

Civil Code of the Russian Federation

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Part One

Section I. The General Provisions

Subsection 1. The Basic Provisions

Chapter 1. The Civil Legislation

Article 1. The Chief Principles of the Civil Legislation

1. Civil legislation shall be based on recognising the equality of participants in the relationships regulated by it, the inviolability of property, the freedom of agreement, the inadmissibility of anybody's arbitrary interference into private affairs, the necessity to freely exercise civil rights, the guarantee of reinstatement of civil rights in case of their violation, and their protection in court.

2. Citizens (natural persons) and legal entities shall acquire and exercise their civil rights of their own free will and in their own interest. They shall be free to establish their rights and responsibilities on the basis of an agreement and to define any terms of the agreement, which are not at variance with the legislation.

Civil rights may be restricted on the basis of a federal law and solely insofar as it is necessary for the purposes of protecting the fundamentals of the constitutional system, morality, health, rights and lawful interests of other persons providing for the defence of the country and state security.

3. When establishing, exercising and protecting civil rights and when discharging civil duties, participants in civil law relations shall act with good faith.

4. No one is entitled to gain an advantage as the result of the unlawful or unfair behaviour thereof.

5. Commodities, services and financial means shall move unhindered throughout the entire territory of the Russian Federation.

Restrictions on the movement of commodities and services shall be imposed in conformity with a federal law if this is necessary to provide for security, and to protect human life and health, the environment and cultural valuables.

Article 2. Relations Regulated by the Civil Legislation

1. The civil legislation determines the legal position of civilian participants, the grounds for the appearance and the procedure for exercising the right of ownership and other real rights, the rights to the results of intellectual activity and to the equated to it means for the individualisation of intellectual rights), regulates the relations connected with participation in corporate organisations or in their management (corporate relations), the contractual and other liabilities, as well as other property and personal non-property relations, based on the equality, the autonomy of the will and the property independence of the participants.

Both the citizens and the legal entities may be the participants of the relations, regulated by the civil legislation. The Russian Federation, the subjects of the Russian Federation and the municipal entities may also participate in the relations, regulated by the civil legislation (**Article 124**).

The civil legislation shall regulate relations between the persons, engaged in business activities or in those performed with their participation, proceeding from the fact that the business activity shall be an independent activity, performed at one's own risk, aimed at systematically deriving a profit from the use of the property, the sale of commodities, the performance of work or the rendering of services. The persons performing business activities shall be registered in such capacity in accordance with the procedure established in the law, unless otherwise provided for by this **Code**.

The rules, laid down by the civil legislation, shall be applied toward relations with the participation of foreign citizens, of persons without any citizenship, and also of foreign legal entities, unless otherwise stipulated by the Federal Law.

2. The inalienable human rights and freedoms, and other non-material values shall be protected by the civil legislation, unless otherwise following from the substance of these non-material values.

3. Unless otherwise stipulated by legislation, the civil legislation shall not be applied toward the property relations, based on the administrative or another authoritative subordination of one party to the other party, including toward the taxation and other financial or administrative relations.

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Article 3. The Civil Legislation and Other Acts, Containing the Civil Legislation Norms

1. In conformity with the Constitution of the Russian Federation, the civil legislation shall be within the jurisdiction of the Russian Federation.

2. The civil legislation shall be comprised of the present Code and of the federal laws (hereinafter referred to as the laws), adopted in conformity with it, which regulate the relations, indicated in Items 1 and 2 of **Article 2** of the present Code.

The norms of the civil legislation, contained in other laws, shall correspond to the present Code.

2.1. This Code shall be amended, as well as the provisions of this Code shall be suspended or declared invalidated, by individual laws. The provisions that provide for making amendments in this Code, suspending or declaring invalidated the provisions of this Code, may not be included into the texts of the laws amending (suspending or declaring invalidated) other legislative acts of the Russian Federation or containing an independent subject of legal regulation.

3. The relations, indicated in Items 1 and 2 of **Article 2** of the present Code, shall also be regulated by the Decrees of the President of the Russian Federation, which shall not be in contradiction with the present Code and other laws.

4. On the grounds and in execution of the present Code and other laws, and Decrees of the President of the Russian Federation, the Government of the Russian Federation shall have the right to adopt decisions, containing the norms of the civil law.

5. If the Decree of the President of the Russian Federation or the decision of the Government of the Russian Federation proves to be in contradiction with the present Code or another law, the present Code or the corresponding law shall be applied.

6. The operation and implementation of the norms of the civil law, contained in the Decrees of the President of the Russian Federation and in the decisions of the Government of the Russian Federation (hereinafter referred to as other legal acts), shall be defined by the rules of the present chapter.

7. The ministries and other federal executive bodies may issue the acts, containing the norms of the civil law, in the cases and within the limits, stipulated by the present Code, by other laws and other legal acts.

Article 4. Operation of the Civil Legislation in Time

1. The acts of the civil legislation shall not be retroactive and shall be applied toward the relations, which have arisen after they have been put in force.

The operation of the law shall be extended toward the relations, which have arisen before it has been put in force, only in the cases, directly stipulated by law.

2. Concerning the relations, which have arisen before the civil legislation act has been put in force, it shall be applied toward the rights and duties, which have arisen after its being put in force. The relations of the parties by the agreement, signed before the civil legislation act has been enforced, shall be regulated in conformity with **Article 422** of the present Code.

Article 5. The Customs

1. As a **custom** shall be deemed a rule of behaviour which has taken shape and is widely applied in some sphere of business or other kind of activities, and which has not been stipulated by legislation, regardless of whether it has or has not been fixed in any document.

2. The customs, contradicting to the provisions of legislation or to the agreement, obligatory for the participant in the given relationship, shall not be applied.

Article 6. Application of the Civil Legislation by Analogy

1. In cases when the relations, stipulated in **Items 1 and 2 of Article 2** of the present Code are not directly regulated by legislation or by an agreement between the parties, while the custom that would be applicable to them does not exist, and if this is not in contradiction with their substance, the civil legislation shall be applied, which regulates similar relations (the analogy of the law).

2. If it is impossible to apply the similar law, the rights and duties of the parties shall be defined, proceeding from the general principles and the meaning of the civil legislation (the analogy of the right), and also from the requirements of honesty, wisdom and justice.

Article 7. The Civil Legislation and the Norms of International Law

1. The generally recognized principles and norms of international law and the international treaties of the Russian Federation, shall be, in conformity with the **Constitution** of the Russian Federation, a component part of the legal system of the Russian Federation.

2. The international treaties of the Russian Federation shall be directly applied toward the relations, indicated in Items 1 and 2 of **Article 2** of the present Code, with the exception of the cases, when it follows from the international treaty that for it to be applied, a special intra-state act shall be issued.

If the rules, laid down in the international treaty of the Russian Federation, differ from those stipulated by the civil legislation, the rules of the international treaty shall be applied. The application of the rules of international treaties of the Russian Federation in their interpretation that contradicts the **Constitution** of the Russian Federation shall not be allowed. Such a contradiction can be established in the **procedure** determined by the federal constitutional law.

Chapter 2. Arising of the Civil Rights and Duties, the Exercising and Protection of the Civil Rights

Article 8. The Grounds for the Arising of the Civil Rights and Duties

1. The civil rights and duties shall arise from the grounds, stipulated by the law and other legal acts, as well as from the actions of citizens and legal entities, which, though not stipulated by the law or by such acts, still generate, by force of the general principles and of the meaning of the civil legislation, the civil rights and duties. In conformity with this, the civil rights and duties shall arise:

1) from the law-stipulated contracts and other deals, and also from the contracts and other deals, which, though not stipulated by the law, are not in contradiction with it;

1.1) from decisions of meetings where it is provided for by law;

2) from acts of state bodies and local government bodies that are stipulated by the law as the grounds for the arising of civil rights and duties;

3) from the court ruling, which has established civil rights and duties;

4) as a result of the acquisition of property on the grounds, admitted by the law;

5) as a result of creating the works of science, literature and art, of making inventions and producing other results of the intellectual activity;

6) as a result of inflicting damage to another person;

7) as a consequence of an unjust enrichment;

8) because of other actions performed by the citizens and the legal entities;

9) as a result of the events, with which the law or another legal act connects the arising of the civil legislation consequences.

2. Abrogated from March 1, 2013.

Article 8.1. The State Registration of Property Rights

1. Where it is provided for by law, the rights assigning the ownership of an object of civil rights to a particular person, restrictions of such rights and encumbrances of property (of the property right) are subject to state registration.

The state registration of property rights shall be effected by the body authorised under law on the basis of the principles of verifying the lawfulness of the grounds for registration, publicity and reliability of the state register.

In the state register shall be cited the data enabling to identify without fail the object in respect of which the right is established, the authorised person, the content of the right and the ground for its origination.

2. The rights to the property which is subject to the state registration shall originate, shall be changed and terminated from the time of making the corresponding entry in the state registration, unless otherwise established by law.

3. Where it is provided for by law or agreed by the parties, a transaction entailing the origination, alteration or termination of the rights to property which are subject to state registration shall be attested and certified by a notary.

An entry shall be made in the state register where there are applications for it filed by all the persons that have made a transaction, unless otherwise established by law. If a transaction is concluded notarially, an entry may be made in the state register on the basis of an application of any party to the transaction, in particular through a notary.

4. If the property right originates, is changed or terminated as a result of the occurrence of the circumstances provided for by a law, an entry on the origination, changing or termination of this right shall be entered to the state register on the basis of an application of the person for which such legal effects occur. A law may also provide for the right of other persons to file an application for making the corresponding entry to the state register.

5. The body engaged in the state registration of property rights which is authorised by law shall verify the authorities of the person that has filed an application for state registration of a right, the lawfulness of the grounds for registration, other circumstances and documents provided for by law and, where is provided for by **Item 4** of this article, also the occurrence of the corresponding circumstance.

If the property right originates, is changed or terminated on the basis of a transaction attested and certified by a notary, the body authorised by law is entitled to verify the lawfulness of the corresponding transaction in the instances and in the procedure which are provided for by law.

6. A registered right may only be disputed judicially. The person cited in the state register as the right holder shall be recognised as such, unless otherwise noted in the register in the procedure established by law.

Where there is a dispute in respect of a registered right, the person that knew or should have known

about the unreliability of the data contained in the state register is not entitled to make reference to the corresponding data.

The immovable property acquirer that was relying when acquiring it upon the data of the state register shall be deemed a good faith one (**Articles 234 and 302**) until it is proved judicially that he knew or had to know that the person from which the right to it had passed thereto had no right to alienate this property.

7. A note may be made in the state register in respect of a registered right in the procedure established by law about the objection of the person whose corresponding right has been registered earlier.

Within three months from the date of making a note in the state register on an objection in respect of a registered right the person on the basis of whose application it has been made did not dispute the registered right judicially, the note on the objection shall be cancelled. On such occasion, it is not allowed to repeatedly make a note on the objection of the cited person.

The person disputing a registered right judicially is entitled to demand making in the state register a note on the existence of a judicial dispute in respect of this right.

8. The denial of the state registration of property rights or evasion of the state registration thereof may be disputed judicially.

9. The losses caused by an unlawful denial of the state registration of property rights, by evasion of the state registration thereof, by entering to the state register unlawful or unreliable data on a right or by breaking of the procedure for state registration of property rights stipulated by law through the fault of the person engaged in the state registration of property rights are subject to reimbursement from the treasury of the Russian Federation.

10. The rules provided for by this article shall apply, unless otherwise established by this Code.

Article 9. Exercising of the Civil Rights

1. The citizens and the legal entities shall exercise the civil rights they possess at their own discretion.

2. The refusal of the citizens and of the legal entities to exercise the civil rights they possess shall not entail the termination of these rights, with the exception of the law-stipulated cases.

Article 10. The Limits of Exercising Civil Rights

1. As not admissible shall be deemed the exercise of civil rights solely for the purpose of inflicting harm upon another person, actions in circumvention of the law for attaining an unlawful aim, as well as any other wittingly unfair exercise of civil rights (the abuse of rights).

Seen as inadmissible shall be the use of civil rights for the purpose of restricting **competition**, as well as the abuse of a **dominating position** in the market.

2. In case of failure to satisfy the requirements stipulated in **Item 1** of this Article, a court of law, arbitration court or arbitration tribunal shall reject a person's claim for the protection of the right held by such in full or in part, subject to the nature and consequences of the abuse made, and shall take other measures provided for by law.

3. Where an abuse of a right manifests itself in carrying out actions in circumvention of the law with an unlawful aim, the effects provided for by **Item 2** of this article shall apply insofar as other effects of such actions are not established by this Code.

4. If an abuse of a right has entailed a violation of another person's right, such person is entitled to claim for repair of the damage caused by it.

5. The fairness of participants in civil law relations and wisdom of their actions shall be presumed.

Article 11. Protection of the Civil Rights in the Court

1. The protection of the civil rights which have been infringed on or contested is the prerogative of a court of law, arbitration court or arbitration tribunal (hereinafter referred to as a court) in accordance with the competence thereof.

2. Protection of the civil rights in the administrative order shall be effected only in the law-stipulated

cases. The decision, adopted administratively, may be disputed in the court.

Article 12. The Ways of Protecting the Civil Rights

The civil rights shall be protected by way of:

- the recognition of the right;
- the restoration of the situation, which existed before the given right was violated, and the suppression of the actions that violate the right or create the threat of its violation;
- the recognition of the disputed deal as invalid and the implementation of the consequences of its invalidity, and the implementation of the consequences of the invalidity of an insignificant deal;
- recognising decisions of meetings as ineffective;
- the recognition as invalid of an act of the state body or local government body;
- the self-defence of the right;
- the ruling on the execution of the duty in kind;
- the compensation of the losses;
- the exaction of the forfeit;
- compensation of the moral damage;
- the termination or the amendment of legal relations;
- the non-application by the court of an act of the state body or local government body, contradicting the law;
- using other law-stipulated methods.

Article 13. Recognition as Invalid of an Act of the State Body or Local Government Body

A non-normative act of the state body or local government body, and also, in the law-stipulated cases, a normative act, which does not correspond to the law or other legal acts and which violates the civil rights and the law-protected interests of the citizen or the legal entity, may be recognized by the court as invalid.

In case the act has been recognized by the court as invalid, the violated right shall be liable to restoration or to protection by other means, stipulated by **Article 12** of the present Code.

Article 14. The Self-Defence of the Civil Rights

The self-defence of the civil rights shall be admissible.

The methods of the self-defence shall be proportionate to the violation and shall not go beyond the limits of actions that are necessary to suppress it.

Article 15. Compensation of the Losses

1. The person, whose right has been violated, shall be entitled to demand the full recovery of the losses inflicted upon him, unless the recovery of losses in a smaller amount has been stipulated by the law or by the agreement.

2. Under the losses shall be understood the expenses, which the person, whose right has been violated, made or will have to make to restore the violated right, the loss or the damage done to his property (the compensatory damage), and also the undeceived profits, which this person would have derived under the ordinary conditions of the civil turnover, if his right were not violated (the missed profit).

If the person, who has violated the right of another person, has derived profits as a result of this, the person, whose right has been violated, shall have the right to claim, alongside with the compensation of his other losses, also the compensation of the missed profit in the amount not less than such profits.

Article 16. Compensation of the Losses Caused by State Bodies and Local Government Bodies

The losses, inflicted upon the citizen or the legal entity as a result of illegal actions (inactions) on the part of state bodies, local government bodies or officials thereof, including the issue by the state body or local government body of an act, which is not in correspondence with the law or another legal act, shall be liable to compensation by the Russian Federation, the corresponding subject of the Russian Federation, or

the municipal entity.

Article 16.1. Repair of Damage Caused by the Lawful Actions of State Bodies and Local Authorities

In the instances and in the procedure which are provided for by law the damage caused to a person or property or to property of a legal entity by the lawful actions of state bodies, local authorities or of officials of these bodies, as well as of other persons to whom the state has delegated authority, is subject to repair.

Subsection 2. The Persons

Chapter 3. The Citizens (Natural Persons)

Article 17. The Legal Capacity of the Citizen

1. The capability to possess the civil rights and to perform duties (the civil legal capacity) shall be recognized as equally due to all the citizens.

2. The citizen's legal capacity shall arise at the moment of his birth and shall cease with his death.

Article 18. The Content of the Citizens' Legal Capacity

The citizens may possess the property by the right of ownership; may inherit and bequeath the property; may engage in business and in any other activities, not prohibited by the law; may set up legal entities - on their own or jointly with other citizens and legal entities; may effect any deals, which are not in contradiction with the law, and take part in obligations; may select the place of residence; may enjoy the rights of the authors of the works of science, literature and art, of inventions and of other law-protected results of the intellectual activity; and may also enjoy other property and personal non-property rights.

Article 19. The Name of the Citizen

1. The citizen shall acquire and exercise the rights and duties under his own name, which includes the surname and the name proper, as well as the patronymic, unless otherwise following from the law or from the national custom.

In the cases and in the order, stipulated by the law, the citizen shall have the right to make use of a pseudonym (an assumed name).

2. The citizen shall have the right to change his name in conformity with the law-stipulated procedure. The citizen's change of the name shall not be the ground for the termination or the change of his rights and duties, which he has acquired under his former name.

The citizen shall be obliged to take the necessary measures to inform his debtors and creditors about the change of his name and shall take the risk of the consequences that may arise in case these persons have no information on the change of his name.

The citizen, who has changed his name, shall have the right to demand that the corresponding changes be introduced, at his own expense, into the documents, formalized in his former name.

3. The name, acquired by the citizen at his birth, as well as the change of his name, shall be liable to registration in conformity with the **procedure**, laid down for the registration of the acts of the civil state.

4. The acquisition of the rights and duties under the name of another person shall not be admitted.

The name of a natural person or the pseudonym thereof may be used by approbation of this person by other persons in their creative, business or other economic activities in the ways that exclude misleading third parties in respect of citizens' identity and abuse of rights in other forms.

5. The harm inflicted upon an individual as a result of violating the right thereof to a name or pseudonym is subject to compensation in compliance with this **Code**.

In the event of the distortion of an individual's name or in the event of using a name in the ways or in a form that touch upon the honour thereof, derogate from an individual or belittle the business reputation

thereof, the individual is entitled to demand refutation and repair of the damage caused to him/her, as well as compensation for moral harm.

Article 20. The Place of the Citizen's Residence

1. The place, where the citizen resides permanently or most of the time, shall be recognised as the place of his residence. An individual who has notified the creditors thereof, as well as other persons, of a different place of residence thereof, shall bear the risks of the consequences caused by it.

2. The place of residence of the young minors, who have not reached 14 years of age, or of the citizens who have been put under the guardianship, shall be recognized as the place of residence of their legal representatives - the parents, the adopters or the guardians.

Article 21. The Active Capacity of the Citizen

1. The capability of the citizen to acquire and exercise by his actions the civil rights, to create for himself the civil duties and to discharge them (the civil active capacity) shall arise in full volume with the citizen's coming of age, i.e., upon his reaching the age of 18 years.

2. In case the law admits the right to enter into a marriage before reaching the age of 18 years, the citizen, who has not reached the law-stipulated age of 18, shall acquire the active capacity in full volume from the moment of his entering into a marriage.

The active capacity, acquired as a result of entering into a marriage, shall be retained in full volume in case the marriage is dissolved before the citizen's reaching the age of 18 years.

In case the marriage is recognized as invalid, the court may pass a decision on the underaged spouse being deprived of the full active capacity from the moment fixed by the court.

Article 22. Inadmissibility of Depriving the Citizen of His Legal and Active Capacity and of the Restriction Thereof

1. No one citizen shall be restricted in his legal and active capacity, with the exception of the cases and in conformity with the procedure, stipulated by the law.

2. The failure to observe the law-stipulated terms and procedure for the restriction of the citizens' active capacity or of their right to engage in business or in any other activity shall entail the invalidation of the act of the state or of another body, which has established the corresponding restriction.

3. The full or the partial renouncement by the citizen of his legal or active capacity, and other deals, aimed at the restriction of his legal or active capacity, shall be insignificant, with the exception of the cases, when such deals are admitted by the law.

Article 23. The Citizen's Business Activity

1. A citizen shall have the right to engage in business activities without forming a legal entity from the moment of the **state registration** as an individual businessman, except for the cases provided for in **paragraph two** of this Item.

With respect to certain kinds of business activities, conditions for the performing by citizens of such activities without state registration as individual businessmen may be provided for in the law.

2. **Abrogated** from March 1, 2013.

3. Toward the citizens' business activities, performed without forming a legal entity, shall be correspondingly applied the rules of the present Code, regulating the activity of the legal entities, which are commercial organisations, unless otherwise following from the law, other legal acts or from the substance of legal relations.

4. The citizen, engaged in business activities without forming a legal entity with the violation of the requirements of Item 1 of the present Article, shall have no right to refer, with respect to the deals he has thus effected, to the fact that he is not a businessman. The court may apply to such deals the rules of the present Code on the obligations, involved in the performance of business activities.

5. Citizens are entitled to exercise productive or other kinds of economic activity in the area of agriculture without forming a legal entity on the basis of an agreement on establishing a peasant's farm made in compliance with the **law** on a peasant's farm.

As the head of a peasant's farm may act a citizen registered as an individual businessman.

Article 24. The Property Responsibility of the Citizen

The citizen shall bear responsibility by his obligations with his entire property, with the exception of that property, upon which, in conformity with the law, no penalty may be inflicted.

The **list** of the citizens' property, onto which no penalty may be imposed, shall be compiled by the civil procedural legislation.

Article 25. Insolvency (Bankruptcy) of an Individual

1. An individual incapable to satisfy claims of creditors on monetary obligations and/or to fulfill the obligation of making compulsory payments can be acknowledged insolvent (bankrupt) by a decision of the arbitration court.

2. The grounds, the procedure and the implications of acknowledgement of an individual insolvent (bankrupt) by the arbitration court, the order of satisfaction of creditors' claims, the procedure for application of the procedures in the insolvency (bankruptcy) case of the individual shall be established by the law regulating insolvency (bankruptcy) issues.

Article 26. The Active Capacity of the Minors of 14-18 Years of Age

1. The minors of from 14 to 18 years of age shall have the right to effect deals, with the exception of those listed in Item 2 of the present Article, upon the written consent of their legal representatives - the parents, the adopters or the trustee.

The deal, effected by such a minor, shall be also valid, if it is subsequently approved in written form by his parents, adopters or trustee.

2. The minors of from 14 to 18 years of age shall have the right independently, without consent of the parents, the adopters or the trustee:

- 1) to dispose of their earnings, student's grant or other incomes;
- 2) to exercise the author's rights to a work of science, literature or art, to an invention or to another law-protected result of their intellectual activity;
- 3) in conformity with the law, to make deposits into the credit organisations and to dispose of these;
- 4) to effect petty everyday deals, and also other deals, stipulated by Item 2 of **Article 28** of the present Code.

On reaching the age of 16 years, the minors shall also acquire the right to be members of cooperatives in conformity with the laws on the cooperatives.

3. The minors of from 14 to 18 years of age shall bear the property responsibility for the deals they effect in conformity with Items 1 and 2 of the present Article. For the inflicted damage, such minors shall bear responsibility in conformity with the present Code.

4. In case there are sufficient grounds, the court, upon the request of the parents, the adopters or the trustee, or of the guardianship and trusteeship body, may restrict the right of the minor of from 14 to 18 years of age to independently dispose of his earnings, student's grant or other incomes, or deprive him of this right, with the exception of the cases, when such a minor has acquired the full active capacity in conformity with **Item 2 of Article 21**, or with **Article 27** of the present Code.

Article 27. Emancipation

1. The minor, who has reached the age of 16 years, may be declared to have the full active capacity, if he works by a labour agreement, including by a contract, or if he engages in business activities upon consent of the parents, the adopters or the trustee.

The minor shall be declared as having acquired the full active capacity (emancipation) by the

decision of the guardianship and trusteeship body - upon the consent of the parents, the adopters or the trustee, or, in the absence of such consent - by the court decision.

2. The parents, the adopters and the trustee shall not bear responsibility for the obligations of an emancipated minor, in particular for those obligations, which have arisen as a result of his inflicting damage.

Article 28. The Active Capacity of the Young Minors

1. Only the parents, the adopters or the guardians shall effect deals on behalf of the minors, who have not reached the age of 14 years (the young minors), with the exception of the deals, pointed out in Item 2 of the present Article.

Toward the deals with his property, effected by the legal representatives of the young minor, shall be applied the rules, stipulated by Items 2 and 3, **Article 37** of the present Code.

2. The minors of from 6 to 14 years of age shall have the right to independently effect:

1) petty everyday deals;

2) the deals, aimed at deriving a free profit, which are not liable to the notary's certification or to the state registration;

3) the deals, involved in the disposal of the means, provided by the legal representative or, upon the latter's consent, by a third party for a definite purpose or for a free disposal.

3. The property responsibility by the young minor's deals, including by the deals he has effected independently, shall be borne by his parents, adopters or guardians, unless they prove that the obligation has been violated not through their fault. These persons, in conformity with the law, shall also be answerable for the damage, caused by the young minors.

Article 29. Recognizing the Citizen as Legally Incapable

1. The citizen who, as a result of a mental derangement, can neither realize the meaning of his actions nor control them, may be recognized by the court as legally incapable in conformity with the procedure, laid down by the **procedural legislation**. In this case, he shall be put under the guardianship.

2. The deals on behalf of the citizen, who has been recognized as legally incapable, shall be effected by his guardian, taking into account such citizen's opinion or, if it is impossible to learn the opinion thereof, subject to the information about his/her preferences received from the parents of such citizen, his/her former guardians or other persons that have rendered services to such citizen and have discharged their duties in good faith.

3. In the event of development of the ability of the person who has been recognised as legally incapable to understand the meaning of his/her actions or to conduct them solely with the help of other persons, a court shall declare such person as having partial legal capacity in compliance with **Item 2 of Article 30** of this Code.

In the event of restoration of the ability of the person who has been recognised as legally incapable to understand the meaning of his/her actions or to conduct them, a court shall declare him/her legally capable.

On the basis of a court decision, the guardianship established in respect of a citizen shall be cancelled and, in the event of declaring the citizen as having partial legal capacity, trusteeship shall be established.

Article 30. Restriction of the Citizen's Active Capacity

1. The active capacity of the citizen, who as a result of his propensity for gambling, abuse of alcohol or drug addiction has plunged his family into a precarious financial position, may be restricted by the court in conformity with the procedure, laid down by the **procedural legislation**. He shall be put under the guardianship.

Such a citizen shall have the right to independently effect petty everyday deals.

He shall have the right to effect other kinds of the deals only upon the consent of his trustee.

Nevertheless, such a citizen shall independently bear property responsibility by the deals he has effected and for the damage he has caused. The trustee shall receive and spend the earnings, pension or other incomes of a citizen who is recognised by court as partially capable in the interests of the person under care in the procedure provided for by **Article 37** of this Code.

2. The legal capacity of a citizen who as a result of his/her mental disorder can understand the meaning of his/her actions or conduct them solely with the help of other persons may be restricted by court in the procedure established by the **civil procedure legislation**. Trusteeship shall be established in respect of him/her.

Such citizen shall carry out transactions, except for those which are provided for by **Subitems 1 and 4 of Item 2 of Article 26** of this Code, by approbation of the trustee thereof in writing. A transaction made by such citizen shall be also deemed valid if the trustee subsequently approves of it in writing. Such citizen is entitled to carry out independently the transactions provided for by Subitems 1 and 4 of Item 2 of Article 26 of this Code.

A citizen whose legal capacity is restricted on the grounds provided for by this item may dispose of the alimony, social pension, compensation for the harm caused to the health thereof and in connection with the death of the breadwinner paid thereto, as well as of other payments provided for the maintenance thereof, except for the payments which are cited in **Subitem 1 of Item 2 of Article 26** of this Code and of which he/she is entitled to dispose of independently. Such citizen has the right to dispose of the cited payments within the time period fixed by the trustee thereof. The disposal of the said payments may be terminated before the expiry of this time period by decision of the trustee thereof.

Where there are sufficient grounds, a court on application of the trustee or of the body in charge of guardianship and trusteeship may restrict such citizen's right to independently dispose of the incomes thereof cited in **Subitem 1 of Item 2 of Article 26** of this Code or to deprive him/her of this right.

A citizen whose legal capacity is restricted as a result of his/her mental disorder shall independently bear the property liability in respect of the transactions made by him/her in compliance with this article. Such citizen shall be held liable for the harm inflicted by him/her in compliance with this Code.

3. If the grounds on which a citizen's legal capacity has been restricted have ceased to exist, a court shall abolish his/her legal capacity's restriction. On the basis of the court decision the trusteeship established in respect of the citizen shall be cancelled.

If the mental condition of a citizen whose legal capacity as a result of a mental disorder has been restricted in compliance with **Item 2** of this article, has changed, a court shall declare him/her legally incapable in compliance with **Article 29** of this Code or cancel the restriction of his/her legal capacity.

Article 31. The Guardianship and the Trusteeship

1. The guardianship and the trusteeship shall be established to protect the rights and interests of the legally incapable or partially capable citizens. The guardianship and the trusteeship over the minors shall also be established for educational purposes. The corresponding rights and duties of the guardians and the trustees shall be defined by the **family legislation**.

2. The guardians and the trustees shall not need being vested with special authority to come out in defence of the rights and interests of their wards in their relations with any other persons, including in the courts.

3. The guardianship and the trusteeship over the minors shall be established in case the minors have no parents and no adopters, in case the parents have been deprived of parental rights by the court, and also in those cases, when such citizens have been without parental custody, in particular when the parents have been shirking their duties, involved in their education or in the protection of their rights and interests.

4. The relationships arising from the establishment, implementation and termination of a custodianship or guardianship and not regulated by the present Code shall be subject to the provisions of the

Federal Law on the Custodianship and Guardianship and other normative legal acts of the Russian Federation adopted in connection with it.

Article 32. The Guardianship

1. The guardianship shall be established over the minors and over the citizens, who have been recognized by the court as legally incapable as a result of a mental derangement.

2. The guardians shall be representatives of their wards by force of the law and shall effect all the necessary deals on their behalf and in their interests.

Article 33. The Trusteeship

1. Trusteeship shall be established over minors aged between 14 and 18, as well as over citizens whose legal capacity has been restricted.

2. Trustees shall give their consent to carrying out the deals which the citizens under their trusteeship have no right to make independently.

The trustees of minor citizens and of those whose legal capacity is restricted as a result of a mental disorder shall render assistance to their wards in the exercise by them of their rights and in the discharge of their duties, and shall protect them from maltreatment on the part of third parties.

Article 34. The Guardianship and Trusteeship Bodies

1. The guardianship and trusteeship bodies shall be the executive bodies of a constituent entity of the Russian Federation. Also local government bodies are deemed bodies of guardianship and tutelage if under a law of a subject of the Russian Federation they have guardianship and tutelage powers in accordance with federal laws.

Issues of the organisation and operation of bodies of guardianship and tutelage in the field of guardianship and tutelage in respect of children without parental custody are defined by the present Code, the **Family Code** of the Russian Federation, **Federal Law** No. 184-FZ of October 6, 1999 on the General Principles of Organisation of the Legislative (Representative) and Executive Governmental Bodies of the Subjects of the Russian Federation, Federal Law No. 131-FZ of October 6, 2003 on the General Principles of Organisation of Local Government in the Russian Federation, other federal laws and laws of subjects of the Russian Federation.

The powers of a body of custodianship and guardianship in respect of a ward shall be vested in the body that has established the custodianship or guardianship. If the ward has changed his/her residence the powers of a body of custodianship and guardianship shall be vested in the body of custodianship and guardianship at the ward's new place of residence in the procedure defined by the Federal Law on Custodianship and Guardianship.

2. The court shall be obliged, within three days from the date of the enforcement of its decision on recognizing the citizen as legally incapable or on restricting his active capacity, to inform about this the guardianship and trusteeship body by the place of this citizen's residence for putting him under the guardianship or the trusteeship.

3. The guardianship and trusteeship body by the place of the wards' residence shall exercise supervision over the activities of their guardians and trustees.

Article 35. The Guardians and the Trustees

1. The guardian or the trustee shall be appointed by the guardianship and trusteeship body by the place of residence of the person in need of guardianship or trusteeship, within the term of one month from the moment, when the said bodies have become aware of the need to establish the guardianship or the trusteeship over the citizen. In case of the existence of the circumstances, worthy of attention, the guardian or the trustee may be appointed by the guardianship and trusteeship body by the place of residence of the

guardian (the trustee). If the guardian or the trustee is not appointed for the person in need of the guardianship or the trusteeship within the term of one month, the execution of the duties of the guardian or the trustee shall be temporarily imposed upon the guardianship and trusteeship body.

The appointment of the guardian or the trustee may be disputed by the interested persons in the court.

2. Only the adult and legally capable citizens shall be appointed as the guardians and the trustees. The citizens, deprived of parental rights, and also the citizens who have a conviction for a deliberate crime against citizens' life or health as of the time of establishment of custodianship or guardianship, shall not be appointed as the guardians and the trustees.

3. The guardian or the trustee shall be appointed only upon his consent. Account shall be taken of his moral and other personal characteristics, his capability to perform the duties of the guardian or the trustee, the relationships, existing between him and the person in need of the guardianship or the trusteeship, and, if possible, also of the wish of the ward.

4. No custodians or guardians shall be appointed for the citizens lacking dispositive capacity or having limited dispositive capacity who have been placed under supervision in educational organisations, medical organisations, social-services organisations or other organisations, including organisations for orphan children and children without parental custody. Responsibility for executing the duties of custodians or guardians is vested in said organisations.

Article 36. Execution of Their Duties by the Guardians and the Trustees

1. The duties, involved in the guardianship and the trusteeship, shall be executed free of charge, with the exception of the law-stipulated cases.

2. The guardians and the trustees of the underaged citizens shall be obliged to live together with their wards. Residing of the trustee apart from their wards, who have reached 16 years of age, shall be admissible only upon the permission of the guardianship and trusteeship body under the condition that this may not have a negative effect on the ward's education and on the protection of his rights and interests.

The guardians and the trustees shall be obliged to inform the guardianship and trusteeship bodies on the change of their place of residence.

3. The guardians and the trustees shall be obliged to take care of the maintenance of their wards, to provide for them all the essential services and medical treatment, and to protect their rights and interests.

The guardians and the trustees shall be obliged to take care of their wards' education.

Guardians and trustees shall take care of the development (restoration) of the ability of a citizen whose legal capacity has been restricted as a result of mental disorder or of the citizen who has been declared legally incapable, to understand the meaning of his/her actions or to conduct them.

Guardians and trustees shall exercise their functions taking into account the opinion of the ward thereof or, where it is impossible to learn this, subject to the information received from the parents and former guardians thereof, as well as from other persons who have rendered services to him/her and have discharged their duties in good faith.

4. The duties, delineated in **Item 3** of the present Article, shall not be imposed upon the guardians and the trustees of the adult citizens, who have been restricted in their active capacity by the court, except for trustees of the citizens whose legal capacity has been restricted by court as a result of a mental disorder.

5. If the grounds, by force of which the citizen was recognized as legally incapable or partially incapable, have ceased to exist, the guardian or the trustee shall be obliged to file a request with the court on his ward to be recognized as legally capable and on recalling the guardianship or the trusteeship, formerly established over him.

If the grounds on which the legal capacity of a citizen who as a result of his/her mental disorder can understand the meaning of his/her actions or conduct them with the help of other persons has been restricted, have changed, the trustee is bound to file with court an application for cancellation of the restriction of legal capacity of the ward or for declaring him/her legally incapable in compliance with **Item 3 of Article 30** of

this Code.

Article 37. Disposal of the Ward's Property

1. The guardian or trustee shall dispose of the ward's incomes, including the incomes which are due to the ward as a result of the disposal of his/her property, except for the income which the ward is entitled to dispose of independently, solely in the ward's interests and by a preliminary approbation of the body responsible for guardianship and trusteeship. The amounts of the alimony, pensions, allowances, compensation for the harm caused to the health thereof and for the harm in connection with the death of breadwinner, as well as other assets paid for the ward's maintenance, except for incomes which the ward is entitled to dispose of independently, are subject to entering onto a separate nominal account to be opened by the guardian or trustee in compliance with **Chapter 45** of this Code and shall be spent by the guardian or trustee without a preliminary authorisation of the body responsible for guardianship and trusteeship. The guardian or trustee shall submit a report on spending the amounts entered onto a separate nominal account in the procedure established by the Federal Law on Guardianship and Trusteeship. The instances when the guardian or trustee are entitled not to submit a report on spending the amounts entered onto a separate nominal account shall be established by the Federal Law on Guardianship and Trusteeship.

2. The guardian shall not have the right to effect, and the trustee - to give his consent to effecting, the deals, involved in the alienation of the ward's property, including in the exchange or making a gift of it, in leasing it out (renting it), in giving it into a gratuitous use or in pawning it, or to effect the deals, entailing the renouncement of the rights possessed by the ward, the division of his property into parts or the apportioning of shares out of it, as well as any other actions which would entail the reduction of the ward's property.

The procedure for managing the property of a ward is defined by the Federal Law on Custodianship and Guardianship.

3. The guardian, the trustee, their spouses and close relations shall have no right to effect any deals with the ward, with the exception of those involved in giving their own property to the ward as a gift or into a gratuitous use, or to substitute the ward in signing the deals or in conducting the court proceedings between the ward and the guardian's or the trustee's spouse and their close relations.

4. The guardian is entitled to dispose of the property of the citizen declared legally incapable relying on the ward's opinion or, where it is impossible to learn this, subject to the information received from the parents and former guardians thereof, as well as from other persons who have rendered services to him/her and have discharged their duties in good faith.

Article 38. Confidential Management of the Ward's Property

1. In case of a need for the permanent management of the ward's realty and valuable movable property, the guardianship and trusteeship body shall sign with the manager, selected by this body, a contract on the confidential management of such property. In this case, the guardian or the trustee shall retain his powers with respect to that property of the ward, which has not been given into the confidential management.

While the manager exerts the legal powers, involved in the management of the ward's property, the rules, stipulated by Items 2 and 3 of **Article 37** of the present Code, shall be extended to his activity.

2. The confidential management of the ward's property shall be terminated on the grounds, stipulated by the law for cancelling the contract on the confidential management of the property, and also in the cases, when the guardianship and the trusteeship are recalled.

Article 39. Relieving and Dismissal the Guardians and the Trustees from the Execution of Their Duties

1. The guardianship and trusteeship body shall relieve the guardian or the trustee of the execution of his duties in case the ward is returned to his parents or is adopted.

When a ward is placed under supervision in an educational organisation, medical organisation,

social-services organisation or another organisation, including an organisation for orphan children and children without parental custody the body of custodianship and guardianship shall relieve the custodian or guardian appointed earlier from their duties, unless it contradicts the interests of the ward.

2. A custodian or guardian may be relieved from his/her duties on their request.

A custodian or guardian may be relieved from his/her duties at the initiative of the body of custodianship and guardianship if contradictions have come into being between the interests of the ward and the interests of the custodian or guardian, for instance on a temporary basis.

3. In case of an improper execution by the guardian or by the trustee of the duties imposed on him, including in the case of his making use of his guardian's or trustee's status in his own selfish interests or of his leaving the ward without the proper supervision and the necessary assistance, the guardianship and trusteeship body shall have the right to dismiss the guardian or the trustee from the execution of these duties and to take the necessary measures for making the guilty citizen answerable in conformity with the law, stipulated liability.

Article 40. Recalling the Guardianship and the Trusteeship

1. The guardianship and the trusteeship over the adult citizens shall be recalled in the cases when the court passes the decision on recognizing the ward as legally capable or on cancelling the restriction of his active capacity upon the petition of the guardian, of the trustee or of the guardianship and trusteeship body.

2. The guardianship over the young minor shall be recalled on his reaching the age of 14 years, and the citizen, who has formerly performed the functions of the young minor's guardian, shall become the minor's trustee without any additional decision made to this effect.

3. The trusteeship over the minor shall be recalled without any special decision upon his reaching the age of 18 years, and also in the case of his entering into a marriage, or in other cases, when he acquires the full active capacity before attaining his majority (**Item 2 of Article 21**, and **Article 27**).

Article 41. Patronage over Adult Citizens Having Dispositive Capacity

1. Patronage may be established over an adult citizen having dispositive capacity who cannot on his/her own exercise and protect his/her rights and execute his/her duties due to the state of his/her health.

2. Within one month after the discovery of an adult citizen having dispositive capacity who cannot on his/her own exercise and protect his/her rights and execute his/her duties the body of custodianship and guardianship shall appoint an aid for him/her. The aid may be appointed on his/her consent in writing and also on the consent in writing of the citizen over whom the patronage is being established. An employee of the organisation responsible for the provision of social services to an adult citizen who has dispositive capacity and is in need for patronage shall not be appointed as aid for the citizen.

3. An aid of an adult citizen who has dispositive capacity shall commit actions in the interests of the citizen who is under patronage, on the basis of an agency contract, contract of trust administration of property or another contract.

4. The body of custodianship and guardianship shall monitor the execution of duties by the aid of the adult citizen who has dispositive capacity and notify the citizen who is under patronage of irregularities committed by his/her aid and deemed ground for rescission of the agency contract, contract of trust administration of property or another contract concluded between them.

5. The patronage over an adult citizen who has dispositive capacity that has been established in accordance with Item 1 of the present article shall be terminated in connection with the termination of the agency contract, contract of trust administration of property or other contract on the grounds set out in a law or the contract.

Article 42. Recognition of the Citizen as Missing for an Unknown Reason

The citizen may be recognized by the court, on the ground of an application, filed by the interested persons, as missing for an unknown reason, if at the place of his residence there is no information on the place of his stay in the course of one year.

If it is impossible to establish the date of receiving the last information on the missing person, the first day of the month, next to that during which the last information on the missing person was received, shall be regarded as the beginning of the term to be calculated for recognizing the fact of the given person to be missing for an unknown reason, and in the case of the impossibility to establish this month - the first day of January of the next year.

Article 43. The Consequences of Recognizing the Citizen as Missing for an Unknown Reason

1. If the property, belonging to the citizen, who has been recognized as missing for an unknown reason, requires a permanent management, it shall be passed, on the grounds of the court decision, to the person, who shall be appointed by the guardianship and trusteeship body and who shall act on the ground of the contract of confidential management, signed with the said body.

Out of this property an allowance shall be paid for the maintenance of the citizens, whom the person, missing for an unknown reason, is obliged to keep, and the debts by other obligations of the said person, missing for an unknown reason, shall be serviced.

2. The guardianship and trusteeship body shall have the right to appoint the manager of the missing citizen's property before the expiry of one year from the date of receiving the last information on the place of his stay.

3. The consequences of recognizing the person as missing for an unknown reason, not stipulated by the present Article, shall be defined by the law.

Article 44. Repeal of the Decision on Recognizing the Person as Missing for an Unknown Reason

In case the citizen, who has been recognized as missing for an unknown reason, turns up, or the place of his stay is discovered, the court shall repeal its decision on recognizing him as missing for an unknown reason. On the grounds of the court's decision, the management of this citizen's property shall be recalled.

Article 45. Declaring the Citizen as Dead

1. The citizen may be declared by the court as dead, if at the place of his residence there has been no information on the place of his stay in the course of five years, and in case he has disappeared under the life-hazardous circumstances, or under such circumstances as give the ground for supposing that he might have perished as a result of a definite accident - if he has been missing in the course of six months.

2. The serviceman or another individual, who has been missing in connection with military operations, shall not be declared by the court as dead until the expiry of two years from the date of the cessation of the military operations.

3. The date of the departure of the citizen, who has been declared as dead, shall be the date of the coming into force of the court decision on declaring him as dead. In the case of declaring as dead the citizen, who has disappeared under the life-hazardous circumstances or under such circumstances as give the ground to suppose that he might have perished as a result of a definite accident, the court may recognize the day of this citizen's supposed perish as the date of his death and to specify the time of his/her supposed perishing.

Article 46. The Consequences of the Turning up of the Citizen, Declared as Dead

1. In the case the citizen, who has been declared as dead, turns up, or the place of his stay is discovered, the court shall cancel its decision on declaring him as dead.

2. Regardless of the time of his turning up, the citizen shall have the right to demand from any person the return of the remaining property, which has been gratuitously passed to that person after the citizen was declared as dead, with the exception of the cases, stipulated by **Item 3 of Article 302** of the present Code.

The persons, to whom the property of the citizen, who has been declared as dead, passed as a result of commercial deals, shall be obliged to return to him this property, in case it has been proved that, while acquiring the property at issue, they were aware that the citizen, declared as dead, is actually alive. If the property at issue cannot be returned in kind, its cost shall be recompensed.

Article 47. Registration of the Civil State Acts

1. The following civil state acts shall be liable to the state registration:

- 1) the birth;
- 2) entering into a marriage;
- 3) the dissolution of the marriage;
- 4) the adoption;
- 5) the establishment of the paternity;
- 6) the change of the name;
- 7) the death of the citizen.

2. The registration of the civil state acts shall be effected by the civil registration bodies by making the corresponding entries into the Civil Registers (Civil Acts Books) and by issuing certificates to the citizens on the grounds of these entries.

3. The civil state acts shall be corrected and amended by the civil registration bodies in case there are sufficient grounds for effecting this and there is no dispute between the interested persons.

If there is a dispute between the interested persons, or if the civil registration body refuses to correct or to amend the entry, the dispute shall be resolved by the court.

The entries on the civil state acts shall be annulled or restored by the civil registration body on the ground of the court decision.

4. The bodies, performing the registration of the civil state acts, the procedure for registering these acts, the order of the restoration and annulment of the entries of the civil state acts, the forms for the civil acts books and for the certificates, as well as the procedure for and the term of the keeping of the civil acts books shall be defined by the Law on the Civil State Acts.

Chapter 4. Legal Entities

§ 1. The Basic Provisions

Article 48. The Concept of a Legal Entity

1. A legal entity is an organisation that has separate property and is liable with it for its obligations, may in its own name acquire and exercise civil rights and bear civil liabilities and may sue and be sued in a court of law.

2. A legal entity shall be registered in the unified state register of legal entities in one of the organisational legal forms envisaged by this **Code**.

3. Legal entities in respect of whose property their founders have a right in rem are state and municipal unitary enterprises and also institutions.

Legal entities in respect of which their participants have corporate rights are corporate organisations (**Article 65.1**).

4. The legal status of the Central Bank of the Russian Federation (Bank of Russia) is defined by the **Constitution** of the Russian Federation and the law on the Central Bank of the Russia Federation.

Article 49. The Legal Capacity of the Legal Entity

1. The legal entity shall enjoy the civil rights that correspond to the goals of its activity, stipulated in its constituent document (**Article 52**), and shall discharge the duties related to this activity.

The commercial organisations, with the exception of the unitary enterprises and other law-stipulated organisations, shall possess the civil rights and discharge the civil duties, indispensable for the performance of any kinds of activity that are not prohibited by the law.

In the cases envisaged by a law the legal entity may pursue certain types of activity only if there is a special permit (licence), membership in a self-regulating organisation or a certificate of clearance to pursue a

certain type of work issued by a self-regulating organisation.

2. The legal entity may be restricted in its rights only in the cases and in conformity with the procedure, stipulated by the law. The decision on the restriction of its rights may be disputed by the legal entity in the court.

3. The legal capacity of a legal entity comes into being as of the time when information about its formation is entered in the unified state register of legal entities and is terminated as of the time when information about its termination is entered in said register.

The right of a legal entity to pursue an activity which requires for its pursuance a special permit (licence), membership in a self-regulating organisation or a certificate of clearance to pursue a certain type of work issued by a self-regulating organisation comes into being as of the time when such permit (licence) is received or at the time indicated therein or as of the time when the legal entity joins the self-regulating organisation or as of the time of issuance of the certificate of clearance to pursue the certain type of work by the self-regulating organisation, and is terminated at the termination of the permit (licence), membership in the self-regulating organisation or of the certificate of clearance to pursue the certain type of work issued by the self-regulating organisation.

4. The civil-law status of legal entities and the procedure for their participation in civil-law circulation (**Article 2**) are regulated by the present Code. The details of the civil-law status of legal entities of the various organisational legal forms, kinds and types and also of the legal entities which are formed to pursue activities in specific spheres shall be defined by the present Code, other laws and other legal acts.

5. The legal entities formed by the Russian Federation under special **federal laws** shall be subject to the provisions of this Code on legal entities as far as otherwise not envisaged by the special federal law on the relevant legal entity.

Article 50. Commercial and Non-Profit Organisations

1. The legal entities may be either the organisations, which see deriving profits as the chief goal of their activity (the commercial organisations), or those organisations, which do not see deriving profits as such a goal and which do not distribute the derived profit among their participants (the non-profit organisations).

2. The legal entities being commercial organisations may be formed in the organisational legal forms of business partnership and association, **peasant's (farmer's) farm, business partnership, production cooperative, state and municipal unitary enterprise**.

3. The legal entities not being non-profit organisations may be formed in the organisational legal forms of:

1) consumer cooperatives, which include, inter alia, housing, housing-construction and garage cooperatives, mutual insurance societies, credit cooperatives, hire funds, agricultural consumer cooperatives;

2) public organisations which include, inter alia, political parties and trade unions (trade union organisations) formed as legal entities, public governed activity bodies, territorial public governing entities;

2.1) public movements;

3) associations (unions) which include, inter alia, non-profit partnerships, self-regulating organisations, associations of employers, associations of trade unions, of cooperatives and of public organisations, industry and commerce chambers;

4) associations of owners of immovable property which include, inter alia, associations of owners of dwelling, gardening or truck-farming non-profit partnerships;

5) the Cossack associations included in the state register of Cossack associations in the Russian Federation;

- 6) communities of the indigenous small-numbered peoples of the Russian Federation;
- 7) socially useful funds, including, inter alia, social and charitable funds, as well as personal funds;
- 8) institutions which include state institutions (for instance state academies of sciences), municipal institutions and private (including inter alia public) institutions;
- 9) autonomous non-profit organisations;
- 10) religious organisations;
- 11) **public-law companies**;
- 12) barristers/solicitors' chambers;
- 13) barristers/solicitors formations (which are legal entities).
- 14) state corporations.
- 15) notarial chambers.

4. The creation of the alliances of the commercial and (or) the non-profit organisations in the form of associations and unions shall be admissible.

5. A non-profit organisation whose charter envisages the pursuance of income-yielding activities, except for a state-property and a private institution shall have property that is sufficient for pursuing such activities and has a market value of at least the minimum amount of the charter capital envisaged for limited liability companies (**Item 1 of Article 66.2**).

6. The rules of the present Code are not applicable to the relationships whereby non-profit organisations carry out their main activity and also to other relations with their participation which are not subject matter of the civil legislation (**Article 2**), except as otherwise envisaged by a law or the charter of the non-profit organisation.

Article 50.1. A Decision on Founding a Legal Entity

1. A legal entity may be founded under a decision of a founder (founders) on founding a legal entity.

2. If the legal entity is founded by one person a decision on founding it shall be taken by the founder alone.

If the legal entity is founded by two or more founders said decision shall be taken by all the founders unanimously.

3. The decision on founding the legal entity shall comprise information on the foundation of the legal entity, the confirmation of this charter, and, where it is provided for by **Item 2 of Article 52** of this Code, the one to the effect that a legal entity acts on the basis of the model charter thereof endorsed by an authorized state body on the procedure, amount, methods of, and the term for, the formation of the legal entity's property, and on the election (appointment) of bodies of the legal entity.

Also a decision on founding a corporate legal entity (**Article 65.1**) shall comprise information on the results of voting by the founders on issues of foundation of the legal entity, on the procedure for the founders' joint activities whereby the legal entity is formed.

Also other information envisaged by a law shall be included in the decision on founding the legal entity.

4. If a hereditary fund is created, the decision on instituting the hereditary fund shall be taken by a citizen when he compiles the will and shall contain information on instituting the hereditary fund after this citizen's death, on the approval by this citizen of the Rules of the hereditary fund and the terms for its management, on the procedure, the size, the methods and the time terms for formation of the property of the hereditary fund, on the persons appointed into the composition of the hereditary fund's bodies or the procedure for identifying such persons.

After the citizen's death the notary maintaining the inheritance case shall send an application for state registration of the hereditary fund to the authorised government body pointing out the name or the designation of the person (of the persons) implementing the powers of the one-man executive body of the fund.

Article 51. The State Registration of Legal Entities

1. A legal entity is subject to state registration with the authorised state body in the procedure envisaged by a law on the state registration of legal entities.

2. State registration data shall be included in a unified state register of legal entities open for the general public.

A person who in good faith relies on the data of the unified state register of legal entities is entitled to act on the premise that the data correspond to real circumstances. In relations with a person that has acted on the premise that the data of the unified state register of legal entities a legal entity is not entitled to refer to details that have not been included in the said register or to the non-reliability of the information contained therein, except cases when relevant data have been included in the said register as a result of unlawful actions of third parties or otherwise in spite of the legal entity's will.

A legal entity shall compensate for the losses caused to other participants in civil law transactions due to default on provision of, untimely provision of information, or the provision of unreliable information about it to the unified state register of legal entities.

3. Before the state registration of a legal entity, amendments to the charter thereof or before the inclusion of other data not relating to the modification of the charter in the unified state register of legal entities, the authorised state body shall verify in the procedure and within the term envisaged by law the reliability of the information included in the said register.

4. In the cases and the procedure envisaged by a **law** on the state registration of legal entities the authorised state body shall inform in advance the persons concerned of the planned state registration of amendments to the charter of the legal entity and the planned inclusion of data in the unified state register of legal entities.

The persons concerned are entitled to send objections to the planned state registration of amendments to the charter of the legal entity or the planned inclusion of data in the unified state register of legal entities in the procedure envisaged by the **law** on the state registration of legal entities. The authorised state body shall consider these objections and take a relevant decision in the procedure and within the term envisaged by the law on the state registration of legal entities.

5. Refusal to grant state registration to a legal entity and also to include information about it in the unified state register of legal entities is admissible only in the cases envisaged by the **law** on the state registration of legal entities.

Refusal to grant state registration to a legal entity and evasion of such registration may be contested in court.

6. The state registration of a legal entity may be deemed invalid by a court due to a clear violation of a law committed when it was formed if such irregularity is irreparable.

The inclusion of information about a legal entity in the unified state register of legal entities may be contested in court, if such information is unreliable or has been included in the said register in breach of a law.

7. The losses caused by an illegal refusal to grant state registration to a legal entity or evasion of state registration, the inclusion of unreliable information about a legal entity in the unified state register of legal entities or the breach of the state registration procedure envisaged by the **law** on the state registration of legal entities through the fault of the authorised state body are subject to compensation at the expense of the treasury of the Russian Federation.

8. A legal entity shall be deemed formed, and data concerning the legal entity shall be deemed included in the unified state register of legal entities as of the day on which the relevant entry is made in that register.

Article 52. The Constitutive Documents of Legal Entities

1. Legal entities, save business companies and state corporations, shall act under charters which are endorsed by their founders (participants), except as provided for by **Item 2** of this article.

A business partnership shall operate under a constitutive agreement concluded by its founders (participants) and which is subject to the rules of the present Code on the charter of a legal entity.

A state corporation shall operate under the federal law on such state corporation.

2. Legal entities may act on the basis of the model charter endorsed by an authorized state body. Data to the effect that a legal entity acts on the basis of the model charter endorsed by an authorized state body shall be cited in the unified state register of legal entities.

The model charter endorsed by an authorized state body shall not contain data on the denomination, firm's name, location and amount of the authorised capital of a legal entity. Such data shall be cited in the unified state register of legal entities.

3. In the cases envisaged by a law an institution may operate under a uniform model charter endorsed by its founder or the body empowered by him for institutions formed to pursue activities in specific spheres.

4. The charter of a legal entity endorsed by the founders (participants) thereof shall comprise information on the name of the legal entity, its organisational legal form, its location, the procedure for managing the activities of the legal entity and also other information envisaged by a law for legal entities of the relevant organisational legal form and kind. The charters of non-profit organisations, the charters of unitary enterprises and in the cases envisaged by a law the charters of other commercial organisations shall define the subject matter and objectives of the legal entities' activities. The subject matter and the defined objectives of the activities of a commercial organisation may be envisaged in the charter also in cases when under law it is not to be compulsorily done.

5. The founders (participants) of a legal entity, and in cases provided for by law, also bodies of a legal entity (**Item 1 of article 53**) shall be entitled to approve regulating corporate relations (**Item 1 of article 2**), as well as internal regulations and other internal documents of a legal entity that are not constituent documents.

The in-house regulations and other in-house documents of a legal person may comprise provisions that do not contravene the constitutive document of the legal entity.

6. The amendments that have been made to the constitutive documents of legal entities shall become binding on third parties from the time of **state registration** of the constitutive documents, and in the cases established by a law, from the time of notification of the body responsible for state registration of such amendments. However, the legal entities and their founders (participants) are not entitled to refer to the lack of registration of such amendments in relations with third parties which have been acting with account being taken of such amendments.

Article 53. The Legal Entity's Bodies

1. A legal entity shall acquire civil rights and accept civil liabilities via its bodies operating in accordance with the law, other legal acts and the authorising document.

The procedure for formation and scope of authorities of the bodies of a legal entity shall be determined by this Code, another law and a constituent document, unless otherwise provided by this Code or another law.

A provision may be included in the constitutive document according to which the power to act in the name of the legal entity is granted to several persons who act jointly or separately from each other. Information about it shall be included in the unified state register of legal entities.

2. In the cases stipulated by the present Code, the legal entity shall have the right to acquire the civil rights and to assume upon itself the civil duties through its participants.

3. A person who by virtue of a law or another legal act or the constitutive document of the legal entity is empowered to act in its name shall act in the interests of the legal entity he represents in a bona fide and reasonable manner. The same duty shall be executed by the members of the collective bodies of the legal entity (the supervisory or another board, the governing board, etc.).

4. Relationships between the legal entity and the persons who sit on its bodies are regulated by the present Code and the laws on legal entities adopted pursuant thereto.

