheritance before the expiration of the period established in Article 1256 of this Code for refusing acceptance of the inheritance. From the moment the heir applies to the notary for the preparation of an inventory of the inheritance, the running of the period established for refusing acceptance of the inheritance shall be suspended. From the moment the inheritance is inventoried by the notary (or, where there is no property to be inventoried, from the moment the heir's application is answered), the running of the period established for refusing acceptance of the inheritance shall resume. The inventory of the inheritance by the notary shall be carried out within two months from the date of receipt of the application, in accordance with the procedure established by the Law of the Republic of Azerbaijan 'on Notaries.'

Article 1255. Acquisition of an inheritance

Heirs shall acquire the inheritance by operation of law upon the death of the testator.

Article 1256. Time limit for refusal to accept an inheritance

An heir may refuse to accept an inheritance within three months from the day on which the heir knew or should have known that he was called to inherit. Where there is a valid reason, the court may extend this period by no more than two months. Refusal to accept an inheritance should be notarized.

Article 1257. Inadmissibility of partial acceptance of an inheritance

1257.1. Acceptance of or refusal of an inheritance in part, whether subject to any condition or for any period, shall not be permitted.

1257.2. If an heir refuses a part of the inheritance or imposes any condition, the heir shall be deemed to have refused the inheritance.

Article 1258. Refusal by an heir to accept agricultural land

An heir who is not engaged in agricultural activity may refuse to accept agricultural land, equipment, tools, and livestock; however, such refusal shall not be deemed a refusal to accept the inheritance as a whole

Article 1259. Acceptance of several shares of an inheritance

If an heir is entitled to several shares of an inheritance on different grounds, the heir may accept one share and refuse another, or may refuse all shares.

Article 1260. Refusal of a part of an inheritance

An heir may refuse the part of the inheritance belonging to the heir by the right of accretion, regardless of the remaining part of the inheritance.

Article 1261. Refusal in favor of other persons

An heir may refuse to accept an inheritance in favor of persons other than heirs by law or by will. Refusal of an inheritance in favor of a person who has been declared an unworthy heir or who has been deprived of the right to inherit by the direct instruction of the will shall not be permitted. Other heirs may file a complaint with the court regarding such refusal.

Article 1262. Accretion of a share upon refusal of an inheritance

If an heir has refused to accept an inheritance but has not indicated in whose favor the refusal is made, the heir's share shall be added to the shares of the heirs called to inherit by law, or, where all property is distributed by a will, to the shares of the heirs by will, and shall be distributed among them in proportion to their respective shares, unless otherwise provided by the will.

Article 1263. Refusal of an inheritance by the sole heir

If the heir who has refused the inheritance is the sole heir among the heirs of that order, the inheritance shall pass to the heirs of the next order.

Article 1264. Refusal in favor of several heirs

If an heir refuses to accept an inheritance in favor of several persons, the heir may indicate the share of each of them. In the absence of such indication, the share of the refusing heir shall be divided equally among the heirs in whose favor the refusal has been made.

Article 1265. Refusal of an inheritance in favor of grandchildren

Refusal of an inheritance in favor of a grandchild shall be permitted provided that, on the day the inheritance is opened, the parent of the grandchild who should have been the heir of the testator is not alive, or where the grandchild is an heir by will.

Article 1266. Inadmissibility of the state's refusal to accept an inheritance

The State may not refuse to accept an inheritance that has passed to it.

Article 1267. Inadmissibility of refusal after submission of an application to the notary office

After an heir submits an application to the notary office at the place where the inheritance is opened for acceptance of the inheritance or for issuance of a certificate of inheritance, refusal of the inheritance shall not be permitted.

Article 1268. Irrevocability of refusal of an inheritance

1268.1. An heir may not withdraw an application for refusal to accept an inheritance.

1268.2. If the heir is a person lacking legal capacity or with limited legal capacity, refusal of the inheritance shall be permitted only with the permission of the court.

Article 1269. Refusal upon actual acceptance of an inheritance

Where an heir has actually begun to possess or manage the property and thereby has unequivocally demonstrated acceptance of the inheritance, refusal of the inheritance shall be permitted within the period established in Article 1256 of this Code.

Article 1270. Transfer of the right of refusal by succession

1270.1. The right to refuse an inheritance shall pass by succession.

1270.2. If an heir dies before the expiration of the period established for refusal to accept the inheritance, that period shall not expire until the remaining time following the heir's death has elapsed. *If the remaining period for the heir's successor to refuse acceptance of the inheritance is less than three months, that period shall be extended to three months.*

1270.3. Where the deceased heir has several heirs, each of them may refuse only their own inheritance share.

Article 1271. Refusal to accept an inheritance through a representative

Refusal of an inheritance through a representative shall be permitted only where the authority to refuse is expressly provided for in the mandate (power of attorney).