Article 53.1. The Liabilities of the Person Empowered to Act in the Name of a Legal Entity, of the Members of the Collective Bodies of the Legal Entity and of the Persons Which Determine

the Legal Entity's Actions

1. The person which by virtue of a law or another legal act or the constitutive document of a legal entity is empowered to act in its name (**Item 3 of Article 53**) shall compensate on a demand of the legal entity or its founders (participants) acting in the interests of the legal person for the losses caused through his fault to the legal entity.

The person which by virtue of a law or another legal act or the constitutive document of the legal entity is empowered to act in its name shall bear liability, if it is proven that while exercising his rights and executing his duties he acted in a non-bona fide or reasonable manner, for instance if his actions (omissions) did not correspond to the ordinary civil circulation terms or the ordinary entrepreneurial risk.

2. The liability envisaged by **Item 1** of the present article shall also be borne by the members of the legal entity's collective bodies, except for those of them who have voted against the decision that has caused the infliction of losses to the legal entity or who while acting in a bona fide manner did not participate in the voting.

3. The person that actually has the possibility of determining the actions of the legal entity, for instance the possibility of issuing directions to the persons mentioned in **Items 1 and 2** of the present article shall act in the interests of the legal entity in reasonable and bona fide manner and bear liability for the losses caused through his fault to the legal entity.

4. In the event of joint infliction of losses to the legal entity the persons specified in **Items 1 - 3** of the present article shall compensate for the losses jointly and severally.

5. An agreement on elimination or restriction of the liability of the persons which are mentioned in **Items 1 and 2** of the present article for the commission of non-bona fide actions, or in a public-law company for the commission of non-bona fide and non-reasonable actions (**Item 3 of Article 53**) is null and void.

An agreement on elimination or restriction of the liability of the person that is mentioned in **Item 3** of the present article is null and void.

Article 53.2. Being Affiliated

In cases when the present Code or another law makes the onset of legal consequences dependent on the availability of the relationship of being tied-up (affiliated) between persons then the availability or lack of such relationships shall be determined in accordance with a law.

Article 54. The Name, Location and Address of a Legal Entity

1. A legal entity has its name that contains reference to an organisational legal form or, when the possibility of establishing a kind of a legal entity is provided for by law, solely an indication of such kind. The name of a non-profit organisation, and in the cases envisaged by a **law**, the name of a commercial organisation shall comprise reference to the nature of the legal entity's activity.

It is admissible that the name of a legal entity includes the official name "the Russian Federation" or "Russia" and also the words derivatives from that name in the cases envisaged by a law, decrees of the President of the Russian Federation or acts of the Government of the Russian Federation or under a permit issued in the **procedure** established by the Government of the Russian Federation.

The full or abbreviated names of federal executive power bodies shall not be used in the names of legal entities, except for the cases envisaged by a law, decrees of the President of the Russian Federation or acts of the Government of the Russian Federation.

Normative legal acts of subjects of the Russian Federation may establish a procedure for using the official names of the subjects of the Russian Federation in the names of legal entities.

2. The location of a legal entity is defined by the place of its state registration on the territory of the Russian Federation by referring to the name of an inhabited locality (municipal formation). The state registration of a legal entity shall be effectuated at the location of its permanent executive body, or if there is no permanent executive body, of another body or individual empowered to act in the name of the legal entity by virtue of a law, another legal act or the constitutive document, if not otherwise established by the **law** on the state registration of legal entities.

3. The address of the legal entity shall be stated in the unified state register of legal entities within the limits of the legal entity's location.

A legal entity shall run the risk of the consequences of non-receiving of legally-significant messages (**Article 165.1**) delivered to the address written in the unified state register of legal entities, and also the risk of absence of its body or representative at said address. The messages delivered to the address stated in the unified state register of legal entities shall be deemed received by the legal entity, even if it is not located at said address.

If a foreign legal entity has a representative on the territory of the Russian Federation the messages delivered to the address of such representative shall be deemed received by the foreign legal entity.

4. A legal entity being a commercial organisation shall have a company name.

The provisions applicable to the company name are established by the present Code and other laws. Rights to the company name are defined in accordance with the rules of **Section VII** of the present Code.

5. A description, company name and location of a legal entity shall be stated in its constitutive document and in the unified state register of legal entities or, if a legal entity acts on the basis of the model charter endorsed by an authorised state body, solely in the unified state register of legal entities.

Article 55. Representative Offices and Branches of a Legal Entity

1. The representation shall be a set-apart subdivision of the legal entity, situated outside its location, which represents and protects the legal entity's interests.

2. The subsidiary shall be the legal entity's set-apart subdivision, situated outside its location and performing all its functions or a part thereof, including the functions of representation.

3. The representations and the subsidiaries shall not be legal entities. They shall be given the property of the legal entity, by which they have been set up, and shall operate in conformity with the provisions it has approved.

The managers of the representations and the subsidiaries shall be appointed by the legal entity and shall act on the ground of its warrant.

Representative offices and branches shall be mentioned in the unified state register of legal entities.

Article 56. The Liability of a Legal Entity

1. A legal entity is liable for its obligations with all the property belonging thereto.

The details of liability of a state-property enterprise and institution for its obligations are defined by the rules of **Paragraph 3 of Item 6 of Article 113, Item 3 of Article 123.21, Items 3 - 6 of Article 123.22 and Item 2 of Article 123.23** of the present Code. The details of liability of a religious organisation are defined by the rules of **Item 2 of Article 123.28** of the present Code.

2. The founder (participant) of a legal entity or the owner of its property is not liable for the obligations of the legal entity, and the legal entity is not liable for the obligations of the founder (participant) or the owner, except for the cases envisaged by the present Code or another law.

Article 57. Reorganisation of the Legal Entity

1. The re-organisation of a legal entity (merger, accession, division, separation, transformation) may be carried out by a decision of its founders (participants) or the legal entity's body that is empowered to do so by the constitutive document.

It is admissible that a legal entity is re-organised with the various forms of re-organisation envisaged by **Paragraph 1** of the present item being simultaneously combined.

The re-organisation with the participation of two or more legal entities, for instance those formed in different organisational legal forms, is admissible if the present Code or another law envisages the possibility of transformation of a legal entity of one of such organisational legal forms into a legal entity of the other of these organisational legal forms.

Restrictions may be established by a law on the re-organisation of legal entities.

The details of re-organisation of credit, insurance, clearing organisations, specialised financial

associations, specialised project financing associations, professional participants in the securities market, joint stock investment funds, the managing companies of investment funds, of unit investment trusts and of non-state pension funds, non-state pension funds and other non-credit financial organisations and joint stock companies of employees (people's enterprises) shall be defined by the laws regulating the activities of such organisations.

2. In the law-stipulated cases, the reorganisation of the legal entity in the form of its division or of the branching off from its structure of one or of several legal entities, shall be effected by the decision of the authorized state bodies or by the court decision.

Unless the founders (participants) of the legal entity, the body empowered by them or the legal entity's body empowered to carry out re-organisation by its constitutive document complete the re-organisation of the legal entity within the term defined in the decision of the empowered state body then a court on a complaint of said state body shall appoint in the procedure established by a law a qualified receiver of the legal entity and shall order him to carry out the re-organisation of the legal entity. From the time of appointment of the qualified receiver he acquires the powers to manage the affairs of the legal person. The qualified receiver shall act in the name of the legal entity in a court, draw up a deed of transfer and hand it over to the court to be considered together with the constitutive documents of the legal entities formed as a result of the re-organisation. The court decision on endorsement of said document shall serve as grounds for state registration of the newly formed legal entities.

3. In the law-stipulated cases, the reorganisation of the legal entities in the form of the merger, affiliation or transformation shall be effected only upon the consent of the authorized state bodies.

4. The legal entity shall be regarded as reorganised, with the exception of the cases of reorganisation in the form of affiliation, from the moment of the state registration of the legal entities formed as a result of the re-organisation.

In case of the reorganisation of the legal entity in the form of another legal entity's affiliation to it, the former shall be regarded as reorganised from the moment of making an entry about the cessation of activity of the legal entity, affiliated to it, into the State Register of the Legal Entities.

The state registration of the legal entity formed as a result of the re-organisation (if several legal entities are registered, of the first in terms of time of state registration) is not admissible before the expiry of the relevant term for taking appeal from the decision on re-organisation (**Item 1 of Article 60.1**).

Article 58. Legal Succession in the Reorganisation of Legal Entities

1. In case of the merger of the legal entities, the rights and duties of every one of them shall pass to the newly emerged legal entity.

2. In case of the legal entity's affiliation to another legal entity, the rights and duties of the former legal entity shall pass to the latter legal entity.

3. In case of the division of the legal entity, its rights and duties shall pass to the newly emerged legal entities in conformity with the deed of transfer.

4. In case of the branching off from the structure of the legal entity of one or of several legal entities, the rights and duties of the reorganised legal entity shall pass to every one of these in conformity with deed of transfer.

5. In the event of transformation of a legal entity of one organisational legal form into a legal entity of another organisational legal form, the rights and duties of the re-organised legal entity in respect of other persons shall not change, except for the rights and duties in respect of the founders (participants) whose change is due to re-organisation.

The rules of **Article 60** of the present Code are not applicable to the relationships that come into being when a legal person is re-organised in the form of transformation.

Article 59. The Deed of Transfer

1. A deed of transfer shall comprise provisions on legal succession in respect of all the obligations of the re-organised legal entity concerning all its creditors and debtors, including the obligations disputed by the parties, and also a procedure for defining legal succession in connection with the change of the kind, composition and value of property, the occurrence, modification and termination of the rights and duties of the re-organised legal entity which can take place after the date as of which the deed of transfer is drawn up.

2. The deed of transfer shall be endorsed by the founders (participants) of the legal entity or by the body that has taken the decision on re-organisation of the legal entity and be submitted together with the constitutive documents for state registration of the legal entities formed as a result of the re-organisation or for making amendments to the constitutive documents of the existing legal entities.

Default on submission of a deed of transfer together with the constitutive documents, the lack therein of provisions on legal succession in respect of all the obligations of the re-organised legal person shall entail refusal to grant state registration to the legal entities formed as a result of the re-organisation.

Article 60. Guarantees of the Rights of the Creditors of a Re-Organised Legal Entity

1. Within three working days after the date of a decision on re-organisation of a legal entity it shall notify **in writing** the empowered state body that carries out the state registration of legal entities of the commencement of the procedure of re-organisation and indicate the form of the re-organisation. If two or more legal entities are involved in the re-organisation such notice shall be sent by the legal entity that was the last to take a decision on re-organisation or that is designated by the decision on re-organisation. On the basis of such notice the empowered state body that carries out the state registration of legal entities shall make an entry in the unified state register of legal entities to the effect that the legal entities are under re-organisation.

After the entry on the procedure of re-organisation is made in the unified state register of legal entities the re-organised legal person shall publish a notice of its re-organisation twice once a month in the **mass media** which are used to publish information on the state registration of legal entities. If two or more legal entities are involved in the re-organisation a **notice** of re-organisation shall be published in the name of all the legal entities involved in the re-organisation by the legal entity that was the last to take a decision on re-organisation or that is designated in the decision on re-organisation. The notice of reorganisation shall include information about each of the legal entities which are involved in the re-organisation, are formed or continue activities as a result of the re-organisation, the form of the re-organisation, a description of the procedure and terms for creditors to state their claims and other information envisaged by a law.

A law may envisage the duty of a re-organised legal entity to notify creditors in writing of its re-organisation.

2. A creditor of the legal entity -- if his rights had occurred before the publication of the first notice of re-organisation of the legal entity -- has the right to claim in a judicial procedure early performance of the relevant obligation by the debtor, or if early performance is impossible, termination of the obligation and compensation for the losses due thereto, except for the cases established by a law or an agreement of the creditor with the re-organised legal entity.

Claims for early performance of an obligation or termination of an obligation and compensation for losses may be filed by creditors within 30 days after the date of publication of the last notice of re-organisation of the legal entity.

The right envisaged by **Paragraph 1** of the present item is not granted to a creditor that already has sufficient security.

The claims filed within said term shall be satisfied before the completion of the re-organisation procedure, for instance by placing a debt on deposit, in the cases envisaged by **Article 327** of the present Code.

A creditor is not entitled to claim early performance of an obligation or termination of an obligation and compensation for losses if within 30 days after the date when the creditor filed the claims security is

provided thereto that is deemed sufficient in accordance with **Item 4** of the present article.

Creditors' filing claims under the present item shall not serve as ground for suspension of the procedure of re-organisation of the legal person.

3. If a creditor that has claimed in keeping with the rules of the present article early performance of an obligation or termination of an obligation and compensation for losses has not been provided with such performance and compensation for losses and has not been offered sufficient security for the performance of the obligation, then joint liability to the creditor shall be borne by the following in addition to the legal entities formed as a result of the re-organisation: the persons having an actual opportunity for determining the actions of the re-organised legal entities (**Item 3 of Article 53.1**), the members of their collective bodies and the person empowered to act in the name of the re-organised legal entity (**Item 3 of Article 53**), if by their actions (omissions) that have promoted the onset of said consequences for the creditor, and in the event of re-organisation in the form of separation, joint liability to the creditor shall be also borne by the re-organised legal entity in addition to said persons.

4. Security offered to the creditor for performance of the obligations of the re-organised legal entity or for compensating the losses relating to the termination thereof shall be deemed sufficient if:

1) the creditor has agreed to accept such security;

2) an independent irrevocable guarantee has been issued to the creditor by a credit organisation whose ability to pay causes no substantiated doubts, the effective term thereof exceeding by at least three months the maturity of the secured obligation, and with the condition of payment when the creditor presents claims to the guarantor together with evidence of default on performing the obligation of the legal entity that is being re-organised or has been re-organised.

5. If the deed of transfer does not allow the identification of a successor in respect of the legal entity's obligation and also if according to the deed of transfer or other circumstances the assets and liabilities of the re-organised legal entities have been distributed in a non-bona fide manner as having lead to a substantial infringement on the interests of creditors the re-organised legal entity and the legal entities formed as a result of the re-organisation shall bear joint liability for such obligation.

Article 60.1. The Consequences of Deeming as Invalid a Decision on Re-Organisation of a Legal Entity

1. A decision on re-organisation of a legal entity may be deemed invalid on a demand of the participants in the re-organised legal entity and also other persons not being participants in the legal entity, if such right has been granted to them by a law.

Said demand may be submitted to a court within three months after an entry is made in the unified state register of legal entities on the commencement of a re-organisation procedure, except as another term is established by a law.

2. The court's deeming invalid the decision on re-organisation of the legal entity shall not entail liquidation of the legal entity that has been formed as a result of the legal entity's re-organisation and also shall not serve as ground for deeming invalid the transactions that have been concluded by such legal entity.

3. If a decision on re-organisation of a legal entity is deemed invalid before the end of re-organisation, if the state registration has been completed in respect of a part of the legal entities which are to be formed as a result of the re-organisation, then legal succession shall become effective only in respect of such registered legal entities, and in as much as the rest is concerned the rights and duties shall be retained by the preceding legal entities.

4. The persons which in a non-bona fide manner have promoted the taking of the decision on re-organisation that has been deemed invalid by a court shall jointly and severally compensate for losses to a participant in the re-organised legal entity which voted against the taking of the decision on re-organisation or did not take part in voting, and also to the creditors of the re-organised legal entity. Joint liability together with these persons which in a non-bona fide manner have promoted the taking of the decision on re-organisation shall be borne by the legal entities formed as a result of the re-organisation under said decision.

If the decision on re-organisation of the legal entity was taken by a collective body then joint liability is vested in the members of that body who have voted for the taking of the relevant decision.

Article 60.2. Deeming the Re-Organisation of a Corporation as Not Having Taken Place

1. On a demand of a participant in a corporation that has voted against the taking of a decision on re-organisation of that corporation or has not participated in voting on that issue the court may deem the re-organisation as not having taken place in cases when a decision on re-organisation has not been taken by the participants in the re-organised corporation, and also if the documents filed for the purposes of state registration of the legal entities formed by means of the re-organisation contained knowingly unreliable information on the re-organisation.

2. A court's decision on deeming a re-organisation as not having taken place shall entail the following legal consequences:

1) the legal entities which had existed before the re-organisation are reinstated with simultaneous termination of the legal entities which have been formed as a result of the re-organisation, with entries being made accordingly in the unified state register of legal entities;

2) the transactions of the legal entities which have been formed as a result of the re-organisation with the persons which relied in a bona fide manner on legal succession shall remain effective for the re-established legal entities which are joint debtors and joint creditors in such transactions;

3) the transfer of rights and duties shall be deemed as not having taken place, and in this case the delivery (of payments, services etc.), which has taken place for the benefit of a legal entity formed as a result of the re-organisation by debtors relied in a bona fide manner on legal succession on the side of the creditor, shall be deemed as taken place for the benefit of the right holder. If the property (assets) of one of the legal entities involved in the re-organisation has been used to perform the duties of another of them which have been transferred to a legal entity formed as a result of the re-organisation then the relationships of said persons are subject to the rules concerning the obligations due to unfounded enrichment (**Chapter 60**). The disbursements that have taken place may be disputed by an application of the person whose resources have been used to effectuate them, if the recipient of the delivery knew or had to know about the illegal nature of the re-organisation;

4) the participants in the legal entity that had existed earlier shall be deemed the holders of stakes in that in the amounts they had before the re-organisation, and in the event of change of participants in the legal entity in the course of such re-organisation or upon the completion thereof the stakes of the participants in the legal entity that had existed earlier shall be returned to them according to the rules envisaged by **Item 3 of Article 65.2** of the present Code.

Article 61. Liquidation of a Legal Entity

1. The liquidation of a legal entity shall entail the termination thereof without the transfer of rights and duties in the procedure of universal legal succession to other persons.

2. A legal entity shall be liquidated by a decision of its founders (participants) or the legal entity's body empowered to do so by the constitutive document, for instance in connection with the expiry of the term for which the legal entity has been formed, with the attainment of the objective for which it has been formed.

3. A legal entity shall be liquidated by a court decision:

1) when it is sued by a state body or a local government body to which the right of filing a claim for liquidation of a legal entity is granted by a law, if the state registration of the legal entity is deemed invalid, for instance in connection with a gross violation of a law committed at the formation thereof, if these irregularities are irreparable;

2) when it is sued by a state body or local government body to which the right of filing a claim for liquidation of a legal entity is granted by a law, if the legal entity has been pursuing activities without a proper permission (licence) or has had no mandatory membership in a self-regulating organisation or no certificate required by virtue of a law of clearance to pursue a certain type of work issued by a self-regulating

organisation;

3) when it is sued by a state body or local government body to which the right of filing a claim for liquidation of a legal entity is granted by a law, if the legal entity has been pursuing activities prohibited by a law or in breach of the **Constitution** of the Russian Federation or with repeated or gross violation of a law or of other legal acts;

4) when it is sued by a state body or local government body to which the right of filing a claim for liquidation of a legal entity is granted by a law, if the public organisation or public movement, charitable and another fund or religious organisation has been regularly pursuing activities contravening the objectives of such organisations written in their charters;

5) when it is sued by a founder (participant) of the legal entity, in the event of impossibility of attaining the objectives for the sake of which it has been formed, for instance in cases when the pursuance of the legal entity's activities becomes impossible or is substantially impeded;

6) in **other cases** envisaged by a law.

4. From the time when a decision on liquidation of a legal entity is taken the due date for performance of its obligations owing creditors shall be deemed to have come.

5. The court's decision on liquidation of the legal entity may vest the duty to carry out the liquidation of the legal entity in the founders (participants) thereof or in the body empowered to liquidate the legal person according to its constitutive document. Default on performance under the court's decision shall be deemed a ground for liquidation of the legal entity by a qualified receiver (**Item 5 of Article 62**) with the property of the legal entity. If the legal entity's resources are insufficient for the expenses required for its liquidation these expenses shall be jointly and severally borne by the founders (participants) of the legal entity (**Item 2 of Article 62**).

6. Legal entities, except for the legal entities envisaged by **Article 65** of the present Code, may be deemed unable to pay (bankrupt) by a court's decision and be liquidated in the cases and in the procedure envisaged by the **legislation** on insolvency (bankruptcy).

The general rules for liquidation of legal entities contained in the present Code are applicable to the liquidation of a legal person in liquidation proceedings, unless other rules are established by the present Code or the **legislation** on insolvency (bankruptcy).

Article 62. The Duties of the Persons Who Have Taken a Decision on Liquidation of a Legal Entity

1. The founders (participants) of a legal entity or the body that have taken a decision on liquidation of the legal entity shall **inform** in writing about it within three working days after the date of the decision the empowered state body carrying out the state registration of legal entities so that an entry be made in the unified state register of legal entities to the effect that the legal entity is under liquidation, and shall also publish information in the procedure established by a law that the decision has been taken.

2. The founders (participants) of the legal entity, irrespective of the grounds on which the decision on liquidation thereof was taken, for instance in the event of actual termination of the legal entity's activities, shall use the property of the legal entity to commit the actions whereby the legal entity is to be liquidated. If the legal entities' property is insufficient the founders (participants) of the legal entity shall commit said actions jointly and severally with their own resources.

3. The founders (participants) of a legal entity or the body that have taken a decision on liquidation of the legal entity shall appoint a liquidation commission (liquidator) and establish a winding-up procedure and term in accordance with a law.

4. From the time of appointment of the liquidation commission the powers of managing the affairs of the legal entity get transferred thereto. The liquidation commission shall act in the name of the legal person in liquidation in a court of law. The liquidation commission shall act in a bona fide and reasonable manner in the interests of the legal person in liquidation as well as of its creditors.

If the liquidation commission has established that the property of the legal entity is insufficient to meet all the claims of creditors the further winding-up of the legal entity may be carried out only in the procedure established by the **legislation** on insolvency (bankruptcy).

5. If the founders (participants) of the legal entity default on or improperly execute the duties of liquidating it a person concerned or an empowered state body have the right of claiming in a judicial procedure that the legal entity be liquidated and that a qualified receiver be appointed to do so.

6. If the liquidation of the legal entity is impossible due to the lack of funds to meet the expenses required to liquidate it and to the impossibility of vesting the duty to bear these expenses in its founders (participants) the legal entity is subject to removal from the unified state register of legal entities in the procedure established by the **law** on the state registration of legal entities.

Article 63. Procedure for Liquidation of a Legal Entity

1. The liquidation commission shall use the mass media where information on the state registration of a legal entity is published to publish an announcement about its liquidation and about the procedure and term for the filing of claims by its creditors. This term shall not be shorter than two months after the time of publication of the announcement of liquidation.

The liquidation commission shall take measures to identify the creditors and receive the accounts receivable, and also shall notify the creditors in writing of the liquidation of the legal entity.

2. Upon the expiry of the term for filing creditors' claims the liquidation commission shall draw up an interim liquidation balance sheet containing information on the composition of the liquidated legal person's property, a list of the claims filed by the creditors, the results of consideration thereof, and also a list of the claims that have been met by a court's decision that has become final, irrespective of the fact that such claims have been or have not been accepted by the liquidation commission.

The interim liquidation balance sheet shall be endorsed by the founders (participants) of the legal entity or by the body that has taken the decision on liquidation of the legal entity. In the cases established by a law the interim liquidation balance sheet is endorsed by agreement with an empowered state body.

3. If action has been brought in a case of insolvency (bankruptcy) of a legal entity its liquidation carried out according to the rules of the present **Code** shall be terminated and the liquidation commission shall notify accordingly all the creditors known thereto. Creditors' claims in cases when the liquidation of a legal entity is terminated when action is brought in a case of its insolvency (bankruptcy) shall be considered in the procedure established by the **legislation** on insolvency (bankruptcy).

4. If the amounts of money the liquidated legal entity (except for institutions) has are insufficient to meet the claims of creditors the liquidation commission shall sell the legal entity's property which is subject to levy of execution according to a law by a public sale, except for the items worth up to 100,000 roubles (according to the endorsed interim liquidation balance sheet) for the sale of which no public sale is required.

If the liquidated legal entity's property is insufficient for meeting the claims of creditors or if there are signs of bankruptcy of the legal entity the liquidation commission shall apply to an arbitration court by filing an application for bankruptcy of the legal entity, if such legal entity may be deemed unable to pay (bankrupt).

5. The disbursement of amounts of money to creditors of the liquidated legal entity shall be effectuated by the liquidation commission in the order of priority established by **Article 64** of the present Code in accordance with the interim liquidation balance sheet from the date on which it is endorsed.

6. After the completion of settlements of accounts with the creditors the liquidation commission shall draw up a liquidation balance sheet which is endorsed by the founders (participants) of the legal person or by the body that has taken the decision on liquidation of the legal entity. In the cases established by a law the liquidation balance sheet is endorsed by agreement with an empowered state body.

7. Where the present Code envisages the subsidiary liability of the owner of the property of an institution or state-property enterprise for the liabilities of that institution or that enterprise when the property of the liquidated institution or state-property enterprise which is subject to levy of execution according to a law is insufficient the creditors have the right of filing a claim with a court for the outstanding part of the claims to be met with the resources of the owner of property of that institution or that enterprise.

8. The legal entity's property that remains after the creditors' claims have been met shall be handed over to its founders (participants) having rights in rem in respect of that property or corporate rights in

respect of the legal entity, except as otherwise envisaged by a law, other legal acts or the constitutive document of the legal entity. If there is a dispute between founders (participants) as to who is going to receive a thing then it shall be sold by the liquidation commission by a public sale. Except as otherwise established by the present **Code** or another law, when a non-profit organisation is being liquidated the property remaining after creditors' claims have been met shall be used in accordance with the charter of the non-profit organisation to attain the objectives for the attainment of which it has been formed and/or for charitable purposes.

9. The liquidation of a legal entity shall be deemed completed, and the legal entity be deemed to have terminated its existence after information on its termination is entered in the unified state register of legal entities in the procedure established by the **law** on the estate registration of legal entities.

Article 64. Meeting the Claims of Creditors of a Liquidated Legal Entity

1. When a legal entity is being liquidated claims of its creditors shall be satisfied in the following order of priority after payment is made towards the current expenses required to carry out the liquidation:

- first of all satisfaction shall be given to claims of citizens to whom the liquidated legal entity is liable for a harm inflicted to their life or health, by means of **capitalising** relevant time-based payments, for compensation in excess of the compensation for harm caused as a result of demolition or damage a capital development unit, failure to satisfy safety requirements while constructing a capital development unit and the requirements for ensuring the safe upkeep of a building or structure;

- in the second turn shall be effected the settlements, involved in the payment of retirement allowances and the remuneration for the labour of persons who work or who have been working under a labour contract, and also those involved in the payment of fees to the authors of the results of intellectual activity.

- the third priority ranking category includes settlements of accounts for compulsory payments owing a budget or a non-budget fund;

- the fourth priority ranking category included settlements of accounts with other creditors.

Paragraph 6 is **abrogated**.

In the event of liquidation of the banks raising citizens' funds, as first priority also the following shall be met: claims of the citizens who are creditors of the banks under contracts of bank deposit or bank account concluded with them or for their benefit, except for the contracts relating to the citizens' pursuance of entrepreneurial or another professional activity, in as much as it concerns the principal debt sum and due interest, claims of the organisation that does the mandatory insurance of deposits, in connection with the disbursement of compensation for deposits under a **law** on insurance for citizens' deposits in banks and claims of the Bank of Russian in connection with disbursements relating to citizens' deposits in banks in accordance with a **law**.

Creditors' claims for compensation for losses in the form of lost profit, collection of forfeit money (a fine, penalty), for instance for default on or improper performance of the duty to make mandatory payments, shall be met after the satisfaction of the claims of the creditors of Priority Ranks 1, 2, 3 and 4.

2. Claims of creditors of each priority ranking category are met after the claims of creditors of the preceding category have been satisfied in full, except for creditors' claims relating to obligations secured by a pledge of property of a legal entity in liquidation.

Creditors' claims relating to obligations secured by a pledge of property of a legal entity in liquidation shall be met with proceeds from the sale of the object of the pledge as a priority over other creditors, except for the obligations to the creditors of the first and second priority ranking categories for which claims had come into being before the conclusion of the pertinent contract of pledge.

Creditors' claims for obligations secured with a pledge of property of a legal entity in liquidation that have not been met with proceeds from the sale of the object of the pledge shall be satisfied together with the claims of creditors of the fourth priority ranking category.

3. If the property of a legal entity in liquidation is insufficient, when such legal entity in the cases

envisaged by the present **Code** cannot be deemed unable to pay (bankrupt) the property of such legal entity shall be distributed among the creditors of the relevant priority rank pro rata to the amount of the claims which are subject to satisfaction, except as otherwise established by a law.

4. Invalid from June 3, 2018 - **Federal Law** No. 116-FZ of May 23, 2018.

5. Abrogated from September 1, 2014.

5.1. The following shall be deemed redeemed at the liquidation of a legal entity:

1) the creditors' claims which have not been met due to the insufficiency of the property of the legal entity in liquidation and have not been met with the property of the persons which bear subsidiary liability for such claims, if the legal entity in liquidation in the cases envisaged by **Article 65** of the present Code cannot be deemed unable to pay (bankrupt);

2) the claims which have not been recognised by the liquidation commission, unless the creditors in respect of such claims have brought action in a court;

3) the claims for which satisfaction to the creditors has been denied by a court decision.

5.2. In the event of discovery of a piece of property of a liquidated legal entity that has been removed from the unified state register of legal entities, for instance as a result of such legal person having been deemed unable to pay (bankrupt) a person concerned or an empowered state body are entitled to file an application with a court for a procedure for distribution of the discovered property among the persons eligible for it to be ordered. Said property shall also include the liquidated legal entity's claims to third parties, for instance those that have come into being due to a breach of the priority order for meeting creditors' claims due to which the person concerned has not received delivery in full. In this case, the court shall appoint a qualified receiver vested with the duty to distribute the discovered property of the liquidated legal entity.

An application for a procedure for distribution of discovered property of a liquidated legal entity to be ordered may be filed within five years after the time when information on termination of the legal person is entered in the unified state register of legal entities. A procedure for distribution of discovered property of a liquidated legal person may be ordered if there are resources sufficient to implement that procedure and the possibility of distributing the discovered property among persons concerned.

A procedure for distribution of discovered property of a liquidated legal entity shall be implemented according to the rules of the present **Code** for liquidation of legal entities.

6. Abrogated from September 1, 2014.

Article 64.1. Protecting the Rights of Creditors of the Liquidated Legal Entity

1. If the liquidation commission refuses to meet a claim of a creditor or evades considering it, the creditor has the right of applying to a court before the endorsement of the liquidation balance sheet of the legal entity demanding that his claim addressed to the liquidated legal person be met. If the court satisfies the creditor's claim the amount of money awarded thereto shall be paid out in the order of priority established by **Article 64** of the present Code.

2. On the demand of the founders (participants) of the liquidated legal entity or on the demand of its creditors the members of the liquidation commission (liquidator) shall compensate for the losses that have been caused by them to the founders (participants) of the liquidated legal entity or to its creditors, in the procedure and on the grounds envisaged by **Article 53.1** of the present Code.

Article 64.2. Termination of a Non-Operating Legal Entity

1. The following shall be deemed to have actually terminated its activities and to be subject to removal from the unified state register of legal entities in the procedure established by a **law** on the state registration of legal entities: a legal entity which has not filed the reporting documents envisaged by the **legislation** of the Russian Federation on taxes and fees and has not carried out transactions at least on one bank account within the 12 months preceding its removal from said register (non-operating legal entity).

2. The removal of a non-operating legal entity from the unified state register of legal entities shall entail the legal consequences envisaged by the present Code and other laws as applicable to liquidated legal entities.

3. The removal of a non-operating legal entity from the unified state register of legal entities shall not be deemed an obstacle for holding accountable the persons mentioned in **Article 53.1** of the present Code.

Article 65. Insolvency (Bankruptcy) of the Legal Entity

1. A legal entity, except for a treasury enterprise, institution, political party and religious organisation may be deemed insolvent (bankrupt) by a court's decision. A state corporation or a state company may be liquidated as a result of declaring it insolvent (bankrupt), where this is allowed by the federal law providing for establishment thereof. The socially useful fund may not be declared insolvent (bankrupt) in so far as that is prescribed under the **law** providing for the setting up and operation of that fund. The public-law company shall not be deemed insolvent (bankrupt).

The recognition of the legal entity to be bankrupt shall entail its liquidation.

2. Abrogated.

3. The grounds for the court to deem a legal entity insolvent (bankrupt), the procedure for liquidating such a legal entity, and also the priority ranking for the purpose of satisfying claims of creditors shall be established by a law on insolvency (bankruptcy).

Article 65.1. Corporate and Unitary Legal Entities

1. The legal entities whose founders (participants) have the right of participation (membership) in them and form the supreme body thereof in accordance with **Item 1 of Article 65.3** of the present Code are corporate legal entities (corporations). They include business companies and associations, peasant's (farmer's) farms, business partnerships, production and consumer cooperatives, public organisations, public movements, associations (unions), notarial chambers, partnerships of the owners of immovable property, the Cossack societies included in the state register and also communities of the small-numbered indigenous peoples of the Russian Federation.

The legal entities whose founders do not become their participants and do not acquire the rights of membership in them are unitary legal entities. They include state and municipal unitary enterprises, socially useful, funds, personal funds, institutions, autonomous non-profit organisations, religious organisations, religious organisations and public-law companies.

2. In connection with participation in a corporate organisation its participants acquire corporate (membership) rights and duties in respect of the legal entity formed by them, except for the cases envisaged by the present Code.

Article 65.2. The Rights and Duties of Participants in a Corporation

1. The participants in a corporation (participants, members, shareholders, etc.):

have the right of taking part in the management of the corporation's affairs, except for the case envisaged by **Item 2 of Article 84** of the present Code;

are entitled in the cases and in the procedure which are envisaged by a law and the constitutive document of the corporation to receive information on the activities of the corporation and read its bookkeeping and other documents;

have the right of taking appeal from decisions of the bodies of the corporation that entail civil-law consequences, in the cases and in the procedure which are envisaged by a law;

have the right of demanding -- while acting in the name of the corporation (Item 1 of Article 182) -- compensation for losses inflicted on the corporation (**Article 53.1**);

have the right of disputing -- while acting in the name of the corporation (Item 1 of Article 182) -- the transaction it has concluded on the grounds envisaged by **Article 174** of the present Code or laws on corporations of the various organisational legal forms and claim application if the consequences of their invalidity and also application of the consequences of the invalidity of null and void transactions of the corporation.

The participants in the corporation may have also other rights envisaged by a law or the constitutive document of the corporation.

2. A participant in a corporation or a corporation which demand compensation for losses inflicted on the corporation (**Article 53.1**) or demand a transaction of the corporation to be deemed invalid or demand application of the consequences of the invalidity of a transaction shall take reasonable measures for notifying in advance other participants in the corporation and in the relevant cases the corporation of the intent of filing such claims with a court and also shall provide thereto other information that has to do with the case. The procedure for notification of an intent to file a complaint with a court may be envisaged by laws on corporations and the constitutive document of the corporation.

The participants in the corporation which have not joined in the procedure established by the procedural legislation the complaint claiming compensation for losses inflicted on the corporation (**Article 53.1**) to to a complaint claiming a transaction concluded by the corporation to be deemed invalid or claiming application of the consequences of the invalidity of a transaction henceforth shall not have the right of filing identical claims with a court, unless the court deems the reasons for such claim to be good.

3. Except as otherwise established by the present Code, a participant in a commercial corporation that has lost beyond his will as a result of wrongful actions of other participants or third parties the right of participating in it has the right of claiming return thereto of the stake that has been transferred to other persons as involving the disbursement to them of a fair compensation defined by a court and also compensation for losses on the account of the persons through whose fault the stake has been lost. The court may refuse to return the stake if it is going to lead to the unjust deprivation of other persons of their rights of participation or to entail extremely negative social and other consequences of significance for the public. In this case, fair compensation defined by the court shall be paid to the person that has lost beyond his will the right of participation in the corporation by the persons at fault for the loss of the stake.

4. A participant in a corporation shall:

participate in the formation of the property of the corporation in the necessary amount in the procedure, in the manner and within the term which are envisaged by the present Code, another law or the constitutive document of the corporation;

not disclose confidential information about the corporation's activities;

participate in the taking of corporate decisions without which the corporation cannot continue its operation in accordance with a law, if his participation is required for such decisions to be taken;

not commit actions knowingly directed to cause harm to the corporation;

not commit actions (omissions) which substantially impede or prevent the attainment of the objectives for the sake of which the corporation has been formed.

Participants in the corporation may also have other duties envisaged by a law or the constitutive document of the corporation.

Article 65.3. Management in a Corporation

1. The supreme body of a corporation is the general meeting of its participants.

In the non-profit corporations and production cooperatives that have over 100 participants the supreme body may be the congress, conference or another representative (collective) body defined by their charters in accordance with a law. The competence of that body and the procedure for it to take decisions shall be defined by this Code, other laws and the charter of the corporation.

2. Except as otherwise envisaged by the present Code or another law, the exclusive competence of the supreme body of a corporation encompasses the following:

defining the priority lines of operation of the corporation, the principles of formation and use of its property;

endorsing and amending the charter of the corporation;

defining a procedure for admittance as participants in the corporation and removing from among the participants thereof, except for cases when such procedure is defined by a law;

forming other bodies of the corporation and terminating their powers before due date, unless according to the charter of the corporation in keeping with a law that competence is put within the

cognisance of other collective bodies of the corporation;

endorsing annual reports and accounting (financial) statements of the corporation, unless according to the charter of the corporation in keeping with a law that competence is put within the cognisance of other collective bodies of the corporation;

taking decisions on formation of other legal entities by the corporation, the participation of the corporation in other legal entities, the formation of branches and opening representative offices of the corporation, except for cases when according to the charter of a business association in keeping with laws on business associations it is the prerogative of other collective bodies of the corporation to take decisions on said issues;

taking decisions on re-organisation and liquidation of the corporation, appointment of a liquidation commission (liquidator) and endorsement of a liquidation balance sheet;

electing an in-house audit commission (auditor) and appointment of an audit organisation or individual auditor of the corporation.

A law or the constitutive document of the corporation may put the resolution of other issues within the exclusive competence of its supreme body.

The issues put according to the present Code and other laws within the exclusive competence of the supreme body of the corporation shall not be transferred by that body to other bodies of the corporation to be resolved by them, except as otherwise envisaged by the present Code or another law.

3. A sole executive body (director, director general, chairman, etc.) shall be set up in the corporation. The charter of the corporation may envisage that the powers of sole executive body be conferred on several persons which act jointly or that several sole executive bodies be set up as acting independently of each other (**Paragraph 3 of Item 1 of Article 53**). Both a natural person and a legal entity may act as a sole executive body of a corporation.

In the cases envisaged by the present Code, another law or the charter of the corporation a collective executive body (governing board, directorate etc.) shall be set up in the corporation.

The competence of the bodies of the corporation which are mentioned in the present item encompasses resolution of the issues which are not included in the competence of this supreme body and the collective managerial body formed in accordance with **Item 4** of the present article.

4. Apart from the executive governmental bodies mentioned in **Item 3** of the present article the following may be set up on the corporation in the cases envisaged by the present Code, another law or the charter of the corporation: a collective managerial body (supervisory board or another board) that controls the activities of the corporation's executive bodies and carries out other functions vested in it by a law or the charter of the corporation. The persons executing the powers of sole executive bodies of corporations and the members of their collective executive bodies shall not make up more than one quarter of the composition of the collective managerial bodies of the corporations and shall not be their chairmen.

The members of a collective managerial body of a corporation have the right of receiving information on the corporation's activities and read its bookkeeping and other documents, claim compensation for losses inflicted on the corporation (**Article 53.1**), dispute the transactions concluded by the corporation on the grounds envisaged by **Article 174** of the present Code or laws on corporations of the various organisational legal forms and demand application of the consequences of their invalidity and also demand application of the consequences of the invalidity of null and void transactions of the corporation in the procedure established by **Item 2 of Article 65.2** of the present Code.

§ 2. Commercial Corporate Organisations

1. General Provisions on Business Companies and Associations

Article 66. Basic Provisions on Business Companies and Associations

1. The business partnerships and associations are corporate commercial organisations with a charter (contributed) capital divided into stakes (contributions) of the founders (participants). The property formed

with the contributions of the founders (participants) and also produced and acquired by the business partnership or association in the course of activities shall belong by the right of ownership to the business partnership or association.

The scope of powers of the participants in a business association is defined pro rata to their stakes in the charter capital of the association. The charter of the association and also a corporate agreement may envisage another scope of powers of the participants in a non-public business association on the condition that information on the existence of such agreement and on the scope of powers of the participants in the association envisaged by it is entered in the unified state register of legal entities.

2. In the cases envisaged by the present Code a business association may be formed by one person that becomes its sole participant.

A business association shall not have another business association constituted of one person as its sole participant, except as otherwise established by the present Code or another law.

3. Business associations may be formed in the organisational legal form of general partnership or partnership in commendam (partnership en commandite).

4. Business associations may be formed in the organisational legal form of joint stock company or limited liability company.

5. Individual entrepreneurs and commercial organisations may be participants in general partnerships and be general partners in partnerships in commendam.

Citizens and legal entities and also public-law entities may be participants in business associations and contributors in partnerships in commendam (**Article 125**).

6. State bodies and local government bodies are not entitled to participate in the name thereof in business partnerships and associations.

Institutions may be participants in business associations and contributors in partnerships in commendam on the permission of the owner of the institution's property, except as otherwise established by a law.

A law may impose a ban or restriction on the participation of specific categories of persons in business partnerships and associations.

Business partnerships and associations may be founders of (participants in) other business partnerships and associations, except for the cases envisaged by a law.

7. The details of the legal status of credit organisations, insurance organisations, clearing organisations, specialised financial associations, specialised project financing associations, professional participants in the securities market, joint stock investment companies, the managing companies of investment companies, unit investment trusts and non-state pension funds, non-state pension funds and other non-credit financial organisations, joint stock companies of employees (people's enterprises), and also the rights and duties of their participants shall be defined by the laws regulating the activities of such organisations.

Article 66.1. Contributions in the Property of a Business Partnership or Association

1. A contribution of a participant in a business partnership or association in the property thereof may be as follows: amounts of money, things, stocks (shares) in the authorised (contributed) capitals of other business partnerships and associations, state and municipal bonds. Such contribution may also be the following subject to appraisal in terms of money: exclusive and other intellectual rights and rights under licence contracts, except as otherwise established by a law.

2. A law or the constitutive documents of a business partnership or association may establish the kinds of the property mentioned in **Item 1** of the present article which property cannot be contributed as payment for stakes in the authorised (contributed) capital of the business partnership or association.

Article 66.2. Basic Provisions on the Charter Capital of a Business Association

1. The minimum amounts of the charter capitals of business associations is defined by laws on business associations.

The minimum amounts of the charter capitals of the business associations which pursue banking, insurance or other licensable activities and also the joint stock companies which use open (public) subscription for its shares shall be established by the laws defining the details of said business associations' legal status.

2. When payment is made towards the charter capital of a business association, amounts of money shall be contributed in a sum not below the minimum amount of the charter capital (**Item 1** of the present article).

An appraisal in terms of money of a non-monetary contribution in the charter capital of a business association shall be carried out by an independent appraiser. Participants in the business association do not have the right of determining the estimated value of a non-monetary contribution in an amount exceeding the estimated sum arrived at by the independent appraiser.

3. When the payment of stakes in the charter capital of a limited liability company is made in other property rather than in amounts of money, the participants in the association and the independent appraiser if the company's property is insufficient shall jointly and severally bear subsidiary liability for its obligations within the sum whereby the estimated value of the property contributed in the charter capital has been overstated, within five years after the time of state registration of the company or of the relevant amendments to the charter of the company. If other property rather than an amount of money was contributed in the charter capital of a joint stock company the shareholder which did such payment and the independent appraiser in the event of insufficiency of the company's property shall jointly and severally bear subsidiary liability for its obligations within the limits of the sum whereby the estimated value of the property contributed in the charter capital has been overstated, within five years after the time of state registration of the company or of the relevant amendments to the charter of the company.

The rules of the present item concerning the liability of the company's participant and independent appraiser are not applicable to business associations formed under laws on privatisation through the privatisation of state or municipal unitary enterprises.

4. Except as otherwise envisaged by laws on business associations the founders of a business association shall pay up at least three quarters of its charter capital before the state registration of the association, and the rest of the charter capital of the business association within the first year of the association's operation.

In cases when according to a law the state registration of a business association is admissible without the preliminary payment of three quarters of the charter capital the participants in the association shall bear subsidiary liability for its obligations which have occurred before the time when the charter capital is paid up in full.

Article 66.3. Public and Non-Public Associations

1. A public joint stock company is one whose shares and the securities convertible into its shares are publicly floated (by open subscription) or are publicly traded on the terms established by **laws** on securities. The rules concerning public associations are also applicable to the joint stock companies whose charters and company names comprise reference to the fact that the company is public.

2. A limited liability company and a joint stock company which do not have the features specified in **Item 1** of the present article are deemed non-public.

3. By a decision of the participants (founders) of a non-public association that is taken unanimously the following provisions may be included in the charter of the association:

1) on referring the issues put by a law within the competence of the general meeting of participants in the business association, to the collective managerial body of the association (**Item 4 of Article 65.3**) or the collective executive body of the association to be considered by it, except for the following issues:

amending the charter of the business association, endorsing a new version of the charter;

re-organising or liquidating the business association;

determining the number of persons sitting on the collective managerial body of the association (**Item 4 of Article 65.3**) and of the collective executive body (if the formation thereof is put within the competence

of the general meeting of participants in the business association), electing the members thereof and terminating their powers before due time;

determining the number, face value and category (type) of announced shares and the rights certified by these shares;

increasing the charter capital of the limited liability company pro rata to the stakes of its participants or by admitting a third party as a member of such company;

endorsing an in-house regulations or other in-house documents of the business association other than the constitutive documents (**Item 5 of Article 52**);

2) on assigning the functions of a collective executive body of the association to a collective managerial body of the association (**Item 4 of Article 65.3**) in full or in part or on refusing to set up a collective executive body if the functions thereof are carried out by said collective managerial body;

3) on transferring to a sole executive body of the association the functions of collective executive body of the association;

4) on the lack of an in-house audit commission in the association or on the formation thereof exclusively in the cases envisaged by the charter of the association;

5) on a procedure other than the procedure established by laws and other legal acts for decisions making on convocation of general meeting's session or absentee voting of the participants, the procedure for preparation and conduction of the general meeting's session or absentee voting of the participants, as well as the procedure for decision taking by the general meeting, unless such amendments do not deprive the participants of their right to attend the general meeting's session or absentee voting and to obtaining the information thereof;

6) on requirements other than the requirements established by laws and other legal acts as applicable to the number of members, the procedure for formation and for the conduct of meetings of the collective managerial body of the association (**Item 4 of Article 65.3**) or the collective executive body of the association;

7) on the procedure for realisation of the pre-emptive right of buying a stake or a portion of a stake in the charter capital of the limited liability company or of the pre-emptive right of acquiring the shares floated by the joint stock company or the securities convertible into its shares, and also on the maximum stake of one participant in the limited liability company in the charter capital of the company;

8) on putting within the competence of the general meeting of shareholders the issues which are not encompassed by it according to the present Code or a **law** on joint stock companies;

9) other provisions in the cases envisaged by laws on business associations.

4. Unless the provisions envisaged by **Item 3** of the present article are the provisions which are subject according to the present Code or other laws to mandatory inclusion in the charter of a non-public business association they may be envisaged by a corporate agreement to which all the participants in that association are party.

Article 67. The Rights and Duties of a Participant in a Business Partnership and Association

1. Apart from the rights envisaged for participants in corporation by **Item 1 of Article 65.2** of the present Code a participant in a business partnership or association has also the right of:

participating in the distribution of the profit of the partnership or association whose participant he is;

receiving in the event of liquidation of the partnership or association a part of the property that has remained after accounts have been settled with creditors or the value thereof;

demanding that another participant be expelled from the partnership or association (except for public joint stock companies) in a judicial procedure as involving the disbursement thereto of the actual value of his stake if such participant has caused by his actions (omissions) substantial harm to the partnership or association or is otherwise substantially impeding its activities and the attainment of the objectives for the sake of which it has been formed, for instance by grossly violating his duties envisaged by a law or the constitutive documents of the partnership or association. The waiver of that right or restrictions on it are null and void.

Participants in business partnerships or associations may also have other rights envisaged by the present Code, laws on business associations, the constitutive documents of the partnership or association.

2. Apart from the duties envisaged for participants in corporations by **Item 4 of Article 65.2** of the present Code a participant in a business partnership or association shall make contributions into the charter (contributed) capital of the partnership or association whose member he is, in the procedure, in the amounts and by the methods which are envisaged by the constitutive document of the business partnership or association, and contributions into other property of the business partnership or association.

Participants in business partnerships and associations may also have other duties envisaged by a law or their constitutive documents.

Article 67.1. The Details of Management and Control in Business Companies and Associations

1. Management in a general partnership and a partnership in commendam shall be carried out in the procedure established by **Articles 71 and 84** of the present Code.

2. The following falls within the exclusive competence of the general meeting of participants in a business association apart from the issues mentioned in **Item 2 of Article 65.3** of the present Code:

1) changing the amount of the association's charter capital, except as otherwise envisaged by laws on business associations;

2) taking a decision on transfer of the powers of sole executive body of the association to another business association (managing company) or individual entrepreneur (manager) and also endorsing such managing organisation or such manager and the terms of the contract with such managing organisation or with such manager, unless the resolution of said issues is placed by the charter of the association within the competence of the collective managerial body of the association (**Item 4 of Article 65.3**);

3) distributing the profits and losses of the association.

3. The taking of a decision in the session by a general meeting of participants in a business association and the composition of the association's participants who attended when it was adopted shall be confirmed in respect of:

1) a public joint stock company by the person that keeps the register of shareholders of such company and carries out the functions of counting commission (**Item 4 of Article 97**);

2) a non-public joint stock company by means of notarisation or authentication by the person that keeps the register of shareholders of such company and carries out the functions of a counting commission;

3) a limited liability company by means of notarisation, unless another method (the signing of minutes by all the participants or a part of the participants; by means of technical facilities allowing to reliably establish the fact that the decision has been taken; in another manner that does not contravene a law) is envisaged by the charter of such company or a decision of a general meeting of participants in the company which have been unanimously adopted.

4. Every year, for the purposes of verifying and confirming the correctness of annual accounting (financial) statements a limited liability company is entitled, or in the cases envisaged by a law is obligated, to invite an auditor that is not connected by property interests with the company or its participants (external audit). Such audit may also be conducted on a demand of any of the participants in the company.

5. For the purposes of verifying and confirming the correctness of annual accounting (financial) statements a joint stock company shall invite an auditor that is not connected by property interests with the company or its participants.

In the cases and in the procedure which are envisaged by a law, the charter of the company an audit of accounting (financial) statements of a joint stock company shall be conducted on a demand of the shareholders whose aggregate stake in the charter capital of the joint stock company makes up 10 or more per cent.

Article 67.2. The Corporate Agreement

1. Participants of a business association or some of them shall have the right to conclude a corporate agreement between each other on exercise of their corporate rights (an agreement on exercise of the right of

participants of a limited liability company, a shareholders' agreement), according to which they undertake to exercise such rights in a certain way or refrain (refuse) from exercising them, as well as to vote in a certain way at a general meeting of participants of the association, to take other coordinated actions for management of the association, acquire or alienate interest in its authorised capital (shares) at a certain price or in case of occurrence of certain events, or to refrain from alienation of interest (shares) until the occurrence of certain events.

2. The corporate agreement shall not obligate the parties thereto to vote according to directions of the bodies of the association, to define the structure of the bodies of the association and the competence thereof.

The terms of the corporate agreement which contravene the rules of **Paragraph 1** of the present item are null and void.

The corporate agreement may establish the duty of the parties thereto to vote at a general meeting of participants in the association for inclusion in the charter of the association of provisions that define the structure of the association's bodies and their competence, if according to the present Code and laws on business associations a change of the structure of the association's bodies and of their competence is admissible according to the association's charter.

3. The corporate agreement shall be concluded in writing by means of drawing up one document signed by the parties.

4. The participants in a business association which have concluded a corporate agreement shall notify the association about the fact that the corporate agreement has been concluded, and in this case its content shall not necessarily be disclosed. In the event of default on execution of this duty the participants in the association which are not parties to the corporate agreement have the right to demand compensation for the losses they have sustained.

Information on the corporate agreement concluded by shareholders of a public joint stock company shall be disclosed within the limits, in the procedure and on the terms which are envisaged by a **law** on joint stock companies.

Except as otherwise established by a law, information on the content of the corporate agreement concluded by participants in a non-public association is not subject to disclosure and is confidential.

5. The corporate agreement does not create duties for persons not taking part in it as parties (**Article 308**).

6. Breach of a corporate agreement may serve as a ground for deeming invalid a decision of the business association's body on an action brought by a party to that agreement, provided as of the time when the business association's body took the relevant decision all the participants in the business association were party to the corporate agreement.

Deeming invalid a decision of a business association's body in keeping with the present item per se shall not entail the invalidity of the business association's transactions with third parties concluded under such decision.

A transaction concluded by a party to a corporate agreement in breach of that agreement may be deemed invalid by a court on a complaint filed by a participant in the corporate agreement only if the other party to the transaction knew or had to know about the restrictions envisaged by the corporate agreement.

7. The parties to the corporate agreement have no right to refer to the invalidity thereof in connection with its contravening the provisions of the charter of the business association.

8. Terminating the right of one of the parties to the corporate agreement to a stake in the charter capital (shares) of the business association shall not entail termination of the corporate agreement in respect of other parties thereto, except as otherwise envisaged by that agreement.

9. Creditors of the association and other third parties may conclude an agreement with the participants in the business association according to which the latter undertake for the purpose of security the law-protected interest of such third parties to exercise their corporate rights in a certain way or to abstain from (refuse) exercising them, for instance to vote in a certain way at a general meeting of participants in the association, commit in a coordinated manner other actions whereby the association is managed, acquire or alienate stakes in its charter capital (shares) at a certain price or upon the onset of certain circumstances or to

abstain from alienating stakes (shares) until the onset of certain circumstances. Accordingly, that agreement is subject to the rules concerning the corporate agreement.

10. The rules concerning the corporate agreement are applied to the agreement on the formation of the business association respectively, except as otherwise established by a law or ensues from the essence of the relationships of the parties to such agreement.

Article 67.3. The Subsidiary Business Association

1. A business association is deemed subsidiary if another (parent) business partnership or association by virtue of a prevailing stake in its charter capital or in accordance with an agreement concluded between them or otherwise has the opportunity for determining the decisions taken by such association.

2. A subsidiary association is not liable for the debts of the parent business partnership or association.

The parent business company or association is jointly and severally liable with the subsidiary association under the transactions concluded by the latter pursuant to directions or on the consent of the parent business company or association (**Item 3 of Article 401**), except for the cases of voting of the parent business company or association on approval of the transaction at a general meeting of participants of the subsidiary and approval of the transaction by the managing body of the parent business association, if the necessity of such approval is envisaged by the charter of the subsidiary and/or the parent association.

If the subsidiary association is unable to pay (goes bankrupt) through the fault of the parent business company or association, the latter shall bear subsidiary liability for its debts.

3. The participants in (shareholders of) the subsidiary association have the right of demanding that the parent business company or association compensate for the losses inflicted by its actions or omissions to the subsidiary association (**Article 1064**).

Article 68. Transformation of the Economic Partnerships and Companies

1. Business companies and associations companies of one type may be transformed into the economic partnerships and companies of another type or into the production cooperatives, by the decision of the general meeting of their participants in conformity with the procedure, stipulated by the present Code and laws on business associations.

2. In case the company is transformed into a company, each general partner, who has become the participant (the share-holder) of the company, shall bear in the course of two years the subsidiary responsibility with his entire property by the obligations, which have passed to the company from the partnership. The alienation by the former partner of the participation shares (shares) in his possession shall not exempt him from such responsibility. The rules, expatiated in the present Item, shall be correspondingly applied in case the partnership is transformed into a production cooperative.

3. Business companies and associations shall not be re-organised into non-profit organisations and also into unitary commercial organisations.

2. The General Partnership

Article 69. The Basic Provisions on the General Partnership

1. The partnership, whose participants (general partners) are engaged, in conformity with the agreement signed between them, in business activities on behalf of the partnership and bear responsibility by its obligations with the property in their possession, shall be recognized as the general partnership.

2. The person shall have the right to be the participant of only one general partnership.

3. The trade name of the general partnership shall contain either the names (the titles) of all its participants and the words "general partnership", or the name (the title) of one or of several of its participants, with the words "and Co." and "general partnership" to be added.

Article 70. The Constituent Agreement of the General Partnership

1. The general partnership shall be created and shall operate on the ground of a constituent agreement. The constituent agreement shall be signed by all its participants.

2. The constituent agreement of the general partnership shall contain, information on the company name and the location of the partnership, the terms concerning the amount and composition of its charter capital; on the amount and the procedure for changing the share of each of the participants in the joint capital; on the amount, the structure, the term and the order, set for their making investments; and on the liability for the violation of the duties, involved in making such investments.

Article 71. Management in the General Partnership

1. The activity of the general partnership shall be managed by the general agreement of all its participants. The constituent agreement of the partnership may also indicate the cases, when the decision shall be adopted by the majority of the participants' votes.

2. Every participant of the general partnership shall have one vote, if the constituent agreement does not stipulate a different order for the definition of its participants' votes.

3. Every participant of the partnership shall have the right to receive the entire information on the activities of the partnership and to get acquainted with the entire documentation on the business management, regardless of whether he has been authorized to perform the partnership's business management. The renouncement of this right or its restriction, including by the agreement of the partnership's participants, shall be insignificant.

Article 72. Business Management of the General Partnership

1. Every participant of the general partnership shall have the right to operate on behalf of the partnership, unless the constituent agreement has laid it down that all its participants shall effect the business management jointly, or unless the business management has been entrusted to the individual participants.

If the partnership's participants effect a joint business management of the partnership, to make any one deal, the consent of all the participants of the partnership shall be required.

If the business management of the partnership has been entrusted by its participants to one or to several persons from among them, other participants, who are going to make a deal on behalf of the partnership, shall receive a warrant from the participant (the participants), to whom the business management of the partnership has been entrusted.

The partnership shall not have the right to refer, in its relations with third parties, to the provisions of the constituent agreement, restricting the powers of the partnership participants, with the exception of the cases, when the partnership can prove that at the moment of effecting the deal, a third party was aware, or should have been aware, of the partnership participant's having no right to act on behalf of the partnership.

2. The powers for the management of the partnership affairs, granted to one or to several of its participants, may be terminated by the court on the demand of one or of several other partnership participants, if there are serious grounds for this, in particular, if the authorized person (persons) has (have) committed a gross violation of their duties, or if he (they) have proved to be incapable of a wise management of the affairs. The necessary changes shall be introduced into the constituent agreement of the partnership on the grounds of the court decision.

Article 73. The Duties of the Participant of the General Partnership

1. The participant of the general partnership shall take part in its activities in conformity with the terms of the constituent agreement.

2. The participant of the general partnership shall put at least a half of his contribution into the partnership's joint capital before its state registration. The remaining part shall be put in by the participant within the term, fixed by the constituent agreement. In case he fails to discharge the said duty, the participant

shall be obliged to pay to the partnership an annual 10 per cent from the underpaid part of the contribution and to recompense the inflicted losses, unless other consequences have been stipulated by the constituent agreement.

3. The participant in a general partnership shall not have the right to make on his own behalf and in his own interest, or in the interest of third parties, without the consent of the rest of the participants, the deals, which are similar to those that are the object of the partnership's activity.

If this rule is violated, the partnership shall have the right to demand, according to his choice, either that the given participant recompense the losses he has caused to the partnership, or that the entire profit he has derived by such deals be transferred to the partnership.

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

1. The profits and losses of the general partnership shall be distributed among its participants proportionately to their shares in the joint capital, if not otherwise stipulated by the constituent agreement or by another agreement, signed by the participants. No agreement on the exclusion of any partnership participants from the distribution of the profits and losses shall be admitted.

2. If, as a result of the losses the partnership has sustained, the value of its net assets shrinks to less than the amount of its joint capital, the profit, derived by the partnership, shall not be distributed among its participants until the value of its net assets exceeds the amount of the joint capital.

Article 75. Responsibility of the Participants of the General Partnership by Its Obligations

1. The participants of the general partnership shall jointly bear the subsidiary responsibility by the partnership's obligations with their entire property.

2. The participant of the general partnership, who is not its founder, shall be answerable on a par with other participants by the obligations, which have arisen before the date of his joining the partnership.

The participant, who has withdrawn from the partnership, shall be answerable by the partnership's obligations, which have arisen before the moment of his retirement, on a par with the rest of the participants in the course of 2 years from the date of the approval of the accounting report on the activity of the partnership over the year, during which he has retired from the partnership.

3. The agreement of the partnership participants on the restriction or elimination of the responsibility, stipulated in the present Article, shall be insignificant.

Article 76. The Change of the General Partnership's Membership

1. In case of the withdrawal or death of any one of the participants from the general partnership, the recognition of one of them as missing, legally incapable or partially capable, or as insolvent (bankrupt), or if the re-organisational procedures are instituted against one of the participants by the court ruling, or if a legal entity, which is a member of the partnership, is liquidated or the creditor of one of the participants turns the exaction of his debt onto the part of the property, amounting to the participant's share in the partnership's joint capital, the partnership may continue its activity, if this is stipulated by the constituent agreement of the partnership or by an agreement, signed between the rest of its participants.

2. The participants of the general partnership shall have the right to demand through the court that a certain participant be expelled from the partnership in conformity with the unanimous decision of the remaining participants and in the face of the serious grounds, in particular, on account of his gross violation of his duties or of his proving to be incapable of a wise management of affairs.

Article 77. The Participant's Withdrawal from the General Partnership

1. The participant of the general partnership shall have the right to retire from it after having declared his refusal to take part in it.

The participant shall declare his refusal to take part in the general partnership, created without indicating the term of operation, not less than 6 months in advance before his actual withdrawal from the partnership. The refusal to take part in the general partnership, created for a certain term, before the expiry of

the said term, shall be admitted only on the valid grounds.

2. The agreement on the renouncement of the right to withdraw from the partnership, signed between the partnership participants, shall be insignificant.

Article 78. The Consequences of the Participant's Withdrawal from the General Partnership

1. The participant, who has retired from the general partnership, shall be paid out the cost of the share of the partnership's property, corresponding to this participant's share in the joint capital, if not otherwise stipulated by the constituent agreement. By an agreement reached between the retiring participant and the rest of the participants, the payment out of the cost of the property may be replaced by the transfer of the property in kind.

The part of the partnership's property due to the retiring participant, or its cost shall be defined by the balance, which shall be compiled by the moment of his withdrawal, with the exception of the cases, stipulated by **Article 80** of the present Code.

2. In case of the death of the participant of the general partnership, his heir may join the general partnership only upon the consent of all other participants.

The legal entity - the successor of the reorganised legal entity, which was a member of the general partnership, shall have the right to join the general partnership upon the consent of its other participants, if not otherwise stipulated by the partnership's constituent agreement.

The settlements with the heir (successor), who has not joined the partnership, shall be effected in conformity with Item 1 of the present Article. The heir (successor) of the participant of the general partnership shall bear responsibility by the partnership's obligations to third parties, by which, in conformity with **Item 2 of Article 75** of the present Code, the departed participant was answerable, within the amount of the property of the departed participant, passed to him.

3. In the case of one of the participants retiring from the partnership, the shares of the remaining participants in the partnership's joint capital shall correspondingly increase, unless otherwise stipulated by the constituent documents.

Article 79. Transfer of the Participant's Share in the General Partnership's Joint Capital

The participant of the general partnership shall have the right, with the consent of the rest of its participants, to transfer his share in the joint capital, or a part thereof, to another participant of the partnership or to a third party.

When the share (a part of the share) is transferred to another person, the full rights or the corresponding part thereof, formerly possessed by the participant, who has effected the transfer of his share (a part of the share), shall also pass to the former. The person, to whom the share (a part of the share) has been transferred, shall bear responsibility by the partnership's obligations in conformity with the procedure, laid down by first paragraph of **Item 2 of Article 75** of the present Code.

The transfer of his entire share to another person, effected by the participant of the partnership, shall entail the termination of his participation in the partnership and also the consequences, stipulated by **Item 2 of Article 75** of the present Code.

Article 80. Turning the Penalty onto the Share of the Participant in the Joint Capital of the General Partnership

The turning of the penalty onto the participant's share in the joint capital of the partnership by the participant's own debts shall be admissible only if his own property proves to be insufficient to cover his debts. The creditors of such a participant shall have the right to demand from the general partnership that it separate the part of the partnership's property that would correspond to the debtor's share in the joint capital, so that the penalty may be turned onto this property. The part of the partnership property, subject to being singled out, or the cost thereof, shall be defined by the balance, compiled by the moment when the creditors file the claim for it to be separated.

The turning of the penalty onto the property, which corresponds to the participant's share in the joint

capital of the general partnership, shall signify the termination of his participation in the partnership and shall also entail the consequences, stipulated by Paragraph 2 of **Item 2 of Article 75** of the present Code.

Article 81. Liquidation of the General Partnership

The general partnership shall be liquidated on the grounds, indicated in **Article 61** of the present Code, and also in case only one participant is left in it. Such a participant shall have the right, in the course of 6 months from the moment when he has become the only participant of the partnership, to transform such a partnership into an economic company in conformity with the procedure, laid down by the present Code.

The general partnership shall also be liquidated in the cases, stipulated in **Item 1 of Article 76** of the present Code, unless it has been stipulated by the constituent documents of the partnership, or by an agreement, signed between the remaining participants, that the partnership shall continue its activity.

3. The Limited Partnership

Article 82. The Basic Provisions for the Limited Partnership

1. The limited (commandite) partnership shall be recognized as such a partnership, in which, alongside the participants, engaged in the performance of the business activity on behalf of the partnership and answerable by the obligations of the partnership with their property (the general partners), there is (are) also one or several participants-investors (commanditaires), who bear the risk of the losses in connection with the partnership's activity within the amount of their investments and who do not take part in the performance of the partnership's business activity.

2. The position of the general partners in the commandite partnership and their liability by the partnership's obligations shall be defined by the rules on the participants of the general partnership, laid down by the present Code.

3. The person shall be the general partner only in one commandite partnership.

The participant of the general partnership shall not be the general partner in the commandite partnership.

A full partner in a limited partnership may not be a copartner in an unlimited partnership.

The number of limited partners in a partnership in commendam shall not exceed 20. Otherwise it is subject to transformation into a business association within a year, and upon the expiry of that term, liquidation in a judicial procedure, unless the number of its limited partners falls to said limit.

4. The trade name of the commandite partnership shall contain either the names (the titles) of all its general partners and the words "limited partnership" or "commandite partnership", or the name (the title) of at least one of its general partners and the words "and Co.", and also the words "limited partnership" or "commandite partnership".

If into the trade name of the partnership is included the name of the investor, this investor shall become the general partner.

5. Toward the limited (commandite) partnership shall be applied the rules on the general partnership, laid down in the present Code, so far as this does not contradict the rules of the present Code on the limited partnership.

Article 83. The Constituent Agreement of the Limited Partnership

1. The limited partnership shall be created and shall operate on the ground of the constituent agreement. The constituent agreement shall be signed by all the general partners.

2. The constituent agreement of the limited partnership shall contain, information on the company name and the location of the partnership, the terms on the amount and structure of the joint capital of the partnership; on the amount of and the procedure for changing the shares of each of the general partners in the

joint capital; on the amount, the structure, the term and the order of their making investments, their liability for violating the duties, involved in making the investments; on the aggregate amount of the contributions, made by the investors.

Article 84. Administrative and Business Management in the Limited Partnership

1. The activity of the limited partnership shall be led by its general partners. The procedure for the administrative and business management of such a partnership by its general partners shall be established according to the rules on the general partnership, laid down in the present Code.

2. The investors shall not have the right to take part in the administrative and business management of the limited partnership or to come out on its behalf other than by a warrant. Neither shall they have the right to dispute the actions of the general partners involved in the administrative and business management of the partnership.

Article 85. The Rights and Duties of the Investor of the Limited Partnership

1. The investor of the limited partnership shall be obliged to make an investment into the joint capital. The fact of his making the investment shall be confirmed by the participation certificate, issued to the investor by the partnership.

2. The investor of the limited partnership shall have the right:

1) to receive a part of the partnership's profit, due for his share in the joint capital, in conformity with the procedure, stipulated by the constituent agreement;

2) to get acquainted with the partnership's annual reports and balances;

3) on the expiry of the fiscal year, to retire from the partnership and to withdraw his investment in conformity with the procedure, laid down by the constituent agreement;

4) to transfer his share in the joint capital or a part thereof to another investor or to a third party. The investors shall be entitled to the preferential right, in comparison with third parties, to buy the share (a part thereof) as applied to the terms and order, stipulated by **Item 2 of Article 93** of the present Code. The transfer by the investor of his entire share to another person shall amount to the termination of his membership in the partnership.

The constituent agreement of the limited partnership may also stipulate other rights of the investor.

Article 86. Liquidation of the Limited Partnership

1. The limited partnership shall be liquidated in case all the investors have retired from it. However, the general partners shall have the right, instead of the liquidation of the limited partnership, to transform it into a general partnership.

The limited partnership shall also be liquidated on the grounds, stipulated for the liquidation of the general partnership (**Article 81**). However, the limited partnership shall continue operation, if at least one general partner and one investor are left in it.

2. In case of the liquidation of the limited partnership, including in the case of its bankruptcy, the investors shall have the preferential right before the general partners to get back their investments from the property of the partnership, left after the creditors' claims have been satisfied.

The property of the partnership, left after this, shall be distributed among the general partners and the investors proportionately to their shares in the partnership's joint capital, if not otherwise stipulated by the constituent agreement or by an agreement between the general partners and the investors.

3.1. Peasant's Farms

Article 86.1. A Peasant's Farm

1. The citizens exercising joint activities in the area of agriculture without forming a legal entity on

the basis of an agreement on establishing a peasant's farm (**Article 23**) are entitled to establish a legal entity, this being the peasant's farm.

As a peasant's farm established in compliance with this article in the form of a legal entity shall be deemed a voluntary association of citizens on the basis of membership for exercising joint productive or other kinds of economic activity in the area of agriculture which is based on their personal participation therein and on pooling by members of the peasant's farm of their property contributions.

2. The property of a peasant's farm shall be held by it under ownership thereof.

3. A citizen may a member of solely one peasant's farm established as a legal entity.

4. In the event of levying execution by creditors of a peasant's farm against the land plot owned by the peasant's farm, the land plot is subject to public sale for the benefit of the person which in compliance with law is entitled to continue the use of the land plot for the designated purpose.

Members of a peasant's farm established as a legal entity shall bear subsidiary responsibility in respect of its obligations.

5. The specifics of the legal status of a peasant's farm established as a legal entity shall be defined by law.

4. The Limited Liability Company

Article 87. The Basic Provisions on the Limited Liability Company

1. A business company whose authorized capital is divided into shares shall be recognized as a limited liability company. The participants of a limited liability company shall not be answerable under its obligations and shall bear the risk of losses in connection with the company's activity within the cost of the shares they hold.

The participants of the company who have not paid for their shares in full shall bear joint responsibility under its obligations within the cost of the underpaid part of the share of each of the participants.

2. The trade name of the limited liability company shall contain the name of the company and the words, "limited liability".

3. The legal position of the limited liability company, and the rights and duties of its participants shall be defined by the present Code and by the **Law** on the Limited Liability Companies.

Abrogated from September 1, 2014.

Article 88. Participants in the Limited Liability Company

1. The number of participants in a limited liability company shall not exceed 50. Otherwise it is subject to transformation into a joint stock company within a year, and upon the expiry of that term, liquidation in a judicial procedure, unless the number of its participants has fallen to said limit.

2. A limited liability company may be established by a single person or may consist of a single person, in particular when established as a result of re-organisation.

Abrogated from September 1, 2014.

Article 89. The Formation of a Limited Liability Company and Its Charter

1. Founders of a limited liability company shall make an agreement among themselves on the company's establishment defining the procedure for their joint activities aimed at the company's establishment, the amount of their company's authorised capital, the rates of their shares in the company's authorised capital and other terms established by the **law** on limited liability companies.

The agreement on the establishment of a limited liability company shall be made in writing.

2. The founders of a limited liability company shall bear joint responsibility under the obligations connected with its establishment and arising prior to the state registration thereof.

A limited liability company shall only be held liable under the obligations of the company's founders

connected with its establishment in case of subsequent approval of the actions of the company's founders by a general meeting of the company's participants. The extent of the company's liability under these obligations of the founders thereof may be limited by the **law** on limited liability companies.

3. As the constituent document of a limited liability company shall be deemed the rules thereof.

The charter of a limited liability company shall comprise information on the company name of the company and its location, the amount of its charter capital (except as provided for by **Item 2 of Article 52** of this Code), the composition and competence of its bodies, the procedure followed by them to take decisions (for instance the decisions on issues taken unanimously or by a qualified majority of votes) and other information envisaged by a **law** on limited liability companies.

4. The procedure for taking other actions involving the establishment of a limited liability company is defined by the **law** on the limited liability companies.

Article 90. Authorized Capital of the Limited Liability Company

1. The charter capital of a limited liability company (**Article 66.2**) is made up of the face value of the stakes of participants.

2. It is prohibited to relieve a limited liability company's participant of the obligation to pay for the share thereof in the company's authorized capital.

Payment for the authorized capital of a limited liability company in case of an increase of the authorized capital thereof by setting off claims against the company shall be allowed as provided for by the **law** on limited liability companies.

3. The charter capital of a limited liability company shall be paid up by the stockholders thereof within the **term and in the procedure** envisaged by a **law** on limited liability companies.

The consequences of breach by stake-holders of the company of the term and the procedure for payment of the company's charter capital shall be defined by a **law** on limited liability companies.

4. If upon the expiry of the second or each subsequent financial year the value of net assets of the limited liability company turns out to be below the amount of its charter capital, the company shall increase the net asset value to the amount of the charter capital or register in the established procedure a reduction of the charter capital in the procedure and within the term which are envisaged by a law on limited liability companies. If the value of said assets of the company falls below the minimum amount of a charter capital set by a law the company is subject to liquidation.

5. A reduction of the charter capital of the limited liability company is admissible after all its creditors have been notified. In this case the latter have the right of claiming early termination or performance of the relevant obligations of the company and compensation to them for losses.

The rights and duties of creditors of the credit organisations and non-credit financial organisations formed in the organisational legal form of limited liability company are also defined by the laws regulating the activities of such organisations.

6. Increasing the charter capital of the company is admissible after all stakes therein have been paid up in full.

Article 91. Abrogated from September 1, 2014.

Article 92. Reorganisation and Liquidation of the Limited Liability Company

1. The limited liability company may be reorganised or liquidated voluntarily by a unanimous consent of its participants.

Other grounds for the reorganisation and liquidation of the limited liability company and the procedure for its reorganisation and liquidation shall be defined by the present Code and other laws.

2. A limited liability company shall have the right to transform itself into a joint stock company, business partnership association or a production cooperative.

Article 93. Transfer of a Share in a Company's Authorised Capital to Another Person

1. The transfer of the share or of a part of the share of a limited liability company's participant to another person is allowed either on the basis of a deal or by way of legal succession, or on some other legal

basis, subject to the specifics provided for by this Code and the **law** on limited liability companies.

2. The sale or other kind of alienation of the share or of a part of the share in the authorised capital of a limited liability company to third parties is only allowed subject to the requirements provided for by the **law** on limited liability companies, if it is not prohibited by the company's rules.

The company's participants shall enjoy a priority right to acquire the share or a part of the share of its participant. The procedure for exercising the priority right and the time period within which the company's participants may exercise the said right are defined by the **law** on limited liability companies and the company's rules. The company's rules may likewise provide for the company's preemptive right to purchase the share or a part of the share of a company's participant, if other company participants waive their preemptive right to purchase the share or the part of the share in the company's authorized capital.

3. If, in conformity with the rules of a limited liability company, the alienation of a participant's share or a part thereof to third parties is prohibited, while its other participants refuse to acquire it or the consent to alienation of the share or of a part of the share to a company participant or to a third party is not obtained and the company's rules provide for the necessity of obtaining it, the company shall be obliged to acquire on a demand of a participant in the company his stake or a part of the stake.

4. The share of a limited liability company's participant may be alienated prior to its full payment only in the part of it which has already been paid for.

5. In the participant's share or a part thereof has been acquired by a limited liability company itself, it shall be obliged to realize it to its other participants or to third parties within the term and in conformity with the procedure, stipulated by the **law** on limited liability companies and by the company's rules, or to reduce its authorized capital in conformity with **Items 4 and 5 of Article 90** of the present Code.

6. The shares of the authorized capital of a limited liability company shall be transferred to heirs of the citizens and to legal successors of the legal entities that have been the company's participants, if not otherwise provided for by the rules of the limited liability company. The company's rules may provide that the transfer of a share in the company's authorised capital to heirs of the citizens and to legal successors of the legal entities which have been the company's participants, the transfer of the share held by a liquidated legal entity to its founders (participants) that have real rights to its property or contractual rights in respect of this legal entity shall be only allowed with the consent of all other company's participants. The refusal to grant consent to the transfer of the share shall entail the obligation of the company to pay to the said persons the actual cost of it, or to give them in kind the property that amounts to such cost, in conformity with the procedure and on the terms stipulated by the **law** on limited liability companies and by the company's rules.

7. The transfer of the share of a limited liability company's participant to another person shall entail termination of the participation thereof in the company.

Article 94. The Withdrawal of a Participant from a Limited Liability Company

1. A participant in a limited liability company has the right of withdrawing from the company, irrespective of the consent of its other participants or of the company by means of:

1) filing a withdrawal-from-the-company application, if such opportunity is envisaged by the company's charter;

2) presenting a demand to the company for the company to acquire the stake in the cases envisaged by **Item 3 of Article 93** of the present Code and a **law** on limited liability companies.

2. If a participant in a limited liability company has filed a withdrawal-from-the-company application or presented a demand for the company to acquire his share in the cases envisaged by **Item 1** of the present article the share shall get transferred to the company from the date the corresponding entry is made in the unified state register of legal entities in connection with the withdrawal of a company participant from the company (if the company is a credit organisation, the share is transferred to such company from the date the company receives an application from the company participant to leave the company) or from the date the company receives the relevant demand. The actual value of that participant's share in the charter capital shall be paid out thereto or property of the same value shall be handed out in kind on his consent in the procedure, by the method and within the term which are envisaged by a **law** on limited liability

companies and the charter of the company.

5. The Double Liability Company

Abrogated from September 1, 2014.

6. The Joint Stock Company

Article 96. The Basic Provisions on the Joint Stock Company

1. The joint stock company shall be recognized as a business company, whose authorized capital is divided into a definite number of shares; the participants of the joint stock company (the share-holders) shall not be answerable by its obligations and shall take the risks, involved in the losses in connection with its activity, within the cost of the shares in their possession.

The shareholders, who have not paid up their shares in full, shall bear the joint responsibility by the obligations of the joint stock company within the unpaid part of the cost of the shares in their possession.

2. The trade name of the joint stock company shall contain its name and the indication of the fact that the company is a joint stock one.

3. The legal status of the joint stock company and the rights and duties of the share-holders shall be defined in conformity with the present Code and with the Law on the Joint Stock Companies.

The specifics of the legal status of the joint stock companies, founded by way of the privatization of the state-run and municipal enterprises, shall be also defined by the laws and other legal acts on the privatization of these enterprises.

The peculiarities of the legal status of the credit organisations set up in the organisational legal form of joint stock company, the rights and duties of the shareholders thereof shall also be provided by the laws governing the activities of credit organisations.

Article 97. The Public Joint Stock Company

1. A public joint stock company (**Item 1 of Article 66.3**) shall provide information for inclusion in the unified state register of legal entities on the company name of the company that comprises reference to the fact that such company is public.

A joint stock company has the right of providing information for inclusion in the unified state register of legal entities on the company name of the company comprising reference to the fact that such company is public.

A joint stock company shall acquire the right of publicly float (by open subscription) the shares and the securities convertible into its shares which may be publicly traded on the terms established by laws on securities from the day on which information is entered in the unified state register of legal entities on the company name of the company as comprising reference to the fact that such company is public.

2. The acquisition of the status of public company by a non-public joint stock company (**Item 1** of the present article) shall entail the invalidity of the provisions of the company's charter and in-house documents which contravene the rules concerning a public joint stock company which are established by the present Code, a **law** on joint stock companies and laws on securities.

3. In a public joint stock company there shall be set up a collective managerial body of the company (**Item 4 of Article 65.3**) having at least five members. The procedure for the formation of, and the competence of, said collective managerial body are defined by a **law** on joint stock companies and the charter of the public joint stock company.

4. The duty to keep a register of shareholders of a public joint stock company and the performance of the functions of a counting commission shall be carried out by an organisation that holds the licence envisaged by a **law**.

5. In a public joint stock company no restriction may be put on the number of the shares held by one

shareholder, their total face value and also the maximum number of the votes granted to one shareholder. The charter of the public joint stock company shall not include a provision requiring someone's consent to the alienation of the shares of that company. The right of pre-emptive acquisition of the shares of the public joint stock company shall be granted to nobody, except for the cases envisaged by **Item 3 of Article 100** of the present Code.

The charter of the public joint stock company shall not put within the exclusive competence of the general meeting of shareholders the resolution of the issues which are not encompassed by that competence in accordance with the present Code and a **law** on joint stock companies.

6. A public joint stock company shall publicly disclose the information envisaged by a law.

7. Additional requirements applicable to the formation and activities and also termination of public joint stock companies shall be established by a **law** on joint stock companies and laws on securities.

Article 98. The Formation of the Joint Stock Company

1. The founders of the joint stock company shall sign between themselves an agreement, defining the order of their performing a joint activity, involved in the establishment of the company, the size of its authorized capital, the categories of the shares it is going to issue and the way of their distribution, and also other terms, stipulated by the **Law** on the Joint Stock Companies.

The agreement on founding a joint stock company shall be made out in written form by means of drawing up one document signed by the parties.

2. The founders of the joint stock company shall bear a joint responsibility by the obligations, which have arisen before the company's registration.

The company shall bear responsibility by the founders' obligations, related to its creation, only in case their actions have been subsequently approved by the general meeting of the share-holders.

3. The constituent documents of the joint stock company shall be its Rules, approved by the founders.

The charter of a joint-stock company shall contain information on the trade name of a company and its location, information on the categories of shares issued by the company, about their nominal value and number, on the amount of the company's authorised capital, the rights of shareholders - owners of preference shares of each type, composition and competence of the company's bodies, and procedure for making decisions. The charter of a joint-stock company shall also contain another information provided for by **law**.

4. The procedure for the performance of other actions, involved in founding a joint stock company, including the jurisdiction of the constituent assembly, shall be defined by the **Law** on the Joint Stock Companies.

5. The specifics of the creation of the joint stock companies as a result of the privatization of state-run and municipal enterprises shall be defined by the laws and other legal acts on the privatization of these enterprises.

6. A joint stock company may be formed by one person or be made up of one person if one shareholder has acquired all the shares of the company. Information about it is subject to inclusion in the unified state register of legal entities.

A joint stock company shall not have as sole participant another business association that is made up of one person, except as otherwise established by a law.

Article 99. The Authorized Capital of the Joint Stock Company

1. The authorized capital of the joint stock company shall be comprised of the face value of the company's shares, acquired by the share-holders.

Abrogated from September 1, 2014.

2. It is not permitted to exempt a share-holder from the duty to pay for the company's shares.

It is allowed to pay by setting off claims against a company for the company's additional stocks being placed where this is provided for by the **law** on joint stock companies.

3. The public subscription for the shares of the joint stock company shall not be admitted until the authorized capital is paid up in full. When founding a joint stock company, all its shares shall be distributed

among the founders.

4. If upon the expiry of the second or each subsequent financial year the value of net assets of the joint stock company turns out to be below the amount of its charter capital the company in the procedure and within the term which are envisaged by a **law** on joint stock companies shall increase the net asset value to the amount of the charter capital or register in the established procedure a reduction in the charter capital. If the value of said assets of the company falls below the law-determined minimum amount of the charter capital the company is subject to liquidation.

5. The law or the Rules of the company, not being public, may fix the limits upon the number, the total face value of its shares or the maximum number of the votes in the possession of a single share-holder.

Article 100. Augmentation of the Capital of the Joint Stock Company

1. The joint stock company in accordance with a law on joint stock companies is entitled to inflate its authorized capital by raising the face value of its shares or by issuing additional shares.

2. The augmentation of the authorized capital of the joint stock company shall be admitted after it has been paid up in full.

3. In the cases and in the procedure which are envisaged by a **law** on joint stock companies the pre-emptive right may be granted to the shareholders and the persons to whom the company's securities convertible into its shares belong to purchase the shares additionally issued by the company or the securities convertible into shares.

Article 101. Reduction of the Authorized Capital of the Joint Stock Company

1. The joint stock company entitled in accordance with a law on joint stock companies to deflate its authorized capital by cutting down the face value of its shares, or by buying up a certain number of the shares in order to reduce their total number.

The deflation of the company's authorized capital shall be admitted after the notification of all its creditors in conformity with the procedure, laid down by the **Law** on the Joint Stock Companies. The creditors' rights in case of a decrease of the company's authorized capital or of reduction of the net asset value thereof shall be defined by the **law** on joint stock companies.

The rights and duties of the creditors of the credit organisations and of non-credit organisation formed in the organisational legal form of joint stock company are also defined by the laws regulating the activities of such organisations.

2. The reduction of the authorized capital of the joint stock company by acquiring and paying off a part of the shares shall be admitted in case this possibility has been stipulated in the company's Rules.

Article 102. Restrictions on the Issue of Securities and on the Payment of Dividends of the Joint Stock Company

1. The proportion of the preference shares in the total volume of the authorized capital of the joint stock company shall not exceed 25 per cent. In this case, the public joint stock company does not have the right of floating preference shares whose face value is below the face value of ordinary shares.

2. **Abrogated** from September 1, 2014.

3. The joint stock company shall not have the right to declare and pay dividends:

- until the entire authorized capital is paid up in full;
- if the cost of the net assets of the joint stock company is less than its authorized capital and its

reserve fund, or if it will fall below their size as a result of the payment of the dividends.
in other cases envisaged by a **law** on joint stock companies.

Article 103. Abrogated from September 1, 2014.

Article 104. Reorganisation and Liquidation of the Joint Stock Company

1. The joint stock company may be reorganised or liquidated voluntarily, by the decision of the general meeting of the share-holders.

Other grounds and the procedure for the reorganisation and liquidation of the joint stock company shall be stipulated by a **law**.

2. A joint stock company has the right of transforming into a limited liability company, business partnership or production cooperative.

7. The Subsidiary and Dependent Companies

Abrogated from September 1, 2014.

8. Production Cooperatives

Article 106.1. The Concept of Production Cooperative

1. The production cooperative (artel) is a voluntary membership-based association of citizens for joint production or another business activity (the production, processing or sale of industrial, agricultural and other products, the performance of work, trade, provision of everyday services and of other services) based on their personal labour and other participation and on the pooling of property participatory share contributions by its members (participants). A **law** and the charter of a production cooperative may envisage the participation of legal entities in its activities. A production cooperative is a corporate commercial organisation.

2. The members of a production cooperative bear subsidiary liability for the cooperative's obligations in the amounts and in the procedure which are envisaged by a **law** on production cooperatives and the charter of the cooperative.

Article 106.2. The Formation of a Production Cooperative and Its Charter

1. The constitutive document of a production cooperative is its charter endorsed by a general meeting of its members.

2. The charter of a production cooperative shall contain information on the company name of the cooperative and its location, the terms concerning the amount of participatory share contributions of the cooperative's members, the composition and the procedure the cooperative's members to make participatory share contributions and their liability for breach of the duty to make participatory share contributions, the character of, and the procedure for, the labour participation of its members in the cooperative's activities and on their liability for breach of the duty to take part in person in the cooperative's activities, the procedure for distribution of the profits and losses of the cooperative, the amount of, and the terms concerning, the subsidiary liability of its members for the cooperative's obligations, the composition and competence of the bodies of the cooperative and the procedure for them to take decisions, for instance on the issues on which decisions are taken unanimously or by a qualified majority of votes.

3. The company name of a production cooperative shall comprise its name and the words "production cooperative" or the word "artel".

4. The number of members of the cooperative shall not be less than five.

Article 106.3. The Property of a Production Cooperative

1. The property owned by a production cooperative is divided in its members' participatory shares

according to the charter of the cooperative.

The charter of the cooperative may establish that a certain part of the cooperative's property constitutes indivisible funds used for the purposes defined by the charter.

A decision on formation of indivisible funds shall be taken by the members of the cooperative unanimously, except as otherwise envisaged by the charter of the cooperative.

2. By the time of registration of the cooperative a member of the production cooperative shall contribute at least 10 per cent of the participatory share contribution, and the remaining part within one year after the time of state registration of the cooperative.

3. The profit of the production cooperative shall be distributed among its members in accordance with their labour participation, except as another procedure is envisaged by a **law** on production cooperatives and the charter of the cooperative.

The same procedure shall be applied to distribute the property remaining after the liquidation of the cooperative and satisfaction of the claims of its creditors.

Article 106.4. The Details of Management in a Production Cooperative

1. The executive bodies of a production cooperative shall be the cooperative's chairman and board, if its formation is envisaged by a **law** or the charter of the cooperative.

2. Only members of a production cooperative may be members of the board of the cooperative and the chairman of the cooperative.

3. A member of the production cooperative shall have one vote when decisions are being taken by a general meeting.

Article 106.5. The Termination of Membership in a Production Cooperative and the Transfer of a Participatory Share

1. A member of a production cooperative has the right at his discretion to withdraw from the cooperative. In this case the value of the participatory share shall be paid out to him or property whose value corresponds to the value of his participatory share shall be handed out to him, and also other disbursements envisaged by the charter of the cooperative shall be made.

The payment of the value of the participatory share or the provision of other property to a withdrawing member of the cooperative shall take place upon the expiry of the financial year and the endorsement of the accounting (financial) statements of the cooperative, except as otherwise envisaged by the charter of the cooperative.

2. A member of the production cooperative may be expelled from the cooperative by a decision of a general meeting in the event of default on or improper execution of the duties vested therein by the charter of the cooperative, and also in other cases envisaged by a **law** and the charter of the cooperative.

A member of the cooperative may be expelled from the cooperative by a decision of a general meeting in connection with membership in a similar cooperative.

A member of the cooperative who has been expelled from it is eligible for receiving the participatory share and other disburseable amounts envisaged by the charter of the cooperative according to **Item 1** of the present article.

3. A member of the cooperative has the right of transferring his participatory share or a portion thereof to another member of the cooperative, except as otherwise envisaged by a **law** or the charter of the cooperative.

The transfer of a participatory share or a portion thereof to a citizen who is not a member of the cooperative is admissible on the consent of the general meeting of members of the cooperative. In this case other members of the cooperative enjoy the pre-emptive right to purchase such participatory share or the portion thereof.

4. In the event of death of a member of the production cooperative his heirs may be admitted as members of the cooperative, except as otherwise envisaged by the charter of the cooperative. Otherwise, the cooperative shall pay out to the heirs the value of the participatory share of the deceased member of the

cooperative.

5. Levy of execution on the participatory share of a member of the production cooperative for the debts of the member of the cooperative is admissible only if his other property is insufficient to cover such debts in the procedure established by a **law** and the charter of the cooperative. Levy of execution for the debts of a member of the cooperative shall not extend to the indivisible funds of the cooperative.

Article 106.6. The Transformation of a Production Cooperative

By a decision of its members taken unanimously a production cooperative may be transformed into a business company or association.

§ 3. The Production Cooperatives

Abrogated from January 1, 2014.

§ 4. The State-Run and Municipal Unitary Enterprises

Article 113. Basic Provisions on the Unitary Enterprise

1. The unitary enterprise is a commercial organisation having no right of ownership in respect of the property that has been assigned thereto by the owner. The property of an unitary enterprise is indivisible and it shall not be distributed in contributions (stakes or participatory shares) for instance among the employees of the enterprise.

State and municipal enterprises shall operate in the organisational legal form of unitary enterprises.

In the cases and in the procedure which are envisaged by a **law** on state and municipal unitary enterprises an unitary state-property enterprise (state-property enterprise) may be formed on the basis of a state or municipal property.

2. The property of a state or municipal unitary enterprise is under state or municipal ownership and it belongs to such enterprise by the right of economic jurisdiction or operative management.

The rights of a unitary enterprise in respect of the property assigned thereto shall be defined in accordance with the present Code and a **law** on state and municipal unitary enterprises.

3. The constitutive document of the unitary enterprise is its **charter**, endorsed by the empowered state body or local government body, except as otherwise envisaged by a law.

The charter of the unitary enterprise shall comprise information on its company name and location, the subject and objectives of its activities. The charter of a unitary enterprise that is not a state-property enterprise shall also contain information on the amount of the unitary enterprise's charter fund.

4. The company name of a unitary enterprise shall include reference to the owner of its property. Moreover, the company name of a state-property enterprise shall contain reference to the fact that it is a state-property one.

5. The body of an unitary enterprise shall be head of the enterprise who is appointed by the body empowered by the owner, except as otherwise envisaged by a **law**, and reports thereto.

6. For its obligations the unitary enterprise is liable with all the property it has.

The unitary enterprise is not liable for the obligations of the owner of its property.

The owner of the unitary enterprise's property, save the owner of the property of a state-property enterprise, is not liable for the obligations of its unitary enterprise. The owner of the property of a state-property enterprise bears subsidiary liability for the obligations of such enterprise, if its property is insufficient.

7. The legal status of unitary enterprises is defined by the present Code and a **law** on state and municipal unitary enterprises.

8. The unitary enterprise may be re-organised in accordance with a **law** on state and municipal unitary enterprises and laws on privatisation.

Article 114. The Formation of an Unitary Enterprise and Its Charter Fund

1. An unitary enterprise shall be formed in the name of a public-law entity (**Article 125**) by a decision of the state body or local government body empowered to do so.

2. The minimum amount of the charter fund of the unitary enterprise shall be defined by a **law** on state and municipal unitary enterprises.

3. The procedure for forming the charter fund of a unitary enterprise shall be established by a **law** on state and municipal unitary enterprises.

4. If upon the expiry of a financial year the value of net assets of an unitary enterprise turns out to be below the amount of the charter fund the body empowered to form such enterprises shall reduce the charter fund in the established procedure. If the net asset value falls below the sum defined by a **law** the unitary enterprise may be liquidated by a court's decision.

5. If a decision on reduction of the charter fund is taken the unitary enterprise shall notify its creditors accordingly in writing.

A creditor of the unitary enterprise has the right of claiming termination or early performance of the obligation in respect of which that enterprise is a debtor and claiming compensation for losses.

Article 115. Abrogated from September 1, 2014.

§ 5. The Non-Profit Organisations

Abrogated from September 1, 2014.

§ 6. Non-Profit Corporate Organisations

1. General Provisions on Non-Profit Corporate Organisations

Article 123.1. Basic Provisions on Non-Profit Corporate Organisations

1. The non-profit corporate organisations are legal entities which do not have profit making as the basic objective of their activities and do not distribute received profit among participants (**Item 1 of Article 50** and **Article 65.1**), whose founders (participants) acquire the right of participating (membership) in them and form their supreme body in accordance with **Item 1 of Article 65.3** of the present Code.

2. Non-profit corporate organisations shall be formed in the organisational legal forms of consumer cooperative, public organisation, associations (unions), notarial chambers, partnerships of the owners of immovable property, the Cossack societies included in the state register of Cossack societies in the Russian Federation and also communities of small-numbered indigenous peoples of the Russian Federation (**Item 3 of Article 50**).

3. Non-profit corporate organisations shall be formed by a decision of founders taken at their general (constitutive) meeting, conference, congress, etc. Said bodies shall endorse the charter of the relevant non-profit corporate organisation and set up its bodies.

4. A non-profit organisation is the owner of its property.

5. The charter of a non-profit corporate organisation may include a provision according to which decisions on formation of other legal persons by the corporation and also decisions on the corporation's participation in other legal entities, on formation of branches and opening of representative offices of the corporation shall be adopted by the collective body of the corporation.

2. The Consumer Cooperative

Article 123.2. Basic Provisions on the Consumer Cooperative

1. The consumer cooperative of a membership-based voluntary association of citizens or of citizens

and legal entities for the purposes of meeting their material and other needs realised by means of the pooling of property participatory share contributions by its members. A mutual insurance society can be based on the membership of legal entities.

2. The charter of a consumer cooperative shall comprise information on the name and location of the cooperative, the subject and objectives of its activities, the terms concerning the amount of participatory share contributions of the cooperative's members, the composition and procedure for the contribution of participatory shares by the cooperative's members and on their liability for breach of the obligation to contribute participatory shares, on the composition and competence of the bodies of the cooperative and the procedure for them to take decisions, for instance on the issues on which decisions are taken unanimously or by a qualified majority of votes, the procedure for the cooperative's members to cover the losses incurred by it.

The name of a consumer cooperative shall comprise reference to the main objective of its activities and also the word "cooperative". The name of a mutual insurance society shall comprise the words "consumer society".

3. By a decision of its members a consumer cooperative may be transformed into a public organisation, association (union), autonomous non-for-profit organisation or socially useful fund. By a decision of its members a housing or housing construction cooperative may be transformed only into a partnership of the owners of immovable property. By decision of its members, a mutual insurance society can only be transformed into a business entity - an insurance organisation.

Article 123.3. The Duty of Members of a Consumer Cooperative to Make Additional Contributions

1. Within three months after the endorsement of an annual balance sheet the members of a consumer cooperative shall cover the losses that have accrued, by means of making additional contributions. In the event of default on this duty the cooperative may be liquidated in a judicial procedure on the demand of creditors.

2. The members of a consumer cooperative jointly and severally bear subsidiary liability for its obligations within the limits of the outstanding portion of the additional contribution of each of the cooperative's members.

3. Public Organisations

Article 123.4. Basic Provisions on Public Organisations

1. Public organisations are voluntary associations of citizens who have joined on the basis of common interests to meet spiritual and other non-material needs for the purposes of representation and protection of common interests and of attainment of other objectives not contravening a law.

2. A public organisation is the owner of its property. Its participants (members) shall not retain property rights to the property they have handed over to the organisation into its ownership, including membership dues.

The participants in (members of) a public organisation are not liable for the obligations of the organisation in which they participate as members, and the organisation is not liable for the obligations of its members.

3. Public organisations may join in associations (unions) in the procedure established by the present Code.

4. By a decision of its participants (members) a public organisation may be transformed into an association (union), autonomous non-for-profit organisation or socially useful fund.

Article 123.5. The Founders and the Charter of a Public Organisation

1. A public organisation shall have at least three founders.

2. The charter of the public organisation shall comprise information on its name and location, the subject and objectives of its activities, and also terms on the procedure for enlisting (being admitted) in the

public organisation and for withdrawing from it, the composition and competence of its bodies and the procedure for them to take decisions, for instance on the issues on which decisions are taken unanimously or by a qualified majority of votes, on the property rights and duties of a participant in (member of) the organisation and on the procedure for distribution of the property that remains after the liquidation of the organisation.

Article 123.6. The Rights and Duties of a Participant in (a Member of) a Public Organisation

1. A participant in (member of) a public organisation shall exercise the corporate rights envisaged by **Item 1 of Article 65.2** of the present Code, in the procedure established by the charter of the organisation. Also he has the right to use without compensation on equal terms with other participants (members) the services it provides.

2. Apart from the duties envisaged by participants in a corporation by **Item 4 of Article 65.2** of the present Code the participant in (member of) of the public organisation shall also have the duty to pay the membership dues and make other property contributions as envisaged by its charter.

The participant in (member of) the public organisation at his discretion at any time is entitled to withdraw from the organisation in which he/she participates.

3. Membership in the public organisation is unalienable. The exercising of the rights of a participant in (member of) the public organisation shall not be assigned to another person.

Article 123.7. The Details of Management in a Public Organisation

1. Apart from the issues mentioned in **Item 2 of Article 65.3** of the present Code the exclusive competence of the supreme body of a public organisation also encompasses the taking of decisions on the rate of, and the procedure for payment/making of, membership dues and other property contributions by its participants (members).

2. In a public organisation there shall be set up a sole executive body (chairman, president, etc.) and may be set up permanent collective executive bodies (council, board, presidium, etc.).

By a decision of a general meeting of members of a public organisation the powers of its body may be terminated before the due date in the event of that body's gross violation of its duties, discovery of inability to properly conduct business or if there are other serious grounds.

3.1. Social Movements

Article 123.7-1. Social Movements

1. As a social movement shall be deemed a public association consisting of participants pursuing social, political and other generally useful goals which are supported by the participants of the social movement.

2. The provisions of this Code on non-profit organisations shall apply to social movements, if not otherwise provided for by **Federal Law No. 82-FZ of May 19, 1995 on Public Associations**.

4. Associations and Unions

Article 123.8. Basic Provisions on the Association (Union)

1. The association (union) is an association of legal entities and/or citizens based on voluntary or in the cases established by a law mandatory membership and formed for the purposes of representation and protection of common, inter alia, professional interests, attainment of objectives useful for the public and also other objectives that do not contravene a law and have non-commercial nature.

Inter alia, the following shall be formed in the organisational legal form of association (union): associations of persons whose objective is the coordination of their entrepreneurial activities, the

representation and protection of common property interests, professional associations of citizens not having the objective of protecting the rights and interests of their members, professional associations of citizens not relating to their participation in labour relations (associations of appraisers, members of creative professions and others), self-regulating organisations and their associations.

2. Associations (unions) may have the civil rights and bear the civil responsibilities that correspond to the objectives for which they have been created and the activities envisaged by the charters of such associations (unions).

3. An association (union) is the owner of its property. The association (union) is liable for its obligations with all its property, except as otherwise envisaged by a law in respect of associations (unions) of specific types.

The association (union) is not liable for the obligations of its members, except as otherwise envisaged by a law.

The members of the association (union) are not liable for its obligations, except for cases when subsidiary liability of its members is envisaged by a law or the charter of the association (union).

4. By a decision of its members an association (union) may be transformed into a public organisation, autonomous non-profit organisation or socially useful fund.

5. The details of the legal status of associations (unions) of specific types may be established by laws.

Article 123.9. The Founders of an Association (Union) and the Charter of the Association (Union)

1. An association (union) shall have at least two founders. The laws establishing the details of the legal status of associations (unions) of specific types may establish other requirements applicable to the minimum number of founders of such associations (unions).

2. The charter of the association (union) shall comprise information on its name and location, the subject and objectives of its activities, terms on the procedure for members to join (be admitted in) the association (union) and to withdraw from it, information on the composition and competence of the bodies of the association (union) and the procedure for them to take decisions, for instance on the issues on which decisions are taken unanimously or by a qualified majority of votes, on the property rights and duties of the association's (union's) members, the procedure for distribution of the property that remains after the liquidation of the association (union).

Article 123.10. The Details of Management in an Association (Union)

1. Apart from the issues mentioned in **Item 2 of Article 65.3** of the present Code the exclusive competence of the supreme body of an association (union) also encompasses the taking of decision on the procedure for determining the rate and method of payment of membership dues, on additional property contributions of the members of the association (union) into its property and on the amount of their subsidiary liability for the obligations of the association (union), if such liability is envisaged by a law or the charter.

2. In the association (union) there shall be set up a sole executive body (chairman, president, etc.) and may be set up permanent collective executive bodies (council, board, presidium, etc.).

By a decision of the supreme body of the association (union) the powers of the body of the association (union) may be terminated before due date in the event of that body's gross violation of its duties, discovered inability to properly conduct business or if there are other serious grounds.

Article 123.11. The Rights and Duties of a Member of an Association (Union)

1. A member of an association (union) shall exercise the corporate rights envisaged by **Item 1 of Article 65.2** of the present Code, in the procedure established in accordance with the charter of the association (union). He is also entitled on equal terms with other members of the association (union) to use without compensation the services it provides, except as otherwise envisaged by a law.

The member of the association (union) has the right of withdrawing from it at his discretion at any time.

2. Apart from the duties envisaged for the participants in a corporation by **Item 4 of article 65.2** of the present Code the members of the association (union) are also obligated to pay the membership dues envisaged by the charter and by a decision of the supreme body of the association (union) to make additional property contributions into the property of the association (union).

A member of the association (union) may be expelled from it in the cases and in the procedure which are established by the charter of the association (union) in accordance with a law.

3. Membership in the association (union) is unalienable. The consequences of termination of members in the association (union) are established by a law and/or its charter.

5. Partnerships of the Owners of Immovable Property

Article 123.12. Basic Provisions on the Partnership of the Owners of Immovable Property

1. The partnership of the owner of immovable property is a voluntary association of the owners of immovable property (premises in a building, for instance in a block of flats, or in several buildings, dwelling houses, garden houses, gardening or truck-farming land plots, etc.) formed by them for joint possession, use and within the limits established by a law disposition of the property (things) which are by virtue of a law in their common ownership or in common use, and also for the attainment of other objectives envisaged by laws.

2. The charter of the partnership of the owners of immovable property shall comprise information on its name as including the words "partnership of the owners of immovable property", location, the subject and objectives of its activities, the composition and competence of the bodies of the partnership and the procedure for them to take decisions, for instance on the issues on which decisions are taken unanimously or by a qualified majority of votes, and also other information envisaged by a law.

3. The partnership of the owners of immovable property is not liable for the obligations of its members. The members of the partnership of the owners of immovable property are not liable for its obligations.

4. By a decision of its members the partnership of the owners of immovable property may be transformed into a consumer cooperative.

Article 123.13. The Property of a Partnership of the Owners of Immovable Property

1. A partnership of the owners of immovable property is the owner of its property.

2. The common property in a block of flats belong to members of partnership of the owners of immovable property by the right of common share ownership, except as otherwise envisaged by a law. The composition of such property and the procedure for defining shares in the right of common ownership to it shall be established by a law.

2.1. The common-use property in a gardening or truck-farming non-profit partnership shall be held on the basis of the right of common share ownership by the persons who are owners of the land plots located within the boundaries of the territory allocated for gardening and truck-farming by citizens for meeting their own needs, unless otherwise provided for by law.

3. A share in the right of joint ownership to common property in an apartment house of the owner of premises in this house, a share in the right of joint ownership to the property in common use which is located within the boundaries of the territory allocated for gardening and truck-farming by citizens for meeting their own needs, of the owner of a gardening or truck-farming land plot shall follow the destiny of the right of ownership to the cited premises or land plot.

Article 123.14. The Details of Management in a Partnership of the Owners of Immovable Property

1. Apart from the issues mentioned in **Item 2 of Article 65.3** of the present Code the exclusive competence of the supreme body of a partnership of the owners of immovable property shall also encompass the taking of decisions on setting the rate of mandatory payments and contributions of the members of the

partnership.

2. In the partnership of the owners of immovable property there shall be set up a sole executive body (chairman) and a permanent collective executive body (board).

By a decision of the supreme body of the partnership of the owners of immovable property (**Item 1 of Article 65.3**) the powers of the permanent bodies of the partnership may be terminated before due date in the cases of their gross violation of their duties, discovered inability to properly conduct business, or if there are other serious grounds.

6. The Cossack Societies Included in the State Register of Cossack Societies in the Russian Federation

Article 123.15. A Cossack Society Included in the State Register of Cossack Societies in the Russian Federation

1. The following shall be deemed Cossack societies: the societies which are included in the state register of Cossack societies in the Russian Federation and have been formed for the purposes of conserving the traditional lifestyle, economic activities and culture of the Russian Cossacks, and also for other purposes envisaged by Federal Law No. 154-FZ of December 5, 2005 on the State Service of the Russian Cossacks -- of the citizens who have voluntarily undertaken in the procedure established by a law to be on state service or another service.

2. By a decision of its members a Cossack society may be transformed into an association (union) or autonomous non-profit organisation.

3. The provisions of the present **Code** on non-profit organisations are applicable to the Cossack societies included in the state register of Cossack societies in the Russian Federation, except as otherwise established by Federal Law No. 154-FZ of December 5, 2005 on the State Service of the Russian Cossacks.

7. Communities of Small-Numbered Indigenous Peoples of the Russian Federation

Article 123.16. The Community of Small-Numbered Indigenous Peoples of the Russian Federation

1. The following shall be deemed communities of small-numbered indigenous peoples of the Russian Federation: the voluntary associations of citizens who belong to small-numbered indigenous peoples of the Russian Federation and have joined according to kin and/or area and neighbourhood for the purposes of protecting the age-old environment, conserving and developing the traditional lifestyle, economic activities, trades and culture.

2. The members of a community of small-numbered indigenous peoples of the Russian Federation have the right of receiving a part of its property or compensation for the value of such part when they withdraw from the community or when it is liquidated in the procedure established by a law.

3. By a decision of its members a community of small-numbered indigenous peoples of the Russian Federation may be transformed into an association (union) or autonomous non-for-profit organisation.

4. The provisions of the present **Code** on non-profit organisations are applicable to communities of small-numbered indigenous peoples of the Russian Federation, except as otherwise established by a law.

8. Barristers/Solicitors' Chambers

Article 123.16-1. Barristers/Solicitors' Chambers

1. As barristers/solicitors' chambers shall be deemed non-profit organisations which are based on mandatory membership therein established in the form of the barristers/solicitors' chamber of a constituent entity of the Russian Federation or the Federal Barristers/Solicitors' Chamber of the Russian Federation for accomplishing the tasks provided for by the legislation on barristers/solicitors' activities and the bar.

2. The barristers/solicitors' chamber of a constituent entity of the Russian Federation shall be a

non-profit organisation based on mandatory membership therein of all barristers/solicitors of the constituent entity of the Russian Federation.

3. The Federal Barristers/Solicitors' Chamber of the Russian Federation shall be a non-profit organisation uniting barristers/solicitors' chambers of constituent entities of the Russian Federation on the basis of mandatory membership therein.

4. The specifics of establishment, legal status and activities of barristers/solicitors' chambers of constituent entities of the Russian Federation and of the Federal Barristers/Solicitors' Chamber of the Russian Federation shall be defined by the legislation on barristers/solicitors' activities and the bar.

9. Barristers/Solicitors' Formations Which Are Legal Entities

Article 123.16-2. Barristers/Solicitors' Formations Which Are Legal Entities

1. As barristers/solicitors' formations which are legal entities shall be deemed non-profit organisations established in compliance with the **legislation** on barristers/solicitors' activities and the bar for the purpose of exercising barristers/solicitors' activities by barristers/solicitors.

2. Barristers/solicitors' formation which are legal entities shall be established in the form of a **bar association, lawyer's office or legal aid office**.

3. The specifics of establishment, legal status and activities of barristers/solicitors' formations which are legal entities shall be defined by the **legislation** on barristers/solicitors' activities and the bar.

10. Notarial Chambers

Article 123.16-3. Notarial Chambers

1. As notarial chambers shall be deemed non-profit organisations representing professional associations based on obligatory membership in them and established in the form of a notarial chamber of a constituent entity of the Russian Federation or the Federal Notarial Chamber for accomplishment of the tasks provided for by the legislation on the notariate.

2. A notarial chamber of a constituent entity of the Russian Federation shall be a non-profit organisation representing a professional association based on obligatory membership in it of notaries engaged in private practice.

3. The Federal Notarial Chamber shall be a non-profit organisation representing a professional association of notarial chambers of constituent entities of the Russian Federation based on their obligatory membership in it.

4. The specifics of establishment, legal status and activities of notarial chambers of constituent entities of the Russian Federation and of the Federal Notarial Chamber shall be defined by the **legislation** on the notariate.

§ 7. Non-Profit Unitary Organisations

1. Socially Useful Funds

Article 123.17. Basic Provisions on the Socially Useful Fund

1. For the purposes of the present Code the socially useful fund (hereinafter also referred to as the fund) is an unitary non-profit organisation that has no membership, is founded by citizens and/or legal entities on the basis of voluntary property contributions and is pursuing charitable, cultural, educational or other social objectives of use for the public.

2. The charter of a fund shall comprise information on the name of the fund that includes the word "fund" or the words "socially useful fund", its location, the subject and objectives of its activities, the bodies

of the fund, for instance on the supreme collective body and the board of trustees that exercises supervision over the activities of the fund, the procedure for appointment and removal of the fund's officials, the fate of the property of the fund in the event of its liquidation.

3. It is hereby prohibited to re-organise a fund, except for the cases envisaged by **Item 4** of this article, as well as by laws establishing grounds and a procedure for fund's reorganisation.

4. The legal status of non-state pension funds, including the cases of, and the procedure for, their possible re-organisation is defined by the present article and **Articles 123.18 - 123.20** of the present Code with account being taken of the details envisaged by a law on non-state pension funds.

5. Invalid from March 1, 2022 - **Federal Law** No. 287-FZ of July 1, 2021

Article 123.18. The Property of a Fund

1. The property that has been handed over to a fund by its founder(s) is owned by the fund. The founders of the fund do not have pre-emptive rights in respect of the fund they have formed and are not liable for its obligations, and the fund is not liable for the obligations of its founders.

2. The fund shall use property for the purposes defined in its charter.

Every year the fund shall publish reports on how its property has been used.

Article 123.19. The Management of a Fund

1. If not otherwise provided for by a law or other legal act, the following shall be within the scope of exclusive competence of the supreme collective body of a fund:

defining priority lines of the fund's activity, the principles of the formation and use of its property;

setting up other bodies of the fund and terminating their powers before due time;

endorsing annual reports and annual accounting (financial) statements of the fund;

taking decisions on the formation of business associations by the fund and/or on the participation of the fund in them, except when the fund's charter assigns the adoption of decisions on the cited matters to the scope of competence of other collective bodies of the fund;

taking decisions on forming branches and/or on opening representative offices of the fund;

amending the charter of the fund, if the charter envisages the opportunity for doing so;

approving the transactions concluded by the fund in the cases envisaged by a law.

A law or the charter of the fund may place the taking of decisions on other issues within the exclusive competence of the supreme collective body of the fund.

2. The supreme collective body of the fund shall elect the one-man executive body of the fund (chairman, director general, etc.) and may appoint a collective executive body of the fund (board) or other collective body of the fund, if a law or other legal act does not assign the cited powers to the scope of authority of the fund's founder.

The competence of the one-man executive and/or collective bodies of the fund encompasses the resolution of the issues not included in the exclusive competence of the supreme collective body of the fund.

3. On a demand of members of the fund's supreme collective body who act in the interests of the fund the persons empowered to act in the name of the fund shall compensate in accordance with **Article 53.1** of the present Code for the losses they have inflicted on the fund.

4. The board of trustees of the fund is a body of the fund and it exercises supervision over the fund's activities, over the taking of decisions by other bodies of the fund and over the efforts aimed at having them implemented, over the use of the resources of the fund and the observance of the legislation by the fund. The board of trustees of the fund shall pursue its activities without remuneration.

Article 123.20. Amending the Charter and Liquidating the Fund

1. The charter of a fund may be amended by the supreme collective body of the fund, unless the charter includes a provision according to which it may be amended by a decision of a founder.

The charter of the fund may be modified by a court's decision taken on an application of the bodies of

the fund or the state body empowered to exercise supervision over the fund's activities, if keeping the charter of the fund unchanged is going to entail the consequences that could not be foreseen when the fund was founded, and the supreme collective body of the fund or the founder of the fund does not modify its charter.

2. The fund may be liquidated only under a court's decision taken on an application of persons concerned, if:

1) the property of the fund is insufficient for the attainment of its objectives and the probability of receiving the necessary property is unreal;

2) the objectives of the fund cannot be attained, and the necessary changes of the fund's objectives cannot take place;

3) in its activities the fund evades the objectives set out in the charter;

4) in other cases envisaged by a law.