Article 1272. Deadline for initiating a dispute regarding acceptance or refusal of an inheritance

A dispute regarding acceptance of or refusal to accept an inheritance may be initiated within two months from the day on which the interested person became aware of the relevant grounds for such dispute.

Article 1273. Time of occurrence of legal consequences of acceptance of an inheritance

Legal consequences of acceptance of or refusal to accept an inheritance shall arise from the moment the inheritance is opened.

~~**Article 1273-1. Silence of heir**~~

~~If within terms established under this Code the heir neither accepts nor rejects the legacy, Article 1262 and 1262 of this Code shall apply.~~

Chapter 71

Distribution of an inheritance

Article 1274. Definition of distribution of an inheritance

An inheritance shall be distributed among the heirs who have accepted it by agreement, in accordance with the shares due to each of them under the law or the will.

Article 1275. Determination of the procedure for distribution of an inheritance by the testator

The testator may determine in the will the procedure for distribution of the inheritance, including entrusting the distribution of the inheritance to a third person. The decision of the third person shall not be binding on the heirs if it is manifestly unjust. In such case, the distribution shall be carried out by a court decision.

Article 1276. Allocation of an inheritance share in kind

Each heir may demand allocation of their share in kind from both movable and immovable property, provided that such allocation is possible in that form and is 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 2 years before the inheritance commencement should be included into each heir's share during dividing the inheritance.~~

Article 1278. Sale of an inheritance by agreement of co-heirs

By agreement of co-heirs, the entire inheritance may be sold and proceeds distributed among the heirs in accordance with their respective shares.

Article 1279. Transfer of the inheritance to one co-heir

By agreement of the co-heirs, the entire inheritance may be transferred to one co-heir, who shall in turn be obliged to pay appropriate compensation to the other co-heirs.

Article 1280. Suspension of distribution of an inheritance

The co-heirs may agree to suspend the distribution of the inheritance for a certain period.

Article 1281. Co-ownership of indivisible property

Unless otherwise determined by agreement of all heirs who have accepted the inheritance, property whose division would result in the loss or reduction of its economic purpose shall not be divided and shall become the common property of the heirs in proportion to their respective shares.

Article 1282. Distribution of agricultural land among heirs

1282.1. If the owner of agricultural land on which a peasant farm is located bequeathed it to several heirs by will, or if no will was made and there are several heirs by law, the agricultural land together with the peasant farm located thereon may be distributed among the heirs, provided that, as a result of the distribution, the land plot transferred to each heir ensures the existence of a viable farm.

1282.2. Distribution shall be permitted only where the heirs themselves intend to engage in farming. If none of the heirs wishes to engage in farming, the land together with the farm located thereon may, by agreement of the heirs, be sold, and the heirs may receive their shares in monetary form.

Article 1283. Inadmissibility of distribution of agricultural land

If distribution of agricultural land is not possible, the land shall be given to the heir who lives on the peasant farm and has managed it together with the testator; if no such heir exists, it shall be given to a person capable of and willing to manage the farm.

Article 1284. Compensation for a Share

An heir who is unable to receive a land plot shall receive a corresponding share from other property; if such property is insufficient, the heir shall receive the appropriate compensation in the manner prescribed by law.

Article 1285. Succession of a peasant farm by inheritance

1285.1 If the peasant farm is a household farm and the last member of the household has not made a will, the common property of the household shall pass to the heirs by law, on the condition that the household farm is not divided.

1285.2. If the last member of the household has appointed several heirs by will, the general rule applicable to agricultural land shall apply.

Article 1286. Co-ownership of a peasant farm

By agreement of co-heirs, the land and the peasant farm located thereon may remain in their common ownership.

Article 1287. Share of an unborn heir

1287.1. If an heir is in utero but not yet born, the distribution of the inheritance may take place only after the heir's birth.

1287.2. If the unborn heir is born alive, remaining heirs may distribute the inheritance only after setting aside the share due to the newly born heir. To protect the interests of the newly born heir, their representatives shall be invited to participate in the distribution.

Article 1288. Assignment of debt claims to one heir

By agreement of co-heirs, full payment of all debt claims may be assigned to one heir, in exchange for which the heir shall receive a correspondingly increased share of the inheritance.

Article 1289. Obligation to ensure receipt of shares

Each co-heir is obliged to ensure that other co-heirs receive their respective shares. When a co-heir acquires a claim as a result of the division, other co-heirs should assist in accordance with their shares, taking into account the debtor's ability to pay at the time of division, or, if the obligation has not yet matured, at the time of performance of such obligation.

Article 1290. Proportional reduction of shares

If it becomes apparent that the sum of shares determined by the will exceeds total inheritance, each heir's share shall be proportionally reduced.

Article 1291. Dispute resolution during distribution of property

Where disputes arise among co-heirs regarding the distribution of inheritance, the dispute shall be resolved by a court. In distributing the property, the court shall take into account the nature of the property to be divided, activities of each co-heir, and other specific circumstances.

Article 1292. Right to dispose of a share

1292.1. Each co-heir may dispose of his share of the inheritance. A contract regarding the disposal of a share by one of the co-heirs should be notarized.

1292.2. A co-heir may not dispose of individual items from his share.

1292.3. When disposing of his share, a co-heir shall respect other co-heirs' pre-emptive right to purchase. The pre-emptive right shall be exercised within two months. This right shall pass by succession.

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 called to inheritance should consider all the property received from testator (testatrix) during his lifetime as inheritance property, separating it from their parents property, unless otherwise stipulated by testator (testatrix).~~

~~**Article 1296. Consequences of descendant's removal**~~

~~If a descendant obliged as an heir to equalize share, leaves heirs list before or after the inheritance commencement then an heir obtaining his share is entrusted with this obligation.~~

Article 1297. Consideration of special contribution when equalizing inheritance shares

A child (lineal descendant) who has made a special contribution to the testator's property through labor in the family farm, participation in the testator's professional or commercial activities, substantial personal expenses, or in any other manner, may demand that, upon distribution of the testator's estate, his share be equalized together with relatives who are heirs by law and claim the inheritance.

Article 1298. Inadmissibility of claiming equalization of an inheritance share

If the relative has received or is entitled to receive remuneration for his services, or the remuneration was predetermined, or the relative may assert any other claim based on legal grounds arising from the services provided, a claim for equalization of the inheritance share shall not be permitted.

Article 1299. Requirement of fair distribution

1299.1. Equalization of inheritance shares shall be carried out fairly, taking into account the services rendered and the total value of the inheritance.

1299.2. During the distribution of property, the amount required for equalization shall be deducted from the total value of the inheritance and added to the share of the co-heir entitled to claim equalization.

Article 1300. Obligation to determine the location of heirs

Where there are heirs whose locations are unknown, remaining heirs shall be obliged to take reasonable measures to determine their whereabouts and summon them to inherit.

Article 1301. Consequences of an heir's failure to appear

1301.1. If an heir who has been called to inherit is absent but whose whereabouts are known does not renounce the inheritance within three months, other heirs shall send that heir a notice of their intention to divide the inheritance.

1301.2. If, after receiving such notice, the heir does not inform other heirs within three months of his wish to participate in the agreement on the division of the property, other heirs may divide the property by mutual agreement ~~and may set aside the absent heir's share~~. *In this case, the share of the absent heir shall be separated.*

1301.3. If, within six months after the opening of the inheritance, the whereabouts of the missing heir are not determined and no notice of refusal to accept the inheritance is received

from him, other heirs may divide the property in accordance with the procedure established in Article 1301.2 of this Code.

Article 1302. Right of preemption in inheritance

Heirs who hold joint ownership rights to property together with the deceased shall have a right of preemption with respect to the property included in the joint ownership.

Article 1303. Right of preemption to acquire a residential house

An heir who lived together with the deceased for at least one year prior to the opening of the inheritance shall have a right of preemption, during the division of the inheritance, to receive the residential house, apartment, or other living premises, as well as household items, from the inheritance.

Article 1304. Consideration of property interests of heirs

When exercising the right of preemption, property rights of other heirs participating in the division of the inheritance shall be taken into account. If the property is insufficient to provide them with their respective shares, the heirs exercising the right of preemption shall provide them with appropriate monetary or property compensation.

Article 1305. Granting a deferral for compensation

At the request of heirs exercising the right of preemption, the court may, taking into account the amount of compensation, grant a deferral for a period not exceeding ten years.

Chapter 72

Satisfaction of creditors by heirs

Article 1306. Liability of heirs to creditors ***and the burden of proof when satisfying creditors***

1306.1. Heirs shall be obliged to fully satisfy the claims of the deceased's creditors as joint debtors, in proportion to each heir's share in the assets received from the inheritance.

1306.2. If the deceased was a joint debtor with the heirs for obligations that passed to them, the heirs shall bear joint liability.

1306.3. *Deleted.*

1306.4. If an inventory of the inheritance is prepared by a notary, the heirs shall be liable to the deceased's creditors only up to the value of the assets received from the inheritance.

1306.5. In cases other than when the inheritance is inventoried by a notary, the heir shall prove that the deceased's debts exceed the inheritance; in such a case, the heirs shall be liable to the deceased's creditors only up to the value of the assets received from the inheritance.