3. In the event of liquidation of the fund its property that has remained after creditors' claims were satisfied shall be used for the purposes specified in the charter of the fund, except for cases when a law envisages returning such property to the founders of the fund.

Article 123.20-1. Invalid from March 1, 2022 - **Federal Law No. 287-FZ** of July 1, 2021

Article 123.20-2. Invalid from March 1, 2022 - **Federal Law No. 287-FZ** of July 1, 2021

Article 123.20-3. Invalid from March 1, 2022 - **Federal Law No. 287-FZ** of July 1, 2021

1.1. Personal Funds

Article 123.20-4. Basic Provisions on Personal Fund

1. As a personal fund shall be recognised a unitary non-profit organisation established for a definite term or permanently by an individual or after the death thereof by a notary engaged in managing the property transferred to it by this individual or the property of this individual inherited by it in compliance with the management terms endorsed by him/her.

2. A personal fund may be established by a notary after the death of an individual in compliance with the testament thereof (hereditary fund). The provisions of this Code on personal funds shall apply to hereditary funds, unless otherwise established by this Code or results from the specifics of legal regulation of hereditary funds. The founder of a personal fund is entitled to stipulate in the charter of the personal fund established when he/she is alive that after the death thereof such personal fund will continue its activities in compliance with the charter and management terms endorsed by the founder thereof and, in so doing, such personal fund may not be liquidated by decision of its bodies.

3. An individual who established a personal fund when alive or who stipulated in the testament thereof the establishment of a hereditary fund shall be declared as the founder of the personal fund.

The replacement of the founder of a personal fund shall not be permitted. When establishing personal funds, the co-establishment thereof by several persons shall not be permitted, except when the founders of a personal fund are spouses who transfer common property to the personal fund (**Article 256**).

4. The property transferred to a personal fund by the founder thereof shall be held by the personal fund on the basis of the right of ownership. The founder of a personal fund shall not have any rights to the property of the fund established by him/her. The gratuitous transfer by other persons of property to a personal fund shall not be allowed.

The cost of the property transferred to a personal fund (except for a hereditary fund) by the founder thereof when it is being established may not be below 100 million rubles and the cost of this property shall be calculated on the basis of assessment of the market value thereof.

5. A personal fund is entitled to exercise the business activities corresponding to the goals defined by the charter of the personal fund and required for pursuance of these goals. For exercising business activities a personal fund is entitled to establish economic companies or to participate in them.

6. The founder of a personal fund shall bear subsidiary liability with respect to this personal fund's obligations when the property thereof is insufficient, while the personal fund, except for a hereditary fund,

shall bear subsidiary liability by the property thereof with respect to the obligations of the personal fund's founder within three years from the date when it is established. On extraordinary occasions, if creditors of a personal fund or of the founder of a personal fund could not for sound reasons raise claims against the founder of a personal fund or a personal fund within the cited time period, this time period may be extended by court but at the most by five years from the date of the personal fund's establishment.

7. The decision of the founder of a personal fund on establishment of the personal fund is subject to certification by a notary. The testament whose terms provide for the establishment of a hereditary fund must comprise the testator's decision on the establishment of the hereditary fund, the fund's charter, as well as the terms of the hereditary fund's management. Such testament is subject to certification by a notary.

8. Seen as the constituent document of a personal fund shall be the charter thereof.

The founder of a personal fund is entitled to endorse the terms of managing the personal fund and other internal documents of the personal fund which shall be binding for all the personal fund's bodies.

The charter of a personal fund and the terms of managing a personal fund are subject to certification by a notary.

Unless otherwise established by this Code or by the charter of a personal fund, information on the content of the terms of managing the personal fund and on the content of other internal documents of the personal fund are not subject to disclosure and shall be deemed confidential.

The charter of a personal fund, the terms of managing a personal fund and other internal documents of a personal fund may be amended by the fund's founder when he/she is alive. After the death of the founder of a personal fund the charter of the personal fund, the terms of managing the personal fund and other internal documents of a personal fund endorsed by the founder thereof when he/she is alive may not be amended, except for making amendments therein on the basis of a court decision on demand of any personal fund's body in the instances when such fund's management under previous conditions has become impossible due to the circumstances whose origination could not be envisaged when such fund was established.

The charter of a hereditary fund and the terms of managing a hereditary fund may not be amended after the establishment of the hereditary fund, except for introduction of amendments therein on the basis of a court decision on demand of any body of the hereditary fund in the instances when the hereditary fund's management under the previous conditions has become impossible due to the circumstances whose origination could not be envisaged when the hereditary fund was established, as well as when it is established that the beneficiary of the hereditary fund is an unworthy heir (**Article 1117**), if only this circumstance was not known at the time when the hereditary fund was established.

9. The denomination of a personal fund must include the words "personal fund". The denomination of a hereditary fund must include the words "hereditary fund".

10. The re-organisation of a personal fund (except for a hereditary fund) shall be allowed in the form of merger, affiliation, division and detachment provided that as a result of such re-organisation a personal fund or personal funds created by the same founder are established. It shall also be permitted to transform a personal fund into a socially useful fund by the founder's decision when he/she is alive.

The re-organisation of a personal fund after the death of the founder thereof shall not be allowed, except for transformation of a personal fund into a socially useful fund where it is provided for by the terms of managing the personal fund and by **Item 6 of Article 123.20-5** of this Code.

11. A personal fund shall be liquidated on the basis of a court decision:

1) in the procedure and on the grounds provided for by **Subitems 1 - 4 of Item 3 of Article 61** of this Code;

2) on demand of the sole executive body of the personal fund in connection with the expiry of the time period for which the personal fund was established;

3) on demand of the sole executive body of the personal fund in connection with the occurrence of the circumstances cited in the terms of the personal fund's management;

4) on demand of the beneficiary of the personal fund where it is impossible to form the personal fund's bodies (absence of the quorum in collective bodies, absence of the sole executive body);

5) on demand of the sole executive body of the personal fund in connection with impossibility within three years, unless another period is provided for by the charter of the personal fund, to meet the conditions provided for by the personal fund's founder in compliance with which the personal fund's beneficiaries are subject to identification.

The property left after liquidation of a personal fund are subject to transfer to the personal fund's beneficiaries in proportion to the extent of their rights to receive the property or income derived from the personal fund's activities, unless the terms of managing the personal fund provide for another rules for distribution of the remaining property, including its transfer to the persons not being beneficiaries. If it is impossible to identify the persons which the property left after liquidation of the personal fund is subject to transfer to, such property is subject to transfer under ownership of the personal fund's founder or, should a hereditary fund be liquidated, it is subject to transfer in compliance with a court decision under ownership of the Russian Federation.

12. A report on the use of the property of a personal fund is not subject to publication, except when it is provided for by the rules of managing the personal fund.

Article 123.20-5. Terms of the Personal Fund's Management

1. The terms of managing a personal fund may comprise the provisions on transfer to definite persons (the personal fund's beneficiaries) or to individual categories of persons from an indefinite circle of persons (hereinafter referred to as individual categories of persons) of all the property of the personal fund or of a part thereof, including when the circumstances in respect of which it is unknown, whether they will occur or not, actually occur.

2. The terms of managing a personal fund may stipulate that the beneficiaries of the personal fund or individual categories of the persons which the property of the personal fund is subject to transfer shall be identified by the personal fund's bodies in compliance with the terms of the personal fund's management.

3. A procedure for transfer to the beneficiaries of a personal fund or to individual categories of persons of all the property of the personal fund or of a part thereof, including the incomes derived from the personal fund's activities, must be defined by the terms of the personal fund's management by specifying the kind and extent of the property to be transferred or a procedure for determination of the kind and extent of the property, including of a property right (for example, the right to the property use, the right to pay for the works and services carried out or rendered by third parties to beneficiaries of the personal fund or to individual categories of persons), the time and periodicity of the property's transfer, as well as the circumstances under which such transfer is to be effected.

4. Any participants of the relations regulated by the civil legislation may be the personal fund's beneficiaries, except for profit-making legal entities. The founder of a personal fund may not be the beneficiary of the personal fund, unless otherwise provided for by this fund's charter.

5. The beneficiary of a personal fund is entitled to demand of the personal fund, while the beneficiary of a hereditary fund is entitled to demand of a notary or hereditary fund, to familiarise them with the part of the terms of managing the personal fund that contains a procedure for determination and appointment of the personal fund's bodies and the provisions on transfer to this beneficiary of all the personal fund's property or of a part thereof, as well as a description of the circumstances under which such transfer is to be effected.

6. At the latest in six months from the date of death of the individual who established a personal fund when alive, if the terms of managing this fund after the founder's death solely stipulate the provisions on transfer to individual categories of persons from an indefinite circle of persons of all the personal fund's property or of a part thereof, such fund is subject to transformation into a socially useful fund (**Article 123.17**) and, in so doing, the charter of the personal fund, the terms of managing the personal fund and other internal documents of the personal fund endorsed by the founder thereof, are not subject to modification and in the unified state register of legal entities shall be shown data on the new denomination of such fund and on alteration of its organisational legal form.

Article 123.20-6. Rights of the Beneficiary of a Personal Fund

1. The beneficiary of a personal fund is entitled to receive property in compliance with the terms of managing the personal fund, as well as shall enjoy other rights provided for by this Code.

The rights of the beneficiary of a personal fund may not be transferred to other persons, including in the event of universal legal succession, except when the beneficiary being a legal entity is transformed, unless the terms of managing a personal fund provide for termination of the rights of such beneficiary, should it be transformed. Execution in connection with obligations of the beneficiary of a personal fund may not be levied against the rights of such beneficiary, including the beneficiary of a hereditary fund. The transactions committed in defiance of these rules shall null and void.

2. The rights of the individual being the beneficiary of a hereditary fund shall not be inherited. The rights of the beneficiary being a legal entity of a hereditary fund shall be terminated, should the beneficiary being a legal entity be re-organised, except for the transformation when the terms of managing a hereditary fund do not provide for termination of the rights of such beneficiary when it is transformed.

After the death of the individual being the beneficiary or liquidation of the beneficiary being a legal entity, as well as in the event of the waiver by the beneficiary of a hereditary fund of the right to obtain the property thereof declared to the hereditary fund in the notarial form, new beneficiaries of the hereditary fund shall be identified in compliance with the terms of managing the hereditary fund, specifically they may be identified by way of substitution.

3. Where it is provided for by the charter of a personal fund, the beneficiary thereof is entitled to request for and obtain from the personal fund information on the personal fund's activities.

4. The beneficiary of a personal fund is entitled to demand auditing of the activity of the personal fund by the auditor selected by him. Should such auditing be conducted, the auditor's services shall be paid for on account of the personal fund's beneficiary on whose demand it is conducted. The outlays of the beneficiary of a personal fund on payment for the auditor's services may be reimbursed by decision of the board of trustees on account of such fund.

5. In the event of a violation of the terms of managing a personal fund that has caused losses to the beneficiary of the personal fund, the latter is entitled to demand their reimbursement, if this right is provided for by the charter of the personal fund.

6. The beneficiary shall not be held liable with respect of the obligations of a personal fund and the personal fund shall not be held liable with respect to the obligations of the beneficiary.

Article 123.20-7. Managing a Personal Fund

1. While the founder of a personal fund is alive, the composition of the bodies, their functions and the persons included into the composition of this fund's bodies shall be determined by the personal fund's founder in compliance with the charter and terms of the personal fund's management.

After the death of the individual who established a personal fund while being alive, the personal fund's bodies shall be formed and changed in compliance with the charter and terms of managing this fund and, with this, the persons included into the composition of the personal fund's bodies or entitled to be included into the composition of this fund's bodies, as well as beneficiaries of this fund, are entitled to demand forming and alteration of the personal fund's bodies in compliance with its charter and terms of managing the personal fund. The personal fund's charter and the terms of managing a personal fund may provide for a procedure for determining members of the personal fund's collective bodies and the person exercising the functions of the sole executive body of the personal fund, should they withdraw, as well as the substitution of the cited persons from a definite list thereof.

2. As the sole executive body of a personal fund or a member of the collective body of a personal fund may act any natural person or legal entity appointed in compliance with the personal fund's charter, except for the personal fund's founder.

The beneficiary of a hereditary fund may not act as the sole executive body of the hereditary fund or a member of the collective executive body of the hereditary fund.

3. Where it is provided for by the charter of a personal fund, the supreme collective body and the board of trustees shall be established in it that may comprise the personal fund's beneficiaries or the founder

thereof.

The charter of a personal fund may also provide for the establishment of the personal fund's supervisory body whose authority lies in exercising supervision over the activities of the personal fund's bodies, in coordination of commission by the personal fund of the actions relevant in law which are defined in the charter thereof and/or in adoption of the decision on preschedule termination of the authority of the personal fund's sole executive body that has failed to discharge the duty thereof to act in good faith or reasonably in the interests of the personal fund and/or beneficiaries thereof and on appointment of the provisional sole executive body of the personal fund.

4. The terms of managing a personal fund may provide for a procedure for payment and the rate of remuneration to the persons exercising the authority of the sole executive body of the personal fund, to members of the board of trustees of the personal fund or members of other personal fund's bodies, as well as to the person exercising the functions of the supervisory body of the personal fund, for discharge of the duties thereof.

5. The charter of a personal fund may provide for the need for obtainment of the consent of the personal fund's supreme collective body, the personal fund's supervisory body or another personal fund's body to commission by the personal fund of the transactions cited in the charter thereof.

6. The activities of a personal fund shall be audited on the grounds provided for by the terms of managing the personal fund, as well as on demand of the beneficiary of the personal fund, in the procedure provided for by **Item 4 of Article 123.20-6** of this Code.

7. If within a year from the date of origination of the need for forming the bodies of a hereditary fund or the bodies of a personal fund established when the founder thereof was alive and continuing its activities after the death thereof such bodies are not formed (absence of the quorum at collective bodies, absence of the sole executive body), such funds are subject to liquidation on demand of such funds' beneficiaries or of an authorised state body. Pending the expiry of the cited time period, the bodies (if any) of the hereditary fund or personal fund established when the founder thereof was alive and continuing its activities after the death thereof shall go on exercising the activities of this hereditary fund or this personal fund in compliance with the terms of managing these funds.

Article 123.20-8. The Establishment of a Hereditary Fund and Its Management

1. After the death of the individual who provided in the testament thereof for the establishment of a hereditary fund, such hereditary fund is subject to establishment on the basis of the application to be forwarded to an authorised state body by the notary dealing with the probate case attaching to the application the decision drawn up by the cited individual when he/she was alive on the establishment of the hereditary fund and the fund's charter endorsed by this individual and after the establishment thereof shall be called on to inherit on the basis of the testament in the procedure provided for by **Section V** of this Code.

A hereditary fund may be established on the basis of a court decision on demand of the executor or beneficiary of the hereditary fund, should a notary fail to discharge the duty of establishment of the hereditary fund.

The notary dealing with a probate case must forward to an authorised state body an application for the state registration of a hereditary fund at the latest in three working days from the date of opening the probate case after the death of the individual who provided in the testament thereof for the establishment of the hereditary fund. A hereditary fund is not subject to registration on the expiry of a year from the date when the inheritance is opened.

The notary's actions involved in the establishment of a hereditary fund may be disputed by beneficiaries of the hereditary fund, executor or heirs, if the notary has failed to follow the testator's orders contained in the testament or the decision on establishment of the hereditary fund in respect of the establishment of the hereditary fund and the terms of its managing.

2. When establishing a hereditary fund, the notary who has received from the hereditary fund an application for acceptance of inheritance must issue to such fund the certificate proving the right to inheritance at the time cited in the decision on establishment of the hereditary fund but at the latest on the

time provided for by **Article 1154** of this Code. Should the notary fail to discharge the cited duties, the hereditary fund is entitled to complain against the notary's inaction.

3. Prior to forwarding by a notary the application for the state registration of a hereditary fund cited in **Paragraph Three of Item 1** of this article to an authorised state body, the notary shall propose to the persons cited in the decision on establishment of the hereditary fund or to the persons that can be identified in the procedure established by the decision on establishment of the hereditary fund to become members of the hereditary fund's bodies. Should the cited persons agree to become members of the hereditary fund's bodies, the notary shall forward data on them to an authorised state body.

In the event of the refusal of the person cited in the decision on establishment of a hereditary fund to become a member of the hereditary fund's bodies and of the impossibility of forming the hereditary fund's bodies in compliance with the decision on establishment of the hereditary fund, the notary is not entitled to send an application to an authorised state body for establishment of the hereditary fund.

4. Members of collective bodies of a hereditary fund and the person exercising the authority of the sole executive body of a hereditary fund shall be replaced in the procedure provided for by the charter of the hereditary fund. The charter of a hereditary fund may provide for a procedure for determining members of the collective bodies of the hereditary fund and of the person exercising the authority of the sole executive body of the hereditary fund, should they withdraw, including for substitution of the cited persons from a definite list.

5. The terms of managing a hereditary fund must comprise the provisions cited in **Items 1 and 3 of Article 123.20-5** of this Code.

The terms of managing a hereditary fund, prior to forwarding by a notary an application cited in **Paragraph Three of Item 1** of this article, shall be brought by him/her to the knowledge of the persons included into the composition of the hereditary fund's bodies and may only be disclosed to beneficiaries in compliance with **Item 5 of Article 123.20-5** of this Code, as well as to the state power bodies where it is provided for by law.

6. The sole executive body of a hereditary fund must keep the charter of the hereditary fund and the amendments and addenda introduced therein which are registered in the established procedure, the decision on establishment of the hereditary fund, the documents proving the right of the hereditary fund to the property thereof, the document containing the terms of managing the hereditary fund, annual reports, accounting documents, accounting (financial) reports/statements, records of meetings of the hereditary fund's collective bodies, appraisers' reports, opinions of the checkup commission (inspector) of the hereditary fund, of the auditor of the hereditary fund, of the state and municipal financial control bodies, judicial acts on the disputes connected with the hereditary fund's management and other documents provided for by the charter of the hereditary fund and the terms of managing the hereditary fund.

The charter of a hereditary fund may stipulate keeping of the documents cited in **Paragraph One** of this item by a notary according to the rules provided for by the legislation on the notariate.

2. Institutions

Article 123.21. Basic Provisions on Institutions

1. The institution is an unitary non-profit organisation formed by an owner for the purpose of carrying out managerial, socio-cultural or other functions of non-commercial nature.

The founder is the owner of the property of the institution he has formed. In respect of the property assigned by the owner to the institution and acquired by the institution on other grounds it acquires the right of operative management in accordance with the present **Code**.

2. An institution may be formed by a citizen or a legal entity (private institution) or by the Russian Federation, a subject of the Russian Federation or municipal formation respectively (state institution, municipal institution).

Several persons' co-founding is prohibited when an institution is being formed.

3. The institution is liable for its obligations with the amounts of money it has at its disposal, and in the cases established by a law, with other property as well. If said funds or property are insufficient then subsidiary liability for the institution's obligations in the cases envisaged by **Items 4 - 6 of Article 123.22** and **Item 2 of Article 123.23** of the present Code shall be borne by the owner of the relevant property.

4. The founder of the institution shall appoint its head as the institution's body. In the cases and in the procedure which are envisaged by a law the head of a state or municipal institution may be elected by its collective body and endorsed by its founder.

By a decision of the founder collective bodies reporting to the founder may be set up in the institution. The competence of the collective bodies of the institution, the procedure for the formation thereof and for them to take decisions shall be defined by a law and the charter of the institution.

Article 123.22. The State Institution and the Municipal Institution

1. The state or municipal institution may be a state-property, budget or autonomous institution.

2. The procedure for rendering financial support for the activities of state and municipal institutions shall be defined by a law.

3. State and municipal institutions are not liable for the obligations of the owners of their property.

4. A state-property institution is liable for its obligations with the amounts of money it has at its disposal. If the funds are insufficient then subsidiary liability for the obligations of the state-property institution shall be borne by the owner of its property.

5. A budget institution is liable for its obligations with all the property it has by the right of operative management, for instance acquired at the expense of the incomes received from income-yielding activities, except for the especially-valuable movable property assigned to the budget institution by the owner of that property or acquired by the budget institution with the funds allocated by the owner of its property, and also immovable property, irrespective of the grounds on which it has come in the operative management of the budget institution and at the expense of which funds it has been acquired.

For the budget institution's obligations relating to the infliction of harm to citizens, in the event of insufficiency of the institution's property in respect of which levy of execution is possible in accordance with **Paragraph 1** of the present item, subsidiary liability shall be borne by the owner of the property of the budget institution.

6. An autonomous institution is liable for its obligations with all the property it has by the right of operative management, except for the immovable property and especially-valuable property assigned to the autonomous institution by the owner of that property or acquired by the autonomous institution at the expense of the funds allocated by the owner of its property.

For the autonomous institution's obligations relating to the infliction of harm to citizens, in the event of insufficiency of the institution's property in respect of which levy of execution is possible in accordance with **Paragraph 1** of the present item subsidiary liability shall be borne by the owner of the property of the autonomous institution.

Every year the autonomous institution shall publish reports on its activities and on how the property assigned thereto has been used.

7. In the cases envisaged by a law a state or municipal institution may be transformed into a non-profit organisation of other organisational legal forms.

8. The details of the legal status of state and municipal institutions of the various types are defined by a law.

Article 123.23. The Private Institution

1. The private institution is fully or partially financed by the owner of its property.

2. A private institution is liable for its obligations with the amounts of money it has at its disposal. If said funds are insufficient subsidiary liability for the obligations of the private institution is borne by the

owner of its property.

3. The private institution may be transformed by the founder into an autonomous non-profit organisation or fund.

3. Autonomous Non-Profit Organisations

Article 123.24. Basic Provisions on the Autonomous Non-Profit Organisation

1. The autonomous non-profit organisation is an unitary non-profit organisation that has no membership and is formed on the basis of property contributions of citizens and/or legal entities for the purposes of provision of services in the fields of education, health care, culture, science and other spheres of non-profit activities.

An autonomous non profit organisation may be formed by one person (may have one founder).

2. The charter of the autonomous non-profit organisation shall comprise information on its name, including the words "autonomous non-profit organisation", location, the subject and objectives of its activities, the composition, procedure for formation and competence of the bodies of the autonomous non-profit organisation and also other information envisaged by a law.

3. The property that has been handed over to the autonomous non-profit organisation by its founders is owned by the autonomous non-profit organisation. The founders of the autonomous non-profit organisation do not retain rights to the property they have handed over to that organisation to be owned by it.

The founders are not liable for the obligations of the autonomous non-profit organisation they have formed, and it is not liable for the obligations of its founders.

4. The founders of the autonomous non-profit organisation may use its services only on equal terms with other persons.

5. The autonomous non-profit organisation has the right of pursuing the entrepreneurial activity required to attain the objectives for the sake of which it has been formed and that complies with these objectives by means of forming business associations for the purpose of pursuing entrepreneurial activities or participating in them.

6. A person may at his own discretion withdraw from among the founders of the autonomous non-profit organisation.

By a decision of the founders of the autonomous non-profit organisation taken unanimously new persons may be admitted as founders.

7. By a decision of its founders the autonomous non-profit organisation may be transformed into a fund.

8. As it concerns the area not regulated by the present Code the legal status of autonomous non-profit organisations and also the rights and duties of the founders thereof shall be established by a **law**.

Article 123.25. Managing an Autonomous Non-Profit Organisation

1. The activities of an autonomous non-profit organisation shall be directed by its founders in the procedure established by its charter endorsed by its founders.

2. By a decision of the founders of the autonomous non-profit organisation a permanent collective body (bodies) may be set up in it, the competence of the body (bodies) being established by the charter of the autonomous non-profit organisation.

3. The founder(s) of the autonomous non-profit organisation shall appoint a sole executive body of the autonomous non-profit organisation (chairman, director general etc.). One of the founders of the autonomous non-profit organisation being citizens may be appointed as sole executive body thereof.

4. Religious Organisations

Article 123.26. Basic Provisions on Religious Organisations

1. A religious organisation is a voluntary association of Russian Federation citizens permanently and legally residing on the territory of the Russian Federation or of other persons that is formed by them for the purposes of joint worship and propagation of faith and registered in the procedure established by a **law** as a legal entity (a local religious organisation), an association of these organisations (a centralised religious organisation) and also an organisation formed by said association in accordance with a **law** on the freedom of conscience and on religious associations for the purposes of joint worship and propagation of faith and/or a directing or coordinating body set up by said association.

2. The civil law status of religious organisations is defined by this Code and by the law on the freedom of conscience and on religious organisations. The provisions of this Code shall apply to religious organisations, if not otherwise established by the **law** on the freedom of conscience and on religious associations, as well as by other laws.

Religious organisations shall act in compliance with their charters and internal statutes which are not at variance with law.

A procedure for forming the bodies of a religious organisation and their scope of authority, a procedure for making decisions by these bodies, as well as the relations between the religious organisation and the persons included into the composition of its bodies, shall be determined by the charter and internal statutes of the religious organisation.

3. A religious organisation shall not be transformed into a legal person of another organisational legal form.

Article 123.27. The Founders and the Charter of a Religious Organisation

1. A local religious organisation shall be formed in accordance with a **law** on the freedom of conscience and on religious associations by at least 10 citizens being founders, and a centralised religious organisation by at least three local religious organisations or by another centralised religious organisation.

2. The constitutive document of a religious organisation is a charter endorsed by its founders or a centralised religious organisation.

The charter of the religious organisation shall comprise information on its type, name and location, the subject and objectives of its activities the composition and competence of its bodies and the procedure for them to take decisions, on the sources of formation of its property, the lines of using thereof and the procedure for distribution of the property that remains after its liquidation, and also other information envisaged by a **law** on the freedom of conscience and on religious associations.

3. The founder(s) of a religious organisation may carry out the functions of an administrative body or of members of the collective administrative body of the given religious organisation in the procedure established in accordance with a **law** on the freedom of conscience and on religious associations by the charter of the religious organisation and internal regulations.

Article 123.28. The Property of a Religious Organisation

1. Religious organisations own the property that belongs thereto, for instance the property acquired or created by them with their own resources and also donated to religious organisation or acquired by them on other grounds envisaged by a law.

2. Religious organisations' property intended for liturgical purposes is not subject to levy of execution on demands of their creditors. A list of such property shall be defined in the procedure established by a law on the freedom of conscience and on religious associations.

3. The founders of a religious organisation shall not retain property rights to the property they have handed over to that organisation to be owned by it.

4. The founders of religious organisations are not liable for the obligations of these organisations, and these organisations are not liable for the obligations of their founders.

Chapter 5. Participation of the Russian Federation, of the Subjects of the Russian Federation and of the Municipal Entities in the Relationships, Regulated by the Civil Legislation

Article 124. The Russian Federation, the Subjects of the Russian Federation and the Municipal Entities as the Subjects of Civil Law

1. The Russian Federation, the subjects of the Russian Federation: the Republics, the territories, the regions, the cities of federal importance, the autonomous region, the autonomous areas, and also the urban and rural settlements and other municipal entities shall come out in the relationships, regulated by the civil legislation, on equal terms with the other participants of these relations - individuals and legal entities.

2. Toward the subjects of civil law, indicated in Item 1 of the present Article, shall be applied the norms, defining the participation of the legal entities in the relationships, regulated by the civil legislation, unless otherwise following from the law or from the specifics of the given subjects.

Article 125. The Order of Participation of the Russian Federation, of the Subjects of the Russian Federation and of the Municipal Entities in the Relationships, Regulated by the Civil Legislation

1. The right to acquire and exercise by their actions the property and the personal rights, and to come out in the court on behalf of the Russian Federation and of the subjects of the Russian Federation shall be vested in the state power bodies within the scope of their jurisdiction, established by the acts, defining the status of these bodies.

2. The right to acquire and exercise by their actions the rights and duties, indicated in Item 1 of the present Article, on behalf of the municipal entities shall be vested in the local government bodies within the scope of their jurisdiction, established by the acts, defining the status of these bodies.

3. In the cases and in conformity with the procedure, stipulated by federal laws, decrees of the President of the Russian Federation and decisions of the Government of the Russian Federation, normative acts of the subjects of the Russian Federation and municipal entities, state bodies, local government bodies, and also legal entities and citizens may come out on their behalf upon their special order.

Article 126. Liability by the Obligations of the Russian Federation, of the Subject of the Russian Federation and of the Municipal Entity

1. The Russian Federation, the subject of the Russian Federation and the municipal entity shall be answerable by their obligations with the property they possess by the right of ownership, with the exception of the property that has been assigned to the legal entities, which they have set up by the right of economic or of operative management, and also of the property that shall be placed only in the state or in the municipal ownership.

The turning of the penalty onto the land and other natural resources in state or municipal ownership shall be admitted in the law-stipulated cases.

2. The legal entities, set up by the Russian Federation, by the subjects of the Russian Federation and by the municipal entities, shall not be answerable by their obligations.

3. The Russian Federation, the subjects of the Russian Federation and the municipal entities shall not be answerable by the obligations of the legal entities they have set up, with the exception of the law-stipulated cases.

4. The Russian Federation shall not be answerable by the obligations of the subjects of the Russian Federation and of the municipal entities.

5. The subjects of the Russian Federation and the municipal entities shall not be answerable by one another's obligations and also by those of the Russian Federation.

6. The rules, formulated in Items 2-5 of the present Article, shall not apply to the cases, when the Russian Federation has assumed upon itself the guarantee (surety) by the obligations of the subject of the Russian Federation, of the municipal or the legal entity, or when the said subjects have assumed upon themselves the guarantee (surety) by the obligations of the Russian Federation.

Article 127. The Specifics of the Liability of the Russian Federation and of the Subjects of the Russian Federation in the Relationships, Regulated by the Civil Legislation, in Which the Foreign Legal Entities, Citizens and States Are Involved

The specifics of the liability to be borne by the Russian Federation and by the subjects of the Russian Federation in the relationships, regulated by the civil legislation, in which the foreign legal entities, citizens and states are involved, shall be defined by the Law on the Immunity of the State and of Its Property.

Subsection 3. The Objects of Civil Rights

Chapter 6. The General Provisions

Article 128. Objects of Civic Rights

"Objects of civil rights" mean **things** (including **cash money** and **paper securities**) and other property, including property rights (including money in cashless form, **paperless securities, digital rights**) the results of work and the provision of services; **protected results of intellectual activities and the individualisation means qualifying as such** (intellectual property); **non-material wealth**.

Article 129. The Circulation Capacity of the Objects of Civil Rights

1. The objects of civil rights may be freely alienated or may pass from one person to another by way of the universal legal succession (by inheritance or as a result of the reorganisation of the legal entity), or in another way, if they are not restricted for circulation.

2. Restrictions may be established by a law or in the procedure established by a law on the circulability of objects of civil rights, for instance it may be defined that certain types of objects of civil rights may belong to certain participants in circulation or that transactions involving them are admissible on a special permit.

3. The land and other natural resources shall be alienated or shall pass from one person to another in other ways so far as their circulation is admissible in conformity with the laws on the land and on other natural resources.

4. The results of intellectual activity and the means of individualisation that are equated to them (**Article 1225**), cannot be alienated or passed from one person to another in other ways. However, the rights to such results and means, as well as the material carriers in which the corresponding results or means are expressed may be alienated or passed from one person to another in other ways in the cases and in the order established in the present Code.

Article 130. The Movables and the Immovables

1. To the immovables (the immovable property, realty) shall be referred the land plots, the land plots with mineral deposits and everything else, which is closely connected with the land, i.e., such objects as cannot be shifted without causing an enormous damage to their purpose, including the buildings and all kind of structures, objects of incompleted construction.

To the immovables shall also be referred the **air-borne** and **sea-going vessels**, the **inland navigation ships**. The law may also refer to the immovables certain other property.

Residential and non-residential premises, as well as the parts of buildings or structures (stalls) intended for accommodation of transport vehicles, shall belong to real things, if the boundaries of such premises, parts of buildings or structures are attached in the procedure established by the **legislation** on the state cadastral registration.

2. The things, which have not been referred to the immovables, including money and securities, shall be regarded as the movables. The registration of the rights to the movables shall not be required, with the

exception of the cases, pointed out in the law.

Article 131. The State Registration of the Realty

1. The right of ownership and other rights of estate to the immovables, the restriction of these rights, their arising, transfer and cessation shall be liable to the state registration in the Unified State Register, effected by the bodies carrying out the state registration of rights to real estate and transactions in it. Subject to the registration shall be: the right of ownership, the right of economic management, the right of operative management, the right of the inherited life possession, the right of the permanent use, the mortgage, the servitudes, and also other rights in the cases, stipulated by the present Code and other laws.

2. In the law-stipulated cases, alongside the state registration, may be effected the special registration or the registration of certain types of the realty.

3. The body, effecting the state registration of the rights to the realty and the deals with it, shall be obliged, upon the request of the owner of the rights, to certify the effected registration by issuing a document on the registered right or deals, or by making a superscription on the document, presented for registration.

4. The body, effecting the state registration of the rights to the realty and to the deals with it, shall be obliged to provide information on the effected registration and on the registered rights to any person.

The information shall be issued in any one body, engaged in the registration of the realty, regardless of the place of effecting the registration.

5. Abrogated from October 1, 2013.

6. The procedure for state registration of rights to immovable property and the grounds for refusal to register these rights shall be established in accordance with the present Code by a **law** on registration of rights to immovable property.

Article 132. The Enterprise

1. The enterprise as an object of rights shall be recognized as a property complex, used for the performance of business activities.

The enterprise in its entirety as a property complex shall be recognized as the realty.

2. The enterprise as a whole or a part thereof may be an object of the purchase and sale, of the mortgage, the lease and other deals, connected with the establishment, the change and the cessation of the rights of estate.

Within the enterprise as a property complex shall be included all kinds of the property, intended for the performance of its activities, including the land plots, the buildings, the structures, the equipment, the implements, the raw materials, the products, the rights, the claims and the debts, and also the rights to the symbols, individualizing the given enterprise, its products, works and services (such as the commercial designation, the trade and the service marks), as well as other exclusive rights, unless otherwise stipulated by the law or by the agreement.

Article 133. Indivisible Things

1. A thing which cannot be divided in kind without being destroyed or damaged or without a change in its intended purpose and which appears in circulation as an integral object of rights in rem is an indivisible thing even if it is made up of components.

2. The replacement of components of an indivisible thing with other components shall not cause the emergence of another thing, if in such case the substantial properties of the thing are preserved.

3. Levy of execution may take place in respect of an indivisible thing only as a whole, except as another possibility is established by a law or court's judgement for discerning a component of a thing from such thing, for instance so that it be sold separately.

4. Relations concerning interests in the right of ownership to an indivisible thing are regulated by the rules of **Chapter 16**, of **Article 1168** of the present Code.

Article 133.1. The Integral Immovable Complex

An immovable thing involved in circulation as an integral item may be an integral immovable

complex, i.e., the entirety of buildings, structures and other things inseparably connected physically or technologically, for instance line facilities (railways, electricity transmission lines, pipelines and others) or located on one land plot, if the right of ownership to the entirety of said items has been registered for one indivisible thing as a whole in the comprehensive state register of rights to immovable property.

Integral immovable complexes are subject to the rules concerning **indivisible things**.

Article 134. Complex Things

If various different things are connected in a manner which presupposes their use for a common purpose (complex thing) than a transaction concluded in respect of the complex thing extends to all the things being the components thereof, except as otherwise is envisaged by the terms of the transaction.

Article 135. The Principal Thing and Its Accessory

The thing, intended for the servicing of another thing - the principal one - and connected with it by the common purpose (an accessory), shall share the fate of the principal thing, unless otherwise stipulated by the agreement.

Article 136. Fruits, Products and Income

The fruits, products, incomes received as a result of the use of a thing, no matter who uses such thing, belong to the owner of the thing, except as otherwise envisaged by a law, other legal acts or contract or ensues from the nature of relationships.

Article 137. The Animals

Toward the animals shall be applied the general rules on the property, unless otherwise stipulated by the law or other legal acts.

While exercising the rights, a cruel treatment of the animals, contradicting the principles of humanity, shall not be admitted.

Article 138. Abrogated from January 1, 2008.

Article 139. Abrogated from January 1, 2008.

Article 140. The Money (Hard Currency)

1. The rouble shall be the legal means of payment, which shall be accepted by its face value on the entire territory of the Russian Federation.

The payments on the territory of the Russian Federation shall be effected both in **cash** and **cashless**.

2. The cases of, the procedure and the terms for the use of foreign currency on the territory of the Russian Federation shall be defined by the law or in conformity with the established order.

Article 141. The Currency Valuables

The kinds of property, recognized as the currency valuables, and the order established for the deals made with them, shall be defined by the Law on the Currency Regulation and the Currency Control.

Rights to the currency valuables shall be protected in the Russian Federation on the general grounds.

Article 141.1. Digital Rights

1. As digital rights shall recognized obligation rights and other rights named as such in **law** whose content and terms of exercising are defined in compliance with the rules of an information system having the features established by **law**. The exercise, disposal of a digital right, in particular the transfer, putting in pledge, encumbrance of a digital right in other ways or the restriction of the disposal of a digital right, are only possible in an information system without addressing a third party.

2. Unless otherwise provided for by law, as the holder of a digital right shall be deemed the person that in compliance with the rules of an information system has the possibility to dispose of this right.

3. The transfer of a digital right on the basis of a deal shall not require the consent of the person liable

in respect of this digital right.

Chapter 7. Securities

§ 1. General Provisions

Article 142. Securities

1. Securities are documents which meet the requirements established by a law and certify the rights under the law of obligations and other rights which may be exercised or assigned only upon the show of such documents (paper securities).

Also the following are deemed securities: the rights under the law of obligations and other rights which are stated in the decision on the issue or in another document of the person that has issued the securities in accordance with the provisions of a law and which may be exercised and assigned only if the rules for keeping record of these rights according to **Article 149** of the present Code are observed (paperless securities).

2. Securities are as follows: a share, bill of exchange, mortgage deed, an investment unit of a unit investment trust, bill of lading, bond, cheque and other securities named as such in a law or deemed as such in the procedure established by a law.

In the cases established by a law, an issue or the handing out of securities is subject to state registration.

Article 143. Types of Securities

1. Paper securities may be bearer (bearer securities), order or registered ones.

2. The bearer security is a paper security under which the person entitled to claim performance under the security is its holder.

3. The order security is a paper security under which the person entitled to claim performance under the security is its holder if the security has been issued in his name or has been transferred thereto from the original holder in a continuous row of endorsements.

4. The registered security is a paper security under which the person empowered to claim performance under the security is one of the below persons:

1) the holder of the security which is written as right-holder in the records kept by the obligated person or the person acting on his instructions and holding a relevant licence. A law may envisage the duty to entrust such record-keeping to a person holding a relevant licence;

2) the holder of the security, if the security has been issued in his name or has been transferred thereto from the original holder in a continuous row of assignments of the right of claim (cession) by means of making a name-bearing inscription of assignment on it or in another form according to the rules established for the assignment of a right of claim (cession).

5. The issuance or handing out of bearer securities is admissible in the cases established by a law.

The possibility of issuing or handing out specific paper securities as registered ones or order ones may be excluded by a law.

6. Except as otherwise established by the present Code, if a law ensues from the details of stating the rights to paperless securities, such securities are subject to the rules applicable to the paper securities whose right-holder is identified according to record entries.

§ 2. Paper Securities

Article 143.1. Requirements Applicable to a Paper Security

1. The compulsory particulars, the requirements applicable to the form of a paper security and other provisions governing a paper security shall be defined by a law or in the procedure established by it.

2. If a document does not contain the compulsory details of a paper security, does not comply with

the established form thereof or other requirements the document is not a security but still keeps the significance of written evidence.

Article 144. Performance on a Security

1. Proper performance on a paper security is performance to the person defined by **Items 2 - 4 of Article 143** of the present Code (to the holder of the security).

2. If the person responsible for performance relating to a paper security knew that the holder of the security to whom performance has been done is not a proper holder of the right to the security, that person shall compensate for the losses caused to the holder of the right to the security.

Article 145. Objections in Respect of a Paper Security

1. The person responsible for performance in respect of a paper security is entitled to present to the claims of the holder of the security only the objections which ensue from the security or are based on the relationships between these persons.

The person that has drawn up a paper security is liable under the security, inter alia, in cases when the document is involved in transactions beyond his will.

The rules envisaged by the present item as concerning restriction on objections are not applicable if the holder of the security at the time of acquisition thereof knew or should have known on the lack of ground for the occurrence of the rights certified by the security, for instance about the invalidity of such ground or the lack of rights of the previous holder of the security, inter alia, about the invalidity of the ground for their occurrence, and also in cases when the holder of the security is not an acquirer thereof in good faith (**Article 147.1**).

2. The persons responsible for performance under an order security are not entitled to refer to objections of other persons responsible for performance under the given security.

3. In respect of a demand for performance under a paper security the person mentioned as responsible for performance under the security may put forward objections with reference to the counterfeiting of such security or to the fact of his having signed the security (forgery of security) being disputed.

Article 146. Transferring the Rights Certified by Paper Securities

1. Once the right to a paper security has been assigned, all the rights certified by it shall be transferred in their entirety.

2. The rights certified by a bearer security shall be transferred to the acquirer by means of the handing over of the security thereto by the person that has alienated it.

In the cases and on the grounds established by a law the rights certified by a bearer security may get transferred to another person irrespective of its being delivered.

3. The rights certified by an order security shall be transferred to the acquirer by means of its being delivered with an endorsement inscription being made thereon, i.e., endorsement. Except as otherwise envisaged by the present Code or a law the transfer of order securities is subject to the rules for transfer of a bill of exchange established by a **law** on the bill of exchange and promissory note.

4. The rights certified by a registered paper security shall be transferred to the acquirer by means of the delivering of the security thereto by the person that is alienating it with a name-bearing endorsement inscription being made thereon or in another form in accordance with the rules established for the assignment of claim (cession).

The norms of **§ 1 of Chapter 24** of the present Code are applicable to the transfer of the rights certified by registered paper securities in the procedure of assignment of claim (cession), except as otherwise established by the rules of the present chapter, another law or ensues from the nature of the relevant security.

5. If an obligation to deliver an order or registered paper security has been defaulted on, the acquirer is entitled to claim its taking from the person who is holding it, except for cases when an endorsement or endorsement inscription of the person who has alienated it has been made on the security according to which rights have been transferred to another person.

6. In the event of default on performing the obligation to make an endorsement or endorsement inscription on an order or registered paper security, the transfer of the right to the order or registered paper security shall take place on the acquirer's demand on the basis of a court's decision by means of the making of an inscription on the security having the effect of an endorsement or of an endorsement inscription by the person who executes the court's decision.

7. The transfer of the rights certified by an order or registered security to another person on the grounds other than transfer under agreement shall be effected by means of acquiring the right to the security in the cases and on the grounds established by a law.

8. The transfer of rights to order or registered securities shall be confirmed:

1) in the event of inheritance - by a notary's annotation on the security proper which has the effect of an endorsement or of an endorsement inscription of the preceding right-holder;

2) when such securities are sold when they have been subjected to levy of execution - by an annotation of the person authorised to sell the property of the holder of such securities;

3) in other cases - under a court's decision by an annotation of the person executing the court's decision.

9. When the rights relating to a registered paper security are being recorded, the rights are transferred to the person specified in the security as of the time when an entry on the transfer of the rights is made in the records. The entry shall be made on the basis of a deed made by the parties in the presence of the person responsible for record-keeping in accordance with **Item 4 of Article 143** of the present Code or on the basis of a notarised deed presented by one of the parties to the person responsible for record keeping.

10. If the person responsible for record-keeping in accordance with **Item 4 of Article 143** of the present Code is evading the making of an entry in records concerning the transfer of rights, the person in whose name the deed has been made may apply to the court claiming that a relevant entry be made in records.

Article 147. Liability for the Validity of the Rights Certified by a Paper Security

1. The person that has transferred a paper security is liable for the invalidity of the rights certified by the security, except as otherwise established by a law.

The person that has transferred a paper security is liable for the performance of the obligation relating thereto if there is a relevant clause and also in other cases established by a law.

2. The holder of a security that has discovered that it is forged or counterfeited is entitled to demand from the person that has transferred the security thereto that the person perform the obligations relating to such security and compensate for losses.

Article 147.1. The Details of Reclamation of Paper Securities from a Good-Faith Possessor

1. Paper securities shall be reclaimed from another's illegal possession according to the rules of the present Code for reclamation of a thing from another's illegal possession with the details set out in the present article.

2. The right to reclaim paper securities from another's illegal possession belongs to the person which was the lawful possessor thereof at the time when the person ceased to have the possession of the securities in the person's possession.

3. Bearer securities shall not be reclaimed from a good-faith acquirer, irrespective of the right they certify, as well as order and registered securities certifying a monetary claim.

4. The holder of the rights in respect of a security that has lost it as a result of illegal actions is entitled to demand from the person that has acquired it from a third party, irrespective of such third party's being a good-faith or bad-faith acquirer or being deemed a legal possessor, that the security be returned or its market value be compensated, if said acquirer from which the security is being reclaimed has assisted, by his misleading or other illegal actions, in the loss of the legal possessor's rights to the security or knew or should have known in the capacity of the preceding possessor about the existence of other persons' rights to the security.

5. The person to which a paper security has been returned from another's illegal possession is entitled to demand from the bad-faith possessor that everything that has been received on the security be refunded and losses be compensated; from a good-faith possessor that everything that has been received on the security since the time when he knew or should have known about the illegal nature of the possession thereof or received from a court a notice of a claim for reclamation of the security addressed thereto be refunded.

If the illegal possessor has used the priority right -- conferred by the security -- to acquire any property, then the person to which the paper security has been returned from another's illegal possession is entitled to demand from such possessor that the acquired property be transferred thereto on the condition that its value be compensated at the purchasing price of said property by the illegal possessor, and from a bad-faith possessor is also entitled to demand compensation for losses.

Article 148. Reinstatement of Rights under a Paper Security

1. Reinstatement of rights under a lost bearer security shall be effectuated by a court in the procedure to declare lost documents void in accordance with the **procedural legislation** on an application of the person that has lost the security for deeming it void and for reinstating the rights relating thereto.

2. The person that has lost an order security is entitled to declare in writing about it to all the persons obligated under it with the cause of the loss being indicated.

The obligated person that has received an application from a person that has lost an order security -- if another person presents that security -- shall suspend performance to the presenter of the security and inform him of the applicant's claims and also inform the applicant about the person that has presented the security. Unless within three months after the date of the person's application concerning the loss of the order security the person that has lost the security has not applied to a court with a relevant claim addressed to the presenter of the security, the obligated person shall perform to the presenter of the security. If the dispute between the person that has lost the security and the person that has presented the security has been resolved by a court, then performance shall be to the person in whose favour the court's decision was made.

If there is no dispute as to the right to the order security, then the person that has lost it is entitled to claim in a judicial procedure performance from the obligated person.

3. Reinstatement of the rights certified by a lost registered paper security shall be effectuated by a court in the special proceeding for cases of establishment of facts having legal significance in keeping with the **procedural legislation** on an application of the person that has lost such security, or in the cases envisaged by a law of other persons as well.

4. If the accounts concerning the holders of registered paper securities have been lost, then the person keeping the records shall immediately publish information about it in the mass media where information of bankruptcies is to be announced and propose to the persons mentioned as right-holders in the accounts to present the registered securities within the term which is specified when the information at the publication of information and which cannot be shorter than three months after the time of its publication.

The accounts concerning the holders of registered paper securities shall be reinstated by the person keeping such records within one month after the expiry of the term for the presentation of the securities by their holders.

If the person keeping the records is evading reinstatement of the accounts, they are subject to reinstatement by a court on a claim of a person concerned in the procedure established by the procedural legislation.

5. The person obligated in respect of a registered paper security and the person keeping record on his instructions of the rights to securities shall bear solidary liability for the losses caused to the holders of such securities as a result of the loss of accounts or breach of the procedure and term for reinstatement of such accounts, unless they manage to prove that the loss or breach has occurred due to force majeure.

Article 148.1. Freezing Paper Securities

In accordance with a law or in the procedure established by it, paper securities may be frozen, i.e., transferred for safekeeping to a person entitled under a law to safekeep paper securities and/or keep record of

the rights to securities. The transfer of the rights to frozen securities and the realisation of the rights certified by such securities are regulated by **Articles 149 - 149.5** of the present Code, except as otherwise envisaged by a law.

§ 3. Paperless Securities

Article 149. General Provisions on Paperless Securities

1. The persons responsible for performance under a paperless security are as follows: the person that has issued the security and also the persons which have provided collateral for the performance of the relevant obligation. The persons responsible for performance under a paperless security shall be specified in the decision on the issue thereof or in another document (envisaged by a law) of the person that has issued the security.

The right of claiming performance from the obligated person in respect of a paperless security belongs to the person specified as right-holder in accounts or another person which exercises the rights certified by the security in accordance with a law.

2. Record of the rights to paperless securities shall be kept by means of making entries in accounts by the person acting on instructions of the person obligated in respect of the security or by the person acting under a contract with the right-holder or with another person exercising the rights certified by the security in accordance with a law. The keeping of record of such rights shall be done by a person holding the licence required by a law.

3. Disposing of, for instance, transferring, mortgaging, encumbering otherwise, paperless securities and also imposing restrictions on the disposal of them may be effectuated by means of applying to the person that keeps record of the right to the paperless securities so that relevant entries be made.

4. The person that has issued a paperless security and the person that keeps record of the rights to such security on the instructions thereof shall bear solidary liability for the losses caused as a result of a breach of the procedure for keeping record of the rights, the procedure for carrying out transactions on accounts, the loss of record date, the provision of unreliable information on record data, unless they manage to prove that the breach has occurred due to force majeure.

The person responsible for performance on a paperless security shall not be liable for the losses caused as a result of a breach of the procedure for keeping record of rights by the persons acting under a contract with the right-holder or another person exercising rights under the security according to a law.

Article 149.1. Performance on a Paperless Security

1. Proper performance on a paperless security is performance by the obligated person specified in paragraph 2 of **Item 1 of Article 149** of the present Code.

A law may establish cases in which as of a certain date a list is fixed of the persons entitled to claim performance on paperless securities. Proper performance is performance done to such persons.

2. In the cases envisaged by a law, proper performance is performance to persons other than those specified in **Item 1** of the present article.

3. The rules envisaged by **Item 2 of Article 144** and **Article 145** of the present Code are applicable to the relationships that have to do with performance on paperless securities, unless it contravenes the nature of such securities.

Article 149.2. Transfer of the Rights Concerning a Paperless Security and the Emergence of an Encumbrance on a Paperless Security

1. The transfer of the rights to paperless securities to an acquirer shall be effectuated by means of writing the paperless securities off the account of the person that has alienated them and entering them in the acquirer's account on the instructions of the person which has alienated them. A law or a contract of the right-holder with the person keeping record of the rights to the paperless securities may envisage other

grounds and conditions for the write-off and entry of securities, for instance the possibility of securities being written off the account of the person that has alienated them without his instructions being produced.

2. Rights under a paperless security shall get transferred to the acquirer as of the time when a relevant entry is made by the person keeping record of rights to paperless securities in the acquirer's account.

3. A mortgage or another encumbrance on paperless securities and also restrictions on the disposal of them shall come into being after the person keeping record of rights makes a relevant entry on the mortgage, encumbrance or restriction in the right-holder's account or in the cases established by a law, in another person's account.

An encumbrance on paperless securities may also occur as of the time when they are entered in an account used according to a law to keep record of rights to burdened paperless securities.

Entries on a mortgage or another encumbrance on paperless securities shall be made on the instructions of the right-holder (mortgage instructions, etc.), except as otherwise envisaged by a law. Entries on amendments to the encumbrance terms and on termination of an encumbrance shall be made on instructions of the right-holder, given the consent in writing of the person for the benefit of which the encumbrance has been established, or without such instructions in the cases envisaged by a law or an agreement of the right-holder with the person keeping record of the rights to the paperless securities and the person for the benefit of which the encumbrance has been established.

4. In the event of evasion by the person that has alienated or the person that has provided securities as collateral for the performance of an obligation of producing instructions for the person keeping record of the rights to paperless securities for carrying out a transaction on an account the acquirer or the person for the benefit of which an encumbrance is imposed on paperless securities is entitled to claim in a judicial procedure the making of entries on the transfer of the rights in respect of the securities or the encumbrance on them on the conditions envisaged by a contract with the person that does the alienation or with the person that provides the securities as collateral for the performance of the obligation.

If there are several persons for whose benefit an obligation has been established to transfer or to impose an encumbrance on the rights to the same paperless securities, in case when the transaction of transferring them or imposing the encumbrance thereon has not yet been accomplished, priority is given to the person for whose benefit the obligation occurred earlier, or if it cannot be established, the person that was the first to file his claim.

5. The transfer of the rights to paperless securities in line of inheritance shall be formalised on the basis of the certificate of the right to inheritance submitted by the heir (**Article 1162**).

The transfer of the rights to paperless securities when such securities are being sold in cases when they are subjected to levy of execution shall be formalised on the basis of instructions of the person empowered to sell the right-holder's property.

The formalisation of transfer of the rights to paperless securities in accordance with a court's decision shall be effectuated by the person keeping record of rights under the court's decision or under a document of the person executing the court's decision.

6. Evasion of, or refusal in, carrying out a transaction on an account by the person keeping record of the rights to paperless securities, is subject to appeal in court.

Article 149.3. Protecting a Right-Holders' Rights Infringed upon

1. A right-holder from whose account paperless securities have been wrongfully written off is entitled to demand from the person in whose account the securities have been entered that the same number of relevant securities be returned.

The paperless securities certifying only a monetary right of claim and also the paperless securities acquired on an organised market, irrespective of the type of certified right, shall not be reclaimed from a good-faith acquirer.

If paperless securities have been acquired without compensation from a person that had no right to alienate them, the right-holder is entitled to reclaim such securities in all cases.

2. If the paperless securities a right-holder is entitled to reclaim have been converted into other

securities, the right-holder is entitled to reclaim the securities into which the securities written off his account have been converted.

3. The right-holder from whose account paperless securities have been wrongfully written off, given the possibility of acquisition of the same securities on an organised market, is entitled at his own discretion to demand from the persons liable thereto for the losses caused by it that the same securities be acquired at their expense or that compensation be provided for all the expenses required for the acquisition thereof.

Article 149.4. The Consequences of Reclamation of Paperless Securities

1. If a right-holder's claim for return of paperless securities in accordance with **Item 1** or **Item 2** of **Article 149.3** of the present Code was upheld, then in respect of the person from whose account the securities have been returned thereto the right-holder shall enjoy the rights described in **Item 5** of **Article 147.1** of the present Code.

2. If unauthorised persons sell the rights -- certified by paperless securities -- to participate in the management of a joint stock company or another right to take part in the taking of a decision of a meeting, the right-holder may contest the relevant decision of the meeting that infringes on his rights and law-protected interests, if the joint stock company, or the persons whose expression of will had significance when the decision was taken by the meeting, knew or should have known on the existence of the dispute concerning the rights to paperless securities and the right-holder's voting could affect the taking of the decision.

A complaint challenging the decision of the meeting may be filed within three months after the day when the person having the right to the security knew or should have known on the wrongful write-off of securities from his account but in any case within one year after the date of the relevant decision.

A court may leave the meeting's decision in force if the deeming of the decision invalid is going to cause an incommensurate actual loss to the joint stock company's creditors or other third parties.

Article 149.5. The Consequences of Loss of the Accounts Certifying Rights to Paperless Securities

1. If the accounts certifying rights to paperless securities have been lost, the person keeping record of the rights shall immediately publish information about it in the mass media in which information on bankruptcies is to be announced and file an application with the court for reinstatement of the record data concerning the rights in the procedure established by the procedural legislation.

A claim for reinstatement of the record data concerning the rights to paperless securities may be declared by any person concerned. The reinstatement of the record data concerning rights shall take place in the procedure established by the procedural legislation. When the record data concerning the rights to paperless securities are being reinstated entries on the right-holders shall be made under a court's decision.

Information on reinstatement of the record data concerning the rights to paperless securities shall be published for the general public in the mass media in which information about bankruptcies is to be announced, under a court's decision at the expense of the person which was carrying out that record-keeping as of the time when the accounts certifying the rights to the paperless securities were lost.

2. Entries in line of recording of the rights to paperless securities shall not be effective from the time when the person that keeps record of the rights lost the accounts and until the day on which the court's decision on reinstatement of the record data concerning the rights becomes final.

Chapter 8. The Non-Material Values and Their Protection

Article 150. Non-material Values

1. The life and health, personal dignity, personal immunity, honour and good name, business reputation, privacy, inviolability of the home, personal and family secret, freedom of movement, freedom of choosing the place of abode and residence, citizen's name, authorship and other non-material values belonging to a citizen from his birth or by virtue of law are inalienable and non-transferable in any other

manner.

2. Non-material values are protected in accordance with the present Code and other laws in the cases and in the procedure envisaged by them, and also in the cases and within the limits in which the use of means of protection of civil rights (**Article 12**) ensues from the nature of a non-material value or personal non-proprietary right that has been violated and the character of consequences of that violation.

If the interests of a citizen require so, the non-material values belonging thereto may be protected, inter alia, by means of a court's recognising the fact of breach of his personal non-proprietary right, publishing a court's decision on the breach committed, and also by means of stopping or prohibiting actions that violate in breach of, or pose a threat of breach of, a personal non-proprietary right or infringe or pose a threat of infringement on a non-material value.

The non-material values belonging to a deceased may be protected by other persons in the cases and in the procedure envisaged by a law.

Article 151. Compensation of the Moral Damage

If the citizen has been inflicted a moral damage (the physical or moral sufferings) by the actions, violating his personal non-property rights or infringing upon non-material values in his possession, and also in other law-stipulated cases, the court may impose upon the culprit the duty to pay out the monetary compensation for the said damage.

When determining the size of compensation for the moral damage, the court shall take into consideration the extent of the culprit's guilt and other circumstances, worthy of attention. The court shall also take into account the depth of the physical and moral sufferings, connected with the individual features of a citizen, to whom the damage has been done.

Article 152. Protection of Honour, Dignity and Business Reputation

1. A citizen is entitled to demand in court the refutation of information defaming his honour, dignity or business reputation, unless the person who disseminated such information proves that it corresponds to reality. The refutation shall be made in the same manner as the one used to disseminate the information about the citizen or in another similar manner.

On the demand of persons concerned the protection of a citizen's honour, dignity and business reputation is also admissible after his death.

2. Information defaming the honour, dignity or business reputation of a citizen which has been disseminated in mass media shall be refuted in the same mass media. Apart from the refutation, the citizen in respect of which said information has been disseminated in the mass media is entitled to demand the publication of his reply in the same mass media.

3. If information defaming the honour, dignity or business reputation of a citizen is contained in a document issued by an organisation, such document is subject to replacement or revocation.

4. In cases when information defaming the honour, dignity or business reputation of a citizen has become broadly known and accordingly refutation cannot be brought to everyone's notice, the citizen is entitled to demand the deletion of the relevant information and also the stopping or prohibition of the further dissemination of said information by means of seizure and destruction without any compensation whatsoever for the copies of material media bearing said information which have been manufactured for putting them into civil circulation, unless the deletion of the relevant information can be done without the destruction of such copies of material media.

5. If after being disseminated information defaming the honour, dignity or business reputation of a citizen has become available on the Internet the citizen is entitled to demand the deletion of the relevant information and also the refutation of said information in a manner making sure the refutation is brought to the notice of users of the Internet.

6. In cases other than the ones specified in **Items 2-5** of the present article the procedure for refuting information defaming the honour, dignity or business reputation of a citizen shall be established by a court.

7. The imposition of sanctions to a wrongdoer for default on the performance of a court's decision

shall not relieve him of the duty to commit the action envisaged by the court's decision.

8. If the person that has disseminated information defaming the honour, dignity or business reputation of a citizen cannot be identified, the citizen in respect of whom such information has been disseminated is entitled to file an application with a court for deeming the information disseminated as not corresponding to reality.

9. A citizen in respect of whom information defaming his honour, dignity or business reputation has been disseminated is entitled to demand -- apart from the refutation of such information or publication of his reply -- compensation for the losses and compensation for the moral harm which have been inflicted by the dissemination of such information.

10. The rules of **Items 1 - 9** of the present article, save the provisions concerning compensation for moral harm, may be applied by a court also to the cases of dissemination of any information about a citizen not corresponding to reality, if such citizen proves that said information does not correspond to reality. The period of limitation for claims filed in connection with the dissemination of said information in mass media is one year after the date of publication of such information in the relevant mass media.

11. The rules of the present article for protection of business reputation of a citizen, save the provisions concerning compensation for moral harm, are applicable to the protection of business reputation of a legal entity respectively.

Article 152.1. Protection of the Citizen's Depiction

1. The publication and further use of a citizen's depiction (including his photographs, audio records or the works of fine arts, in which he is depicted) are admissible only with his consent. After the citizen's death his depiction may be used only with the consent of his children and his live spouse, and if such are absent - with the consent of his parents. Such consent is not required in the cases, when:

- 1) the depiction is used in the state, social or other public interests;
- 2) the citizen's depiction is obtained when shooting a film in the freely visited places or during public events (meetings, congresses, conferences, concerts, performances, sport competitions and such like events), with the exception of the cases, when such depiction is the principal object of use;
- 3) the citizen has sat for the depiction for a payment.

2. Copies of material media manufactured for the purposes of civil circulation and also being in circulation which contain an image of a citizen that has been obtained or is being used in breach of **Item 1** of the present Article, are subject to withdrawal from circulation and destruction without any compensation whatsoever under a court's decision.

3. If an image of a citizen that was obtained or is being used in breach of **Item 1** of the present article has been disseminated on the Internet the citizen is entitled to demand the deletion of the image and also the stopping or prohibition of the further dissemination thereof.

Article 152.2. Protecting the Private Life of a Citizen

1. Except as otherwise expressly envisaged by a law, it is hereby prohibited without the consent of a citizen the gathering, storage, dissemination and use of any information about his private life, for instance information concerning his origin, whereabouts or place of residence, private and family life.

The following shall not be deemed a breach of the rules established by paragraph 1 of the present item: the gathering, storage, dissemination and use of information on the private life of a citizen in state, social or other public interests and also in cases when information about the private life of a citizen has earlier been disclosed to the general public or disclosed by the citizen proper or at his discretion.

2. The parties to an obligation are not entitled to disclose the information they learned at the occurrence and/or performance of the obligation as concerning the private life of a citizen being a party to, or a third party in, that obligation, unless the possibility of such disclosure of information on the parties is envisaged by an agreement.

3. Wrongful dissemination of information concerning the private life of a citizen received in breach of a law if for instance the use thereof in the creation of works of science, literature and art, if such use

infringes on the interests of the citizen.

4. In cases when information on the private life of a citizen received in breach of a law is contained in documents, video records or on other material media the citizen is entitled to apply to court with demand for deletion of the relevant information and also for stopping or prohibiting its further dissemination by means of seizing and destroying without any compensation whatsoever the copies of material media containing the relevant information which have been manufactured for the purposes of being put into civil circulation, unless the deletion of the relevant information can be done without the destruction of such copies of material media.

5. The right of demanding protection of the private life of a citizen by the methods envisaged by **Item 2 of Article 150** of the present Code and the present article in the event of his death shall belong to the children, parents and the surviving spouse of such citizen.

Subsection 4. Transactions. Decisions of Meetings. Representation

Chapter 9. The Deals

§ 1. The Concept, the Kinds and the Form of the Deals

Article 153. The Concept of the Deal

The deals shall be interpreted as the actions, performed by the citizens and by the legal entities, which are aimed at the establishment, the amendment or the cessation of the civil rights and duties.

Article 154. The Agreements and the Unilateral Deals

1. The deals may be bilateral or multilateral (agreements), and also unilateral.

2. The deal shall be regarded as unilateral, if for its performance in conformity with the law, other legal acts or with the agreement between the parties, the expression of the will of only one party to it is necessary and sufficient.

3. To conclude an agreement, the expression of the agreed will of the two parties (bilateral deals), or of the three or more parties (multilateral deals) shall be required.

Article 155. The Duties by the Unilateral Deal

The unilateral deal shall create duties for the person, who has effected it. It shall create duties for other persons only in the cases, established by the law or by an agreement with these persons.

Article 156. Legal Regulation of the Unilateral Deals

Toward the unilateral deals shall be correspondingly applied the general provisions on the obligations and on the agreements, if this does not contradict the law, the unilateral character and the substance of the deal.

Article 157. The Deals, Made Under a Condition

1. The deal shall be regarded as made under the suspensive condition, if the parties have made the arising of the rights and duties dependent on the circumstance, about which it is unknown, whether it will, or will not, take place.

2. The deal shall be regarded as made under the subsequent condition, if the parties have made the cessation of the rights and duties dependent upon the circumstance, about which it is unknown, whether it will, or will not, take place.

3. If the arrival of the condition has been obstructed in bad faith by the party, for which its taking place is undesirable, the said condition shall be recognized as having taken place.

If the arrival of the condition has been obstructed in bad faith by the party, for which its taking place is desirable, the said condition shall be recognized as not having taken place.

Article 157.1. Consent to Carrying out a Transaction

1. The rules of this article shall apply unless otherwise provided for by a law or other legal act.

2. Where the consent of a third party, legal entity, state body or local authority is required for carrying out a transaction, a third party or appropriate body shall report on the consent or refusal thereof to the person that has requested the consent or to another person concerned within a reasonable time period upon receiving an application of the person requesting the consent.

3. The preliminary consent for carrying out a transaction shall define the subject of the deal to whose making the consent is given.

The subsequent consent (approval) shall specify the transaction to whose carrying out the consent is given.

4. Silence shall not be deemed the consent to carry out a transaction, except as established by law.

Article 158. The Form of the Deals

1. The deals shall be effected orally or in written form (simple or notarial).

2. The deal, which may be made orally, shall be regarded as having been effected also in the case, when the behaviour of the person clearly testifies to his will to effect the deal.

3. Silence shall be recognized as the expression of the will to effect the deal in the cases, stipulated by the law or by the agreement between the parties.

Article 159. The Oral Deals

1. The deal, for which no written (simple or notarial) form has been stipulated by the law or by the agreement between the parties, may be effected orally.

2. Unless otherwise ruled by the agreement between the parties, all the deals, executed at the moment of their being made, may be effected orally, with the exception of those, for which the notarial form has been established, and also of those, the non-observance of the simple written form of which causes their invalidity.

3. The deals, effected in the execution of the agreement, concluded in written form, may by the agreement of the parties be effected orally, unless this contradicts the law, other legal acts and the agreement.

Article 160. The Written Form of the Deal

1. The deal in written form shall be effected by way of drawing up a document, expressing its content and signed by the person or by persons who are effecting the deal, or by persons, properly authorized by them to do so.

The written form of a deal shall be also deemed observed, if it is made by a person with the use of electronic or other technical facilities enabling to reproduce the content of the deal on a material medium unchanged, and, in so doing, the requirement for availability of the signature shall be deemed satisfied, if any method enabling to reliably determine the person that has expressed the will thereof is used. A law, other legal acts and an agreement of the parties may provide for a special method of reliable determination of the person that has expressed the will thereof.

Bilateral (multilateral) deals may be made by the methods established by **Items 2 and 3 of Article 434** of this Code.

A law, other legal acts and an agreement of the parties may establish the additional requirements which the form of a deal must satisfy (its making with the use of the letterhead of a definite form, affixation of a stamp and the like) and provide for the effects of a failure to satisfy these requirements. Where such effects are not provided for, the effects of a failure to observe the simple ordinary written form shall apply (**Item 1 of Article 162**).

2. The use in effecting the deals of a facsimile reproduction of the signature, made with the assistance of the means of the mechanical or another kind of copying or another analogue of the sign manual shall be admitted in the cases and in the order, stipulated by the law and other legal acts, or by the agreement of the parties.

3. If the citizen, as a result of a physical defect, illness or illiteracy cannot put down his signature himself, another citizen may sign the deal upon his request. The latter's signature shall be certified by the notary or by another official person, possessing the right to perform such kind of the notarial action, with the indication of the reasons, by force of which the person, effecting the deal, was unable to put under it his sign manual himself.

When making the power of attorney cited in **Item 3 of Article 185.1** of this Code, the signature of the person signing a power of attorney may also be attested by the organisation for which the citizen who is unable to sign in person works or by the administration of the in-patient medical organisation in which he/she is undergoing treatment.

Article 161. The Deals, Made in the Simple Written Form

1. Shall be effected in the simple written form, with the exception of the deals, requiring notarial certification:

- 1) the deals of the legal entities between themselves and with the citizens;
- 2) the deals of the citizens between themselves to the sum of ten thousand roubles, and in the law-stipulated cases - regardless of the sum of the deal.

2. The observance of the simple written form shall not be required for the deals, which, in conformity with **Article 159** of the present Code, may be effected orally.

Article 162. The Consequences of the Non-observance of the Simple Written Form of the Deal

1. The non-observance of the simple written form of the deal shall in the case of a dispute deprive the parties of the right to refer to the testimony for the confirmation of the deal and of its terms, while not depriving them of the right to cite the written and another kind of proof.

2. In the cases, directly pointed out in the law or in the agreement between the parties, the non-observance of the simple written form of the deal shall entail its invalidity.

3. **Abrogated** from September 1, 2013.

Article 163. A Transaction's Certification by a Notary

1. A transaction's certification by a notary means checking the legality of the transaction, in particular if each party thereto enjoys the right to its carrying out, and shall be effected by a notary or the official authorised to make such notarial act in the procedure established by the **law** on notarial system and notarial activity.

2. The notarial certification of the deals shall be obligatory:

- 1) in the cases, pointed out by the law;
- 2) in the cases, stipulated by the parties' agreement, even if this form is not required for the given kind of the deals by the law.

3. Where the certification of a transaction by a notary in compliance with **Item 2** of this article is mandatory, failure to adhere to the notarial form of the transaction shall entail its nullity.

Article 164. The State Registration of Transactions

1. Where the state registration of transaction is provided for by law, the legal effects of a transaction shall ensue after its registration.

2. A transaction providing for alteration of the terms of a registered transaction is subject to the state registration.

Article 165. Effects of Evading the Certification of a Transaction by a Notary or the State Registration of a Transaction

1. If either party has executed in full or in part a transaction for which certification thereof by a notary is required, while the other party evades such certification of the transaction, a court is entitled on the demand of the party that has executed the transaction to declare the transaction valid. On such occasion, the subsequent certification of the transaction by a notary is not required.

2. If a transaction whose state registration is required has been carried out in a proper form but one of the parties thereto evades its registration, a court on demand of the other party is entitled to render the decision on the transaction's registration. On such occasion, the transaction shall be registered in compliance with the court's decision.

3. Where it is provided for by **Items 1 and 2** of this article, the party that has unfoundedly evaded the notarial certification or the state registration of a transaction is bound to compensate to the other party for the losses caused by a delay in the transaction's making or registration.

4. The limitation period for the claims cited in this article shall be one year.

Article 165.1. Statements Relevant in Law

1. Applications, notifications, notices, requests or other statements relevant in law with which a law or transaction links civil law effects for another person shall entail for this person such effects from the time of delivery of an appropriate statement to such person or to a representative thereof.

A statement shall be also deemed delivered if it has come to the person which it has been sent to (to the addressee) but due to the circumstances dependent on him has not been handed in thereto or the addressee has not been familiarised with it.

2. The rules of **Item 1** of this article shall apply unless otherwise provided for by a law or by the terms of a transaction or unless otherwise results from the custom or practice existing in the relations of the parties.

§ 2. The Invalidity of the Transactions

Article 166. Disputable and Void Transactions

1. A deal shall be deemed invalid on the grounds established by law by virtue of declaring it as such by court (disputable transaction) or irrespective of such declaring (void transaction).

2. The claim for declaring invalid a disputable transaction may be raised by a party to the transaction or by other person specified by law.

A disputable deal may be declared invalid if it violates the rights and legitimate interests of the person disputing the transaction, in particular if it has entailed unfavourable effects for such person.

Where in compliance with law a transaction is disputed in the interests of third parties, it may be declared invalid if it violates the rights or legitimate interests of such third parties.

The party whose behaviour demonstrates its will to preserve a transaction's force is not entitled to dispute the transaction on a ground about which this party knew or should have known when expressing its will.

3. A party to a transaction or, where it is provided for by law, a different person is entitled to raise the claim for applying the effects of invalidity of a void transaction.

The claim for declaring invalid a void transaction, regardless of applying the effects of its invalidity, may be allowed if the person raising such claim has a legitimate interest in declaring this transaction invalid.

4. A court is entitled to apply the effects of invalidity of a void transaction on its own initiative, if it is necessary for the protection of public interests, as well as in other cases provided for by law.

5. An application for invalidity of a transaction shall not have a legal effect if the person making reference to the transaction's invalidity does not act in good faith, in particular if the behaviour thereof after

carrying out the transaction gave grounds to other persons to rely upon the transaction's validity.

Article 167. The General Provisions on the Consequences of the Invalidity of the Deal

1. The invalid transaction shall not entail legal consequences, with the exception of those involved in its invalidity, and shall be invalid from the moment of its effecting.

The person that knew or should have known about the grounds of invalidity of a disputable transaction shall not be deemed as having acted in good faith after declaring this transaction invalid.

2. If the deal has been recognized as invalid, each of the parties shall be obliged to return to the other party all it has received from it by the deal, and in the case of such return to be impossible in kind (including when the deal has been involved in the use of the property, the work performed or the service rendered), its cost shall be recompensed, unless other consequences of the invalidity of the deal have been stipulated by the law.

3. If it follows from the essence of the disputed deal that it may only be terminated for the future, the court, while recognizing the deal to be invalid, shall terminate its operation for the future.

4. A court has no right to apply the effects of a transaction's invalidity (**Item 2** of this article) if their application is at variance with the basics of legal order and morals.

Article 168. Invalidity of a Transaction Carried out in Defiance of the Requirements of a Law or Another Legal Act

1. Except as provided for by Item 2 of this article or another law, a transaction carried out in defiance of a law or another legal act shall be deemed disputable, if it follows from the law that other effects of this violation which are not connected with the transaction's invalidity must be applied.

2. A transaction made in defiance of a law or another legal act and infringing upon public interests or the rights and legitimate interests of third parties shall be void, unless it follows from the law that such transaction is disputable or other effects of such violation which are not connected with the transaction's invalidity must be applied.

Article 169. Invalidity of a Transaction Carried out with the Aim Which Is Contrary to the Basics of Legal Order or Morals

A transaction carried out with the aim which is wittingly contrary to the basics of legal order or morals shall be void, and shall entail the effects established by **Article 167** of this Code. Where it is provided for by law, a court may recover for the benefit of the Russian Federation everything that has been received under such transaction by the parties thereto that have acted willfully or may apply other effects thereof established by law.

Article 170. Invalidity of the Sham and of the Feigned Deal

1. The sham deal, i.e., the deal, effected only for the form's sake, without an intention to create the legal consequences, corresponding to it, shall be regarded as insignificant.

2. A fraudulent transaction, that is, a transaction carried out for the purpose of disguising another transaction, including a transaction made under other terms, shall be void. To a transaction which the parties have genuinely had in mind shall apply the rules related to it, subject to the transaction's essence and content.

Article 171. Invalidity of the Deal, Made by the Citizen, Recognized as Legally Incapable

1. The deal, effected by the citizen, who has been recognized as legally incapable on account of a mental derangement, shall be regarded as insignificant.

Each of the parties to such a deal shall be obliged to return to the other party all it has received in kind, and if it is impossible to return what has been received in kind - to recompense its cost.

Besides that, the legally capable party shall also be obliged to recompense to the other party the

actual damage the latter has sustained, if the legally capable party has been aware, or should have been aware, of the legal incapability of the other party.

2. In the interest of the citizen, recognized as legally incapable on account of a mental derangement, the deal he has effected may be recognized by the court as valid upon the demand of his guardian, if it has been made to the benefit of the said citizen.

Article 172. Invalidity of the Deal, Made by the Minor Below 14 Years of Age

1. The deal, effected by the minor, who has not reached 14 years of age (the young minor), shall be regarded as invalid. Toward such a deal shall be applied the rules, stipulated by the second and the third paragraphs of **Item 1 of Article 171** of the present Code.

2. In the interest of the young minor, the deal he has effected may be recognized by the court as valid upon the demand of his parents, adopters or guardian, if it has been made to the benefit of the young minor.

3. The rules of the present Article shall not concern the petty everyday and other deals, effected by the young minors, which they have the right to make independently in conformity with **Article 28** of the present Code.

Article 173. The Invalidity of Transaction of a Legal Entity Made Contrary to the Aims of Its Activities

A transaction carried out by a legal entity contrary to the aims of its activities clearing limited in the constituent documents thereof may be declared invalid by court at the suit of this legal entity, its founder (participant) or another person in whose interests the limitation is established, if it has been proved that the other party to the transaction knew or should have known about such limitation.

Article 173.1. Invalidity of a Transaction Made without the Consent of a Third Party, Body of a Legal Entity, or State Body, or Local Authority

1. A transaction carried out without the consent of a third party, body of a legal entity, or state body, or local authority, whose obtaining is needed by virtue of law shall be disputable if it does not follow from the law that it is void or does not have legal effects for the person authorised to give consent where there is no such consent. It may be declared invalid at the suit of such person or other persons cited by a law.

A law or, where it is provided for by it, an agreement made with the person whose consent is required for carrying out a transaction may establish other effects of the absence of the required consent to carry out the transaction, rather than its invalidity.

2. As law does not establish otherwise, a disputable transaction carried out without the consent of a third party, body of a legal entity, or state body, or local authority whose obtaining is needed by virtue of law, may be declared invalid if it is proved that the other party to the transaction knew or should have known about the absence of the required consent of such person or such body as of the time of carrying out the transaction.

3. The person that has given his consent thereof to making a disputable transaction which is required by virtue of law is not entitled to dispute it on grounds about which this person knew or should have known at the time of giving the consent.

Article 174. The Effects of Violating by a Representative or Body of a Legal Entity the Terms of Exercising the Authority or Interests of the Represented Person or Interests of the Legal Entity

1. If the authority of a person as to carrying out a transaction is limited by an agreement or regulations on a branch or representative office of a legal entity or the authority of a legal entity's body acting on behalf of the legal entity without a letter of attorney is limited by the constituent documents of the legal entity or by other documents regulating the activities thereof as compared to the way they are defined by a letter of attorney, law or as they can be deemed evident in the situation under which the transaction is being made and, while carrying it out, such person or such body fell outside the limits of this limitation, the

transaction may be only declared by court invalid at the suit of the person in whose interests the limitations are established, if it is proved that the other party to the transaction knew or should have known about these limitations.

2. A transaction made by a representative or by a legal entity's body acting on behalf of the legal entity without a letter of attorney to the detriment of the interests of the represented person or the interests of the legal entity may be declared by court invalid at the suit of the legal entity and, where it is provided for by law, at the suit made in their interests by other person or other body, if the other party to the deal knew or should have known about the evident damage for the represented person or for the legal entity or there were circumstances which testified to a conspiracy or other joint actions of the representative or the legal entity's body and the other party to the transaction to the detriment of the interests of the represented person or to the interests of the legal entity.

Article 174.1. The Effects of Carrying out a Transaction in Respect of the Property Whose Disposal Is Prohibited or Restricted

1. A transaction carried out in defiance of the ban or restriction as to the property's disposal resulting from the law, in particular from the **legislation** on insolvency (bankruptcy), shall be void, insofar as it provides for the disposal of such property (**Article 180**).

2. A transaction carried out in defiance of a ban on the disposal of the debtor's property imposed or established by law in some other procedure in favour of the creditor or other authorised person shall not impede the exercise of the rights of the cited creditor or other authorised person that were secured by the ban, except when the property's acquirer did not know or did not need to know about the ban.

Article 175. Invalidity of the Deal, Made by the Minor of 14-18 Years of Age

1. The deal, effected by the minor, aged from 14 to 18 years, without the consent of his parents, adopters or his trustee, in the cases when such consent is required in conformity with Article 26 of the present Code, may be recognized by the court as invalid upon the claim of the parents, adopters or the trustee.

If such a deal has been recognized as invalid, the rules, stipulated by the second and the third paragraphs of **Item 1 of Article 171** of the present Code, shall be correspondingly applied.

2. The rules of the present Article shall not concern the deals of the minors, who have acquired the full legal capacity.

Article 176. Invalidity of the Deal, Made by the Citizen Whose Legal Capacity Has Been Restricted by the Court

1. The deal, involved in the disposal of the property, which has been effected without the consent of his trustee by the citizen, whose legal capacity has been restricted by the court (**Article 30**), may be recognized by the court as invalid upon the claim of the trustee.

If such a deal has been recognized as invalid, the rules, stipulated by the **second** and the **third paragraphs of Item 1 of Article 171** of the present Code, shall be correspondingly applied.

2. The rules of the present Article shall not concern the deals, which the citizen, restricted in his legal capacity, has the right to effect independently in conformity with **Article 30** of the present Code.

Article 177. Invalidity of the Deal, Made by the Citizen, Incapable of Realizing the Meaning of His Actions or of Keeping Them Under Control

1. The deal, effected by the citizen, who, while being legally capable, at the moment of making the deal was in such a state that he was incapable of realizing the meaning of his actions or of keeping them under control, may be recognized by the court as invalid upon the claim of this citizen or other persons, whose rights or law-protected interests have been violated as a result of its being effected.

2. The deal, effected by the citizen, who has been recognized as legally incapable at a later date, may be recognized by the court as invalid upon the claim of his guardian, if it has been proved that at the moment

of making the deal, the citizen was incapable of realizing the meaning of his actions or of keeping them under control.

A transaction carried out by a citizen whose legal capacity has been afterwards restricted as a result of a mental disorder may be declared by court invalid at the suit of the custodian thereof if it is proved that at the time of making the transaction the citizen could not have understood the meaning of his/her actions or direct them and the other party to the deal knew or should have known about it.

3. If the deal has been recognized as invalid on the ground of the present Article, the rules, stipulated by the second and the third paragraphs of **Item 1 of Article 171** of the present Code, shall be correspondingly applied.

Article 178. The Invalidity of a Transaction Carried out under the Influence of a Substantial Aberration

1. The transaction carried out under the influence of an aberration may be declared by court invalid at the suit of the party that acted under the influence of the aberration, if the aberration was so substantial that this party, upon evaluating the situation on a reasonable and unbiased basis, would not have carried out the transaction if it had known about the real state of affairs.

2. Under the circumstances provided for by **Item 1** of this article, an aberration is supposed to be substantial enough, in particular if:

- 1) a party has made an evident lapse, slip of the pen, misprint etc.;
- 2) a party is mistaken in respect of the subject of the transaction, in particular in respect of such properties which are deemed substantial enough in the intercourse;
- 3) a party is mistaken in respect of the transaction's nature;
- 4) a party is mistaken in respect of the person which it intends to carry out a transaction with or of a person connected with a transaction;
- 5) a party is mistaken in respect of the circumstance which it mentions in its declaration of will or from whose availability it proceeds when carrying out a transaction and it is evident for the other party.

3. An aberration in respect of a transaction's motives shall not be deemed substantial enough for declaring the transaction invalid.

4. A transaction may not be declared invalid on the grounds provided for by this article if the other party gives its consent to preserving the transaction's validity under the terms, the notion of which served as a basis for the actions of the party acting under the influence of an aberration. On such occasion a court when refusing to declare a transaction invalid shall cite in the decision thereof these terms of the transaction.

5. A court may refuse to declare a transaction invalid if the aberration under which a party to the transaction acted was such that it could not be discerned by a person acting with a normal care and taking into account the transaction's content attending circumstances and specifics of the parties thereto.

6. If a transaction is declared invalid because it was carried out under the influence of an aberration, the rules provided for by **Article 167** of this Code shall apply thereto.

The party at whose suit a transaction is declared invalid is bound to compensate to the other party for the real damage caused thereto as a result of it, except when the other party knew or should have known about the presence of the aberration, in particular if an aberration has occurred due to circumstances under its control.

The party at whose suit a transaction is declared invalid is entitled to demand of the other party compensation for the losses caused thereto if it can prove that an aberration has occurred as a result of the circumstances which the other party is responsible for.

Article 179. The Invalidity of the Transaction Carried out under the Impact of Fraud, Violence, Threat or Unfavourable Circumstances

1. A transaction carried out under the impact of violence or threat may be declared by court invalid at the suit of the aggrieved person.

2. A transaction carried out under the impact of fraud may be declared by court invalid at the suit of

the aggrieved person.

As fraud shall be deemed an intentional non-disclosure of the circumstances about which a person had to report on, subject to the good faith required of him in compliance with the terms of the intercourse.

A transaction carried out under the impact of fraud of the aggrieved person effected by a third party may be declared invalid at the suit of the aggrieved person, provided that the other party or the person to which a unilateral deal is addressed knew or should have known about the fraud. It is considered, in particular, that a party knew about fraud if the third party guilty of the fraud was its representative or employee or assisted thereto in carrying out the transaction.

3. A transaction carried out under the extremely unfavourable terms which a person had to make as a result of a set of hard circumstances, which the other party took advantage of (hard transaction), may be declared by court invalid at the suit of the aggrieved person.

4. If a transaction is declared invalid on one of the grounds cited in **Items 1-3** of this article, the effects of the transaction's invalidity established by **Article 167** of this Code shall apply. Moreover, the loss caused to the aggrieved person shall be recompensed thereto by the other person. The risk of accidental destruction of the subject of the transaction shall be borne by the other party to the transaction.

Article 180. The Consequences of the Invalidity of a Part of the Deal

The invalidity of a part of the deal shall not entail the invalidity of its other parts, if it may be supposed that the deal could have been effected without the incorporation into it of the invalidated part.

Article 181. Statute of Limitations for Invalid Transactions

1. The limitation period in respect of claims for applying the effects of invalidity of a void transaction and for declaring such transaction invalid (**Item 3 of Article 166**) shall be three years. The running of the limitation period in respect of the cited claims shall start from the date when the execution of a void transaction was started or, where a claim is raised by a person which is not a party to the transaction, from the date when this person learnt or should have learnt about the start of its execution. With this, the limitation period for a person which is not a party to the transaction in any case may not exceed ten years from the starting date of the deal's execution.

2. The time limit of the statute of limitations for a claim for declaring a voidable transaction invalid and for the application of consequences of the invalidity thereof is one year. The period of limitations for such a claim is counted from the day of termination of the violence or duress under the influence of which the transaction has been concluded (**Item 1 of Article 179**) or from the day when the plaintiff learned or should have learned about other circumstances deemed a ground for declaring the transaction invalid.

Chapter 9.1. Decisions of Meetings

Article 181.1. General Provisions

1. The rules provided for by this article shall apply unless otherwise provided for by a law or by the procedure established by it.

2. The decision of a meeting having civil law effects under law shall cause the legal effects, which the decision of the meeting is aimed at, for all the persons that are entitled to take part in the given meeting (participants of a legal entity, co-owners, creditors in case of bankruptcy and other participants of a civil law community), as well as for other persons, if such is established by law or results from the nature of relations.

Article 181.2. The Adoption of a Decision by a Meeting

1. A decision made in the session shall be deemed adopted if the majority of the meeting's participants have voted for it and at least fifty per cent of the total number of participants of an appropriate civil law community have taken part in it.

Members of the civil community may attend the session remotely using the electronic or other

hardware, if any methods allowing for reliable identification of the person attending the session are applied, to participate discussion of the agenda items and to vote. Such option and methods can be established by the law, by unanimous decision of the members of the civil community, or by the legal entity's charter.

1.1. The meeting's decision can be adopted without a session (absentee voting) through sending, including that using the electronic or other hardware, the documents containing the information of their voting by at least 50 percent of the total number of the participants of the relevant civil community. With that, the decision shall be considered as duly adopted if the majority of the members of the civil community have voted in favour of such decision.

1.2. The law, the unanimous decision of the members of the civil community or the legal entity's charter may envisage for joint voting in the session and absentee voting.

2. If the agenda of a meeting contains several items, an independent decision shall be adopted on each of them, unless otherwise is unanimously established by the meeting's participants.

3. Arrangement of the session for the members of the civil community and the voting results in the session, as well as the results of the absentee voting, shall be certified by the minutes. The minutes shall be issued in writing, including that using the electronic or other hardware (**Paragraph 2 of Item 1 of Article 160**), and shall be signed by the session chairman and the session secretary, in case of the session, or by persons who have counted votes or recorded the result of the votes counting, in case of the decision making by absentee voting. This Code, the law, the unanimous decision of the members of the civil community or the legal entity's charter may envisage for the other method to certify the session of the members of the civil community and the voting results therein, as well as that for the absentee voting results.

4. The minutes shall include the following:

1) date and time of the session, place of the session and/or the method for remote attending the session by the members of the civil community, and in case of absentee voting - the deadline for the documents acceptance with the information of the voting of the members of the civil community, and the method for their distribution;

2) information of the persons who have attended the session, and/or the persons who have delivered the documents containing the information of the voting;

3) voting results for each agenda item;

4) information of the persons who have counted the votes, if the votes counting was entrusted to certain persons;

5) information of the persons who have voted against the decision and demanded to incorporate information thereof in the minutes;

6) information of the session course or voting course, if a member of the civil community demands to incorporate it in the minutes;

7) information of the persons who have signed the minutes.

4.1. While using another method to certify the session of the members of the civil community and the voting results in the session, as well as the absentee voting results (**Item 3 of this Article**), it is necessary to provide storage and intact reproduction of the information specified in **Subitems 1 - 6 of Item 4** of this Article.

5. Invalid from July 1, 2021 - **Federal Law No. 225-FZ of June 28, 2021**

Article 181.3. The Invalidity of a Meeting's Decision

1. A meeting's decision shall be deemed invalid on the ground established by this Code or other laws by virtue of declaring it as such by court (disputable decision) or irrespective of such declaring (void decision).

A meeting's invalid decision shall be disputable, unless it follows from law that the decision is void.

2. If a meeting's decision is published, a report on declaring the meeting's decision invalid by court shall be published on the basis of the court decision in the same publication on account of the person upon which court costs are imposed in compliance with the procedural legislation. If data on a meeting's decision are entered in a register, data on the judicial act which is declared invalid by the meeting's decision shall be also entered in the appropriate register.

Article 181.4. The Challengeability of a Meeting's Decision

1. A meeting's decision may be declared by court invalid in case of failure to meet the requirements of law, in particular if:

1) there was the major breach of the procedure for decision making on convocation, the procedure for preparation and conduction of the general meeting's session or absentee voting of the participants, as well as the procedure for decision making by the general meeting affecting expression of the will of the general meeting participants;

2) the person speaking on behalf of the meeting's participant had no authority to do so;

3) the equality of rights of the participants of the civil community has been breached while holding the general meeting's session or absentee voting;

4) there was a major failure to follow the rules for drawing up a protocol, in particular the rule about a written form of the protocol (Item 3 of Article 181.2).

2. A meeting's decision may not be recognised by court invalid on the grounds connected with failure to follow the procedure for adopting the decision, if it is confirmed by the successive decision of the meeting adopted in the established procedure prior to rendering a court decision.

3. A participant of an appropriate civil law community who has not attended the session or absentee voting or has voted against the adoption of the disputable decision is entitled to dispute the meeting's decision with court.

A meeting's participant that has voted for adoption of a decision or has abstained from voting is entitled to dispute with court the meeting's decision if the expression of will thereof in the course of voting was broken.

4. A meeting's decision may not be declared invalid by court if the voting of a person whose rights are affected by the disputable decision could not influence its adoption and the meeting's decision did not entail any major unfavourable consequences for this person.

5. A meeting's decision may be disputed with court within six months from the date when the person whose rights were violated by the adoption of this decision learnt or should have learnt about it but at the latest two years from the date when data on the adopted decision became generally accessible for the participants of an appropriate civil law community.

6. The person disputing a meeting's decision shall notify in advance in writing participants of an appropriate civil law community on the intention thereof to make such claim with court and to provide them with other information related to the case. The participants of an appropriate civil law community that have not joined such claim, in the procedure established by the procedural legislation, in particular those which have other grounds for disputing the given decision, are not entitled afterwards to make a claim with a court for disputing this decision, if only the court does not find the reasons for making such claim sound.

7. The disputable meeting's decision declared by court invalid shall be invalid from the time of its adoption.

Article 181.5. The Nullity of a Meeting's Decision

Unless otherwise provided for by law, a meeting's decision shall be deemed null and void, if it:

1) is adopted on an item which is not included into the agenda thereof, except if all the participants of an appropriate civil law community have attended the session or absentee voting;

2) is adopted in the absence of the required quorum;

3) is adopted on an item which is not within the scope of the meeting's authority;

4) is at variance with the basics of legal order or morals.

Chapter 10. The Representation. The Warrant

Article 182. The Representation

1. The deal, effected by one person (the representative) on behalf of another person (the representee) by force of the power, based on the warrant, on the indication of the law or on the act, issued by the state body or local government body, authorized for this purpose, shall directly create, amend or terminate the civil rights and duties of the representee.

The power may also stem from the setting, in which the representative operates (the salesman in retail trade, the cashier, etc.).

2. The persons, who operate in the interest of other persons, but on their own behalf, the persons who only transfer the will of another person expressed in a proper form, and also the persons, authorized to enter into negotiations on the deals, which may be possibly effected in the future, shall not act as representatives.

3. The representative may not carry out transactions on behalf of the representee in his own interest, as well as in the interest of another person whom he is concurrently representing, except as provided for by law.

A transaction carried out in defiance of the rules established by **Paragraph One** of this article and to which the representee has not given his consent may be declared by court invalid at the suit of the representee, if it violates his interests. The violation of the representee's interests is assumed, unless proved otherwise.

4. The effecting through the representative of the deal, which by its nature shall be effected only in person, and also of other deals, which have been pointed out in the law, shall not be admitted.

Article 183. The Effecting of the Deal by an Unauthorized Person

1. Where there is no authority to act on behalf of another person or when such authority is abused, the transaction shall be deemed made on behalf and in the interests of the person that has made it, if only another person (the representee) does not afterwards approve of this transaction.

Prior to approving a deal by the representee, the other party thereto is entitled to withdraw from the transaction unilaterally by way of applying to the person that has made the transaction or to the representee, except when carrying out the transaction it knew or should have known that the person that has carried out the transaction had no authority to carry it out or abused it.

2. The subsequent approval of the deal by the representee shall create, amend and terminate for him the civil rights and duties by the given deal from the moment of its being effected.

3. If the representee has refused to approve a transaction or an answer to the proposal to approve it addressed to the representee has not come within a reasonable time, the other party is entitled to demand of the unauthorised person that has carried out the transaction its execution or is entitled to withdraw from it unilaterally and to demand of this person to recompense for losses. The losses are not subject to compensation, if when making a transaction, the other party knew or should have known about the absence of the authority or about abuse of it.

Article 184. The Commercial Representation

1. As a trade agent shall be deemed the person who constantly and independently represents and acts on behalf of businessmen in their concluding agreements in the sphere of business activities.

2. The simultaneous commercial representation of different parties in the transaction shall be admitted upon the consent of these parties and in other law-stipulated cases. If a trade agent acts through organised trade, it is assumed, unless proved otherwise, that the representee agrees with simultaneous representation by such agent of the other party or other parties.

3. The specific features of the commercial representation in the individual spheres of business activities shall be established by law and by other legal acts.

Article 185. General Provisions on the Warrant

1. The warrant shall be recognised as a written authorisation document granted by a person to another person or other persons for the purpose of representing them before third parties.

2. Warrants on behalf of minors (**Article 28**) and on behalf of legally incapable persons (**Article 29**) shall be issued by legal representatives thereof.

3. The written authorisation document for effecting a deal by the representative may be presented by the representee directly to the corresponding third party who is entitled to assure himself of the representee's identity and to make a note to this effect in the document certifying the representative's authority.

The written authorisation document for receiving by a representative of a citizen the bank deposit thereof, entry on monetary assets onto a deposit account thereof, for carrying out operations on the bank account thereof, in particular receiving monetary assets from a bank account thereof, as well as for receiving mail addressed thereto at a communication organisation, may be issued by the representee directly to the bank or the communication organisation.

4. The rules of this Code in respect of the warrant shall also apply when the authority of a representative is contained in an agreement, in particular in the agreement carried out by a representative and the representee, between the representee and a third party or in a meeting's decision, unless otherwise established by law or unless it contravenes the essence of the relations.

5. If the warrant is issued to several representatives, each of them shall be vested with the authority cited in the warrant, unless the warrant provides that representatives jointly exercise them.

6. The rules of this article shall also apply accordingly when the warrant is jointly issued by several persons.

Article 185.1. The Warrant's Certification

1. The warrant for effecting the transactions, requiring notarial form, for filing applications for state registration of rights or transactions, as well as for disposal of rights registered in the state registers, shall be notarially certified, with the exception of the **law**- stipulated cases.

2. The following shall be equated to the notarially certified warrants:

1) the warrants of servicemen and other persons undergoing medical treatment at military hospitals, sanatoria, and other military medical institutions, certified by the head of such institution, by his/her deputy for medicine, or in the absence thereof by the senior doctor, or by the doctor on duty;

2) the warrants of servicemen, and at places of stationing of military units, formations, institutions and military educational establishments where there are no notary's offices and other bodies performing notarial actions, also the warrants of workers and employees, of their family members and of the family members of the servicemen certified by the commander (head) of this unit, formation, institution or establishment;

3) the warrants of persons kept at the places of deprivation of freedom certified by the head of a corresponding place of the deprivation of freedom;

4) the warrants of the adult legally capable citizens staying at in-patient social service organisations certified by the administration of this organisation or by the head (deputy head) of the corresponding body for social protection of the population.

3. The warrant for receiving wages and other payments connected with labour relations, for receiving author's and inventor's fees, pensions, allowances and grants or for receiving correspondence, except for value correspondence, may be certified by the organisation in which the trustee works or studies, and by the administration of the in-patient medical institution in which he/she is undergoing medical treatment. Such warrant shall be issued free of charge.

4. The warrant on behalf of a legal entity shall be issued with the signature of the head thereof or of other person authorised to it in compliance with law and constituent documents to be affixed thereto.

Article 186. The Period of the Warrant

1. If the warranty's duration is not cited in it, the warranty shall be in force within a year from the date when it is made.

The warrant, in which no date of its granting has been indicated, shall be regarded as insignificant.

2. The notarially certified warrant, intended for the performance of actions abroad and containing no indication of the term of its operation, shall stay in force until it is revoked by the person, who has granted it.

Article 187. Transfer of the Warrant

1. The person to whom the warrant has been granted shall be obliged to perform in person the actions which he has been authorised for. He may transfer their performance to another person, if he is authorised to do so by the warrant, or if he has been forced to do so by circumstances in order to protect the interests of the person who has granted him the warrant and does not forbid the transfer of the warrant.

2. A person who has transferred the power of attorney to another person shall be obliged to notify thereof the warrantor, and to pass over to him all the essential information on the person to whom he has transferred the said power. The failure to discharge this duty shall impose upon the person who has transferred the power of attorney by the warrant the same responsibility for the actions of the person to whom he has passed the power as he would have borne for his own actions.

3. A warrant granted by way of transferring the power of attorney shall be certified by a notary.

The rule concerning the notarial certification of the warrant issued by way of transferring the power of attorney shall not apply to the warrant issued by way of transferring the power of attorney by legal entities, by heads of branches and representative offices of legal entities.

4. The duration of the warrant granted by way of transferring the power of attorney shall not exceed that of the warrant on the ground of which it has been granted.

5. The transfer of the warrant issued by way of transferring the power of attorney shall not be allowed in the instances provided for by **Item 3 of Article 185.1** of this Code.

6. Unless otherwise cited in the warrant or established by law, the representative that has delegated authority to another person by way of transferring the power of attorney shall not forfeit the corresponding authority.

7. The transfer of authority by the person that has obtained this authority by way of transferring the power of attorney to another person (subsequent transfer of authority) shall not be allowed, unless otherwise provided for by the original warrant or established by law.

Article 188. Withdrawal of the Warrant

1. The operation of the warrant shall be terminated as a result of the following:

- 1) expiry of the warrant's duration;
- 2) revoking of the warrant by the person who has granted it, or by one of the persons that have jointly issued it, with this, a warrant shall be revoked in the same form in which the warrant was issued, or in the notarial form;
- 3) rejecting the authority by the person to whom the warrant has been granted;
- 4) termination of the legal entity on whose behalf or to which the warrant has been granted, in particular as a result of its re-organisation in the form of division, merger or affiliation to another legal entity;
- 5) death of the citizen who has granted the warrant, or declaring him legally incapable, partially capable or missing;
- 6) death of the citizen to whom the warrant has been granted, or declaring him legally incapable, partially capable or missing;
- 7) initiating in respect of the representee or representative such bankruptcy proceedings in which the corresponding person forfeits the right to issue warrants independently.

2. The person who has been granted the warrant shall have the right at any time to reject the authority while the person that has granted the warrant, may withdraw the warrant or cancel the transfer of the power of attorney, except as provided for by **Article 188.1** of this Code. An agreement on the renouncement of these rights shall be void.

3. The transfer of the warrant shall lose power with the termination of the warrant.

Article 188.1. Irrevocable Warrant

1. For the purpose of discharging, or insuring the discharge of, an obligation of the representee with respect to a representative or the persons on whose behalf or in whose interests the representative acts, if such obligation is connected with the exercise of business activities, the representee may specify in the

warrant issued to the representative that the warrant may not be revoked before the end of its duration or may be only revoked in the instances provided for by the warrant (irrevocable warrant).

Such warrant may in any case be withdrawn after termination of the obligation for whose discharge or for whose discharge's insuring it has been issued, as well as at any time in the event of abuse by the representative of the authority thereof, and where there are the circumstances clearly showing that this abuse may take place.

2. The irrevocable warrant shall be certified by a notary and contain a direct indication of the possibility of its withdrawal in compliance with **Item 1** of this article.

3. The person to whom the irrevocable warrant has been issued, may not transfer the authority of making the actions to which such person is authorised to another person, unless otherwise provided for in the warrant.

Article 189. The Consequences of the Termination of the Warrant

1. The person, who has granted the warrant and who has subsequently revoked it, shall be obliged to notify about it the person, to whom the warrant has been issued, and also third parties he knows, for the representation before whom the warrant has been granted. The same responsibility shall be imposed upon the legal successors of the warrantor, in the cases of the termination of the warrant on the grounds, stipulated in **Subitems 4 and 5 of Item 1 of Article 188** of this Code.

Data on revocation of a warrant made in the notarial form shall be entered by a notary to the register of notarial actions to be kept in the electronic form in the procedure established by the **legislation** on the notariate.

Information on the revocation of a warrant, with the exception of the warrants specified in **paragraph two** of this Item, can be entered in the register of orders to revoke warrants, which is maintained in electronic form in the procedure established by the legislation on notaries.

The information specified in **paragraphs two and three** of this Item shall be provided by the Federal Notarial Chamber twenty four - seven to an unlimited number of persons without charging a fee using the Internet in the procedure established by the legislation on notaries.

Data on the revocation of a warrant made in a simple written form may be published in the official publication where data on bankruptcy are published. On such occasion, the signature affixed to an application for revocation of a warrant shall be certified by a notary.

If third parties have not been notified of the revocation of a warrant, they shall be deemed notified of the revocation of the warrant made in the notarial form on the next day after entering data on it to the register of notarial actions and in respect of the revocation of a warrant made in a simple written form - the next day after entering this information into the register of orders to revoke warrants or upon the expiry of a month from the date of such data's publication in the official publication where data on bankruptcy are published.

2. If the warrant about whose withdrawal a third party did not know and was not obligated to know is produced to this person, the rights and duties acquired as a result of the actions of the person whose authority have been terminated shall be in force for the representee and legal successors thereof.

3. After the termination of the warrant, the warrantee or his legal successors shall be obliged to immediately return it.

Subsection 5. The Term. The Limitation of Actions

Chapter 11. The Counting of the Term

Article 190. Definition of the Term

The term, established by the law, other legal acts and by the deal, or that fixed by the court, shall be defined by the calendar date or by the expiry of the period of time, counted in years, months, weeks, days or

hours.

The term may also be defined by the reference to the event, which shall inevitably take place.

Article 191. The Start of the Term, Defined by a Period of Time

The proceeding of the term, defined by a period of time, shall start on the next day after the calendar date or after the occurrence of the event, by which its start has been defined.

Article 192. The End of the Term, Defined by a Period of Time

1. The term, counted in years, shall expire in the corresponding month and on the corresponding day of the last year of the term.

Toward the term, defined as a half of the year, shall be applied the rules for the terms, counted in months.

2. Toward the term, counted in the quarters of the year, shall be applied the rules for the terms, counted by months. The quarter of the year shall be equal to three months, and the quarters shall be counted from the beginning of the year.

3. The term, counted in months, shall expire on the corresponding day of the last month of the term.

The term, defined as a fortnight, shall be regarded as the term, counted in days, and shall be equal to 15 days.

If the term, counted in months, expires in the month, which has no corresponding date, it shall expire on the last day of this month.

4. The term, counted in weeks, shall expire on the corresponding day of the last week of the term.

Article 193. Expiry of the Term on a Holiday

If the last day of the term falls on a holiday, the day of the expiry of the term shall be the working day, following right after it.

Article 194. Procedure for Performing Actions on the Last Day of the Term

1. If the term has been fixed for the performance of a certain action, it may be performed before the expiry of 24 hours of the last day of the term.

However, if this action has to be performed in an organisation, the term shall expire at the hour, when, in conformity with the established rules, the performance of the corresponding actions in this organisation is terminated.

2. Written applications and notifications, handed in to a communications agency before the expiry of 24 hours of the last day of the term, shall be regarded as executed on time.

Chapter 12. The Limitation of Actions

Article 195. The Concept of the Limitation of Actions

The limitation of actions shall be recognized as the term, fixed for the protection of the right by the claim of the person, whose right has been violated.

Article 196. The General Term of Limitation of Actions

1. The general term of limitation of actions shall be established as three years from the date fixed in compliance with **Article 200** of this Code.

2. The limitation period may not exceed ten years from the date of violating the right for whose protection this period is fixed, except as established by **Federal Law No. 35-FZ** of March 6, 2006 on Counteracting Terrorism.

Article 197. Special Terms of the Limitation of Actions

1. For the individual kinds of claims, the law may establish special terms of the limitation of actions,

reduced or extended as compared to the general term.

2. The rules of Articles 195, Item 2 of Article 196 and Articles 198-207 of the present Code shall also be extended to the special terms of the limitation of actions, unless otherwise established by the law.

Article 198. Invalidity of the Agreement on Changing the Terms of the Limitation of Actions

The terms of the limitation of actions and the order of their counting shall not be changed by an agreement between the parties.

The grounds for the suspension and the interruption of the proceeding of the terms of the limitation of actions shall be laid down by the present Code and other laws.

Article 199. Application of the Limitation of Actions

1. The claim for the protection of the violated right shall be accepted by the court for consideration regardless of the expiry of the term of the limitation of actions.

2. The limitation of actions shall be applied by the court only upon the application of the party to the dispute, filed before the court has passed the decision.

The expiry of the term of the limitation of actions, the application of which has been pleaded by the party to the dispute, shall be the ground for the court passing the decision on the rejection of the claim.

3. The unilateral actions aimed at the exercise of a right (set-off, direct debiting of monetary assets, levying execution against pledged property in an extra-judicial procedure, etc.) for whose protection the term of limitation of actions has expired shall not be allowed.

Article 200. The Start of the Term of Limitation of Actions

1. Unless otherwise established by law, the term of the limitation of actions shall start from the day when the person learned or should have learned about the violation of his right and who is the competent defendant in respect of the claim for protection of this right.

2. In respect of obligations with a fixed term of execution, the term of limitation of actions shall start from the end time of the term of their execution.

In respect of obligations without a fixed term of execution, or in respect of those whose term of execution has been defined as that on demand, the term of limitation of actions shall start from the time when the creditor's right to present a claim for execution of an obligation arises, and if the debtor has been granted a term for execution of such claim, the term of the limitation of actions shall be counted after the expiry of the said term. With this, the term of limitation of actions in any case may not exceed ten years from the date when an obligation arises.

3. In respect of regressive obligations, the term of limitation of actions shall start from the time of execution of the basic obligation.

Article 201. The Term of the Limitation of Actions in the Substitution of the Persons in the Obligation

The substitution of the persons in the obligation shall not entail a change of the term of the limitation of actions or of the order of its counting.

Article 202. The Suspension of Running of the Term of Limitation of Actions

1. The running of the term of limitation of actions shall be suspended:

1) if filing of the claim has been obstructed by an extraordinary and inexorable circumstance under the given conditions (force-majeure);

2) if the plaintiff or the defendant are in the Armed Forces of the Russian Federation placed under martial law;

3) by virtue of the postponement of discharge of obligations (a moratorium) decreed on the ground of law by the Government of the Russian Federation;

4) by virtue of suspension of the operation of law or of another legal act regulating the corresponding relationship.

2. The running of the term of limitation of actions shall be suspended on condition that the circumstances cited in **Item 1** of this Article have arisen or have been existing within the last six months of the term of limitation, and, if this term is equal to six months or is less than six months - within the period of the term of limitation of actions.

3. If the parties have followed a procedure for settling disputes in an extra-judicial way (mediation procedure, agency procedure, administrative procedure etc.), the running of the term of limitation of actions shall be suspended for the term fixed by law for such procedure or, where there is no such term fixed, for six months from the starting date of the corresponding procedure.

4. From the day of termination of the circumstance which has served as the ground for suspension of running of the term of limitation, the running of its term shall be resumed. The remaining part of the term, if it is less than six months, shall be extended to six months, and, if the term of limitation of actions is equal to six months or is less than six months - up to the term of the limitation.

Article 203. Interruption of the Proceeding of the Term of Limitation of Actions

The proceeding of the term of the limitation of actions shall be interrupted by the obligator's performing the actions, which testify to his admitting the debt.

After the interruption, the proceeding of the term of the limitation shall start anew; the time that has expired before the interruption, shall not be included into the new term.

Article 204. The Running of the Term of Limitation When Protecting a Violated Rights Judicially

1. The term of limitation of actions shall not run from the date of applying to court in the established procedure for protection of a violated right within the whole time period while the judicial protection of the violated right is being effected.

2. In the event of dismissing a claim by court, the running of the term of limitation of actions that had started before making the claim shall continue in a general procedure, unless otherwise results from the grounds on which the judicial protection of the rights is terminated.

If a court dismisses an action brought in a criminal case, the running of the term of limitation of actions that had started before bringing the action shall be suspended pending the entry into legal force of the judgment dismissing the action.

3. If after dismissing a claim the remaining part of the term of limitation of actions is less than six months, it shall be extended up to six months, except when the plaintiff's actions (omission to act) have served as the ground for dismissing the action.

Article 205. Restoration of the Term of the Limitation of Actions

In exceptional cases, when the court recognizes the cause of missing the term of limitation as valid on the ground of the circumstances (it being related to the plaintiff's personal characteristics, such as a grave illness, total disability, illiteracy, etc.), the citizen's violated right shall be liable to protection. The reasons for his missing the term of the limitation of actions may be recognized as valid, if they have taken place within the last six months of the term of limitation, and if this term is equal to six months or is less than six months - over the term of limitation.

Article 206. Execution of the Duty After the Expiry of the Term of the Limitation of Actions

1. The debtor or another obligator, who has executed the duty after the expiry of the term of limitation, shall not have the right of regress, even if at the moment of the execution the said person was not aware of the expiry of the term of limitation.

2. If upon the expiry of the limitation period the debtor or other liable person recognizes the debt thereof in writing, the running of the limitation period shall start anew.

Article 207. Application of the Limitation of Actions to Supplementary Claims

1. With the expiry of the term of limitation of actions in respect of the basic claim, the term of limitation of actions in respect of supplementary claims (interest, forfeit, pledge, surety, etc.) shall also expire, in particular in respect of the claims raised after the expiry of the limitation period in respect of the basic claim.

2. Should the time period for presenting for execution a court order in respect of the basic claim be missed, the limitation period in respect of supplementary claims shall be deemed expired.

Article 208. The Claims to Which the Limitation of Actions Shall Not Be Apply

The limitation of actions shall not be apply to:

- the claims for the protection of personal non-property rights and other non-material values, with the exception of the cases, stipulated by the law;

- the claims of the depositors to the bank on the issue of deposits;

- the claims on recompensing the damage, inflicted on the life or the health of the citizen. However, the claims, made after the expiry of three years from the moment, when the right to the compensation of such damage has arisen, shall be satisfied for the past time for no more than three years, preceding the filing of the claim, except as provided for by **Federal Law** No. 35-FZ of March 6, 2006 on Counteracting Terrorism;

- the claims of the owner or another possessor for the elimination of all violations of his right, even though these violations have not been involved in the deprivation of the possession (**Article 304**);

- other claims in the cases, established by the law.

Section II. The Right of Ownership and Other Rights of Estate

Chapter 13. The General Provisions

Article 209. The Content of the Right of Ownership

1. The owner shall be entitled to the rights of the possession, the use and the disposal of his property.

2. The owner shall have the right at his own discretion to perform with respect to the property in his ownership any actions, not contradicting the law and other legal acts, and not violating the rights and the law-protected interests of other persons, including the alienation of his property into the ownership of other persons, the transfer to them, while himself remaining the owner of the property, of the rights of its possession, use and disposal, the putting of his property in pledge and its burdening in other ways, as well as the disposal thereof in a different manner.

3. The possession, the use and the disposal of the land and other natural resources so far as their circulation is admitted by the law (**Article 129**), shall be freely effected by their owner, unless this inflicts damage to the natural environment or violates the rights and the legal interests of other persons.

4. The owner may pass his property over into the confidential management, or into the trusteeship (to a confidential manager, or to the trustee). The transfer of the property into the confidential management shall not entail the transfer of the rights of ownership to the confidential manager, who shall be obliged to perform the management of the property in the interest of the owner or a third party the owner has named.

Article 210. The Burden of Maintaining the Property

The owner shall bear the burden of maintaining the property in his ownership, unless otherwise stipulated by the law or by the contract.

Article 211. The Risk of an Accidental Destruction of the Property

The risk of an accidental destruction of the property or of an accidental damage inflicted on it shall be borne by its owner, unless otherwise stipulated by the law or by the contract.

Article 212. The Subjects of the Right of Ownership

1. In the Russian Federation shall be recognized the private, the state, municipal and other forms of ownership.

2. The property may be in the ownership of the citizens and of the legal entities, and also of the

Russian Federation, of the subjects of the Russian Federation and of the municipal entities.

3. The specifics of the acquisition and of the cessation of the right of ownership to the property, of the possession, the use and the disposal thereof may be established only by the law, depending on whether the given property is in the ownership of the citizen or of the legal entity, in the ownership of the Russian Federation, of the subject of the Russian Federation or of the municipal entity.

The law shall stipulate the kinds of the property, which may be only in the state or in the municipal ownership.

4. The rights of all the owners shall be equally protected.

Article 213. The Right of Ownership of the Citizens and of the Legal Entities

1. In the ownership of the citizens and of the legal entities may be any property, with the exception of the individual kinds of the property, which, in conformity with the law, may not be owned by the citizens or by the legal entities.

2. The amount and the cost of the property in the ownership of the citizens and of the legal entities shall not be limited, with the exception of the cases, when such limitations have been established by the law for the purposes, stipulated by Item 2, **Article 1** of the present Code.

3. The commercial and the non-profit organisations, with the exception of the state and of the municipal enterprises, and also of the institutions shall be the owners of the property, transferred to them by way of the investments (the contributions), made by their founders (participants, members), and also of the property, acquired by these legal entities on other grounds.