~~**Article 1307. Burden of proof when satisfying creditors by heirs**~~

~~Except in cases where the inheritance is inventoried by a notary, the heir shall prove that the deceased's debts exceed the inheritance.~~

Article 1308. Assignment of debt repayment to an heir

The testator may assign the repayment of a debt in whole or in part to one or more heirs.

Article 1309. Obligation to notify creditors of the opening of the inheritance

If the heirs are aware of the deceased's debts, they shall be obliged to notify the deceased's creditors of the opening of the inheritance.

Article 1310. Deadline for creditors to submit claims – *deleted.*

Article 1311. Application of general limitation periods – *deleted.*

Article 1312. Deferral of the time for execution

If a creditor submits a claim before the due date for execution, the heir may defer performance until the due date. Once the due date arrives, the creditor may demand performance within the general limitation period.

Article 1313. Priority of the deceased's creditors

When satisfying claims, deceased's creditors shall have priority over heirs' creditors.

Article 1314. Liability of the state to creditors

When property without heirs passes to the state, the state shall bear liability for the deceased's debts as an heir.

Article 1315. Consequences of a creditor acquiring the inheritance

If the deceased bequeathed his property to a creditor, this shall not be considered as satisfaction (offset) of the creditor's claim.

Article 1316. Procedure for satisfying creditors – *deleted.*

Chapter 73

Protection of inheritance

Article 1317. Concept of protection of the inheritance

1317.1. Until the inheritance is accepted, the notarial authority at the place where the inheritance is opened shall, if necessary, take measures to protect the inheritance. This rule shall also apply in cases where the heir is unknown or it is not known whether the heir has accepted the inheritance.

1317.2. To protect the inheritance, the notarial authority may inventorize the inheritance.

Article 1318 . Search for heirs

The notarial authority shall take the measures specified in *Article 55 of the Law of the Republic of Azerbaijan 'on Notaries'* to search for heirs who are not present at the place where the inheritance is opened.

Article 1319. Appointment of a property administrator

To implement the measures specified in this Chapter, the notarial authority may appoint a property administrator.

Article 1320. Expenses related to the measures provided for in this chapter

Expenses related to the measures provided for in this Chapter shall be attributed to the liabilities of the inheritance.

Chapter 74

Certificate of inheritance

Article 1321. Concept of the certificate of inheritance

1321.1. Persons called to inherit may request a certificate of inheritance from the notarial authority at the place where the inheritance is opened.

1321.2. In cases specified by law, obtaining a certificate of inheritance is mandatory.

1321.3. A person listed as an heir in the certificate of inheritance is considered to have the rights specified in that certificate. This is also valid in favor of any person who acquires from the heir any object, right related to such object, or any right included in the inheritance share, provided that the acquirer did not know that the certificate of inheritance was incorrect.

Article 1322. Timing of issuance of the certificate of inheritance

A certificate of inheritance is issued to heirs at any time after six months have passed from the date the inheritance was opened. If the notarial authority has information that there are no other heirs besides those requesting the certificate, it may be issued in less than six months.

~~**Article 1323. Consent to be included in the certificate**~~

~~Heirs who have not accepted the inheritance within the period established by this Code may be included in the certificate of inheritance with the consent of all heirs who have accepted the inheritance. Such consent shall be expressed in writing before the certificate of inheritance is issued.~~

Article 1324. Issuance of a certificate of inheritance to an heir's heirs

If an heir dies after the opening of the inheritance without renouncing it within the prescribed period, heirs of that heir may obtain a certificate of inheritance for the property inherited from the original testator as the inheritance of the deceased heir, provided that the heir had not renounced the inheritance.

Article 1325. Issuance of the certificate of inheritance to co-heirs

1325.1. A certificate of inheritance may be issued for the entire inheritance or for a part of it. The certificate may be issued to all heirs together or individually to each heir according to their wishes. Issuing a certificate of inheritance for a part of the inheritance to one heir shall not deprive other heirs of the right to obtain a certificate for the remaining portion of the inheritance.

1325.2. When issuing a certificate of inheritance to an heir who applies for it, the notary shall determine and indicate in the certificate the shares of the inheritance due to other heirs (co-heirs) who are heirs but have not applied for a certificate.

1325.3. Information regarding the heirs (co-heirs) and their shares, as specified in Article 1325.2 of this Code, shall be entered in the relevant registry by the authority maintaining the state register of immovable property and the official registers of movable property.

1325.4. Each co-heir may obtain a certificate of inheritance for the share determined under Article 1325.2 of this Code.

1325.5. The co-heirs specified in Article 1325.2 shall have the right to dispose of their shares of the inheritance. Such persons may dispose of their shares based on a notarized agreement prior to receiving a certificate of inheritance. If an heir acquires an inheritance share based on an agreement on the disposition of shares among co-heirs, the heir's share in the inheritance is increased in proportion to the acquired share, and the final share is indicated in the certificate of inheritance.