4. The public and the religious organisations (the associations), the charity and another type of funds shall be the owners of the property they have acquired and shall have the right to use it only for achieving the goals, stipulated in their constituent documents. The founders (the participants, the members) of these organisations shall lose the right to the property, which they have transferred into the ownership of the corresponding organisation. In case of the liquidation of such an organisation, its property, left after the creditors' claims have been satisfied, shall be used for the purposes, pointed out in its constituent documents.

Article 214. The Right of the State Ownership

1. The state property in the Russian Federation shall be the property, owned by the right of ownership by the Russian Federation (the federal, or the federally owned property), and also the property, owned by the right of ownership by the subjects of the Russian Federation - by the Republics, the territories, the regions, the cities of federal importance, by the autonomous region and by the autonomous areas (the property of the subject of the Russian Federation).

2. The land and other natural resources, which are not in the ownership of the citizens, the legal entities or the municipal entities, shall be the state property.

3. On behalf of the Russian Federation and of the subjects of the Russian Federation, the rights of the owner shall be exercised by the bodies and by the persons, indicated in **Article 125** of the present Code.

4. The property, which is in the state ownership, shall be assigned to the state-run enterprises and institutions into the possession, the use and the disposal in conformity with the present Code (**Articles 294** and **296**).

The means of the corresponding budget and other state property, not assigned to the state enterprises and institutions, shall comprise the state treasury of the Russian Federation, the treasury of the Republic within the Russian Federation, of the territory, the region, the city of federal importance, of the autonomous region and of the autonomous area.

5. Referring the state property to the federal property and to the property of the subjects of the Russian Federation shall be effected in conformity with the procedure, laid down by the law.

Article 215. The Right of the Municipal Ownership

1. The property, belonging by the right of ownership to the urban and rural settlements, and other municipal entities, shall be the municipal property.

2. On behalf of the municipal entity, the rights of the owner shall be exercised by local government bodies and persons, indicated in **Article 125** of the present Code.

3. Property in municipal ownership shall be assigned to municipal enterprises and institutions into the possession, the use and the disposal in conformity with the present Code (**Articles 294 and 296**).

The means of the local budget and other municipal property, not assigned to municipal enterprises and institutions, shall comprise the municipal treasury of the corresponding urban or rural settlement or of another municipal entity.

Article 216. The Rights of Estate of Persons Who Are Not Owners

1. The rights of estate shall be, alongside the right of ownership:

- the right of the inherited life possession of the land plot (**Article 265**);
- the right of the permanent (perpetual) use of the land plot (**Article 268**);
- the servitudes (**Articles 274 and 277**);

- the right of the economic management of the property (**Article 294**) and the right of the operation management of the property (**Article 296**).

2. The rights of estate to the property may be possessed by the persons, who are not the owners of this property.

3. The transfer of the right of the ownership to the property to another person shall not be a ground for the cessation of other rights of estate to this property.

4. The rights of estate of the person, who is not the owner of the property, shall be protected from their violation by any person in the order, stipulated by **Article 305** of the present Code.

Article 217. Privatization of the State and of the Municipal Property

The property in the state or in the municipal ownership may be transferred by its owner into the ownership of the citizens and of the legal entities in the order, stipulated by the laws on the privatization of the state and of the municipal property.

In the course of the privatization of the state and of the municipal property, the provisions, stipulated by the present Code, which regulate the order of the acquisition and of the cessation of the right of ownership, shall be applied, unless otherwise stipulated by the laws on the privatization.

Chapter 14. The Acquisition of the Right of Ownership

Article 218. The Grounds for the Acquisition of the Right of Ownership

1. The right of ownership to a new thing, manufactured or created by the person for himself, while abiding by the law and other legal acts, shall be acquired by this person.

The right of ownership to the fruits, the products and the incomes, derived through the use of the property, shall be acquired on the grounds, stipulated by **Article 136** of the present Code.

2. The right of ownership to the property, which has its owner, may be acquired by another person on the grounds of the contract of the purchase and sale, of the exchange and of making a gift, or on the ground of another kind of the deal on the alienation of this property.

In the case of the citizen's death, the right of ownership to the property he has owned shall pass by the right of succession to other persons in conformity with the will or with the law.

In the case of the reorganisation of the legal entity, the right of ownership to the property it has owned shall pass to the legal entities, which are the legal successors of the reorganised legal entity.

3. In the cases and in the order, stipulated by the present Code, the person may acquire the right of ownership to the ownerless property, to the property, whose owner is unknown, and to the property, which the owner has renounced or to which he has lost the right of ownership on other law-stipulated grounds.

4. The member of the housing, housing-construction, country cottage, garage or another kind of the consumer cooperative, and also other persons, enjoying the right to make share accumulations, who have

paid up in full their share contribution for the flat, the country cottage, the garage or other quarters, given to these persons by the cooperative, shall acquire the right of ownership to the said property.

Article 219. Arising of the Right of Ownership to the Newly Created Realty

The right of ownership to the buildings, the structures and other newly created realty, subject to the state registration, shall arise from the moment of such registration.

Article 220. The Processing

1. Unless otherwise stipulated by the contract, the right of ownership to a new movable thing, which the person has manufactured by processing the materials he does not own, shall be acquired by the owner of the materials.

However, if the cost of the processing essentially exceeds the cost of the materials, the right of ownership to the new thing shall be acquired by the person who, while acting in good faith, has effected the processing for himself.

2. Unless otherwise stipulated by the contract, the owner of the materials, who has acquired the right of ownership to the thing, manufactured from them, shall be obliged to recompense the cost of the processing to the person, who has performed it, and in the case of the right of ownership to the new thing being acquired by the latter, this person shall be obliged to recompense the cost of the materials to their owner.

3. The owner of the materials, who has been deprived of them as a result of the actions in bad faith of the person, who has executed the processing, shall have the right to claim that the new thing be transferred into his ownership and that the losses, inflicted upon him, be compensated.

Article 221. Turning into the Ownership of the Objects, Generally Available for Collection

In the cases, when in conformity with the law or with the general permission of the owner, or in conformity with the local custom, in a certain area, the berry-picking, procurement (catching) of fish and other aquatic biological resources, gathering, extraction, hunting and trapping of the generally available objects and animals is admitted, the right of ownership to the corresponding objects shall belong to the person, who has performed these actions.

Article 222. The Unauthorized Structure

1. The unauthorised building is a building, installation or another structure erected or created on a land plot that has not been granted in the established procedure or a land plot whose use does not allow the construction of this building on it, or erected or created without the approvals and **permits** required for it by operation of law or in breach of the town-planning and building standards and rules, if the permitted use of the land plot, the requirement to secure relevant approvals and permits and (or) said town-planning and building standards and rules have been established as of the date of commencement of the erection or creation of the unauthorised building, and keep effective as of the date of discovery of the unauthorised building.

The following is not deemed unauthorised building: a building, installation or another structure erected or created in breach of the restrictions imposed in accordance with a law on the use of the land plot, if the owner of the given building did not know and could not know about the effect of said restrictions in respect of the land plot belonging to him.

2. The person, who has built an unauthorized structure, shall not acquire the right of ownership to it. He shall have no right to dispose of the said structure, i.e., to sell it, to make a gift of it, to give it in rent and to perform other deals with it.

The paragraph is invalid from August 4, 2018 - **Federal Law** No. 339-FZ of August 3, 2018

The use of the unauthorised building is prohibited.

The unauthorised building is subject to demolition or to being brought in line with the parameters established by land-use and development rules, documentation on the planning of territories, or the mandatory provisions governing the parameters of the building envisaged by a law (hereinafter referred to as

"established provisions") by the person that has realised it or on his account, and if information about him is not available, by the person that has the land plot on which the unauthorised building has been erected or created in his ownership, life inheritable possession, permanent (perpetual) use, or by the person to which such land plot which is under state or municipal ownership has been granted for temporary possession and use, or on the account of the relevant person, except for the cases envisaged by **Item 3** of this article, and cases when the demolition of unauthorised building or the bringing thereof in line with the established requirements is effectuated in accordance with a law by a local government body.

3. The right of ownership to an authorized structure may be **recognized by court** and in some other legal procedure established by laws in the instances provided for by laws in respect of the person, in whose ownership, inherited life possession or permanent (perpetual) use is the land plot, on which the said structure has been built, if the following conditions are concurrently met:

if in respect of the land plot the person that has erected the structure enjoys the rights allowing to erect the given object on it;

if as of the date of application to the court the building meets the established requirements;

if the preservation of the structure does not violate the rights and legitimate interests of other persons and does not pose danger to citizens' life and health.

On such occasion, the person whose right of ownership to the structure has been recognized shall compensate to the person that has erected it the outlays on its construction in the amount estimated by court.

3.1. A decision on demolition of the unauthorised building or a decision on demolition of the unauthorised building or bringing it in line with the established provisions shall be taken by the court or in the cases envisaged by **Item 4** of this article by the local government body of the settlement, urban okrug (municipal district on the condition that the unauthorised building is located on an intra-settlement territory).

3.2. The person having in his ownership, life inheritable possession, permanent (perpetual) use the land plot on which unauthorised building has been erected or created that has executed the demand for bringing the unauthorised building in line with the established provisions acquires the right of ownership to such building, installation or other structure in accordance with this Code.

The person to which the land plot which is under state or municipal ownership and which has been granted for temporary possession and use for the purposes of construction and on which the unauthorised building has been erected or created shall acquire the right of ownership to such building, installation or other structure if he has complied with the demand to bring the unauthorised building in line with the established provisions, unless it contravenes a law or an agreement.

The person that has acquired the right of ownership to the building, installation or other structure shall provide compensation to the person that has constructed them for building expenses less the expenses towards the bringing of the unauthorised building in line with the established provisions.

4. Local government bodies shall take the following in the procedure established by a law:

1) a decision on demolition of an unauthorised building, if the unauthorised building has been erected or created on the land plot in respect of which right-established documents are not available and the need for their being available has been established in accordance with the legislation as of the date of commencement of the construction of such building, or the unauthorised building has been erected or created on the land plot whose type of permitted use does not allow the construction of such building on it, and which is located within the boundary of a common-use territory;

2) decision on demolition of the unauthorised building or on the bringing thereof in line with the established provisions, if the unauthorised building has been erected or created on a land plot whose type of permitted use does not allow the construction of such building on it and the given building is located within the boundary of a zone with special conditions of use of the territory on the condition that the regime of said zone does not allow the construction of such building, or in cases when in respect of the unauthorised building there is no building permit, on the condition that the boundary of said zone and the need for availability of that permit have been established in accordance with the legislation as of the date of commencement of the construction of such building.

The term for demolition of an unauthorised building shall be established with account being taken of

the character of the unauthorised building, but it shall not be less than three months, or more than 12 months, and the term for bringing an unauthorised building in line with the established provisions shall be established with account being taken of the character of the unauthorised building, but it shall not be less than six months or more than three years.

The decisions envisaged by this item shall not be taken by local government bodies in respect of the unauthorised buildings erected or created on the land plots not being under state or municipal ownership, except for cases when the preservation of such buildings poses a threat to the lives and health of citizens.

In any case, local government bodies are not entitled to take a decision on demolition of an unauthorised building or decision on demolition of an unauthorised building or on the bringing thereof in line with the established provisions in respect of a piece of immovable property in respect of which the right of ownership has been registered in the Unified State Register of Immovable Property or has been recognised by a court in accordance with **Item 3** of this article or in respect of which a court has earlier taken a decision on refusal to uphold claims for demolition of the unauthorised building, or in respect of a block of flats, dwelling house or a garden house.

Article 223. The Moment of the Right of Ownership Arising in the Acquirer by the Contract

1. The right of ownership shall arise in the acquirer of the thing from the moment of its transfer, unless otherwise stipulated by the law or by the contract.

2. In the cases, when the alienation of the property is subject to the state registration, the right of ownership shall arise with the buyer from the moment of such registration, unless otherwise established by the law.

Immovable property shall be declared belonging to a good faith acquirer (**Item 1 of Article 302**) on the right of ownership from the moment of such registration, except for the cases stipulated by **Article 302** of this Code when the owner has the right to recover such property from a good faith acquirer.

3. A good faith acquirer of residential premises a claim against which has been rejected on the basis of **Item 4 of Article 302** of this Code shall be deemed the owner of the residential premises from the time when the state registration of the right of ownership thereof is effected. On such occasion, the right of ownership of the good faith acquirer may be disputed judicially and the residential premises may be only reclaimed from him in compliance with **Items 1 and 2 of Article 302** of this Code on the basis of a claim of a person that is not the civil law subject cited in **Item 1 of Article 124** of this Code.

Article 224. The Transfer of the Thing

1. The transfer shall be recognized as the handing in of the thing to the acquirer, and also as the handing in to a transporter for the delivery to the acquirer or the passing to a communications agency for forwarding to the acquirer of the things, alienated without an obligation of delivery.

The thing shall be regarded as handed in to the acquirer from the moment of its actually being placed into the possession of the acquirer or of the person, whom he has named.

2. If by the moment of concluding the contract on the alienation of the thing it has already been placed into the acquirer's possession, it shall be regarded as transferred to him from this moment.

3. The transfer of the thing shall be equalized to the transfer of the bill of lading or of another document of title to the thing.

Article 225. Ownerless Things

1. An object that has no owner, or whose owner is unknown, or, if not otherwise provided for by laws, whose owner has renounced the right of ownership thereof to said object shall be recognized as ownerless.

2. Unless this is excluded by the rules of the present Code on the acquisition of the right of ownership to the things, which have been renounced by the owner (**Article 226**), on the find (**Articles 227 and 228**), on the neglected animals (**Articles 230 and 231**) and on the treasure (**Article 233**), the right of ownership to the ownerless movables may be acquired by force of the acquisitive prescription.

3. The ownerless immovable things shall be registered by the body, engaged in the state registration of the right to the realty, upon the application of the local government body, on whose territory they are situated.

After the expiry of one year from the day of registration, and in the event of registration of a linear unit, upon the expiry of three months from the date of registration of the ownerless immovable thing, the body, authorized to manage the municipal property, may file a claim with the court for recognizing the municipal ownership to the given thing.

The ownerless immovable thing, which has not been recognized by the court ruling as given into the municipal ownership, may once again be accepted into the possession, the use and the disposal by its owner, who has formerly left it, or it may be acquired into ownership by force of the acquisitive prescription.

4. In the cities of federal significance Moscow, St. Petersburg and Sevastopol - ownerless immovable things located on the territories of these cities shall be accepted for recording by the bodies conducting state registration of rights to immovable property upon the applications of the authorised state bodies of these cities.

Upon the expiry of a year from the day of placing an ownerless thing on the records, and in the event of registration of a linear unit, upon the expiry of three months from the date of registration, the authorised state body of a city of federal significance Moscow, St. Petersburg or Sevastopol - may apply to a court with a demand for recognition of the right of ownership of a city of federal significance Moscow, St. Petersburg or Sevastopol - to this thing.

An ownerless immovable thing which has not been recognised by decision of a court as having gone into the ownership of the city of federal significance Moscow, St. Petersburg or Sevastopol may be retaken into the possession, use, and disposition of the owner who has left it or may be acquired for ownership by virtue of **acquisitive prescription**.

5. Apart from the bodies cited in **Items 3** and **4** of this article an application for registration of ownerless linear units may be filed by the persons which are obligated under a law to operate such linear units. Upon the expiry of three months from the date of registration of ownerless linear units the persons obligated under a law to operate such linear units may apply to court to claim the recognition of a right of ownership to them.

Article 226. The Movable, Renounced by the Owner

1. The movable things, abandoned by their owner, or left by him in another way with the purpose of renouncing his right of their ownership (the abandoned things), may be turned by other persons into their ownership in conformity with the order, stipulated by Item 2 of the present Article.

2. The person, in whose ownership, possession or use is the land plot, body of water or another object, where the abandoned thing, which costs obviously less than three thousand roubles and also the abandoned metal scrap, the rejected products, the sinken logs in the floating, the dumps and the drains formed in the extraction of minerals, the production and other wastes are located, shall have the right to turn these things into his ownership by starting to use them, or by performing other actions, testifying to the thing being turned into ownership.

Other abandoned things shall go into the ownership of the person, who has entered into their possession, if, upon the application of this person, the court has recognized them as ownerless.

Article 227. The Find

1. The person, who has found a lost thing, shall be obliged to immediately notify about this the person, who has lost it, or the person, who is its owner, or somebody else from among the persons he knows, who have the right to obtain it, and to return the thing he has found to this person.

If the thing has been found indoors or in a transport vehicle, it shall be subject to being handed over to the person, representing the owner of the quarters or of the transport vehicle in question. In this case, the person, to whom the find has been handed over, shall acquire the rights and shall discharge the obligations of the person, who has found the thing.

2. If the person, who has the right to claim that the found thing be returned to him, or the place of his stay is not known, the person, who has found the thing, shall be obliged to declare the find to the police or to the local government body.

3. The person, who has found the thing, shall have the right to keep it or to give it for keeping to the police, to the local government body, or to the person these have pointed out.

The perishable thing or the thing, the cost of whose storage is inordinately great compared with its cost, may be realized by the person, who has found it; the latter shall obtain a written proof of the earnings he has derived. The money, received from the sale of the find, shall be subject to the return to the person, legally entitled to obtain it.

4. The person, who has found the thing, shall be answerable for the said thing's loss or damage only in the case of an evil intent or of a flagrant carelessness on his part, and then only within the limits of its cost.

Article 228. Acquisition of the Right of Ownership to the Find

1. If in the course of six months from the moment of the declaration of the find to the police or to the local government body (**Item 2 of Article 227**), the person, legally entitled to obtain the found thing, is not identified, or does not himself declare his right to the thing to the person, who has found it, to the police or to the government body, the person, who has found it, shall acquire the right of ownership to the given thing.

2. In case the person, who has found the thing, refuses to acquire the found thing into his ownership, it shall be turned into municipal ownership.

Article 229. Compensation of the Expenses, Involved in the Find, and the Reward to the Person, Who Has Found It

1. The person, who has found and returned the thing to the person, legally entitled to obtain it, shall have the right to receive from this person, and in case the thing is turned into municipal ownership - from the corresponding local government body, the compensation of the necessary expenses, involved in the keeping, handing in or realization of the thing, as well as the outlays he has made in his efforts to discover the person, who has the right to obtain the thing.

2. The person, who has found the thing, shall have the right to claim from the person, legally entitled to obtain it, the reward for the find, amounting to up to 20 per cent of its cost. If the found thing presents a value only to the person, legally entitled to obtain it, the amount of the reward shall be defined by an agreement with this person.

The right to the reward shall not arise, if the person, who has found the thing, has not declared the find or has tried to conceal it.

Article 230. Neglected Animals

1. The person, who has detained the neglected or stray cattle or other neglected domestic animals, shall be obliged to return them to the owner, and if the owner of the animals or the place of his stay is not known, shall declare, within three days from the moment of their detention, about his finding the said animals to the police or to the local government body, which shall take measures to find their owner.

2. The person, who has detained the animals, may maintain and use them during the time, required to find their owner, or turn them over for the maintenance and use to another person, disposing of the necessary facilities. By the request of the person, who has detained the neglected animals, the search for a person, who disposes of the necessary facilities for their maintenance, and the transfer of the said animals to this person shall be effected by the police or by the local government body.

3. The person, who has detained the neglected animals, and also that person, to whom they have been turned over for the maintenance and for the use, shall be obliged to keep them properly and shall be answerable for their perish and for the harm done to the animals through their fault within the limits of the animals' cost.

Article 231. Acquisition of the Right of Ownership to the Neglected Animals

1. If, in the course of six months from the moment, when the declaration about the detention of the neglected animals was made, their owner has not been found or has not himself claimed his right to them, the person, in whose maintenance and use the animals have been, shall acquire the right of ownership to them.

In case this person has refused to acquire the right of ownership to the animals in his maintenance, they shall be turned into the municipal ownership and shall be used in conformity with the procedure, laid down by the local government body.

2. If the former owner of the animals turns up after their being passed over into the ownership of another person, the former owner shall have the right, in case the said animals are showing the signs of affection for him, or in case the new owner treats them cruelly or improperly, to claim that they be returned to him on the terms, defined by an agreement with the new owner, and if it is impossible to reach such an agreement - on the terms, ruled by the court.

Article 232. Compensation of the Expenses Involved in Keeping Neglected Animals and the Reward for Them

In case the neglected domestic animals are returned to the owner, the person, who has detained the animals, and also the person, in whose maintenance and use they have been, shall be entitled to the compensation by the owner of their outlays on the maintenance of the animals, with offsetting the profits, derived from their use.

The person, who has detained the neglected domestic animals, shall have the right to the reward in conformity with **Item 2 of Article 229** of the present Code.

Article 233. The Treasure

1. The treasure, i.e., the money or other valuable things, buried underground or hidden away in any other manner, whose owner cannot be identified or, by force of the law, has lost the right to them, shall be turned into the ownership of the person, who is the owner of the property (the land plot, the building, etc.), where the treasure was hidden, and of the person, who has discovered the treasure, in equal shares, unless another kind of agreement has been reached between them.

In case the treasure is discovered by the person, who has been performing excavation work or the search for valuables without obtaining a permission to this effect from the owner of the land plot or of other property, where it was hidden, the treasure shall be subject to the transfer to the owner of the land plot or of the other property, where the treasure was discovered.

2. In case of discovering a treasure, containing things which are classified as cultural values and whose owner can not be determined, or, according to the law, has lost the right to them, than these things shall be handed over into the state ownership. The owner of the land plot or another kind of property, where the treasure was hidden, and the person, who has discovered the treasure, shall be together entitled to a reward, amounting to 50 per cent of the cost of the treasure. The reward shall be divided between these persons in equal shares, unless another kind of agreement has been reached between them.

In case the treasure has been discovered by the person, who has performed excavation work or the search for valuables without the consent of the owner of the property, where the treasure was hidden, the reward shall not be paid to this person and shall be paid in full to the property owner.

3. The rules of the present Article shall not be applied to the persons, who have been engaged in the excavation work and in the search, aimed at the discovery of the treasure, by force of such duties being included within the range of their labour or official duties.

Article 234. Acquisitive Prescription

1. The person - the citizen or the legal entity - who is not the owner of the property, but who has, in good faith, openly and uninterruptedly, possessed the realty as his own immovable property, unless another time and terms of acquisition are provided for by this article, in the course of fifteen years, or any other property in the course of five years, shall acquire the right of ownership to this property (the acquisitive prescription).

The right of ownership to the realty and other property, subject to the state registration, shall arise in the person, who has acquired this property by force of the acquisitive prescription, from the moment of such registration.

2. Before the acquisition of the right of ownership to the property by force of the acquisitive prescription, the person, possessing the given property as his own, shall have the right to protect his possession against third parties, who are not the owners of the said property, and also against those, who have no rights to its possession on other grounds, stipulated by the law or by the agreement.

3. The person, referring to the long term of possession, may add to the period of his possession the entire period of time, in the course of which the property has been possessed by the person, whose legal successor the given person is.

4. The running of the term of the acquisitive prescription with respect to the things, which are in the custody of the person, from whose possession they could be reclaimed in conformity with **Articles 301 and 305** of the present Code, shall start from the date when a good faith inquirer begins to openly possess a thing or, if the right of ownership of the good faith acquirer of an immovable property item which he openly possesses has been registered, at the latest from the time of the state registration of such good faith acquirer's right of ownership.

Chapter 15. The Cessation of the Right of Ownership

Article 235. The Grounds for the Cessation of the Right of Ownership

1. The right of ownership shall cease with the alienation by the owner of his property in favour of other persons, with the owner's renouncement of his right of ownership, with the perish or the destruction of the property and with the loss of the right of ownership in other law-stipulated cases.

2. The forcible withdrawal of the property from the owner shall not be admitted, with the exception of the cases, when, on the law-stipulated grounds, shall be effected:

1) the turning of the penalty onto the property by the obligations (**Article 237**);

2) the alienation of the property, which by force of the law may not be owned by the given person (**Article 238**);

3) the alienation of immovable property in connection with withdrawal of a land plot because of its improper use (**Article 239**);

3.1) the alienation of an incomplete construction object in connection with termination of the validity term of an agreement on lease of a land plot which is under state or municipal ownership (**Article 239.1**);

3.2) the alienation of immovable property in connection with compulsory alienation of a land plot for state or municipal needs (withdrawal of a land plot for state or municipal needs (**Article 239.2**);

4) the redemption of the mismanaged cultural values and of domestic animals (**Articles 240 and 241**);

5) the requisition (**Article 242**);

6) the confiscation (**Article 243**);

7) the alienation of the property in the cases, stipulated by **Article 239.2, Item 4 of Article 252**, by **Item 2 of Article 272**, and by **Articles 282, 285 and 293**, by **Items 4 and 5 of Article 1252** of the present Code.

8) appropriation on the basis of a court decision by the Russian Federation of the property in respect of which any evidence proving its acquisition with the use of lawful income are not presented in compliance with the anticorruption **legislation** of the Russian Federation.

9) appropriation on the basis of a court decision by the Russian Federation of the monetary assets, valuables, other property and the income derived from them in respect of which in compliance with the **legislation** of the Russian Federation on counteracting terrorism a person has not presented data proving the legality of their acquisition.

By the owner's decision and in conformity with the procedure, stipulated by the laws on the

privatization, the property, which is in the state or in the municipal ownership, shall be alienated into the ownership of the citizens and of the legal entities.

The turning into the state ownership of the property, which is in the ownership of the citizens and of the legal entities (the nationalization), shall be effected on the ground of the law with the recompensing of the cost of this property and other losses in conformity with the procedure, laid down by **Article 306** of the present Code.

Article 236. Renouncement of the Right of Ownership

The citizen or the legal entity may renounce the right of ownership to the property in his (its) ownership by announcing this or by performing other actions, definitely testifying to his abstaining from the possession, the use and the disposal of the property without an intention to preserve any rights to this property.

The renouncement of the right of ownership shall not entail the cessation of the rights and duties of the owner with respect to the corresponding property until the right of ownership to it is acquired by another person.

Article 237. Turning of the Penalty onto the Property by the Owner's Obligations

1. The withdrawal of the property by turning onto it the penalty by the owner's obligations shall be effected on the grounds of the court decision, unless another order of turning the penalty is stipulated by the law or by the agreement.

2. The right of ownership to the property, onto which the penalty has been turned, shall cease in its owner from the moment, when the right of ownership to the withdrawn property arises in the person, to whom this property is transferred.

Article 238. Cessation of the Right of Ownership to the Property in the Person, Who May Not Own It

1. If on the grounds, admitted by the law, in the ownership of the person has been found the property, which he may not own by force of the law, this property shall be alienated by the owner in the course of one year from the moment of the arising of the right of ownership to the property, unless the law has established another term.

2. In the cases, when the property has not been alienated by the owner within the term, established by **Item 1** of the present Article, such property, with account for its nature and purpose, shall be subject, in accordance with the court decision, passed upon the application of the state body or local government body, to the forcible sale with the transfer to the former owner of the money, derived from this sale, or to the transfer into the state or into the municipal ownership, with the compensation to the former owner of the cost of the property, defined by the court. The outlays, involved in the alienation of the property, shall be detracted. In the event of the putting under state or municipal ownership of a land plot on which a building, installation or another structure is located in respect of which a decision has been taken on demolition of the unauthorised building or decision on demolition of the unauthorised building or bringing thereof in line with the established provisions there shall also be deducted the expenses towards the performance of the works of demolition of the unauthorised building or of bringing it in line with the established provisions which are defined in accordance with the legislation on the appraisal business.

3. If, on the grounds, admitted by the law, in the ownership of the person or of the legal entity has been found the thing, for the acquisition of which a special permit is required, while its issue has been refused to the owner, this thing shall be subject to alienation in the order, established for the property, which may not be owned by the given owner.

Article 239. Alienation of the Realty in Connection with the Withdrawal of the Land Plot, on Which It Is Situated

1. In the cases, when the withdrawal of the land plot because of the improper use of land is impossible without the cessation of the right of ownership to the buildings, the structures or other immovable

property, situated on the given land plot, this property may be withdrawn from the owner by way of its sale at a public auction in conformity with the procedure, stipulated by **284-286** of the present Code.

Abrogated from April 1, 2015.

2. Abrogated from April 1, 2015.

Article 239.1. The Alienation of an Incomplete Construction Object Located on a Land Plot Which Is under State or Municipal Ownership in Connection with Termination of an Agreement on Lease of Such Land Plot

1. If not otherwise provided for by law, in the event of termination of the validity term of an agreement on lease of a land plot which is under state or municipal ownership and which is allotted on the basis of the results of an auction, the incomplete construction objects located on such land plot may be withdrawn from the owner thereof on the basis of a court decision through public sales.

The procedure for holding public sales of incomplete construction objects shall be established by the Government of the Russian Federation.

2. The executive state power body or local authority authorized to dispose of a land plot which is under state or municipal ownership and on which an incomplete construction object is located are entitled to make a court claim for the sale of this object through public sales.

3. A claim for the sale of an incomplete construction object is subject to satisfaction if the owner of this object can prove that violation of the time for construction of the incomplete construction object is connected with the actions (failure to act) of the state power bodies, local authorities or persons engaged in operation of engineering support networks which this object is connected (technologically connected) to.

4. The starting selling price of an incomplete construction object shall be fixed on the basis of assessment of its market value.

If public auctions for the sale of an incomplete construction object are declared frustrated, such object may be acquired under state or municipal ownership at the starting price of this object within two months from the date of declaring the auction frustrated.

5. The assets derived from selling an incomplete construction object through public auction or from acquisition of such object under state or municipal ownership shall be paid to the former object's owner less the outlays on the preparation and holding of the public auction.

6. The rules of this article shall also apply in the event of termination of an agreement on lease of a land plot which is under state or municipal ownership and which has been made without holding a tender for the purpose of completion of constructing the incomplete construction object, provided that the construction of this object is not completed.

Article 239.2. Alienation of Immovable Property in Connection with the Withdrawal of a Land Plot for State or Municipal Needs

1. The buildings, structures and incomplete construction objects which are located on the land plot to be withdrawn for state or municipal needs, or the premises and stalls in such buildings and structures (except for the structures (in particular structures whose construction is not completed) whose placement on the land plot to be withdrawn is not at variance with the aim of withdrawal) shall be alienated in connection with withdrawal of the land plot on which such buildings, structures and incomplete construction objects are located.

2. If the owner of the land plot to be withdrawn for state or municipal needs or the person holding such land plot on the basis of some other right possesses the immovable property items located on such land plot, such land plot shall be withdrawn and such items shall be alienated in compliance with this article at the same time.

3. The buildings, structures, premises in such buildings and structures, as well as incomplete construction objects, shall be alienated in connection with withdrawal of a land plot for state or municipal needs according to the rules for withdrawal of land plots for the state or municipal needs.

Article 240. Redemption of the Mismanaged Cultural Values

In the cases, when the owner of the cultural values, referred in conformity with the law to those particularly valuable and protected by the law, carelessly maintains these values, as a result of which they may lose their importance, such values may be withdrawn from the owner in accordance with the court decision, by way of their redemption by the state or by their sale at an open auction.

In case of the redemption of the cultural values, the owner shall be recompensed their cost in the amount, fixed by the agreement between the parties, and in the case of a dispute arising between them - by the court. If the values are sold at an open auction, the owner shall receive the earnings from the sale, less the outlays for holding the auction, as well as of the cost of restoration works with respect to the cultural heritage object or of the cost of measures necessary for preserving an archeological heritage object pointed out in Article 40 of Federal Law No. 73-FZ of June 25, 2002 on the Cultural Heritage Objects (on the Monuments of History and Culture) of the Peoples of the Russian Federation.

Article 241. Redemption of the Domestic Animals in Case of Their Improper Treatment

In the cases, when the owner's treatment of the domestic animals is in glaring contradiction with the rules of the humane attitude toward the animals, established on the ground of the rules and norms, accepted in society, these animals may be withdrawn from the owner by way of their redemption by the person, who has filed the corresponding claim with the court. The redemption price shall be defined by the agreement between the parties, and in case of a dispute arising between them - by the court.

Article 242. Requisition

1. In case of the natural calamities, the accidents, the epidemics or the epizootics, and under other circumstances of an extraordinary nature, the property may be, in the interest of society and by the decision of the state bodies, withdrawn from the owner in accordance with the procedure and on the terms, laid down by the law, with the cost of the requisitioned property paid out to him (the requisition).

2. The estimate, according to which the owner shall be paid the cost of the requisitioned property, may be disputed by him in the court.

3. The person, whose property has been requisitioned, shall have the right to claim through the court the return to him of the preserved property, if the circumstances, in connection with which the requisition was performed, have ceased to operate.

Article 243. Confiscation

1. In the law-stipulated cases, the property may be withdrawn from the owner without any compensation in accordance with the court decision as a sanction, inflicted for his committing a crime or another violation of the law (the confiscation).

2. In the **law-stipulated** cases, the confiscation may be carried out in the administrative order. The decision on the confiscation, adopted in the administrative order, may be disputed in the court.

Chapter 16. The Common Property

Article 244. The Concept and the Grounds for the Common Property to Arise

1. The property, which is in the ownership of two or of several persons, shall belong to them by the right of common ownership.

2. The property may be in the common ownership, with the share of each of the owners in the right of ownership defined (the share ownership), or not defined (the joint ownership).

3. The common ownership of the property shall be the share ownership, with the exception of the cases, when the law stipulates the formation of the joint ownership to this property.

4. The common ownership shall arise when into the ownership of two or of several persons falls the property, which cannot be divided without changing its intended purpose (the indivisible things) or which shall not be subject to division by force of the law.

The common ownership of the divisible property shall arise in the cases, stipulated by the law or by an agreement.

5. By an agreement between the participants in the joint ownership, and if no agreement can be reached - by the court decision, the share ownership to the common property may be established.

Article 245. Definition of the Shares in the Right of the Share Ownership

1. If the shares of the participants in the share ownership cannot be defined on the ground of the law and have not been established by an agreement between all its participants, the shares shall be regarded as equal.

2. By an agreement between all the participants in the share ownership, the order of defining and amending their shares, which would depend on the contribution of each of them into the formation and the increment of the common property, may be established.

3. The participant in the share ownership, who has effected at his own expense and with the observation of the order, established for the use of the common property, the inseparable improvements in this property, shall be entitled to the corresponding increase of his share in the right of ownership to the common property.

The separable improvements, made in the common property, unless otherwise stipulated by the agreement between the participants in the common property, shall be the property of that of the participants, who participants, who has effected them.

Article 246. Disposal of the Property in the Share Ownership

1. The disposal of the property, which is in the share ownership, shall be effected in accordance with the agreement between all its participants.

2. The participant in the share ownership shall have the right at his own discretion to sell, to make a gift of, to leave by will, or to pledge his share, or to dispose of it in any other way, with the observation in its gratuitous alienation of the rules, stipulated by **Article 250** of the present Code.

Article 247. Possession and Use of the Property in the Share Ownership

1. The possession and the use of the property, which is in the share ownership, shall be effected in accordance with an agreement between all its participants, and in case such an agreement cannot be reached - in accordance with the order, ruled by the court.

2. The participant in the share ownership shall have the right to put into his possession and use the part of the common property, proportionate to his share, and in case of this being impossible, he shall have the right to claim the corresponding compensation from other participants, who possess and use the property, comprising his share.

Article 248. The Fruits, Products and Incomes from the Use of the Property in the Share Ownership

The fruits, products and incomes, derived from the use of the property, which is in the share ownership, shall comprise the common property and shall be distributed between the participants in the share ownership proportionately to their shares, unless otherwise stipulated by an agreement between them.

Article 249. Expenses Involved in the Maintenance of the Property in the Share Ownership

Every participant in the share ownership shall be obliged to take part, proportionately to his share, in the payment of the taxes, collections and other dues by the common property, as well as in the expenses, involved in its maintenance and storage.

Article 250. Preferential Right of the Purchase

1. In case a share in the right of the common ownership is sold to an outsider, the rest of the participants in the share ownership shall have the right of priority in the purchase of the share on sale for the price, for which it is being sold, and on other equal terms, with the exception of the case, when it is being

sold at an open auction, as well as when a share in common ownership of a land plot is sold by the owner of a part of the building or structure located on such land plot or by the owner of premises in the cited building or structure.

An open auction for the sale of the share in the right of the common ownership in the absence of the consent to it of all the participants in the share ownership, may be held in the cases, stipulated by the second part of **Article 255** of the present Code, and also in other law-stipulated cases.

2. The seller of the share shall be obliged to notify in written form the rest of the participants in share ownership about the intention thereof to sell his share to an outsider, with an indication of the price and other terms, on which he is selling his share.

If the rest of the participants in the share ownership do not acquire the shares to be sold in the right of ownership to immovable property within a month and in the right of ownership to movable property within 10 days from the date of notification, the seller shall have the right to sell his share to any person. If the rest of the participants in share ownership refuse in writing to exercise the pre-emptive right to the purchase of the shares being sold, such shares may be sold to an outsider ahead of the specified time.

The specifics of notification of participants in share ownership about the intent of the seller of a share in the right of common ownership to sell the share thereof to an outsider may be established by federal law.

3. If the share is sold with a violation of the right of priority to the purchase, any other participant in the share ownership shall have the right to claim through the court, in the course of three months, that the buyer's rights and duties be transferred to him.

4. The cession of the right of priority to the purchase of the share shall not be admitted.

5. The rules of the present Article shall also be applied in case of the alienation of the share by a barter agreement.

Article 251. The Moment of the Transfer of the Share in the Right of the Common Ownership to the Acquirer by the Contract

The share in the right of the common ownership shall be transferred to the acquirer by the contract from the moment of its conclusion, unless otherwise stipulated by the agreement between the parties.

The moment of the share in the right of the common ownership being transferred by the contract, which is subject to the state registration, shall be defined in conformity with **Item 2 of Article 223** of the present Code.

Article 252. Division of the Property in the Share Ownership and the Setting Apart of a Share from It

1. The property, which is in the share ownership, may be divided between its participants by an agreement between them.

2. The participant in the share ownership shall have the right to claim that his share be set apart from the common property.

3. If the participants in the share ownership have failed to come to an agreement on the way and the terms for the division of the common property or for the setting apart of the share of one of the participants, the participant in the share ownership shall have the right to claim through the court that his share be set apart from the common property in kind.

If the setting apart of the share in kind is not admitted by the law or is impossible without causing an inordinate harm to the property in the common ownership, the withdrawing owner shall have the right to the payment out to him of the cost of his share by other participants in the share ownership.

4. The rift between the property, set apart in kind to the participant in the share ownership on the ground of the present Article, and his share in the right of ownership shall be eliminated by paying out to him of the corresponding sum of money or by another kind of compensation.

The payment out to the participant in the share ownership by the rest of the participants of a compensation instead of the setting apart of his share in kind, shall be admitted only with his consent. In case the owner's share is insignificant, cannot be realistically set apart and he doesn't display a serious interest in the use of the common property, the court may obligate the rest of the participants in the share ownership to

pay him out the compensation even in the absence of his consent.

5. Upon the receipt of the compensation in conformity with the present Article, the owner shall lose the right to a share in the common property.

Article 253. Possession, Use and Disposal of the Property in the Joint Ownership

1. The participants in the joint ownership, unless otherwise stipulated by the agreement between them, shall possess and use the common property jointly.

2. The property in the joint ownership shall be disposed of by the consent of all the participants, which shall be presumed regardless of which particular participant performs the deal, involved in the disposal of the property.

3. Each of the participants in the joint ownership shall have the right to perform the deals, involved in the disposal of the common property, unless otherwise following from the agreement between all the participants. The deal, effected by one of the participants in the joint ownership, involved in the disposal of the common property, may be recognized as invalid upon the demand of the rest of the participants for the reason of the participant, who has made the deal, not having the necessary powers, only if it has been proved that the other party to the deal has known, or should have known, about it.

4. The rules of the present Article shall be applied so far as no other rules have been laid down for the individual kinds of the joint ownership by the present Code or other laws.

Article 254. Division of the Property in the Joint Ownership and the Setting Apart of a Share from It

1. The division of the common property between the participants in the joint ownership, as well as the setting apart of the share of one of them may be effected after making a preliminary estimate of the share of each of the participants in the right to the common property.

2. Unless otherwise stipulated by the law or by the agreement between the participants, when dividing the common property and setting apart a share from it, their shares shall be recognized as equal.

3. The grounds and the order for the division of the common property and for the setting apart of a share from it shall be defined according to the rules of **Article 252** of the present Code, so far as no other rules have been laid down for the individual kinds of the joint ownership by the present Code and other laws or follow from the substance of the relationships between the participants in the joint ownership.

Article 255. Turning of the Penalty onto the Share in the Common Property

The creditor of the participant in the share or in the joint ownership shall have the right, in case the given owner's other property proves to be insufficient, to claim the setting apart of the debtor's share in the common property for turning the penalty onto it.

If in such cases the setting apart of the share in kind is impossible or if the rest of the participants in the share or in the joint ownership object to it, the creditor shall have the right to claim the sale by the debtor of this share to the rest of the participants of the common property for the price, proportionate to the market cost of this share, with the means, derived from the sale, going to service the debt.

In case of the refusal of the rest of the participants in the common ownership to acquire the debtor's share, the creditor shall have the right to claim through the court that the penalty be turned onto the debtor's share in the right of the common ownership by way of selling this share at an open auction.

Article 256. The Community Property

1. The property, accumulated by the spouses during their married life, shall be their joint, or community property, unless another regime has been established for this property by the marriage contract between them.

2. The property, which was owned by each of the spouses before they entered into the marriage, or that received by one of the spouses during their married life as a gift or by inheritance, shall be the property of this particular spouse.

The things of personal use (such as the clothes, the footwear, etc.), with the exception of the jewels and other luxury goods, even though acquired during the married life at the expense of the spouses' common means, shall be recognized as the property of that spouse, who has used them.

The property of each of the spouses may be recognized by the court as their joint property, if it has been established that during their married life, at the expense of the common property of the spouses or of the personal property of the other spouse, have been made the contributions, which have essentially increased the cost of that property (the overhaul, the reconstruction, the re-equipment, etc.). The present rule shall not be applied, if otherwise stipulated by a marriage contract between the spouses.

An exclusive right to the result of intellectual activity belonging to the author of such result (**Article 1228**) shall not be included into the spouses' common property. However, incomes derived from the use of such result are the spouses' common property, unless otherwise stipulated in the marriage contract signed by them.

3. By the obligations of one of the spouses, the penalty may be turned only onto the property in his ownership and onto his share in the common property of the spouses, which should be due to him in case of the division of this property.

4. The rules for defining the spouses' shares in the common property during its division and the order of such a division, shall be laid down by the **family legislation**.

If one of the spouses has died the surviving spouse shall have a share in the right to the common property of the spouses, equal to one half, unless another amount of the share has been defined in the marriage contract, joint will, inheritance contract or a court's decision.

Article 257. Ownership of the Farm Household

1. The property of the farm household shall belong to its members by the right of joint ownership, unless otherwise stipulated by the law or by an agreement between them.

2. In the joint ownership of the members of the farm household shall be the land plot, assigned into the ownership of this economy or acquired, the economic and another kind of buildings, the amelioration and another kind of structures, the productive and the draft animals, the poultry, the farm and another kind of machinery and equipment, the transportation vehicles, the implements and another kind of property, acquired for the economy at the expense of the common means of its members.

3. The fruits, products and incomes, derived as a result of the activity of the peasant (the farmer's) economy, shall be the common property of the members of the peasant (the farmer's) economy and shall be used by an agreement between them.

Article 258. Division of the Farm Household

1. Upon the termination of the farm household in connection with the retirement of all its members or on other grounds, the common property shall be subject to division in accordance with the rules, stipulated by **Articles 252 and 254** of the present Code.

The land plot in such cases shall be divided according to the rules, established by the present Code and by the land legislation.

2. The land plot and the means of production, belonging to the farm household, shall not be subject to division in case of the retirement of one of its members. The retired member shall have the right to receive the money compensation, proportionate to his share in the common ownership of this property.

3. In the cases, stipulated by the present Article, the shares of the members of the farm household in the right of the joint ownership to the property of the economy shall be recognized as equal, unless otherwise stipulated by an agreement between them.

Article 259. Ownership of the Economic Partnership or the Cooperative, Based on the Property of the Farm Household

1. The members of the farm household may set up, on the basis of the economy's property, a business company or a production cooperative. Such business company or a cooperative as a legal entity shall possess the right of ownership to the property, transferred to it in the form of investments and other contributions by the members of the farm household, and also to the property, which has resulted from its activity or has been acquired on other grounds, admitted by the law.

2. The size of the contributions of the participants in the partnership or of the members of the cooperative, set up on the basis of the farm household, shall be fixed, proceeding from their shares in the right of the common ownership to the economy's property, to be defined according to **Item 3 of Article 258** of the present Code.

Chapter 17. Right of Ownership and Other Real Rights to Land

Article 260. The General Provisions on the Right of Ownership to the Land

1. The persons, having in their ownership a land plot, shall have the right to sell it, to make a gift of it, to pledge it or to give it in rent, and to dispose of it in any other way (**Article 209**), so far as the corresponding lands have not been withdrawn from, or restricted in the circulation in conformity with the law.

2. On the ground of the law and of the law-established order, shall be defined the lands, intended for agricultural and other special purposes, whose use for the different purposes is not admitted or is restricted. The land plot, referred to this category of lands, may be used within the limits, defined by its intended purpose.

Article 261. The Land Plot as an Object of the Right of Ownership

1. Abrogated.

2. Unless otherwise decreed by the law, the right of ownership to the land plot shall be spread to the surface (the soil) layer, the bodies of water, other plants, situated within the boundaries of this land plot.

3. The owner of the land plot shall have the right to use at his own discretion everything, which is over and under the surface of this land plot, unless otherwise stipulated by the laws on the mineral wealth and on the use of the air space and by other laws, and so far as it does not violate the rights of other persons.

Article 262. The Land Plots of the Common Use. Access to the Land Plot

1. The citizens shall have the right to freely pass, without being obliged to draw any permits, to the land plots, which have not been closed for the common access, in the state or in the municipal ownership, and to use the natural objects, located on these plots within the limits, admitted by the law and other legal acts, as well as by the owner of the corresponding land plot.

2. Unless the land plot has been fenced off or its owner has clearly indicated that no trespassing is admitted without his permission, any person shall have the right to walk across the land plot under the condition that this does not inflict a loss or cause worry to the owner.

Article 263. Construction on the Land Plot

1. The owner of the land plot shall have the right to erect on it buildings and structures, to rebuild or to pull them down, and also to permit the construction on his land plot to other persons. These rights shall be exercised under the condition that the town-development and construction norms and rules, as well as the demands with regard to the special purpose of the land plot (**Item 2 of Article 260**) be complied with.

2. Unless otherwise stipulated by the law or by the agreement, the owner of the land plot shall acquire the right of ownership to the building, the structure or another kind of the immovable property, which he has erected or created for himself on the land plot in his ownership.

The consequences of the unauthorised building erected or created on a land plot by the owner thereof or by other persons are defined by **Article 222** of this Code.

Article 264. The Rights to the Land of the Persons, Who Are Not the Owners of the Land Plots

1. Land plots may be granted by the owners thereof to other persons on the terms and in the procedure set out in the **civil and land legislation**.

2. The person, who is not the owner of the land plot, shall exercise the rights to the possession and to the use of the land plot on the terms and within the limits, laid down by the law or by the agreement with the

owner.

3. The possessor of the land plot, who is not the owner, shall not have the right to dispose of this land plot, unless otherwise stipulated by the law.

Article 265. The Grounds for the Acquisition of the Right to the Inherited Life Possession of the Land Plot

The right of the inherited life possession of the land plot, which is in the state or in the municipal ownership, shall be acquired by the citizens on the grounds and in the order, stipulated by the **land legislation**.

Article 266. Possession and Use of the Land Plot by the Right of the Inherited Life Possession

1. The citizen, enjoying the right of the inherited life possession (the possessor of the land plot) shall have the **right of the possession and of the use** of the land plot, which shall be passed by the right of succession.

2. Unless otherwise following from the terms, established for the use of the land plot by the law, the owner of the land plot shall have the right to erect on it buildings and structures and to create other kinds of the immovable property, acquiring to it the right of ownership.

Article 267. Disposing of a Land Plot in Inheritable Possession for Life

It is hereby prohibited to dispose of a land plot in inheritable possession for life, except for the case of transfer of the right to the land plot in line of succession.

Article 268. The Grounds for the Acquisition of the Right of the Permanent (Perpetual) Use of the Land Plot

1. The right of permanent (perpetual) use of a land plot which is under state or municipal ownership shall be granted to the persons cited in the **Land Code** of the Russian Federation.

2. Abrogated.

3. In case of the reorganisation of the legal entity, its right of the permanent (perpetual) use shall be passed in the order of the legal succession.

Article 269. Possession and Use of the Land by the Right of the Permanent (Perpetual) Use

1. The person, to whom the land plot has been given into the permanent (perpetual) use, shall exercise the possession and the use of this land plot within the limits, established by the law, other legal acts and by the act on granting the land plot into the use.

2. The person, to whom the land plot has been granted into the permanent (perpetual) use, shall have the right, unless otherwise stipulated by the law, to independently use the land plot for the purposes, for which it has been granted, including the erection with these purposes in view on the land plot of the buildings, the structures and other kinds of the immovable property. The buildings, the structures and other kinds of the immovable property, erected by this person for himself, shall be his property.

3. The persons to whom land plots are allotted for permanent (termless) use are not entitled to dispose of such land plots, except when an agreement is made on establishing and transferring a land plot for gratuitous use to a citizen in the form of a service allotment in compliance with the **Land Code** of the Russian Federation.

Article 270. Abrogated.

Article 271. The Right of the Use of the Land Plot by the Owner of the Immovable Property

1. The owner of the building, the structure or another kind of the realty, situated on the land plot, which is in the ownership of another person, shall have the right of the use to the land plot granted by such person for the immovable property.

Paragraph 2 was **abrogated**.

2. If the right of ownership to the realty, situated on another man's land plot, is transferred to another person, the latter shall acquire the right of the use of the land plot on the same terms and in the same volume, as the former owner of the realty.

The transfer of the right of ownership to the land plot shall not be the ground for the termination or the amendment of the right to the use of this land plot, belonging to the owner of the realty.

3. The owner of the realty, situated on another man's land plot, shall have the right to possess, to use and to dispose of this realty at his own discretion, including the pulling down of the corresponding buildings and structures, so far as this does not contradict the terms, laid down for the use of the given land plot by the law or by the agreement.

Article 272. The Consequences of the Loss by the Realty Owner of the Right to the Use of the Land Plot

1. If the right to the use of the land plot, granted to the owner of the realty, situated on this land plot, is terminated (**Article 271**), the rights to the realty, left by its owner on the land plot, shall be defined in conformity with an agreement between the owner of the land plot and the owner of the corresponding immovable property.

2. In the absence of, or in case of the failure to reach an agreement, stipulated in Item 1 of the present Article, the consequences of the termination of the right to the use of the land plot shall be defined by the court upon the claim of the owner of the land plot or of the owner of the realty.

The owner of the land plot shall have the right to claim through the court that the owner of the realty remove it from his land plot after the termination of the right to the use of the land plot and bring the land plot into its primary state.

In the cases, when the demolition of the building or of the structure, situated on the land plot, is prohibited in conformity with the law or with other legal acts (the living quarters, the monuments of culture and history, etc.), or is not subject to being effected in view of an obvious excess of the cost of the building or the structure over the cost of the land plot assigned for it, the court, taking into account the grounds for the termination of the right to the use of the land plot and in case of the corresponding claims being filed by the parties, shall have the right:

- to recognize the right of the owner of the realty to the acquisition into ownership of the land plot, on which this realty is situated, or the right of the owner of the land plot to the acquisition of the realty left upon it, or to lay down the terms for the use of the land plot by the owner of the realty for a new period of time.

3. The rules of the present Article shall not be applied in case of termination of an agreement on lease of a land plot which is under state or municipal ownership and on which an incomplete construction object is located (**Article 239.1**), if the land plot is withdrawn for state or municipal needs (**Article 279**), and also in case the rights to the land plot are terminated in view of its of the non-use to the set purpose or of the use with a violation of the legislation of the Russian Federation.

Article 273. Transfer of the Right to the Land Plot in Case of the Alienation of the Buildings or the Structures, Situated on It

In the transfer of the right of ownership to the building or to the structure, belonging to the owner of the land plot, on which it is situated, the right of ownership to the land plot occupied by a building or structure and required for using it is transferred, shall pass to the acquirer of the building (the structure), except as otherwise envisaged by a law.

Part 2 was **abrogated**.

Article 274. The Right of the Limited Use of Another Person's Land Plot (the Servitude)

1. The owner of the immovable property (the land plot and other realty) shall have the right to claim from the owner of the neighboring land plot, and if necessary, also from the owner of yet another land plot (the neighboring plot) that the right of the limited use of the neighboring land plot (the servitude) be granted to him.

The servitude may be established to guarantee the passage across the neighboring land plot both on foot and by a motor vehicle, to provide for the construction, reconstruction and operation of linear facilities

that do not impede the use of a land plot in compliance with the permitted use thereof, and also for other needs of the owner of the realty, which cannot be provided for without establishing the servitude.

2. The burdening of the land plot with the servitude shall not deprive the owner of the land plot of the rights of the possession, the use and the disposal of this land plot.

3. The servitude shall be established by an agreement between the person, claiming the institution of the servitude, and the owner of the neighboring land plot, and shall be subject to the registration in conformity with the procedure, laid down for the registration of the immovable property. In case of the failure to reach an agreement on the establishment or on the terms of the servitude, the dispute shall be resolved by the court upon the claim of person, demanding that the servitude be instituted.

4. On the terms and in conformity with the order, stipulated by Items 1 and 3 of the present Article, the servitude may also be established in the interest and upon the claim of the person, to whom the land plot has been granted by the right of the inherited life possession or by the right of the permanent (perpetual) use and of other persons where it is provided for by federal laws.

5. The owner of the land plot, burdened with the servitude, shall have the right, unless otherwise stipulated by the law, to claim from the persons, in whose interest the servitude has been established, a proportionate payment for the use of the land plot.

6. Where it is provided for by law an easement shall be established on basis of an agreement between the person requiring the establishment of the easement and the person which a land plot which is under state or municipal ownership is allotted to, if this is allowed by the land legislation. On such occasion, the rules provided for by **Articles 275 and 276** of this Code shall apply for the owner of such land plot in respect of the person to whom an easement is allotted.

Article 275. Preservation of the Servitude in the Transfer of the Rights to the Land Plot

1. The servitude shall be preserved in the case of the transfer of the land plot, burdened with this servitude, to another person, if not otherwise provided for by this **Code**.

2. The servitude shall not be an independent object of the purchase and sale or of the mortgage, and shall not be transferred in any way to the persons, who are not the owners of the immovable property, to provide for the use of which the servitude has been established.

Article 276. Termination of the Servitude

1. Upon the claim of the owner of the land plot, burdened with the servitude, the servitude may be terminated in view of the disappearance of the grounds, on account of which it has been instituted.

2. In the cases, when the land plot, owned by the citizen or by the legal entity, cannot be used in conformity with its special purpose as a result of its being burdened with the servitude, the owner shall have the right to claim through the court that the servitude be terminated.

Article 277. The Burdening with the Servitude of the Buildings and the Structures

As applied to the rules, stipulated by **Articles 274-276** of the present Code, with the servitude may also be burdened the buildings, the structures and other immovable property, whose limited use is necessary, regardless of the use of the land plot.

Article 278. The Turning of the Penalty onto the Land Plot

The turning of the penalty onto the land plot by the obligations of its owner shall be admitted only on the grounds of the court decision.

Article 279. The Withdrawal of a Land Plot for State or Municipal Needs

1. A land plot shall be withdrawn for state or municipal needs in the instances and in the procedure which are provided for by the **land legislation**.

2. As a result of withdrawal of a land plot for state or municipal needs the following shall be effected:
1) termination of the right of ownership of a citizen or legal entity to such land plot;

2) termination of the right of permanent (termless) use or of life-long inherited possession of a land plot which is under the state or municipal ownership;

3) preschedule termination of a contract of lease of a land plot which is under the state or municipal ownership or a contract of gratuitous use of such land plot.

3. The decision on withdrawal of a land plot for state or municipal needs shall be adopted by the federal executive power bodies, executive power bodies of constituent entities of the Russian Federation or by local authorities determined in compliance with the **land legislation**.

4. From the date of termination of rights to the withdrawn land plot of the previous right holder thereof the easement or mortgage established in respect of such land plot shall be terminated, as well as the contracts made by the given right holder in respect of such land plot. The easements established in respect of the withdrawn land plot shall be preserved, if the use of such land plot under the terms of an easement is not at variance with the aims for which the land plot is withdrawn.

Where the withdrawal of a land plot for state or municipal needs makes impossible the discharge by the right holder of the land plot of other obligations with respect to third parties, including the obligations based on the contracts made by the right holder of the land plot with such persons, the decisions on withdrawal of the land plot for state or municipal needs shall serve as a ground for termination of these obligations.

5. The right holder of a land plot shall be notified of the adopted decision on withdrawal of the land plot for state or municipal needs in compliance with the **land legislation**.

6. The time, amount of compensation and other terms under which a land plot is to be withdrawn for state or municipal needs shall be specified by an agreement on withdrawal of the land plot and of the immovable property items located on it for meeting state or municipal needs (hereinafter referred to as an agreement on withdrawal). In the event of compulsory withdrawal, such terms shall be specified by court.

Article 280. The Use and Disposal of a Land Plot to Be Withdrawn for State or Municipal Needs

The persons whose rights to a land plot are to be terminated by virtue of its withdrawal for state or municipal needs, prior to the date of termination of the given rights, shall possess, use and dispose of such land plot in compliance with law at the own discretion thereof. In so doing, the persons cited in this article shall bear the risk of being charged with the outlays and losses connected with construction and reconstruction of buildings and structures, with making inseparable improvements from the date of notifying them about the adopted decision on withdrawal of the land plot for state or municipal needs in compliance with the **land legislation**.

Article 281. Compensation for the Land Plot to Be Withdrawn

1. A compensation shall be made to the right holder of the land plot to be withdrawn for state or municipal needs for the land plot thereof.

2. When estimating the amount of compensation in case of withdrawal of a land plot for state or municipal needs, the market value of the land plot in respect of which the right of ownership is subject to termination, or the market value of other rights to the land plot which are subject to termination and the losses caused by withdrawal of such land plot, including lost earnings, and estimated in compliance with the federal legislation shall be included into it.

If concurrently with withdrawal of a land plot for state or municipal needs the immovable property items located on such land plot and possessed by the right holder of the given land plot are withdrawn, the market value of the immovable property items in respect of which the right of ownership is subject to termination, or the market value of other rights to the immovable property items which are subject to termination shall be included into the compensation for the property to be withdrawn.

3. Where there is the consent of the person whose land plot is to be withdrawn, an agreement on withdrawal may provide for allotment to this person of another land plot and/or another immovable property under the terms and in the procedure which are defined by the legislation, setting off the cost of such land plot and/or other immovable property or of the rights thereto against the amount of compensation for the

land plot to be withdrawn.

4. The compulsory withdrawal of a land plot for state or municipal needs shall be permitted on condition of making a preliminary and equivalent compensation.

Article 282. The Withdrawal of a Land Plot for State or Municipal Needs on the Basis of a Court Decision

1. If the right holder of the land plot to be withdrawn has not made an agreement on withdrawal, in particular for the reason of disagreement with the decision on withdrawal of the land plot thereof, the compulsory withdrawal of the land plot for state or municipal needs is allowed.

2. A land plot shall be compulsorily withdrawn for state or municipal needs on the basis of a court decision. A claim for compulsory withdrawal of a land plot for state or municipal needs may be raised with court within the validity term of the decision on withdrawal of the land plot for state or municipal needs. In so doing, the cited claim may not be filed earlier than before the expiry of 90 days from the date of receiving by the right holder of such land plot a draft agreement on withdrawal.

Article 283. Abrogated from April 1, 2015.

Article 284. Withdrawal of a Land Plot Which Is Not Used to the Set Purpose

A land plot may be withdrawn from its owner in the cases when it is intended for agricultural activities or for the housing or a different kind of construction and is not used to the set purpose in the course of three years unless a longer time term is established by the law. Into this period is not included the time necessary for the development of the land plot with the exception of the cases when the land plot is referred to agricultural lands whose turnover is regulated by **Federal Law** No. 101-FZ of July 24, 2002 on the Turnover of the Agricultural Lands as well as the time during which the land plot could not have been used to the set purpose because of natural calamities or because of other circumstances precluding such use.

Article 285. Withdrawal of a Land Plot Used in Breach of the Legislation of the Russian Federation

A land plot may be taken from the owner if the plot is being used in breach of the provisions of the legislation of the Russian Federation, in particular when the plot is used for a purpose other than the intended one, if the use thereof causes a substantial fall in the fertility of agricultural-purpose lands or the infliction of harm to the environment, or an unauthorised building has been erected or created on the plot, and the persons specified in **Item 2 of Article 222** of this Code have not executed the duties - envisaged by a law - to demolish it or bringing it in line with the established provisions.

"Article 286. Procedure for the Withdrawal of a Land Plot Which Is Not Used Not to the Set Purpose or Which Is Used with a Violation of the Legislation of the Russian Federation

1. The state power body or the local government body, authorized to adopt decisions on the withdrawal of land plots on the grounds, stipulated by **Articles 284** and **285** of the present Code, as well as the procedure for an obligatory advance warning of the land plot owners on the violations, committed by them, shall be defined by the law.

2. If the owner of the land plot notifies in written form the body, which has adopted the decision on the withdrawal of the land plot, about his consent to execute this decision, the land plot shall be subject to the sale at an open auction.

3. If the owner of the land plot does not agree with the decision on the withdrawal of the land plot from him, the body, which has passed the decision on the withdrawal of the land plot, may file the claim for the sale of the land plot with the court.

Article 287. Termination of the Rights to the Land Plot, Belonging to the Persons, Who Are Not Its Owners

The termination of the rights to the land plot, belonging to the lease-holders and other persons, who are not its owners, for the reason of an improper use of the land plot by these persons, shall be effected on the

grounds and in conformity with the order, established by the **land legislation**.

*** removed.**

Chapter 18. The Right of Ownership and Other Rights of Estate to the Living Quarters

Article 288. The Ownership of the Living Quarters

1. The owner shall exercise his rights of the possession, the use and the disposal of the living quarters in his ownership in conformity with their intended purpose.

2. The living quarters shall be intended for the citizens' residence.

The citizen-the owner of the living quarters may use them for his own residence and for the residence of the members of his family.

The living quarters may be given by their owner in rent for residence on the ground of a contract.

3. The accommodation in the dwelling houses of various kinds of industrial production shall not be admitted.

The accommodation by the owner in the living quarters he owns of the enterprises, institutions and organisations shall be admitted only after the said quarters have been turned from the living into the non-living ones. The transfer of the quarters from the living into the non-living ones shall be effected in conformity with the procedure, defined by the **housing legislation**.

Article 289. The Flat as an Object of the Right of Ownership

To the owner of the flat in an apartment house, alongside the quarters he owns, occupied by his flat, shall also belong a share in the right of the ownership to the common property of the house (**Article 290**).

Article 290. The Common Property of the Owners of Flats in an Apartment House

1. The owners of flats in an apartment house shall own by the right of the common share ownership the common quarters of the house, the house's load-carrying structures, the mechanical and electrical equipment, the plumbing fixtures and other equipment outside or within the flat, servicing more than one flat.

2. The owner of the flat shall not have the right to alienate his share in the right of the ownership to the common property of the apartment house, or to perform other actions, entailing the transfer of this share apart from the right of the ownership to the flat.

Article 291. The Partnership of the Housing Owners

1. The owners of premises in an apartment house or several apartment houses, or the owners of several dwelling houses, for the purpose of joint management of common property in the apartment house or of the property of the owners of premises in several apartment houses, or of the property of the owners of several dwelling houses and for the purpose of exercising the activities involved in the creation, maintenance, conservation and increment of such property, as well as for the purpose of exercising other kinds of activities aimed at attaining the goals of apartment houses' management or at the joint use of the property possessed by the owners of premises in several apartment houses, or of the property of the owners of several dwelling houses, may establish partnerships of housing owners.

2. The partnership of the owners of flats shall be the non-profit organisation, set up and operating in conformity with the Law on the Partnerships of the Owners of Flats.

Article 292. The Rights of the Family Members of the Owners of the Living Quarters

1. The family members of the owner, residing in the living quarters he owns, shall have the right to use these quarters on the terms, stipulated by the housing legislation.

The family members who have dispositive capacity and who are limited by a court in their dispositive capacity, living in housing premises belonging to the owner shall bear joint and several liability with the owner for the obligations arising from the use of the housing premises.

2. The transfer of the right of the ownership to the dwelling house or to the flat to another person shall be the ground for the cessation of the right of the use of the living quarters by the family members of the former owner, unless otherwise established by law;

3. The family members of the owner of the living quarters may claim the elimination of the violations of their rights to the living quarters on the part of any persons, including on the part of the owner of the living quarters.

4. Alienation of a dwelling in which there live members of the family of the owner of the dwelling who are under guardianship or curatorship or minor members of the family of the owner without parental custody (of which the body of guardianship and curatorship is aware), if it affects the rights or legally protected interests of the indicated persons, shall be permitted with the consent of the body of guardianship and curatorship.

Article 293. Cessation of the Right of the Ownership to the Mismanaged Living Quarters

If the owner of the living quarters uses them other than for their intended purpose, systematically violates the rights and interests of the neighbors or mismanages the housing by allowing its destruction, the local government body shall warn the owner about the need to eliminate the said violations, and if these violations entail the destruction of the living quarters - it shall also fix an approximate term for the owner to perform the repairs of the quarters.

If the owner after the warning continues to violate the rights and interests of the neighbors or to use the living quarters for other than their intended purpose, or does not perform the necessary repairs without serious grounds, the court, upon the claim of the local government body, shall have the right to adopt the decision on the sale of such living quarters at an open auction with the subsequent payment to the owner of the means, derived from the sale, minus the expenses, involved in the execution of the court decision.

Chapter 19. The Right of Economic Management and the Right of Operation Management

Article 294. The Right of Economic Management

The state or the municipal unitary enterprise, which owns the property by the right of economic management, shall possess, use and dispose of this property within the limits, defined in conformity with the present Code.

Article 295. The Rights of the Owner with Respect to the Property in Economic Management

1. The owner of the property in economic management, in conformity with the law, shall resolve the issues, involved in the setting up of the enterprise, in defining the object and the goals of its activity, in its reorganisation and liquidation; he shall appoint the director (the head) of the enterprise and shall exert control over the use in conformity with the stipulated purpose and over the maintenance of the property, assigned to it.

The owner shall have the right to obtain a part of the profit, derived from the use of the property in the economic management of the enterprise.

2. The enterprise shall not have the right to sell the immovable property, belonging to it by the right of economic management, to give it in rent, to mortgage it, to contribute it as an investment into the authorized (joint) capital of the economic companies and the partnerships, or to dispose of it in any other way without the consent of the owner.

The enterprise shall dispose of the rest of the property, belonging to it, independently, with the exception of the cases, established by the law or other legal acts.

Article 296. The Right of Operative Management

1. An institution and treasury enterprise to which property is assigned by the right of operative management shall possess and use this property within the law established framework in accordance with

the goals set for their activity and the purpose of this property, and, if not otherwise established by law, shall dispose of it by approbation of this property's owner.

2. The owner of this property has the right to exact an excessive property, not used or used not to the purpose, which he has assigned to a institution or treasury enterprise or which is acquired by the state-run enterprise or institution at the expense of the funds allocated to it by the owner for the acquisition of this property. The owner of this property has the right to dispose of the property exacted from the institution or treasury enterprise at his own discretion.

Article 297. Disposal of the Property of the State Enterprise

1. The state enterprise shall have the right to alienate or to dispose in another way of the property, assigned to it, only with the consent of the owner of this property.

The state enterprise shall independently realize the products it manufactures, unless otherwise established by the law or other legal acts.

2. The order for the distribution of the incomes of the state enterprise shall be defined by the owner of its property.

Article 298. Disposal of the Property of an Institution

1. A private institution has no right to alienate or dispose in any other way of the property assigned to it by the owner or acquired by this institution at the expense of the funds allocated to it by the owner for acquisition of this property.

A private institution is only entitled to exercise profitable activities if such right is provided for by the constituent document thereof and, at this, the incomes derived from such activities and the property acquired on account of these incomes are independently disposed of by this private institution.

2. An autonomous institution is not entitled, without authorization of the owner, to dispose of the immovable property and especially precious movable property assigned to it by the owner or acquired by the autonomous institution on account of the assets allocated by the owner for acquisition of such property. The autonomous institution is entitled to dispose independently of the remaining property it holds by the right of operative management, if not otherwise established by law.

An autonomous institution is entitled to exercise profitable activities, insofar as it serves the purpose it has been established for, and corresponding to these purposes, provided that such activities are cited in the constituent documents thereof. The incomes derived from such activities and the property acquired on account of these incomes shall be independently disposed of by the autonomous institution.

3. A budget-financed institution is not entitled without the owner's consent to dispose of the especially precious movable property assigned thereto by the owner or acquired by the budget-financed institution on account of the assets allocated to it by the owners for acquisition of such property, as well as of immovable property. The budget-financed institution is entitled to independently dispose of the remaining property it has by the right of operative management, if not otherwise established by law.

A budget-financed institution is entitled to exercise profitable activities, insofar as it serves the purposes it has been established for, and corresponding to such purposes, provided that such activities are cited in the constituent documents thereof. The incomes derived from such activities and the property acquired on account of these incomes shall be independently disposed of by the budget-financed institution.

4. A treasury institution is not entitled to alienate or to dispose in any other way of the property without approbation of the property's owner.

A treasury institution may exercise profitable activities in compliance with the constituent documents thereof. The incomes derived from the cited activities shall be remitted to an appropriate budget of the budget system of the Russian Federation.

Article 299. The Acquisition and the Termination of the Right of Economic Management and of the Right of Operation Management

1. The right of economic management or the right of operation management of the property, with

respect to which the owner has adopted the decision to assign it to a unitary enterprise or to an institution, shall arise with the given enterprise or institution from the moment of the transfer of this property, unless otherwise established by the law and other legal acts, or by the owner's decision.

2. Issues, products and incomes derived from the use of the property which is held by the right of economic management or operative management by a unitary enterprise or institution, as well as the property acquired by a unitary enterprise or institution under a contract or for other reasons shall be used by way of economic management or operative management by the enterprise or institution in the procedure established by this **Code**, other laws and other legal acts for acquisition of ownership.

3. The right of economic management and the right of operation management shall be terminated on the grounds and in conformity with the order, stipulated by the present Code, other **laws** and other legal acts for the termination of the right of ownership, and also in the case of the lawful withdrawal of the property from the enterprise or from the institution by the owner's decision, if not otherwise provided for by this Code.

Article 300. Preservation of the Rights to the Property When the Enterprise or the Institution Is Transferred to Another Owner

1. When the right of the ownership to the state or to the municipal enterprise as a property complex is transferred to another owner of the state or of the municipal property, such an enterprise shall preserve the right of economic management to the property, belonging to it.

2. When the right of the ownership to the institution is transferred to another person, this institution shall preserve the right of operation management with respect to the property, belonging to it.

Chapter 20. Protection of the Right of Ownership and Other Rights of Estate

Article 301. Reclamation of the Property from Another Person's Adverse Possession

The owner shall have the right to reclaim his property from another person's adverse possession.

Article 302. Reclamation of the Property from the Bona Fide Acquirer

1. If the property has been purchased for a price from the person, who had no right to alienate it, of which the acquirer has been unaware and could not have been aware (the bona fide acquirer, or the acquirer in good faith), the owner shall have the right to reclaim this property from the acquirer, if the said property was lost by the owner or by the person, to whom the owner has passed the property into possession, or if it was stolen from the one or from the other, or if it has gone out of their possession in another way contrary to their will.

2. If the property has been acquired gratuitously from the person, who had no right to alienate it, the owner shall have the right to reclaim the property in any case.

3. The money, and also the securities to bearer shall not be reclaimed from the bona fide acquirer.

4. A court shall reject the claim of the civil law subject cited in **Item 1 of Article 124** of this Code for reclamation of residential premises from the good faith acquirer that is not such civil law subject in any case, if after the withdrawal of the residential premises from the plaintiff's possession three years have passed from the date of making in the state register of an entry on the right of ownership of the first good faith acquirer of the residential premises. With that, the burden of proving the circumstances indicating the acquirer's bad faith or the circumstances of withdrawal of the residential premises from the plaintiff's possession shall be borne by the civil law subject cited in Item 1 of Article 124 of this Code.

Article 303. Settlements in the Reclamation of the Property from the Adverse Possession

In reclaiming the property from another person's adverse possession, the owner shall also have the right to claim from the person, who has known, or should have known, that his possession is adverse (the possessor in bad faith), the return or the compensation of all the incomes, which he has derived, or should

have derived, over the entire period of the possession; and from the bona fide possessor - the return or the compensation of all the incomes, which he has derived, or should have derived from the moment, when he has learned, or should have learned, about the adversity of the possession or when he has received the summons by the owner's claim for the return of the property.

The possessor, both in good and in bad faith, shall in his turn have the right to claim that the owner recompense the necessary outlays for the property he has made over that period of time, for which the incomes from the property are due to the owner.

The bona fide possessor shall have the right to retain the improvements he has made in his own possession, if they can be set apart without damaging the property. If such separation of the improvements is impossible, the bona fide possessor shall have the right to claim the compensation of the outlays for the improvements he has made, but not in excess of the amount of the increment in the property's cost.

Article 304. Protection of the Owner's Rights from the Violations, Not Involved in the Deprivation of the Possession

The owner shall have the right to claim that all violations of his right be eliminated, even though these violations have not entailed the deprivation of the possession.

Article 305. Protection of the Rights of the Possessor, Who Is Not the Owner

The rights, stipulated by **Articles 301-304** of the present Code, shall also belong to the person, who, even though he is not the owner but possesses the property by the right of the inherited life possession, the economic management, the operation management or on other grounds, stipulated by the law or by the contract. This person shall have the right to the protection of his possession also against the owner.

Article 306. The Consequences of the Termination of the Right of Ownership by Force of the Law

If the Russian Federation passes the law, terminating the right of ownership, the losses, inflicted upon the owner as a result of the adoption of this act, including the cost of the property, shall be recompensed by the state. The disputes on the compensation for the losses shall be resolved by the court.

Section III. The General Part of the Law of Obligation

Subsection 1. The General Provisions on Obligations

Chapter 21. The Concept of an Obligation

Article 307. The Concept of an Obligation

1. By virtue of an obligation, a person (the debtor) is obliged to make in favour of another person (the creditor) a certain action, such as: to transfer property, to perform a job, to render a service, to make a contribution to joint activities, to pay money, etc., or to abstain from a certain action, while the creditor has the right to demand of the debtor execution of the obligation thereof.

2. Obligations shall originate from an agreement and other transactions, as a result of the infliction of harm or of unjust enrichment, as well as on other grounds indicated in the present **Code**.

3. When establishing or discharging an obligation and after its termination, the parties are bound to act in good faith taking into account the rights and legitimate interests of each other and mutually rendering necessary assistance to attaining the purpose of the obligation, as well as providing the necessary information to each other.

Article 307.1. Application of General Provisions on Obligations

1. The general provisions on obligations (this subsection) shall apply to the obligations resulting

from a contract (contractual obligations), if not otherwise provided for by the rules in respect of individual kinds of contracts contained in this Code and other laws or, in the absence of such special rules, by the general provisions on a contract (**Subsection 2 of Section III**).

2. The general provisions on obligations (this subsection) shall apply to the obligations resulting from the infliction of harm and to the obligations resulting from unjust enrichment, if not otherwise provided for by accordingly the rules of **Chapters 59 and 60** of this Code or does not result from the essence of the existing relations.

3. Insofar as not otherwise established by this Code, other laws or results from the essence of the existing relations, the general provisions on obligations (this subsection) shall apply to the claims:

- 1) originating from corporate relations (**Chapter 4**);
- 2) connected with application of the effects of a transaction's invalidity (**Paragraph 2 of Chapter 9**).

Article 308. The Parties to an Obligation

1. One or several persons simultaneously may take part in the obligation in the capacity of each of its parties.

The invalidity of the creditor's claims against one of the persons, participating in the obligation on the side of the debtor, the same as the expiry of the term of the limitation of actions by the claim against such a person, shall not of themselves have a bearing on his claims against the rest of these persons.

2. If each of the parties by the contract shall bear a duty in favour of the other party, it shall be regarded as the debtor of the other party by what it is obliged to do in its favour, and simultaneously as its creditor by what it has the right to claim from it.

3. The obligation shall not create the duties for the persons, who do not participate in it in the capacity of the parties (for third parties).

In the cases, stipulated by the law, by other legal acts or by an agreement between the parties, the obligation may create for third parties the rights with respect to one or to both parties of the obligation.

Article 308.1. Alternative Obligation

1. As alternative shall be deemed an obligation under which the debtor is bound to make one of two or several actions (to abstain from making actions) to be chosen by the debtor, if a law, other legal acts or contract do not grant the right of choice to the creditor or a third party.

2. From the time when the debtor (creditor, third parties) makes the choice thereof, an obligation shall cease to be an alternative.

Article 308.2. Optional Obligation

As optional obligation shall be deemed an obligation under which the debtor is granted the right to replace the principal execution by another (optional) execution provided for by the terms of the obligation. If the debtor has exercised the right thereof to replace the execution provided for by the terms of an obligation, the creditor is bound to accept from the debtor the appropriate execution of the obligation.

Article 308.3. The Protection of the Creditor's Rights under an Obligation

1. In the event of the debtor's failure to execution an obligation, the creditor is entitled to demand judicially the execution of the obligation in kind, if not otherwise provided for by this Code, other laws or the contract or results from the essence of the obligation. A court is entitled at the creditor's request, in the event of failure to execute the cited judicial act, to award a monetary sum thereto (**Item 1 of Article 330**) to be fixed by the court on the basis of the principles of fairness, proportionality and inadmissibility of deriving profit from unlawful or unfair conduct (**Item 4 of Article 1**).

2. The protection by the creditor of the rights thereof in compliance with **Item 1** of this article shall not relive the debtor of the liability for failure to execute or improper execution of an obligation (**Chapter 25**).

Chapter 22. The Discharge of Obligations

Article 309. The General Provisions

Obligations shall be discharged in the proper way in conformity with the terms of the obligation and with the requirements of the law and other legal acts, and in the absence of such terms and requirements - in conformity with the customs or other habitually presented demands.

The terms of a deal may provide for the discharge by its parties of the obligations resulting from it, when definite circumstances occur, without an additional separately expressed declaration of will by the parties thereof aimed at the discharge of an obligation by way of using the information technologies determined by the terms of the deal.

Article 309.1. A Creditors' Agreement on the Order of Satisfaction of Their Claims against the Debtor

1. Creditors of the same debtor in respect of homogeneous obligations may conclude an agreement on the order of satisfaction of their claims against the debtor, in particular on the order of their satisfaction and on disproportional distribution of their execution. The parties to the cited agreement are bound not to take actions aimed at receiving execution from the debtor in defiance of the terms of the cited agreement.

2. The execution received by one of the creditors in defiance of the terms of the agreement made by creditors on the order of satisfaction of their claims against the debtor is subject to transfer to the creditor under another obligation in compliance with the terms of the cited agreement. The creditor that has transferred the execution received from the debtor to another creditor shall obtain the latter's claim against the debtor in the appropriate part thereof.

3. The creditors' agreement on the order of satisfaction of their claims against the debtor shall not create any duties for persons that do not participate in it the parties thereto, including for the debtor (**Article 308**).

Article 309.2. Outlays on the Execution of Obligations

The debtor shall bear the outlays on the execution of an obligation if not otherwise provided for by a law, other legal acts or contract or results from the essence of an obligation, customs and other normally made claims.

Article 310. Inadmissibly of the Unilateral Refusal to Execute an Obligation

1. The unilateral refusal to execute an obligation and unilateral amendment of its terms shall not be permitted, except as provided for by this Code, other laws or other legal acts.

2. Unilateral amendment of the terms of an obligation connected with the exercise of business activities by all the parties thereto or the unilateral refusal to execute this obligation is only allowed as provided for by this Code, other laws, other legal acts or the contract.

Where the execution of an obligation is not connected with the exercise of business activities by all the parties thereto, the right to unilaterally amend the terms thereof or to refuse to execute the obligation may be granted by a contract solely to the party which is not engaged in business activities, except when a law or other legal act provides for the possibility of granting such right by a contract to some other party.

3. The right provided for by this Code, other law, other legal act or contract to unilaterally refuse to execute an obligation connected with the exercise of business activities by the parties or the right to unilateral amendment of the terms of such obligation may be caused as agreed by the parties by a need for payment of a definite sum of money to another party to the obligation.

Article 311. Discharge of the Obligation by Parts

The creditor shall have the right not to accept the discharge of the obligation by parts, unless otherwise stipulated by the law, other legal acts and by the terms of the obligation, and does not follow from the customs or from the substance of the obligation.

Article 312. Discharge of the Obligation to the Proper Person

1. Unless otherwise stipulated by the agreement between the parties and follows from the customs, or from the substance of the obligation, the debtor shall have the right, while discharging the obligation, to demand proofs of the fact that the discharge is accepted by the creditor himself or by the person he has authorized for this purpose, and shall take the risk of the consequences of his failure to present such a demand.

2. If the creditor's representative acts on the basis of the powers contained in a document made in simple written form, the debtor is entitled not to execute an obligation for the given representative pending the receipt of proof of the authority thereof from the person being represented, in particular pending presentation by the representative of a power of attorney attested and certified by a notary, except as cited in a law or except when the authorization in writing has been directly provided by the creditor to the debtor (**Item 3 of Article 185**) or when the powers of the creditor's representative are contained in the contract made by the creditor and the debtor (**Item 4 of Article 185**).

Article 313. The Execution of an Obligation by a Third Party

1. The creditor is bound to accept the execution offered for the debtor by a third party, if the execution of the obligation is imposed by the debtor on the third party.

2. If the debtor has not imposed the execution of an obligation upon a third party, the creditor is bound to accept the execution offered for the debtor by such third party in the following instances:

- 1) the debtor has delayed in discharging a pecuniary obligation;
- 2) such third party is in danger of forfeiting the right thereof to the debtor's property as a result of levying execution against this property.

3. The creditor is not bound to accept the execution offered for the debtor by a third party, if it follows from a law, other legal acts, terms of the obligation or from the essence thereof that the obligation must be executed by the debtor in person.

4. Where in compliance with this article the execution of an obligation by a third party is allowed, the latter is also entitled to execution of the obligation by depositing the debt with a notary or of setting it off subject to the rules established by this Code for the debtor.

5. The creditor's rights under an obligation shall pass to a third party that has executed the debtor's obligation in compliance with **Article 387** of this Code. If only a part of the creditor's rights under an obligation has passed over to a third party, they may not be used by the latter to the detriment of the debtor, in particular such rights have no priority when they are satisfied on account of the securing obligation or when the debtor does not have enough assets for satisfying claims in full.

6. If a third party has discharged a debtor's duty which is not a pecuniary one, such person shall bear the liability instead of the debtor with respect to creditors established for the given obligation for drawbacks in the execution.

Article 314. The Term for Executing an Obligation

1. If an obligation provides for or allows the fixing of the date of its execution or the time period within which it must be executed (including if this period is counted from the time of discharge of duties by the other party or of the occurrence of other circumstances provided for by law or contract), the obligation is subject to execution on this date or, accordingly, at any time within such time period.

2. Where an obligation does not provide for the time of its execution and does not contain the conditions enabling one to fix this time, as well as when the term of the obligation's execution is determined by the time of raising a claim, the obligation shall be executed within seven days from the date when the creditor makes a claim for its discharge, if the duty to discharge it at a different time is not provided for by a law, other legal acts, conditions of the obligation or does not follow from customs or the essence of the obligation. If the creditor fails within a reasonable time period to claim for the execution of such obligation, the debtor is entitled to demand that the creditor accept the execution, if not otherwise provided by a law, other legal acts, conditions of the obligation or arises from customs or the essence of the obligation.

Article 315. Advanced Discharge of the Obligation

The debtor shall have the right to discharge the obligation in advance of the deadline, unless otherwise stipulated by the law, other legal acts or by the terms of the obligation or follows from its substance. However, an advanced discharge of the obligations, involved in the performance by its parties of the business activity, shall be admitted only in the cases, when the possibility to discharge the obligation before the fixed date has been stipulated by the law, other legal acts or by the terms of the obligation, or follows from the customs or from the substance of the obligation.

Article 316. The Place of Discharging an Obligation

1. If the place of executing an obligation is not established by a law, other legal acts or contract, is not clear from customs or the essence of the obligation, the execution shall be effected:

in respect of an obligation to transfer a land plot, building, construction or other immovable property - at the location of such property;

in respect of an obligation to transfer goods or other property providing for their carriage - at the place of the property's delivery to the first carrier for its transportation to the creditor;

in respect of other obligations of a businessman to transfer goods or other property - at the place of the property's manufacture or storage, if this place was known to the creditor at the time of the obligation's origination;

in respect of a pecuniary obligation to pay money in cash - at the place of the creditor's residence at the time of the obligation's origination or, if the creditor is a legal entity, at its location at the time of the obligation's origination;

in respect of a pecuniary obligation to pay money on a cashless basis - at the location of the bank (of its affiliate or subdivision) that is serving the creditor, if not otherwise provided for by law;

in respect of other obligations - at the debtor's place of residence or, if the debtor is a legal entity, at the location thereof.

2. If after the origination of an obligation the place of its execution has changed, in particular the place of residence of the debtor or creditor, the party upon which such change depended is bound to compensate the other party for additional outlays, as well as shall assume the additional risks connected with the change of the place of the obligation's execution.

Article 317. The Currency of the Pecuniary Obligations

1. The pecuniary obligations shall be expressed in roubles (**Article 140**).

2. In the pecuniary obligation it may be stipulated that it shall be liable to the payment in roubles in the amount, equivalent to the definite amount in the foreign currency, or in the agreed monetary units (ECU, the "special borrowing rights", etc.). In this case, the amount liable to the payment in roubles shall be defined in conformity with the official exchange rate of the corresponding currency or of the conventional monetary units by the day of the payment, unless another exchange rate or another day of its formulation has been established by the law or by the parties' agreement.

3. The use of the foreign currency and also of the payment documents in the foreign currency on the territory of the Russian Federation by obligations shall only be admitted in the cases, in the order and on the terms, defined by the law or established in conformity with the procedure, laid down by it.

Article 317.1. Interest on a Pecuniary Obligation

1. Where a law or contract stipulates that interest is to be charged on the amount of a pecuniary obligation for the period while monetary assets are being used, the rate of interest shall be determined by the **key rate** of the Bank of Russia (legal interest) that was in effect in appropriate periods, unless another rate of interest is fixed by law or contract.

2. The clause of an obligation that provides for charging interest on interest shall be deemed null and void, except for the clauses of the obligations originating from bank deposit contracts and from contracts

connected with the exercise of business activities by the parties.

Article 318. The Increase of the Amounts to Be Paid for a Citizen's Support

If not otherwise provided for by a law, the amount to be paid under a pecuniary obligation directly for support of a citizen, in particular to repair harm inflicted upon the life or health thereof or under a contract of life-long support, shall be increased in proportion to an increase of the amount of the minimum subsistence level fixed in compliance with law.

Article 319. Priority for Satisfaction of Claims under the Monetary Obligation

The amount of the effected payment, insufficient for the discharge of the pecuniary obligation in full, in the absence of another agreement, shall first of all cover the creditor's expenses, involved in the enforcement of the discharge, then - the interest, and in the remaining part - the basic amount of the debt.

Article 319.1. Satisfaction of Claims in Respect of Homogeneous Obligations

1. If the execution effected by the debtor is not sufficient for satisfaction of all the debtor's homogeneous obligations with respect to the creditor, the execution shall be counted against the obligation specified by the debtor when it is being executed or without any delay after the execution.

2. If not otherwise provided for by law or the agreement made by the parties, when the debtor has not specified against which of the homogeneous obligations the execution has been effected and among such obligations there are those for which the creditor has security, the execution shall be counted against the obligations for which the creditor has no security.

3. If not otherwise provided for by law or the agreement made by the parties, when the debtor has not specified against which of homogeneous obligations the execution has been effected, as the priority shall be deemed the obligation which is mature or which is the earliest to become mature, or if the time of an obligation's execution is not fixed, then the obligation that was the first to originate. If the time of obligations execution is the same, the execution shall be counted proportionally for satisfaction of all the homogeneous claims to be satisfied.

Article 320. The Execution of an Alternative Obligation

1. If the debtor under an alternative obligation (**Article 308.1**) enjoying the right of choice has not made a choice within the time period fixed for it, in particular by way of executing an obligation, the creditor at the choice thereof is entitled to demand that the debtor take an appropriate action or abstain from taking an action.

2. If the right of choice in respect of an alternative obligation (**Article 308.1**) is granted to the creditor or to a third party and such creditor or third party has not made a choice within the time period fixed for it, the debtor shall execute the obligation at the choice thereof.

Article 320.1. The Execution of an Optional Obligation

1. If the debtor in respect of an optional obligation (**Article 308.2**) has not started the principal execution by the time fixed, the creditor is entitled to demand the principal execution of the obligation.

2. The rules for execution of an alternative obligation (**Article 320**) may be applied to an obligation that provides for the debtor taking one of two or several actions, if it may not be recognized as an optional obligation.

Article 321. Discharge of the Obligation, in Which Several Creditors or Several Debtors Participate

If several creditors or several debtors take part in the obligation, each of the creditors shall have the right to claim the discharge, and each of the debtors shall be obliged to discharge the obligation in an equal share with the others, unless otherwise following from the law, other legal acts, or from the terms of the obligation.

Article 322. Joint Obligations

1. The joint duty (the liability), or the joint claim shall arise, if the joint nature of the duty or of the claim has been stipulated by the contract or has been established by the law, in particular, in the case of the indivisibility of the object of the obligation.

2. The duties of several debtors by the obligation, involved in the business activity, the same as the claims of several creditors in such an obligation, shall be joint ones, unless otherwise stipulated by the law, other legal acts, or by the terms of the obligation.

Article 323. The Creditor's Rights in the Joint Duty

1. In case of the debtors' joint duty, the creditor shall have the right to claim the discharge both from all the debtors jointly, and also from any one of them taken apart, and both in full and in the part of the debt.

2. The creditor, who has not been fully satisfied by one of the joint debtors, shall have the right to claim the rest from the joint debtors.

The joint debtors shall stay obligated until the moment, when the obligation has been discharged in full.

Article 324. Objections to the Creditor's Claims in the Joint Duty

In the case of the joint duty, the debtor shall not have the right to put forward against the creditor's claims the objections, which are based on such relations of other debtors with the creditor, in which the said debtor does not participate.

Article 325. Discharge of the Joint Duty by One of the Debtors

1. The discharge of the joint duty in full by one of the debtors shall absolve the rest of the debtors from the discharge toward the creditor.

2. Unless otherwise following from the relations between the joint debtors:

1) the debtor, who has discharged the joint duty, shall have the right of the claim of regress to the rest of the debtors in equal shares, less his own share;

2) that which has not been paid by one of the joint debtors to the debtor, who has discharged the joint duty, shall fall in equal shares on this debtor and on the rest of the debtors.

3. The rules of the present Article shall be applied correspondingly to the termination of the joint obligation by offsetting the claim of regress, filed by one of the debtors.

Article 326. The Joint Claims

1. In the case of the joint claims, any of the joint creditors shall have the right to present to the debtor the claim in the full volume.

Before the claim has been presented by one of the joint creditors, the debtor shall have the right to discharge the obligation toward any one of them at his own discretion.

2. The debtor shall not have the right to put forward the objections against the claim of one of the creditors, that are based on such relations of the debtor with the other joint creditor, in which the given creditor does not take part.

3. The discharge of the obligations in full toward one of the creditors shall absolve the debtor from the discharge toward other creditors.

4. The joint creditor, who has accepted the discharge from the debtor, shall be obliged to recompense what is due to other creditors in equal shares, unless otherwise following from the relations between them.

Article 327. Discharge of the Obligation by Placing the Debt on a Deposit

1. The debtor shall have the right to place the money or the securities he owes on the notary's deposit, and in the law-established cases - on the court's deposit, if the obligation cannot be discharged by the debtor on account of:

1) the absence of the creditor or of the person, whom he has authorized to accept the discharge of the obligation, at the place, where the obligation shall be discharged;

- 2) the creditor's legal incapacity and his having no substitute;
- 3) an obvious absence of any certainty about who is the creditor by the obligation, in particular, in connection with the dispute on this issue arising between the creditor and other persons;
- 4) the creditor's avoidance of accepting the discharge of the obligation or any other delay on his part.

1.1. Invalid from June 1, 2018 - **Federal Law** No. 120-FZ of May 23, 2018.

2. The placing of the sum of money or of the securities on the notary's or on the court's deposit shall be regarded as the discharge of the obligation.

The notary or the court, on whose deposit the money or the securities have been placed, shall notify about this the creditor.

3. At any time before the creditor receiving money or securities from a notary's deposit or from court the debtor is entitled to demand the return of such money or securities thereto, as well as the income derived from them. In the event of return to the debtor of execution under an obligation, the debtor shall not be deemed as having executed the obligation.

4. In the event of transferring to a notary for depositing movable articles (including cash money, certified securities and documents), non-cash monetary assets or uncertified securities on the basis of a joint application of the creditor and debtor, the rules in respect of a conditional depositing (escrow) agreement are subject to application to such relations, unless otherwise provided for by the **legislation** on the notariate and notarial activity.

Article 327.1. The Conditional Execution of an Obligation

The execution of the duties, as well as the exercise, change and termination of definite rights under a contractual obligation, may be conditional on one of the parties to the obligation taking or not taking definite actions or on the occurrence of other circumstances provided for by the contract, including fully dependent on the will of one of the parties.

Article 328. The Counter-Execution of an Obligation

1. As counter-execution shall be deemed execution of an obligation by one of the parties which is conditional on execution by the other party of the obligations thereof.

2. In the event of failure of the liable party to provide execution of an obligation or where there are the circumstances clearly showing that such execution will not be provided in due time, the party which is responsible for providing counter-execution is entitled to suspend execution of the obligation thereof or to refuse to execute this obligation and to demand compensation for losses.

If the obligation provided for by a contract is not executed in full, the party which is responsible for counter-execution is entitled to suspend execution of the obligation thereof or to deny execution in the part thereof corresponding to the execution which is not provided.

3. None of the parties to an obligation whose terms provide for counter-execution is entitled to demand execution judicially without providing that for which it is liable with respect to the other party under the obligation.

4. The rules provided for by **Items 2 and 3** of this article shall apply if not otherwise provided for by law or contract.

Chapter 23. Providing for the Discharge of Obligations

§ 1. The General Provisions

Article 329. Ways of Securing the Execution of Obligations

1. The execution of obligations may be secured by forfeit, pledge, retention of the debtor's property, suretyship, independent guarantee, earnest money, security payment and in other ways provided for by law

or contract.

2. The invalidity of an agreement on securing the execution of an obligation shall not entail the invalidity of the agreement from which the principal obligation has originated.

3. In the event of invalidity of the agreement from which the principal obligation has originated, as secured shall be deemed the duties involved in the return of the property which are connected with the effects of such invalidity.

4. The termination of the principal obligation shall entail the termination of the obligation securing it, if not otherwise provided for by law or contract.

§ 2. The Forfeit

Article 330. The Concept of the Forfeit

1. The forfeit (the fine, the penalty) shall be recognized as the sum of money, defined by the law or by the agreement, which the debtor is obliged to pay to the creditor in case of his non-discharge, or an improper discharge, of the obligation, in particular, in the case of the delay of the discharge. By the claim for the payment of the forfeit, the creditor shall not be obliged to prove that the losses have actually been inflicted upon him.

2. The creditor shall not have the right to claim the payment of the forfeit, if the debtor is not responsible for the non-discharge or an improper discharge of the obligation.

Article 331. The Form of the Agreement on the Forfeit

The agreement on the forfeit shall be made out in written form, irrespective of the form of the principal obligation.

The non-observance of the written form shall entail the invalidity of the agreement on the forfeit.

Article 332. The Legal Forfeit

1. The creditor shall have the right to claim the payment of the forfeit, defined by the law (the legal forfeit), irrespective of whether the obligation for its payment has been stipulated by the agreement between the parties.

2. The amount of the legal forfeit may be increased by the agreement between the parties, unless it is prohibited by the law.

Article 333. The Reduction of the Forfeit

1. If the forfeit to be paid is obviously out of proportion as compared to the effects of the obligation's violation, a court shall have the right to reduce the forfeit. If an obligation is violated by a person engaged in business activities, the court is entitled to reduce the forfeit if the debtor applies for such reduction.

2. The forfeit's reduction determined by an agreement and subject to payment by a person engaged in business activities shall be allowed in exceptional instances, if it is proved that the recovery of the forfeit in the amount provided for by the agreement may lead to the creditor receiving unjustified profit.

3. The rules of the present Article shall not infringe upon the debtor's right to the reduction of the volume of liability thereof on the grounds of **Article 404** of the present Code and upon the creditor's right to the compensation for losses where it is stipulated by **Article 394** of the present Code.

§ 3. Pledge

1. General Provisions on Pledge

Article 334. The Concept of Pledge

1. By virtue of a pledge the creditor under an obligation secured with the pledge (pledgee) has the right, in the event of the debtor's default on or improper performance of this obligation, to receive

satisfaction from the value of the pledged property (the subject of pledge) preferentially before other creditors of the person to whom the pledged property belongs (pledgor).

In the cases and procedure envisaged by law the pledgee's claim may be satisfied by means of transferring the subject of pledge to the pledgee (its being left with the pledgee).

2. Also the pledgee has the right to receive satisfaction of the pledge-secured claim preferentially before other creditors of the pledgor at the expense of:

an insurance indemnity for the loss or damage of the pledged property, no matter for whose benefit it has been insured, unless the loss or damage was due to the causes for which the pledgee is responsible;

an indemnity which is due to the pledgor and is provided in place of the pledged property, for instance if the pledgor's right of ownership in respect of the property serving as the subject of pledge is terminated on the grounds and in the procedure which are established by law as a result of taking (purchase) for state or municipal needs, requisition or nationalisation and also in other cases envisaged by law;

incomes from the use of the pledged property by third parties due to the pledgor or pledgee;

property due to the pledgor when a third party performs an obligation in respect of which the right of claiming the performance thereof is the subject of pledge.

In the cases mentioned in **Paragraphs 2 - 5** of the present item the pledgee has the right of claiming the sum of money due to him or other property directly from the obligated person, except as otherwise envisaged by a law or contract.

3. Except as otherwise envisaged by a law or the contract, if the sum of proceeds from the levy of execution on the pledged property is insufficient for redeeming the claim the pledgee is entitled to satisfy his claim in as much as the unredeemed portion is concerned with other property of the debtor, without using the preferential treatment based on the pledge.

If the sum of proceeds from levy of execution on the pledged property exceeds the amount of the pledgee's pledge-secured claim the difference shall be refunded to the pledgor. An agreement on the pledgor's waiving the right of receiving said difference is null and void.

4. Specific kinds of pledge (**Articles 357 - 358.17**) are subject to general provisions on pledge, except as otherwise envisaged by the rules of the present Code on these kinds of pledge.

The pledge of immovable property (mortgage) is subject to the rules of the present Code on rights in rem, and where it is not regulated by said rules and the **law** on mortgage, general provisions on pledge.

5. Except as otherwise ensues from the essence of the relationships of a pledge, the creditor or another empowered person in whose interests a ban has been imposed on the disposal of a property (**Article 174.1**) has the rights and duties of pledgee in respect of that property from the time when the court's decision upholding the claims of such creditor or other empowered person becomes final. The priority rating for satisfying said claims shall be defined in accordance with the provisions of **Article 342.1** of this Code as of the date on which the relevant ban is deemed to emerge.

Article 334.1. Grounds for the Emergence of a Pledge

1. A pledge between a pledgor and a pledgee shall arise on the basis of a contract. In the cases established by law a pledge comes into being upon the onset of the circumstances specified by law (pledge on the basis of law).

2. The rules of this Code on pledge on the basis of law are applicable to a pledge that has arisen on the basis of law, except as otherwise established by law.

3. When a pledge arises on the basis of law the pledgor and the pledgee are entitled to conclude an agreement regulating their relationships. Such agreement is subject to the rules of the present Code on the form of a contract of pledge.

Article 335. Pledgor

1. Either the debtor proper or a third party may be a pledgor.

If a third party is a pledgor the relationships between the pledgor, debtor and pledgee are subject to the rules of **Articles 364 - 367** of the present Code, except as otherwise envisaged by law or an agreement

between the relevant persons.

2. The right of putting an item in pledge belongs to the owner of the item. In the cases envisaged by the present Code the person having another right in rem may put the thing in pledge.

If an item has been put in the pledge of a pledgee by a person who was not its owner or who was not properly empowered to dispose of the property, about which fact the pledgee did not know and could not know (bona fide pledgee), the owner of the pledged property has the rights and duties of pledgor envisaged by the present Code, other laws and the contract of pledge.

The rules envisaged by **Paragraph 2** of the present Item are not applicable if an item that was put in pledge had been lost before that by the owner or by the person to whom the thing had been handed over by the owner for possession or had been stolen from that or another person or had ceased to be in their possession otherwise beyond their will.

3. If the subject of pledge is a piece of property whose alienation required the consent or permission of another person or of an empowered body the same consent or the same permission is required for putting that piece of property in pledge, save for cases when a pledge arises by virtue of law.

4. If the pledgor's property being the subject of pledge has been transferred in line of succession to several persons each of the successors (acquirers of property) shall bear the consequences -- ensuing from the pledge -- of a default on performing the pledge-secured obligation commensurately to the part of said property that has been transferred thereto. If the subject of pledge is indivisible or remains on other grounds in the common ownership of the successors they shall become solidary co-pledgers.

Article 335.1. Co-Pledgees

1. In the cases envisaged by a law or a contract the subject of pledge may be in the pledge of several persons which have equal rights in terms of seniority of pledgees (referred to as "co-pledgees") as security for the performance of the various obligations under which the co-pledgees are independent creditors.

Except as otherwise established by law or an agreement between the co-pledgees, each of them shall independently exercise the rights and duties of a pledgee. In the event of levy of execution on the subject of pledge held in the pledge of the co-pledgees the rules of **Items 2 and 6 of Article 342.1** of the present Code shall be applied.

The proceeds from the sale of the subject of pledge shall be distributed among the co-pledgees pro rata to the amounts of their claims secured with the pledge, except as otherwise envisaged by an agreement among them or ensues from the essence of the relationships among the co-pledgees.

2. Except as otherwise envisaged by law or the contract, the solidary or share creditors under the obligation secured with a pledge are solidary co-pledgees for such pledge. In the event of levy of execution on the subject of the pledge which is in the pledge of solidary co-pledgees the rules of **Item 6 of Article 342.1** of the present Code shall be applied.

The amounts of proceeds from the sale of the subject of pledge shall be distributed among the co-pledgees being solidary creditors in respect of the principal obligation, in the procedure established by **Item 4 of Article 326** of the present Code. The proceeds from the sale of the subject of the pledge shall be distributed among the co-pledgees being share creditors in respect of the principal obligation pro rata to the amounts of their claims secured with the pledge, except as otherwise envisaged by a contract among them.

Article 336. The Subject of Pledge

1. The subject of pledge may be any property, for instance things and property rights, save the property not subject to levy of execution, claims inseparably linked with the creditor's personality, inter alia claims for alimony, compensation for harm caused to life or health and other rights whose assignment to another person is prohibited by law.

The pledge of specific types of property may be restricted or prohibited by law.

2. A contract of pledge or law, in respect of a pledge arising by virtue of law, may include a provision for the pledge of a piece of property the pledgor is going to acquire in the future.

3. The fruits, products and incomes received as a result of the use of pledged property are subject to

pledge in the cases envisaged by law or a contract.

4. While concluding a contract of pledge the pledgor shall notify the pledgee in writing of all the rights of third parties to the subject of pledge he has learned about by the time of conclusion of the contract (rights in rem, rights arising from contracts of lease, loan etc.). If the pledgor has defaulted on that duty the pledgee has the right to claim early performance of the obligation secured with the pledge or amend the terms of the contract of pledge, except as otherwise envisaged by law or the contract.

Article 337. The Claim Secured with a Pledge

Except as otherwise envisaged by law or a contract, a pledge secures a claim in the amount it has at the time of satisfaction, for instance interest, forfeit money, compensation for losses due to late performance, and also compensation for the pledgee's necessary expenses required to maintain the subject of pledge and related to levy of execution on the subject of pledge and realisation of expenses incurred.

Article 338. Possessing the Subject of Pledge

1. The pledged property shall remain with the pledgor, except as otherwise envisaged by the present Code, another law or the contract.

2. The subject of pledge may remain with the pledgor under lock and seal of the pledgee.

The subject of pledge may remain with the pledgor, with marks testifying of the pledge (firm pledge) being applied.

3. The subject of pledge that has been handed over by the pledgor for a time to a third party for possession or for use shall be deemed retained by the pledgor.

Article 339. The Terms and Form of a Contract of Pledge

1. A contract of pledge shall specify the subject of pledge, the essence, amount and period for performance of the obligation secured with the pledge. The terms concerning the principal obligation shall be deemed agreed upon if the contract of pledge comprises reference to the contract from which the secured obligation has arisen or is going to arise in future.

In a contract of pledge the parties may include a clause on the procedure for sale of the pledged property that is subjected to levy of execution under a court's decision or a clause on the possibility of levy of execution on the pledged property in extrajudicial proceedings.

2. In a contract of pledge under which the pledgor is a person pursuing entrepreneurial activities the obligation secured with the pledge, including a future obligation, may be described in a manner allowing one to define the obligation as an obligation secured with the pledge as of the time when levy of execution takes place, for instance by means of referring to security for all existing and/or future obligations of the debtor owing the creditor within a specific sum.

In a contract of pledge under which the pledgor is a person pursuing entrepreneurial activities the subject of pledge may be described in any manner allowing one to identify the property as the subject of pledge as of the time of levy of execution, for instance by means of referring to the pledge of the entire property of the pledgor or a certain part of his property or to the pledge of property of a specific type or kind.

3. A contract of pledge shall be concluded in simple written form, unless a notarial form is established by a law or an agreement of the parties.

A contract of pledge securing performance of obligations under a contract that requires notarial certification shall be subject to notarial certification.

Failure to observe the rules in this item shall cause the invalidity of a contract of pledge.

Article 339.1. Granting State Registration to, and Keeping Record of, a Pledge

1. A pledge is subject to state registration and it comes into being from the time of such registration in the following cases:

1) if according to law the rights formalising the belonging of property to a specific person are subject to state registration (**Article 8.1**);

2) if the subject of pledge is rights of a stakeholder (founder) of a limited-liability company (**Article 358.15**).

2. Entries on the pledge of securities shall be made in accordance with the rules of the present Code and other laws on securities.

3. Information on the pledge of rights under a bank account contract shall be recorded in accordance with the rules of **Article 358.11** of the present Code.

4. The pledge of property other than immovable things, apart from the property mentioned in **Items 1 - 3** of the present article, may be recorded by means of registering notices of pledge that have been received from a pledgor or a pledgee or in the cases established by the **legislation** on the notarial profession from another person in a register of notices of the pledge of such property (a register of notices of the pledge of movable property). A register of notices of the pledge of movable property shall be kept in the procedure established by the **legislation** on the notarial profession.

In the event of modification or termination of a pledge in respect of which a notice of pledge has been registered the pledgee shall send a notice in the procedure established by the legislation on the notarial profession concerning the modification of the pledge or the removal of information on the pledge within three working days after the time when he learned or should have learned on the modification or termination of the pledge. In the cases envisaged by the legislation on the notarial profession a notice of modification of a pledge or of removal of information on a pledge shall be sent by another person mentioned in law.

In relations with third parties the pledgee has the right of citing his right of pledge only from the time of the entry whereby the pledge is recorded, save cases when a third party knew or should have known of the existence of the pledge before that. The lack of a record-keeping entry shall not affect the relationship of the pledgor with the pledgee.

Article 340. Value of the Subject of Pledge

1. The value of the subject of pledge shall be defined by an agreement of the parties, except as otherwise envisaged by law.

2. Except as otherwise envisaged by law or the contract, a variation in the market value of the subject of pledge after the conclusion of the contract of pledge or the emergence of a pledge by virtue of law shall not be deemed grounds for modification or termination of the pledge.

Contractual terms envisaging the extension of the pledge to other property, early repayment of the loan or other consequences unfavourable for the pledgor in connection with a subsequent fall in the market value of the subject of pledge that secures a citizen's undertaking to repay a consumer or mortgage loan shall be deemed null and void.

3. Except as otherwise envisaged by law, an agreement of the parties or a court's decision on levy of execution on pledged property the value of the subject of pledge agreed upon by the parties shall be deemed the price of sale (initial selling price) of the subject of pledge when it is subjected to levy of execution.

Article 341. The Emergence of a Pledge

1. The rights of a pledgee in relationships with a pledgor shall come into being as of the time when a contract of pledge is concluded, except as otherwise established by a contract, the present Code and other laws.

2. If the subject of pledge is a property that is going to be created or acquired by the pledgor in future a pledge shall come into being for the pledgee as of the time when the relevant property is created or acquired by the pledgor, save cases when a law or the contract provide that it comes into being at another time.

3. If the principal obligation secured with a pledge will emerge in the future after the conclusion of a contract of pledge then a pledge shall come into being as of the time defined by the contract but not before the occurrence of that obligation. From the time of conclusion of such contract of pledge the relationships of the parties are subject to the provisions of **Articles 343 and 346** of the present Code.

4. A law concerning the pledge of immovable property may include a provision according to which a

pledge is deemed to have come into being, to exist and be terminated irrespective of the emergence, existence and termination of the secured obligation.

Article 342. Correlation of Preceding and Subsequent Pledges (Seniority of Pledges)

1. If property that has been put in pledge becomes the subject of another pledge to secure other claims (subsequent pledge) the claims of the subsequent pledgee shall be satisfied with the value of that property after the claims of the preceding pledgees.

The seniority of pledges may be changed:

by agreement between the pledgees;

by agreement between one, several or all the pledgees and the pledgor.

In any case said agreements shall not affect the rights of third parties not being party to said agreements.

2. A subsequent pledge is admissible, except as otherwise established by law.

If a preceding contract of pledge envisaged terms on which a subsequent contract of pledge may be concluded such contract of pledge is to be concluded with said terms being observed. If said terms are not observed the preceding pledgee has the right to claim compensation from the pledgor for the losses caused by that.

3. A pledgor shall provide each subsequent pledgee with details concerning all existing pledges of the property which are envisaged by **Item 1 of Article 339** of the present Code and be accountable for the losses caused to subsequent pledgees due to default on that duty, unless he proves that the pledgee knew or should have known on the preceding pledges.

4. The pledgor that has concluded a subsequent contract of pledge shall immediately notify accordingly the pledgees of the preceding pledges and provide details, which are envisaged by **Item 1 of Article 339** of the present Code, on their demand concerning the subsequent pledge.

5. If a subsequent contract of pledge has been concluded in breach of the terms envisaged for it by a preceding contract of pledge, about which the pledgee of the subsequent contract knew or should have known, his claims to the pledgor shall be satisfied with account being taken of the terms of the preceding contract of pledge.

6. A modification of a preceding contract of pledge after the conclusion of a subsequent contract of pledge, if the subsequent contract of pledge is concluded in the observance of the terms envisaged for it by the preceding contract of pledge or such terms have not been envisaged by the preceding contract of pledge, shall not affect the rights of the subsequent pledgee on the condition that such modification causes a deterioration in security for its claim and is done without the consent of the subsequent pledgee.

Article 342.1. Priority Ranking for Meeting Pledgees' Claims

1. Except as otherwise envisaged by the present Code or another law the priority ranking for meeting claims of pledgees shall be established depending on the time of emergence of each pledge.

Irrespective of the time of emergence of a pledge, if it is proven that the pledgee at the time of conclusion of the contract or at the time of occurrence of the circumstances with which a law links the emergence of a pledge knew or should have known of the existence of the preceding pledgee the claims of such preceding pledgee shall be met preferentially.

2. In the event of levy of execution on a pledged property by a preceding pledgee the subsequent pledgee has the right to demand from the debtor early performance of the obligation secured with the subsequent pledge, and if it is defaulted on to collect the pledged property simultaneously with the preceding pledgee. The contract between the pledgor and the subsequent pledgee may restrict the right of such pledgee to demand early performance of the obligation secured with the subsequent pledge from the debtor.

3. A claim secured with a subsequent pledge is not subject to early satisfaction if the pledged property remaining after the collection by the preceding pledgee is sufficient for meeting the claims of the subsequent pledgee.

4. Unless the subsequent pledgee has used the right of demanding early performance of an

obligation, or if such right has been restricted by an agreement in keeping with **Item 2** of this article, the subsequent pledge shall be terminated, save in the cases envisaged by **Item 3** of the present article.

5. If two or more contracts of pledge or other transactions causing the emergence of a pledge have been concluded in respect of a pledged property not deemed immovable, and it is impossible to find out which of the transactions was concluded first then the pledgees' claims in respect of such pledges shall be satisfied pro rata to the amounts of pledge-secured obligations.

6. In the event of levy of execution on a pledged property relating to claims secured with a subsequent pledge the preceding pledgee has the right simultaneously to demand early performance of the pledge-secured obligation and levy of execution on that property. Unless the pledgee under the preceding contract of pledge has used that right, the property subjected to levy of execution in respect of the claims secured with the subsequent pledge shall be transferred to its acquirer with the encumbrance of the preceding pledge.

7. Before levy of execution on the property the pledge of which has secured claims relating to the preceding and the subsequent pledges the pledgee intending to present his claims for collection shall notify accordingly all the pledgees of the same property he knows about in writing.

The pledgor to which a claim for levy of execution on the pledged property has been presented by one of the pledgees shall notify all other pledgees of the same property in writing accordingly.

8. After the distribution of the amounts of proceeds from the sale of a pledged property among all the pledgees of the sold-up pledged property who have announced their claims for collection the amounts of forfeit money, losses and other penalties due to the pledgee in accordance with the terms of a security-backed obligation shall be distributed according to the priority ranking. Another priority ranking may be established for the distribution of the amounts of forfeit money, losses and other penalties in accordance with laws on securities.

9. The rules established by the present article shall not be applicable if the pledgee in the preceding and the subsequent pledges is one and the same person. In this case the claims secured with each of the pledges shall be satisfied in order of precedence that corresponds to the due dates of pledge-secured obligations, except as otherwise envisaged by a law or an agreement of the parties.

10. In cases when a pledged property in respect of which a record of pledges is kept in accordance with **Item 4 of Article 339.1** of the present Code is the subject of several pledges a pledgee's claims secured with the pledge about which a record-keeping entry was made earlier shall be met preferentially over a pledgee's claims secured with the pledge of the same property about which a record-keeping entry was not made in the procedure established by law or was made later, no matter which of the pledges emerged first. Another procedure for meeting pledgees' claims may be envisaged in accordance with laws on securities.

Article 343. The Maintenance and Preservation of Pledged Property

1. Except as otherwise envisaged by a law or a contract, the pledgor or the pledgee, depending on which of them has the pledged property (**Article 338**), shall:

1) insure the pledged property against the risks of loss and damage at the expense of the pledgor for an amount not below the sum of the pledge-secured claim;

2) use and dispose of the pledged property in accordance with the rules of **Article 346** of the present Code;

3) not commit actions that can entail the loss of the pledged property or a reduction in the value thereof and shall take the measures required for the safekeeping of the pledged property;

4) take the measures required for protection of the pledged property from infringements and demands of third parties;

5) immediately notify the other party of the occurrence of the threat of loss or damage of the pledged property, claims of third parties in respect of that property and a breach of the rights to that property by third parties.

2. The pledgee and the pledgor have the right to verify the documentarily-stated and actual availability, quantity, condition and storage conditions of the pledged property which is held by the other

party, without creating unjustified hindrances for the lawful use of the pledged property.

3. In the event of a blunt non-observance by the pledgee or the pledgor of the duties specified in **Item 1** of this article creating the threat of loss or damage of the pledged property the pledgor has the right of demanding early termination of the pledge, and the pledgee to demand early performance of the pledge-secured obligation, and if it is defaulted on, levy of execution on the pledged property.

Article 344. The Consequences of Loss or Damage of Pledged Property

1. The pledgor shall bear the risk of accidental loss or accidental damage of the pledged property, except as otherwise envisaged by the contract of pledge.

2. The pledgee shall be liable to the pledgor for the full or partial loss or damage of the subject of pledge that has been transferred thereto, unless he proves that he may be held harmless in accordance with **Article 401** of the present Code.

The pledgee shall be liable for the loss of the subject of pledge in the amount of its market value, and for its damage in the amount whereby that value has been reduced, irrespective of the sum at which the subject of pledge was valued according to the contract of pledge.

If as a result of damage of the subject of pledge it has undergone such change that it cannot be used according to its direct intended purpose the pledgor has the right to reject it and demand compensation for the loss thereof from the pledgee.

Also the contract may envisage the pledgee's duty to provide the pledgor with compensation for other losses caused by the loss or damage of the subject of pledge.

3. The pledgor being a debtor in respect of a pledge-secured obligation has the right to accept a claim against the pledgee for compensation of losses caused by the loss or damage of the subject of pledge to set off an obligation secured with the pledge, for instance before the onset of the due date of that obligation and when early performance of the obligation is not admissible.

Article 345. Replacing and Restoring the Subject of Pledge

1. By agreement of the pledgor and the pledgee the subject of pledge may be replaced with other property.

2. Irrespective of the pledgor's or pledgee's consent the following shall be deemed to be in pledge:

1) the new property that belongs to the pledgor and has been created or has come into being as a result of processing or another modification of the pledged property;

2) the property that has been provided to the pledgor in place of the subject of pledge in the event of the taking (purchasing) for state or municipal needs, requisition or nationalisation thereof on the grounds and in the procedure established by law, and also the right of claiming provision of property in place of the subject of pledge on said grounds;

3) the property, save amounts of money, that has been handed over to the pledgor who is a creditor by his debtor in the event of the pledge of a right (claim);

4) other property in the cases established by law.

3. If in the case envisaged by **Subitem 1 of Item 2** of the present article the replacement of the subject of pledge with other property took place as a result of the pledgor's actions committed in breach of the contract of pledge the pledgee has the right to claim early performance of the obligation secured with the pledge, and if it is defaulted on, levy of execution on the new subject of pledge.

4. If the subject of pledge has been lost or damaged due to circumstances for which the pledgee is not liable then within a reasonable period the pledgor has the right of restoring the subject of pledge or replacing it with other property of equal value, unless the contract envisages otherwise.

A pledgor who intends to use the right of restoration or replacement of the subject of pledge shall notify the pledgee in writing immediately about it. Within the period established by the contract of pledge, or if no such period is established, within a reasonable term after receiving the notice the pledgee has the right of refusing in writing the restoration or replacement of the subject of pledge, provided the previous and the new subjects of pledge are not of equal value.

5. In the cases specified in **Item 2** of the present article the property that replaces the subject of pledge, for instance a right (claim), shall be deemed being in pledge instead of the previous subject of pledge from the time when the pledgor starts to have rights to it or from the time of emergence of a right, save cases when according to law the emergence and transfer of, and putting encumbrances on, rights require state registration.

The terms of the contract of pledge and also of other agreements concluded by parties in respect of the previous subject of pledge shall be applicable to the rights and duties of the parties in respect of the new subject of pledge to the degree in which it does not contradict the nature (properties) of that subject of pledge.

In the event of replacement of the subject of pledge the seniority of rights of pledgees, for instance of those which had come into being before the provision of property as substitute for the previous subject of pledge shall not be changed.

6. Instead of replacing the subject of pledge the parties have the right of concluding a new contract of pledge. From the time of emergence of the pledgor's pledge in respect of a new subject of pledge the preceding contract of pledge is terminated.

7. A contract of pledge may have a provision for cases when the pledgor has the right to replace the subject of pledge without the pledgee's consent.

Article 346. Using and Disposing of the Subject of Pledge

1. The pledgor who retains the subject of pledge is entitled to use, except as otherwise envisaged by the contract and ensues from the essence of the pledge, the subject of pledge according to its intended purpose, including inter alia deriving fruits and income from it.

2. The pledgor has no right to alienate the subject of pledge without the consent of the pledgee, except as otherwise envisaged by law or the contract and ensues from the essence of the pledge.

If the pledgor alienates the pledged property without the consent of the pledgee the rules established by **Subitem 3 of Item 2 of Article 351, Subitem 2 of Item 1 of Article 352, Article 353** of the present Code shall be applied. Also the pledgor shall compensate for the losses caused to the pledgee as a result of the alienation of the pledged property.

3. Except as otherwise envisaged by a law or the contract of pledge the pledgor who retains the pledged property has the right of transferring the pledged property to other persons without the pledgee's consent for temporary possession or use. In this case the pledgor is not relieved from the execution of duties under the contract of pledge.

If the pledgee's consent is required for the transfer by the pledgor of the pledged property to other persons for temporary possession or use then if the pledgor is in breach of that condition the rules established by **Subitem 3 of Item 2 of Article 351** of the present Code shall be applied.

4. In the event of the pledgee's levy of execution on the pledged property the rights in rem, the right arising from a contract of lease and other rights arising from the transactions whereby property is provided for possession or use which have been granted by the pledgor to third parties without the consent of the pledgee shall be terminated from the time when a court's decision on levy of execution on the pledged property becomes final or if the pledgee's claim is met without referring to a court (in extrajudicial proceedings), from the time when the acquirer of the pledged property starts to have the right of ownership thereto, unless the acquirer agrees to the preservation of said rights.

5. The pledgee has the right to use the subject of pledge that has been handed over to him only in the cases envisaged by the contract, submitting a report on the use thereof to the pledgor on a regular basis. According to the contract the pledgee may have the duty of deriving fruits and incomes from the subject of pledge for the purpose of redeeming the principal obligation or in the interests of the pledgor.

Article 347. Remedies for Pledgee's Rights to the Subject of Pledge

1. From the time of emergence of a pledge the pledgee who has had or was to have the pledged property has the right of recovering it from another's unlawful possession, including inter alia from the

possession of the pledgor.

2. If the pledgee has acquired the right to use the subject of pledge that has been handed over thereto he may demand from other persons, for instance from the pledgor, elimination of every infringements on his right, even though these infringements were not related to the deprivation of possession.

Also the pledgee has the right of demanding release of the pledged property from seizure (removal thereof from a distraint list) in connection with levy of execution on it in executory proceedings.

Article 348. Grounds for Levy of Execution on Pledged Property

1. For the purposes of meeting the claims of the pledgee levy of execution on the pledged property may take place if the debtor defaults on or improperly performs the pledge-secured obligation.

2. No levy of execution on the pledged property is admissible if the debtor's breach of the pledge-secured obligation is insignificant and accordingly the amount of the pledgee's claims is apparently incommensurate with the value of the pledged property. Except as proven to the contrary, it shall be assumed that a breach of the pledge-secured obligation is insignificant and the amount of the pledgee's claims is apparently incommensurate with the value of the pledged property, if the following conditions are simultaneously observed:

1) the sum of the obligation defaulted on makes up less than five per cent of the value of the pledged property;

2) the period of arrears on the performance of the pledge-secured obligation is less than three months.

3. Except as otherwise envisaged by the contract of pledge, levy of execution on the property pledged to secure an obligation which is performed in instalments shall be admissible if the due dates for instalment payments have not been observed systematically, i.e. if the due dates for the payments had not been honoured more than thrice during the 12 months preceding the date of application to the court or the date of dispatch of a notice of levy of execution on the pledged property in extrajudicial proceedings, even if each of the delays was insignificant.

4. The debtor and the pledgor who is a third party have the right of terminating levy of execution and the sale of the subject of pledge at any time before the sale by means of performing the pledge-secured obligation or the portion thereof whose performance was delayed. An agreement that limits this right is null and void.

Article 349. Procedure for Levy of Execution on Pledged Property

1. Levy of execution on pledged property shall take place under a court's decision, unless extrajudicial proceedings for levy of execution on the pledged property are envisaged by an agreement of the pledgor and the pledgee.

If a provision for extrajudicial proceedings for levy of execution on the pledged property is envisaged by an agreement of the parties the pledgee has the right of filing a claim with the court for levy of execution on the pledged property. In this case the additional expenses relating to levy of execution on the pledged property in judicial proceedings shall be borne by the pledgee, unless he proves that levy of execution on the subject of pledge or the sale of the subject of pledge in accordance with the agreement on extrajudicial proceedings for levy of execution have taken place in connection with actions of the pledgor or third parties.

In the event of levy of execution and sale of the pledged property the pledgee and other persons shall take the measures required to receive the largest proceeds from the sale of the subject of pledge. The person to whom losses have been caused by defaulting on said duty has the right of claiming compensation for them.

2. Satisfying claims of the pledgee with the pledged property without referring to the court (in extrajudicial proceedings) shall be admissible under an agreement of the pledgor with the pledgee, except as otherwise envisaged by law.

3. Levy of execution on the subject of pledge may taken place only by a court's decision in cases when:

the subject of pledge is the only premises belonging by the right of ownership to a citizen, save cases when an agreement on levy of execution in extrajudicial proceedings is concluded after the occurrence of grounds for levy of execution;

the subject of pledge is a piece of property of significant historical, artistic or other cultural value to society;

the pledgor who is a natural person has been declared missing in the established procedure;

the pledged property is the subject of preceding and subsequent pledges in which different procedures are used for levy of execution on the subject of pledge or different means of the sale of the pledged property, except as otherwise envisaged by an agreement between the preceding and the subsequent pledgees;

the property is pledged to secure the performance of different obligations to several pledgees, save cases when extrajudicial proceedings for levy of execution are envisaged by an agreement of all the co-pledgees with the pledgor.

A law may have a provision for other cases when levy of execution on pledged property in extrajudicial proceedings is prohibited.

Agreements concluded in breach of the provisions of the present item shall be deemed null and void.

4. The parties have the right of including a clause on extrajudicial proceedings for levy of execution in the contract of pledge.

5. An agreement on levy of execution on pledged property in extrajudicial proceedings shall be concluded in the same form as the contract of pledge of that property.

6. Levy of execution on the subject of pledge on the basis of an execution notation of a notary without referring to the court is admissible in the procedure established by the **legislation** on the notarial profession and the **legislation** of the Russian Federation on execution proceedings in cases when the debtor defaults or improperly performs the pledge-secured obligation, if the contract of pledge containing a clause on levy of execution on the pledged property in extrajudicial proceedings has been notarised.

7. The agreement on levy of execution on the pledged property in extrajudicial proceedings shall contain a reference to one method or several methods of sale of the pledged property which are envisaged by the present Code and also to the value (initial selling price) of the pledged property or a procedure for determining it.

If the agreement on levy of execution on the pledged property envisages several methods of sale of the pledged property the right of choosing the method of sale shall be held by the pledgee, except as otherwise envisaged by the agreement.

8. If levy of execution on the pledged property is done in extrajudicial proceedings the pledgee or the notary carrying out the levy of execution on the pledged property shall send a notice in the procedure established by the **legislation** on the notarial profession to the pledgor, the pledgees they know about, and also to the debtor about the commencement of levy of execution on the subject of pledge.

The sale of the pledged property is admissible only after ten days after the time when the pledgor and the debtor receive a notice of the pledgee or a notary, except if another period is envisaged by law, and also unless a longer period is envisaged by an agreement between the pledgee and the pledgor. In the cases envisaged by the **banking legislation** the sale of a pledged movable property may take place before the expiry of said period if there is the risk of a significant fall in the value of the subject of pledge as compared with the sale price (initial selling price) specified in the notice.

Article 350. The Disposal of Pledged Property in the Event of Levy of Execution on It in Judicial Proceedings

1. The disposal of the pledged property that is subjected to levy of execution under a court decision shall be carried out by means of public sale in the procedure established by the present Code and the procedural legislation, unless it is established by law or an agreement between the pledgee and the pledgor that the sale of the subject of pledge shall be done in the procedure established by **Paragraphs 2 and 3 of Item 2 of Article 350.1** of the present Code.

2. In the event of levy of execution on pledged property in judicial proceedings the court is entitled at the request of the pledgor being the debtor in respect of an obligation to defer the sale of the pledged property at public sale by up to one year, given the availability of good reason.

The deferment shall not relieve the debtor from provision of compensation for the creditor's losses, interest and forfeit money that have built up over the deferment period.

Article 350.1. The Disposal of Pledged Property in the Event of Levy of Execution on It in Extrajudicial Proceedings

1. If pledged property is subjected to levy of execution in extrajudicial proceedings the disposal thereof shall be carried out at public sale carried out in accordance with the rules envisaged by this Code or an agreement between the pledgor and the pledgee.

2. If the pledgor is a person who pursues entrepreneurial activities an agreement between the pledgor and the pledgee may also include a clause on the sale of the pledged property by means of:

the subject of pledge being retained by the pledgee, for instance the subject of pledge being put under the ownership of the pledgee, at the price and on other terms defined by said agreement, but not below the market value;

the subject of pledge being sold by the pledgee to another person at a price not below the market value, with the sum of the pledge-secured obligation being withheld from proceeds.

If the value of the property remaining with the pledgee or alienated to a third party exceeds the amount of the outstanding pledge-secured obligation the difference shall be paid out to the pledgor.

3. If in the event of levy of execution on pledged property in extrajudicial proceedings it is discovered that the pledgor's rights have been infringed upon or that a substantial risk of such breach exists the court may terminate the levy of execution on the subject of pledge in extrajudicial proceedings at the pledgor's demand and issue a decision on levy of execution on the subject of pledge by means of selling the pledged property at public sale (**Article 350**).

4. For the purpose of selling the pledged property the pledgee has the right of concluding the transactions required for this purpose and also to demand that the pledged property be transferred to it by the pledgor.

If a pledged piece of movable property that remained with the pledgor has been transferred by him for possession or use to a third party the pledgee has the right of demanding that this person hand over the subject of pledge to the pledgee.

In the event of refusal to hand over the pledged property to the pledgee for the purpose of its being sold the subject of pledge may be taken and handed over to the pledgee under an execution notation of a notary in accordance with the **legislation** on the notarial profession.

5. If according to the terms of an agreement of the pledgor with the pledgee the sale of pledged property not deemed immovable is effectuated through the sale of that property by the pledgee to another person the pledgee shall send the contract of purchase/sale concluded with such person to the pledgor.

Article 350.2. Procedure for Conducting Public Sale for the Purpose of Disposing of Pledged Property Not Deemed Immovable

1. When pledged property not deemed immovable is sold at public sale (sale of pledged property at public sale) under a court decision a bailiff shall send a notice in writing of the date, time and place of the sale to the pledgee, pledgor and debtor for the principal obligation at least ten days before the date of the sale. When pledged property is sold at a sale conducted when execution is levied on the property in extrajudicial proceedings responsibility for informing the pledgor and debtor shall be borne by the pledgee.

2. When pledged property not deemed immovable is sold at public sale under a court decision or at a sale conducted when execution on that property is levied in extrajudicial proceedings the organiser of the sale shall announce it as unaccomplished if:

1) less than two buyers have attended it;

2) no mark-up has been offered at the sale for the initial selling price of the pledged property;

3) the person that was the winner at the sale has not delivered the purchase price when due. The sale shall be announced unaccomplished within the term ending on the day following the day on which any of the said circumstances occurred.

3. The pledgee and pledgor have the right of acting as participants in a sale conducted under a court decision or in the event of levy of execution on the pledged property in extrajudicial proceedings. If the pledgee has become the winning bidder at the sale the purchasing price payable by him shall be accepted as setting off the repayment of the pledge-secured obligation.

The rules envisaged by **Paragraph 1** of the present item shall be applicable if the pledgee retains the subject of pledge when execution is levied on the pledged property in extrajudicial proceedings.

4. Within ten days after the sale is announced unaccomplished the pledgee has the right of acquiring the pledged property not deemed immovable by agreement with the pledgor and to have its pledge-secured claims accepted to set off the purchase price. Such agreement shall be subject to the rules on a contract of purchase/sale.

Unless the agreement on acquisition of property by the pledgee envisaged by the present item has been concluded, a repeated sale shall be held within one month after the first sale. At the repeated sale the initial selling price of the pledged property shall be reduced by 15 per cent if the holding of the sale was for the reasons specified in **Subitems 1 and 2 of Item 2** of the present article. When pledged property not deemed immovable property is sold at sale conducted when execution is levied on that property in extrajudicial proceedings it may be envisaged by an agreement of the parties that if the sale was announced unaccomplished for the said reasons the repeated sale shall be conducted by means of step-by-step reduction of the price from the initial selling price at the first sale.

5. If the repeated sale is announced unaccomplished the pledgee has the right to retain the subject of pledge with its estimated value ten per cent below the initial selling price at the repeated sale, unless a higher estimate is established by agreement of the parties.

The pledgee shall be deemed to have used said right if within one month after the date of announcement of the repeated sale as unaccomplished he sends an application in writing about his retaining the property to the pledgor and the organiser of the sale or if levy of execution took place in judicial proceedings, to the pledgor, organiser of the sale and the bailiff.

From the time when the pledgee's application in writing about his retaining the property is received by the pledgor the pledgee to whom a movable thing has been handed over under the contract of pledge shall acquire the right of ownership to the subject of pledge he has retained, unless another time is established by a law for the emergence of the right of ownership to movable of the relevant type.

The pledgee who has retained the pledged property shall have the right of claiming that that property be handed over thereto, if another person has it.

6. Unless the pledgee uses the right of retaining the subject of pledge within one month after the date on which the repeated sale is announced unaccomplished, the contract of pledge shall be terminated.

7. The provisions of the present Code on the conclusion of a contract at sale shall be applicable when pledged property is sold at sale, except as otherwise established by the present article.

Article 351. Early Performance of a Pledge-Secured Obligation and Levy of Execution on Pledged Property

1. The pledgee has the right of claiming early performance of the pledge-secured obligation:

1) in cases when the subject of pledge that remained with the pledgor has ceased to be in his possession otherwise than according to the terms of the pledge contract;

2) in cases when the subject of pledge has perished or been lost due to circumstances beyond the control of the pledgee, unless the pledgor used the right envisaged by **Item 2 of Article 345** of the present Code;

3) in other cases envisaged by law or the contract.

2. Except as otherwise envisaged by the contract the pledgee has the right of claiming early performance of the pledge-secured obligation, or if his claim is not met, levying execution on the subject of

pledge:

- 1) in cases when the pledgor has violated the rules on a subsequent pledge (**Article 342**);
- 2) in cases when the pledgor has defaulted on the duties envisaged by **Subitems 1 and 3 of Item 1 and Item 2 of Article 343** of the present Code;
- 3) in cases when the pledgor has violated the rules on alienation of pledged property or provision thereof for temporary possession or use to third parties (**Items 2 and 4 of Article 346**);
- 4) in other cases envisaged by law.

Article 352. Termination of a Pledge

1. A pledge shall be terminated:

- 1) with the termination of the obligation secured by the pledge;
- 2) if the pledged property has been acquired for a consideration by a person who did not know and could not have known that the property was the subject of pledge;
- 3) in the event of loss of the pledged item or termination of the pledged right, unless the pledgor used the right envisaged by **Item 2 of Article 345** of the present Code;
- 4) if the pledged property is sold for the purpose of meeting claims of the pledgee in the procedure established by law, for instance when the pledgee retains the pledged property, and in cases when he has not used that right (**Item 5 of Article 350.2**);
- 5) in cases when the contract of pledge is terminated in the procedure and on the grounds envisaged by law, and also if the contract of pledge is deemed invalid;
- 6) by a court's decision in the case envisaged by **Item 3 of Article 343** of the present Code;
- 7) in the event of seizure of the pledged property (**Articles 167 and 327**), save in the cases envisaged by **Item 1 of Article 353** of the present Code;
- 8) in the event of sale of the pledged property for the purpose of meeting claims of the preceding pledgee (**Item 3 of Article 342.1**);
- 9) in the cases mentioned in **Item 2 of Article 354** and **Article 355** of the present Code;
- 10) in other cases envisaged by a law or the contract.

2. Once the pledge is terminated the pledgee who has been holding the pledged property shall return it to the pledgor or another empowered person.

The pledgor has the right of demanding that the pledgee commit all the necessary actions aimed at making an entry on the termination of the pledge (**Article 339.1**).

Article 353. Preservation of a Pledge When the Rights to Pledged Property Are Transferred to Another Person

1. If the rights to pledged property are transferred from the pledgor to another person as a result of alienation, for a consideration or without it, of that property (save for the cases mentioned in **Subitem 2 of Item 1 of Article 352 and **Article 357** of the present Code) or in line of universal legal succession the pledge shall remain in force.**

The legal successor of the pledgor shall acquire the rights and bear the duties of the pledgor, save the rights and duties which by virtue of law or the essence of relationships between the parties are linked with the initial pledgor.

2. If the pledgor's property serving as the subject of pledge has been transferred in line of legal succession to several persons each of the legal successors (acquirers of property) shall bear the consequences of default on performance of the pledge-secured obligation ensuing from the pledge commensurately to the portion of said property he has acquired. However, if the subject of pledge is indivisible or on other grounds remains in common ownership of the legal successors they shall become solidary pledgors.

Article 354. Transfer of Rights and Duties under a Contract of Pledge

1. Without the consent of the pledgor the pledgee has the right of transferring his rights and duties under the contract of pledge to another person, given the observance of the rules established by **Chapter 24**

of the present Code.

2. The transfer by the pledgor of his rights and duties under the contract of pledge to another person is admissible on the condition of simultaneous assignment to the same person of the right of claim against the debtor in line of the principal obligation secured with the pledge. Except as otherwise envisaged by a law, if said condition is not observed the pledge shall be terminated.

Article 355. Transfer of Debt under a Pledge-Secured Obligation

With the transfer of a debt under an obligation secured by a pledge to another person the pledge is terminated, except as otherwise envisaged by an agreement between the creditor and the pledgor.

Article 356. Contract of Pledge Management

1. The creditor(s) related to the pledge-secured obligation(s) whose performance is connected with the pursuance of entrepreneurial activities by the parties thereto has/have the right of concluding a contract of pledge management with one of such creditors or a third party (pledge manager).

Under the contract of pledge management the pledge manager, acting on behalf and in the interests of all the creditors who have concluded the contract, shall undertake to conclude a contract of pledge with the pledgor and/or to exercise all the rights and duties of pledgee under the contract of pledge, and the creditor(s), to compensate the pledge manager for the expenses he incurs and pay a fee, except as otherwise envisaged by the contract.

If the pledge had come into being before the conclusion of the contract of pledge management the pledge manager under an agreement on transfer of a contract of pledge (**Article 392.3**) has the right of exercising all the rights and duties of the pledgee by virtue of the contract of pledge management.

Until the time of termination of the contract of pledge management the creditor(s) is/are not entitled to exercise his/their rights and duties of pledgee.

The transfer of the rights of the creditor under the obligation secured by the pledge to another person shall entail a change of the corresponding person in relations under the pledge management agreement, unless otherwise provided for by the law or agreement or follows from the nature of the obligation. The pledge management agreement may provide for the prior consent of the pledge manager to replace the party in such agreement in case of assignment of rights under the obligation secured by the pledge.

2. An individual entrepreneur or a commercial organisation may be a pledge manager.

3. The pledge manager shall exercise all the rights and duties of a pledgee under the contract of pledge on the terms most gainful for the creditor(s). The powers of the pledge manager shall be defined by the contract of pledge management (**Item 4 of Article 185**) and they may be altered by agreement of the parties to the contract of pledge management.

The contract of pledge management may have a provision according to which specific areas of competence of the pledgee are realised by the pledge manager with the preliminary consent of the creditor(s).

4. The property received by the pledge manager in the interests of the creditors being party to the contract of pledge management, for instance as a result of levy of execution on the subject of pledge, shall be under the share ownership of said creditors pro rata to the amounts of their pledge-secured claims, except as otherwise established by an agreement between the creditors, and it is subject to sale on a demand of any of the creditors.

The pledge manager is obliged to keep a register of all creditors who are parties to the pledge management agreement, and the grounds under which their claims arise.

The monetary funds received by the pledge manager as a result of the execution of the pledge management agreement are to be credited to a nominal account that the pledge manager is obliged to open and the beneficiary (beneficiaries) of which is the creditor (creditors), unless otherwise provided for by the pledge management agreement.

In the event of the agreement of a syndicated credit (loan) secured by a pledge, the beneficiary (beneficiaries) under the nominal account agreement, specified in **Paragraph Three** of this Item, is the

creditor (creditors), while the pledge manager is obliged to transfer the funds received to the nominal account of the pledge manager, or to the account of the credit manager within the period determined by the pledge management agreement. Another procedure for transferring funds to the creditor (creditors) due to him/her as a result of the execution of the pledge management agreement may be provided for by the pledge management agreement.

5. The contract of pledge management shall be terminated as a result of:

- 1) termination of the pledge-secured obligation;
- 2) rescission of the contract by a decision of a creditor (creditors) in unilateral procedure;
- 3) deeming the pledge manager as unable to pay (bankrupt).

5.1. Upon the termination of the rights of one of the pledgees, the pledge management agreement ceases to be valid in relation to this pledgee, unless otherwise provided for by the agreement or follows from its nature.

5.2. The credit manager under the agreement of a syndicated credit (loan) shall exercise the authorities to exercise the rights of the pledgees arising from a single claim, in the event that a bankruptcy case is initiated against the pledgor, if all creditors who are parties to the pledge management agreement are also parties to the agreement of syndicated credit (loan).

6. In as much as it concerns an area not regulated by the present article, except as otherwise ensues from the essence of obligations of the parties, the duties of the manager under the contract of pledge management who is not the pledgor are subject to the rules concerning an agency contract, and the rights of duties of pledgees in respect of each other are subject to the rules concerning a contract of simple partnership concluded for the purposes of pursuing entrepreneurial activities.

7. During the state registration or accounting of collateral (**Article 339.1**), the collateral manager or credit manager must be indicated as the mortgagee (in the event that the agreement of syndicated credit (loan) provides for the vesting of the credit manager with the rights and obligations of the collateral manager) with a notification that he/she acts in this capacity in the event of a pledge management agreement or agreement of syndicated credit (loan), including a pledge management clause.

2. Specific Types of Pledge

Article 357. Pledge of Goods in Circulation

1. The pledge of goods in circulation is a pledge of goods when they are retained by the pledgor and the pledgor acquires the right of altering the composition and the form in kind of the pledged property (stocks of goods, raw materials, materials, semi-finished products, finished products etc.), provided their total value does not fall below that specified in the contract of pledge.

The subject of pledge under a contract of pledge of goods in circulation may be defined by referring to the generic features of the relevant goods and to their location in specific buildings, on premises or land plots.

A reduction in the value of pledged goods in circulation is admissible commensurately with the discharged portion of the pledge-secured obligation, except as otherwise envisaged by the contract.

2. The goods in circulation which have been alienated by a pledgor shall cease to be the subject of pledge as of the time of their transfer under the ownership, economic jurisdiction or operative management of the acquirer, and the goods which have been acquired by the pledgor and are mentioned in the contract of pledge of goods in circulation shall become the subject of pledge as of the time when the pledgor starts to have the right of ownership, economic jurisdiction or operative management to them.

3. The pledgor of goods in circulation shall keep a book of pledges for entries to be made therein on the terms of pledge of goods and on all the transactions entailing a change in the composition or the form in kind of pledged goods, including inter alia their processing, as of the date of the last transaction, except as otherwise envisaged by the contract of pledge.

4. If the pledgor is in breach of the terms of the pledge of goods in circulation the pledgee has the

right to suspend transactions involving the pledged goods until the breach is eliminated, by means of applying his marks and seals thereto. For the purposes of identifying said pledged goods and other items the fact that the pledged goods are located in a certain place at a certain time may be notarised.

Article 358. Pledge of Things in a Pawn Shop

1. Accepting movable items intended for personal consumption from citizens into pledge as security for short-term loans may be carried out as an entrepreneurial activity by specialised organisations, i.e. pawn shops.

2. A contract of loan shall be formalised by the issuance of a **pledge ticket** by the pawn shop.

3. Pledged items shall be handed over to the pawn shop.

The pawn shop shall insure at its own expense for the benefit of the pledgor the things accepted in pledge for their full value corresponding to the prices for such items of such quality normally established in trading at the time of their acceptance in pledge.

The pawn shop is not entitled to use and dispose of the pledged things.

4. The pawn shop shall be liable for the loss of the pledged things and for the damage thereof, unless it proves that the loss or damage was due to force majeure.

5. If the sum of the loan secured by the pledge of the things in the pawn shop is not repaid when due then upon the expiry of a one-month respite the pawn shop has the right to sell that property in the procedure established by the **law** on pawn shops. After that the pawn shop's claims to the pledgor (debtor) is redeemed, even if the sum of proceeds from the sale of the pledged property is insufficient for meeting them in full.

6. The rules for pawn shops to lend to citizens on the collateral of items belonging to the citizens shall be established by a **law** on pawn shops in accordance with the present Code.

7. The terms of a contract of loan which restrict the pledgor's rights as compared with the rights conferred thereon by the present Code and other laws are null and void. The relevant provisions of law shall be applicable in place of such terms.

Article 358.1. Pledge of Rights under the Law of Obligations

1. The subject of pledge may be the property rights (claims) ensuing from an obligation of the pledgor. The pledgor in respect of a right may be the person being a creditor under the obligation from which the pledged right ensues (right-holder).

Except as otherwise established by a law or the contract of pledge of the right, the subject of pledge is all the rights which belong to the pledgor ensuing from the relevant obligation and may be a subject of pledge.

2. The subject of pledge may be a right that is going to emerge in future from an existing or a future obligation.

3. Except as otherwise established by law or the contract or ensues from the essence of the obligation, the subject of pledge may be a portion of a claim, a separate claim or several claims ensuing from the contract or another obligation.

4. The subject of pledge under one contract of pledge may be a set of rights (claims), each of them ensuing from an independent obligation, for instance a set of future rights and also a set of existing and future rights.

5. If a pledged right had been terminated in connection with the expiry of its effective term before execution was levied on it by the pledgee then the pledgee is not entitled to claim early performance of the principal obligation whose performance was secured by the pledge of that right.

6. In the cases established by law or the contract when execution is levied on a pledged right and the pledged right is sold then that right is transferred to the acquirer as well as the duties relating thereto.

Article 358.2. Limitations on the Pledge of a Right

1. The pledge of a right does not require consent of the right-holder's debtor, save the cases envisaged by law or an agreement between the right-holder and his debtor.

2. In cases when an agreement between the right-holder and his debtor has prohibited assignment of the right or when the impossibility of assignment of the right ensues from the essence of the obligation the pledge of the right is prohibited, except as otherwise established by law.

3. The pledge of a right is admissible only with the consent of the right-holder's debtor if:

1) by virtue of law or an agreement between the right-holder and his debtor the consent of the debtor is required for the assignment of the right (claim);

2) in cases when execution is levied on the pledged right and it is sold the acquirer of the right is to acquire the duties relating to the pledged right (**Item 6 of Article 358.1**).

4. Except as otherwise envisaged by law, non-observance by the right-holder of the limitation on assignment or pledge of a right (claim) stated in the contract with the debtor that has to do with the pursuance of entrepreneurial activities by the parties thereto shall entail the consequences envisaged by **Item 3 of Article 388** of the present Code.

Article 358.3. The Content of a Contract of Pledge of a Right

1. Apart from the terms envisaged by **Article 339** of the present Code a contract of pledge of a right shall mention the obligation from which the pledged right ensues, provide information on the pledgor's debtor and the party to the contract of pledge which has the original documents certifying the pledged right.

If the subject of pledge is the pledgor's right of claiming payment of a sum of money indication may be made in the contract of pledge of the amount thereof or a procedure for determining it.

Unless the contract indicates that the original documents certifying the pledged right are retained by the pledgor or are handed over to a notary for safekeeping the pledgor shall hand over such original documents within the term specified in the contract of pledge, or unless the contract establishes said term, within a reasonable period to the pledgee at his request filed in writing. An agreement between the pledgor and the pledgee may envisage that the documents are transferred to a third party for safekeeping.

When a right is pledged, except as otherwise envisaged by law or the contract, the duties envisaged by **Article 343** of the present Code are vested in the party to the contract of pledge which has the original documents certifying the pledged right.

2. In cases when the subject of pledge is a set of rights (claims) or a future right (**Items 2 and 4 of Article 358.1**) information on the obligation from which the pledged right ensues and on the pledgor's debtor may be provided in the contract generally, i.e., by means of data allowing one to individualise the pledged rights and define the persons which are or at the time of levy of execution on the subject of pledge are going to be debtors in respect of these rights.

Article 358.4. Notification of a Debtor

In the event of pledge of rights notification of the debtor for the obligation in respect of which rights are pledged shall be effectuated according to the rules of **Article 385** of this Code.

Article 358.5. Emergence of the Pledge of a Right

1. The pledge of a right comes into being as of the time when the contract of pledge is concluded, or in the event of pledge of a future right, as of the time of emergence of that right.

2. If the pledge of a right secures the performance of an obligation that is going to emerge in future the pledge of the right comes into being as of the time of emergence of that obligation.

Article 358.6. Performance of an Obligation by the Pledgor's Debtor

1. The pledgor's debtor the right of claim against whom has been pledged shall perform the relevant obligation to the pledgor, except as otherwise envisaged by the contract of pledge.

If the contract of pledge has a provision for the pledgee's right to receive performance from the debtor for the obligation in respect of which the right has been pledged, the debtor notified about it (**Article 358.4**) shall perform his obligation to the pledgee or the person designated by the pledgee.

2. Except as otherwise envisaged by the contract of pledge, having received sums of money from his

debtor setting off the performance of the obligation, the pledgor, at the pledgee's request, shall pay to him the relevant amounts to set off the performance of the pledge-secured obligation.

Except as otherwise envisaged by the contract of pledge the amounts of money received by the pledgee from the pledgor's debtor according to the pledged right (claim) shall set off the obligation in the security for the performance of which the relevant right is included.

3. After the emergence of grounds for levy of execution on the pledged right of claim the pledgee has the right to receive performance on the given claim within the limits required to cover the pledgee's pledge-secured claims, for instance the right of filing claims for performance of on-call obligations if the subject of pledge is a claim relating to an on-call obligation.

4. A law or the contract of pledge of a right may have a provision according to which the amounts of money received by the pledgor from his debtor as setting off the performance of the obligation in respect of which the right (claim) has been pledged shall be credited to the pledgor's pledge account. Such account is subject to the rules concerning the contract of pledge of rights relating to a bank account contract.

Article 358.7. Remedies for the Pledgee of a Right

1. Except as otherwise envisaged by a contract in the event of breach of the duties envisaged by **Article 358.6** of this Code the pledgee has the right to claim early performance of the pledge-secured obligation from the pledgor, and in the event of default on it, of levying execution on the subject of pledge in the established procedure.

2. The pledgee has the right of taking the independent measures required for protecting the pledged right against infringements on the part of third parties.

Article 358.8. Procedure for Disposal of a Pledged Right

1. The disposal of a pledged right shall be effectuated in the procedure established by **Item 1 of Article 350** and **Item 1 of Article 350.1** of this Code.

2. In the event of levy of execution on the pledged right in judicial proceedings the parties may come to an agreement that, at the pledgee's demand, it will be disposed of by means of assignment of the pledged right to the pledgee under a court's decision.

3. If execution is levied on the pledged right in extrajudicial proceedings the parties may come to an agreement that the disposition of the pledged right shall be done by means of assignment of the pledged right by the pledgor to the pledgee or by said pledgee to a third party. If the pledgor refuses to assign the pledged right the pledgee or the third party have the right to claim assignment of that right to them under a court decision or under an execution notation of a notary and to compensation for the losses caused in connection with the refusal to assign that right.

4. From the time of transfer of the pledged right to the pledgee or the third party designated by him the obligation whose performance is secured with the pledge of that right shall be terminated in the amount equivalent to the value (initial selling price) of the pledged right (**Item 7 of Article 349**).

The rules of the present item shall be applicable, unless otherwise envisaged by an agreement of the pledgor with the pledgee and also with the debtor for the obligation secured with the pledge of the right when the pledgor is a third party.

Article 358.9. Basic Provisions on the Pledge of Rights under a Bank Account Contract

1. The subject of pledge may be rights under a bank account contract when a bank opens a pledge account for a client.

2. In the event of pledge of rights under a bank account contract the pledgee may be a bank that has concluded a pledge account contract with a client.

3. A pledge account may be opened by a bank for a client irrespective of the fact that a contract of pledge of rights under a bank account contract has been concluded as of the time of its opening.

4. Also a contract of pledge of rights under a bank account contract may be concluded if at the time of conclusion thereof the client has no funds on the pledge account.

5. A contract of pledge of property other than a right under a bank account contract may include a provision according to which the amounts of money due to the pledgor (insurance indemnity for the loss or damage of pledged property, incomes from the use of pledged property, amounts of money due to the pledgor setting off the performance of the obligation in respect of which the right (claim) is pledged etc.) shall be credited to a pledge account.

6. It is hereby prohibited to certify with a security issued by a bank the bank's obligation under a pledge account contract concluded with a client.

7. Except as otherwise envisaged by the present article and **Articles 358.10 - 358.14** of this Code, a pledge account contract is subject to the rules of **Chapter 45** of this Code.

8. The rules of the present Code concerning the pledge of rights under a bank account contract (this article and **Articles 358.10 - 358.14**) respectively shall be applicable to the pledge of rights under a bank account contract.

9. The rules for writing off monetary assets which are provided for by the provisions of **Chapter 45** of this Code on a bank account shall not apply to the monetary assets kept on an escrow account.

Article 358.10. The Content of a Contract of Pledge of Rights under a Bank Account Contract

1. A contract of pledge of rights under a bank account contract shall include reference to the bank details of a pledge account, the essence, amount and due date of the obligation secured with the pledge of rights under the bank account contract.

2. Except as otherwise envisaged by the contract of pledge of rights under a bank account contract, the contract shall be deemed concluded on the condition of pledge of rights in respect of the entire sum of money available in the pledge account at any time during the effective term of the contract.

3. The contract of pledge of rights under a bank account contract may include a provision according to which the subject of pledge is the pledgor's rights under a bank account contract in respect of a fixed amount of money specified in the contract of pledge. In this case, the amount of money in the pledgor's account at any time during the effective term of the contract of pledge shall not be below the sum defined by the contract.

Except as otherwise envisaged by the contract of pledge it is hereby prohibited to reduce the fixed amount of money in respect of which the pledgor's rights under the bank account contract have been pledged, commensurately to the discharged portion of the pledge-secured obligation.

Article 358.11. The Emergence of a Pledge of Rights under a Bank Account Contract

On the basis of a contract of pledge of rights under a bank account contract a pledge shall come into being as of the time when the bank is notified of the pledge of the rights and a copy of the contract of pledge is provided thereto. If the pledgee is the bank that has concluded a pledge account contract with a client (pledgor) a pledge shall come into being as of the time of conclusion of the contract of pledge of rights under the bank account.

Article 358.12. Disposal of a Bank Account under Which Rights Have Been Pledged

1. The pledgor has the right of disposing freely of the amounts of money available in the pledge account, except as otherwise envisaged by the contract of pledge of rights under the relevant bank account contract or the rules of this article.

The bank shall carry out transactions on the pledge account according to the rules of the present paragraph and other rules of the present Code, other laws and banking rules, and in as much as it concerns an area not regulated by them, in accordance with an agreement concluded between the bank, pledgor and pledgee.

2. At a demand of the pledgee filed in writing the bank shall provide him with information on the balance of money in the pledge account, transactions on said account and the claims that have been presented in respect of the account as well as the bans and restrictions imposed on said account. The procedure and term for provision of such information by the bank are defined by banking rules, and in as

much as it concerns an area not regulated by them, an agreement concluded between the bank, pledgor and pledgee.

3. If the contract of pledge of the pledgor's rights under a bank account contract is concluded in respect of a fixed amount of money the pledgor is not entitled to provide the bank with instructions which when performed are going to cause the sum of money in the pledge account fall below said fixed amount of money, and the bank is not entitled to implement such instructions, without the pledgee's consent in writing.

4. After the bank receives a notice in writing from the pledgee on the debtor's default on, or improper performance of, the pledge-secured obligation the bank shall not have the right of implementing the pledgor's instructions which when performed are going to cause a fall in the sum of money in the pledge account below the sum equivalent to the amount of secured obligation specified in the contract of pledge.

5. A bank that has violated the duties described in **Items 3 and 4** of the present article shall bear solidary liability to the pledgee within the amounts of money that have been written off the pledge account when implementing instructions of the client (pledgor).

Article 358.13. Amending and Terminating a Contract of Pledge of Rights under a Bank Account Contract

Without the consent of the pledgee the parties to a bank account contract under which rights have been pledged shall not have the right of amending it or committing actions entailing termination of such contract.

Article 358.14. Realisation of Pledged Rights under a Bank Account Contract

1. When execution is levied on pledged rights under a bank account contract in accordance with **Article 349** of the present Code in judicial or extrajudicial proceedings the pledgee's claims shall be satisfied by the bank writing off amounts of money on the pledgee's instructions from the pledgor's pledge account and handing them to the pledgee or crediting them to the account designated by the pledgee (**Item 2 of Article 854**). In these cases the rules for sale of pledged property established by **Articles 350 - 350.2** of this Code are not applicable.

2. Invalid from June 1, 2018 - **Federal Law No. 212-FZ** of July 26, 2017

Article 358.15. Pledge of Rights of Stakeholders of Legal Entities

1. The pledge of rights of a shareholder shall be effectuated by means of pledging this shareholder's shares of that company, and the pledge of rights of a stakeholder of a limited liability company, by means of pledging his stake in the charter capital of the company in keeping with the rules established by the present Code and laws on business associations.

Pledging the rights of the stakeholders (founders) of other legal entities is hereby prohibited.

2. When shares are pledged the rights they certify shall be exercised by the pledgor (shareholder), except as otherwise envisaged by the contract of pledge of shares (**Article 358.17**).

Except as otherwise envisaged by the contract of pledge of a stake in the charter capital of a limited-liability company the rights of the stakeholder of the company shall be exercised by the pledgee until the time of termination of the pledge.

Article 358.16. Pledge of Securities

1. The pledge of a paper security shall come into being as of the time when it is handed over to the pledgee, except as otherwise established by a law or the contract.

The pledge of a paperless security shall come into being as of the time when an entry on the pledge is made in the account used to keep a record of the rights of the holder of the paperless securities or in the cases established by law in an account of another person, unless it has been established by law or the contract that the pledge emerges later.

2. If the pledge of an order security has been effectuated by means of a pledge endorsement the relationships among the pledgor, pledgee and debtor under the order security shall be regulated by laws on securities.

3. The relationships which are linked with the pledge of paper securities and not regulated by the present articles, **Article 358.17** of the present Code or other laws shall be subject to the rules for the pledge of items, except as otherwise established by laws on securities and ensues from the nature of the relevant securities.

4. Relationships which are linked with the pledge of paperless securities and not regulated by the present article, **Article 358.17** of the present Code or other laws shall be subject to the rules for the pledge of paper securities, except as otherwise ensues from the nature of the relevant paperless securities.

Article 358.17. Exercising the Rights Certified by a Pledged Security

1. A contract of pledge of a security may envisage that the pledgee exercises all or some rights belonging to the pledgor and certified by the pledged security.

2. The pledgee shall exercise pledged rights in its own name.

If the pledgee is restricted by the contract of pledge in exercising the rights certified by the security its breach of such restrictions will not affect the rights and duties of third parties that did not know and could not have known on such restrictions. However, the pledgee shall bear liability to the pledgor for a breach as envisaged by law and the contract, and the pledgor shall be entitled to claim termination of the right of pledge in judicial proceedings.

3. If according to the terms of the contract of pledge of a security the pledgor has the duty of seeking approval from the pledgee for his actions whereby the rights certified by the pledged security are realised, in cases when the pledgor fails to observe said duty it shall bear liability to the pledgee as envisaged by law and the contract, and the pledgee has the right of claiming early performance of the pledge-secured obligation.

4. In cases when by virtue of the contract of pledge of a security the pledgee exercises the right of receiving income on the security the pledgee has the right of receiving incomes on the pledged security as well as the amounts of money received from the redemption of the pledged security, the amounts of money received from the person that has issued the security in connection with its being acquired by said person or the amounts of money received in connection with its acquisition by a third party against the will of the holder of the pledged security. The incomes and amounts of money received by the pledgee shall be accepted to set off the redemption of the obligation whose performance is secured with the pledge of the security.

5. Except as otherwise envisaged by the contract of pledge, in the event of conversion of pledged securities into other securities or another property such securities or such property shall be deemed to be pledged to the pledgee (**Item 3 of Article 345**).

If according to law the pledgor of securities receives other securities or another property without consideration in addition thereto by virtue of his being the holder thereof such securities or such property are pledged to the pledgee (**Item 3 of Article 336**).

Article 358.18. Pledge of Exclusive Rights

1. The exclusive rights to the results of intellectual activities and to individualisation means of legal entities, goods, works, services and enterprises equated to them (**Item 1 of Article 1225**) may be the subject of pledge, insofar as the rules of this Code permit their alienation.

2. The state registration of the pledge of exclusive rights shall be effected in compliance with the rules of **Section VII** of this Code.

3. The general provisions on pledge (**Articles 334-356**) shall apply to an agreement on the pledge of the exclusive right to a result of intellectual activities or to an individualisation means, while to an agreement on the pledge of rights under an agreement on alienation of exclusive rights and under a licence (sublicence) agreement shall apply the provisions on the pledge of contractual rights (**Articles 358.1-358.8**), unless otherwise established by this Code and does not result from the content or nature of corresponding rights.

4. Under an agreement on the pledge of the exclusive right to the result of intellectual activities or to an individualisation means the pledger within the validity term of this agreement is entitled without the pledgee's consent to use such result of intellectual activities or such individualisation means and to dispose

of an exclusive right to such result or to such means, except for the instance when the exclusive right is alienated, unless otherwise provided for by an agreement. The pledger is not entitled to alienate an exclusive right without the pledgee's consent, unless otherwise provided for by an agreement.

§ 4. The Retention of an Item of Property

Article 359. The Grounds for the Retention

1. The creditor, in whose custody is the thing, subject to the transfer to the debtor or to the person, named by the debtor, shall have the right, in case the debtor fails to discharge in time the obligation on the payment for this thing or on the compensation to the creditor of the expenses and other losses he has borne in connection with it, to retain it until the corresponding obligation is discharged.

By way of the thing's retention may also be secured the claims, which, while not being connected with the payment for the thing or with the compensation of the expenses and other losses, have nevertheless arisen from the obligation, whose parties are acting as businessmen.

2. The creditor may retain the thing in his custody, despite the fact that after this thing has passed into the creditor's possession, the rights to it have been acquired by a third party.

3. The rules of the present Article shall be applied, unless otherwise stipulated by the contract.

Article 360. Satisfaction of Claims at the Expense of the Retained Property Item

The claims of the creditor, who is retaining the thing, shall be satisfied from its cost in the volume and in the **order**, stipulated for the satisfaction of the claims, secured against by the pledge.

§ 5. The Surety

Article 361. Grounds for Origination of Suretyship

1. Under a contract of suretyship, the surety shall be obliged to the creditor or another person to be answerable for the latter's execution of an obligation thereof in full or in part. The contract of suretyship may be also concluded to provide security for both a pecuniary and non-pecuniary obligation, as well as for an obligation which will arise in the future.

2. Suretyship may originate on the basis of **law** upon the occurrence of the circumstances cited therein. The rules of this Code in respect of suretyship by virtue of an agreement shall apply to suretyship originating on the basis of law, if not otherwise provided for by law.

3. The terms of suretyship pertaining to the principal obligation shall be deemed coordinated, if in a contract of suretyship there is a reference to the agreement from which the securing obligation has originated or will originate in the future. The contract of suretyship under which the surety is a person engaged in business activities may state that the surety secures all the debtor's existing and/or future obligations with respect to the creditor within the limits of a definite amount.

Article 362. The Form of the Contract of Surety

The contract of surety shall be legalized in written form. The non-observance of the written form shall entail the invalidity of the contract of surety.

Article 363. Responsibility of the Surety

1. In case of the failure to discharge, or of an improper discharge by the debtor, of the obligation, secured by the surety, the surety and the debtor shall be jointly answerable to the creditor, unless the surety's subsidiary liability is stipulated by the law or by the contract of surety.

2. The surety shall be answerable to the creditor in the same volume as the debtor, including the payment of the interest, the compensation of the court expenses, involved in the exaction of the debt and other losses, borne by the creditor, which have been caused by the debtor's non-discharge or improper

discharge of the obligation, unless otherwise stipulated by the contract of surety.

3. The persons who have provided joint surety (co-sureties) shall be jointly answerable to the creditor, unless otherwise stipulated by the contract of suretyship. Unless otherwise follows from the agreement made by co-sureties and the creditor, the co-sureties that have limited their liability with respect to the creditor shall be deemed as having secured the principal obligation, each of them in the part thereof. A co-surety that has executed an obligation is entitled to demand compensation of another person that has provided a security of the principal obligation jointly therewith for the amount paid in proportion to their participation in securing the principal obligation.

4. In the event of loss of security of the principal obligation existing as of the time of origination of suretyship or in the event of deterioration of the conditions of its security due to circumstances which are dependent on the creditor, the surety shall be relieved of liability insofar as it can demand compensation (**Article 365**) on account of the lost security, if it can prove that at the time of making the contract of suretyship it is entitled to reasonably rely on such compensation. An agreement made with the citizen being the surety that establishes other effects of the security's loss shall be deemed null and void.

Article 364. The Right of the Surety to Object to the Creditor's Claim

1. The surety shall have the right to put forward against the creditor's claim the objections, which could have been put forward by the debtor, unless otherwise following from the contract of surety. The surety shall not lose the right to these objections even in case the debtor has renounced them or has recognized his debt.

2. The surety is entitled not to discharge the obligation thereof until the creditor can satisfy the claim thereof by way of setting it off against the debtor's claim.

3. In the event of the debtor's death, the surety under this obligation may not refer to the limited liability of the debtor's heirs with respect to the testator's debts (**Item 1 of Article 1175**).

4. The surety that has acquired the right of a co-pledgee or a right in respect of other security of the principal debt is not entitled to exercise them to the detriment of the creditor, in particular is not entitled to have the claim thereof against the debtor satisfied from the cost of pledged property pending satisfaction of the creditor's claims in respect of the principal obligation.

5. It is not allowed to restrict the surety's right to make objections that could be presented by the debtor. An agreement otherwise shall be null and void.

Article 365. The Rights of the Surety, Who Has Discharged the Obligation

1. To the surety, who has discharged the obligation, shall pass the creditor's rights by this obligation and also the rights, which have belonged to the creditor as the pledgee, in the volume, in which the surety has satisfied the creditor's claim. The surety shall also have the right to claim that the debtor pay the interest on the amount of money, paid up to the creditor, and recompense other losses, which he has borne in connection with the liability for the debtor.

2. After the surety has discharged the obligation, the creditor shall be obliged to pass to the surety the documents, certifying the claim against the debtor, and to transfer to him the rights, securing this claim.

3. The rules, established by the present Article, shall be applied, unless otherwise stipulated by the law, other legal acts or by the contract, concluded by the surety with the debtor, or unless otherwise following from the relationships between them.

Article 366. Notification When Providing Suretyship

1. The debtor notified by the surety about the claim raised against him by the creditor and involved by the surety in participation in the case is bound to notify the surety about all the objections that he has against this claim and to present the evidence that he has to prove these claims. Otherwise, the debtor shall be deprived of the right to make the objections that could be raised against the debtor's claims or against the surety's claim (**Item 1 of Article 365**), if not otherwise provided for by the agreement made by the surety and the debtor.

2. The debtor that has executed the obligation secured by the surety shall immediately notify the surety about this. Otherwise, the surety, that in his turn has executed the obligation, shall have the right to exact from the creditor what he has groundlessly obtained, or to file a claim of regress against the debtor. In the latter case the debtor shall have the right to only exact from the creditor what has been groundlessly obtained.

Article 367. The Termination of Suretyship

1. The suretyship shall be terminated simultaneously with termination of the obligation secured by it. The termination of a secured obligation in connection with the debtor's liquidation after the creditor has raised with a court or in some other way established by law a claim against the surety shall not terminate the suretyship.

If the principal obligation is only secured by suretyship in part, the partial execution of the principal debt shall be accounted against the unsecured part thereof.

Where there are several obligations between the debtor and the creditor, solely one of them being secured by suretyship, and the debtor has not specified which of them he is executing, it shall be deemed that he has executed the non-secured obligation.

2. If an obligation secured by suretyship has been changed without the surety's approbation, this entailing the enhancement of liability or other unfavourable effect for the surety, the surety shall be held liable under the previous terms.

A contract of surety may provide for the surety's approbation given in advance, should the circumstances be changed, to be answerable with respect to creditors under the changed terms. Such approbation shall provide for the limits within which the surety agrees to be answerable in respect of the debtor's obligations.

3. The surety shall be terminated as a result of the transfer to another person of the debt under the obligation, secured by suretyship, unless the surety within a reasonable time period after forwarding a notice thereto of the debt's transfer has given consent to the creditor to being answerable for the new debtor.

The surety's consent to be answerable for the new debtor shall be explicitly expressed and shall allow the definition of the circle of persons the transfer of the debt to which allows the suretyship to remain valid.

4. The debtor's death or re-organisation of the legal entity being the debtor shall not terminate suretyship.

5. The suretyship shall be terminated if the creditor has refused to accept the proper execution, offered by the debtor or by the surety.

6. The suretyship shall be terminated after the expiry of the term, indicated in the contract of suretyship, for which it has been issued. If such term has not been stipulated the suretyship shall be terminated if the creditor does not file a claim against the surety in the course of a year from the date of maturity of the obligation secured by suretyship. If the term of execution of the principal obligation has not been stipulated and cannot be defined, or if it has been defined at the time of demand, the suretyship shall be terminated two years from the date when the contract of suretyship is concluded unless the creditor files a claim against the surety.

A claim for early execution of obligations raised by the creditor against the debtor shall not reduce the validity term of suretyship fixed on the basis of the initial terms of the principal obligation.

§ 6. Independent Guarantee

Article 368. The Concept and Form of an Independent Guarantee

1. Under an independent guarantee the guarantor assumes at the request of another person (the principal) an obligation to pay a definite amount of money to a third party (the beneficiary) specified by the principal in compliance with the terms of the obligation assumed by the guarantor, irrespective of the validity of the obligation secured by such guarantee. A claim about a definite amount of money shall be deemed satisfied if the terms of an independent guarantee enable one to establish the amount of money to be

paid as of the time of execution of the obligation by the guarantor.

2. An independent guarantee shall be issued in writing (**Item 2 of Article 434**) enabling one to reliably define the terms of the guarantee and to make sure that it is really issued by a definite person in the procedure established by the legislation, customs or by the agreement made by the guarantor and the beneficiary.

3. Independent guarantees may be issued by banks or other credit organisations (banking guarantees), as well as by other profit-making organisations.

The rules concerning an agreement of suretyship shall apply to the obligations of persons that are not cited in Paragraph One of this item and that have issued an independent guarantee.

4. The following shall be cited in an independent guarantee:

date of issuance

principal;

beneficiary;

guarantor;

principal obligation whose execution is secured by the guarantee;

monetary sum to be paid or procedure for its calculation;

guarantee's duration;

circumstances upon whose occurrence the guarantee's amount has to be paid.

An independent guarantee may contain a condition on the reduction or increase of the amount of the guarantee when a definite time comes or a definite event occurs.

5. The rules of this paragraph shall also apply when the obligation of the person that has granted a guarantee lies in the transfer of stocks, bonds and other items defined by generic features, unless otherwise results from the essence of relations.

Article 369. Abrogated from June 1, 2015.

Article 370. Independence of a Guarantee from Other Obligations

1. The guarantor's obligation with respect to the beneficiary provided for by an independent guarantee shall not depend in their relations on the principal obligation for whose execution's securing it has been issued, on the relations between the principal and the guarantor, as well as on any other circumstances, even if the independent guarantee contains a reference to them.

2. The guarantor is not entitled to make claims against the beneficiary resulting from the principal obligation for securing the execution of which the independent guarantee has been issued, as well as from another circumstance, in particular from an agreement on issuance of the independent guarantee, and in the objections thereof against the beneficiary's claim to execute the independent guarantee is not entitled to make reference to circumstances which are not cited in the guarantee.

3. The guarantor is not entitled to claim against the beneficiary for setting off the claim assigned by the principal to the guarantor, unless otherwise provided for by the independent guarantee or the agreement made by the guarantor and the beneficiary.

Article 371. The Withdrawal or Change of an Independent Guarantee

1. An independent guarantee may not be withdrawn or changed by the guarantor, unless otherwise provided for by it.

2. When the terms of an independent guarantee allow its withdrawal or change, such withdrawal or such change shall be effected in the form in which the guarantee is issued, if another form is not provided for by the guarantee.

3. If under the terms of an independent guarantee it may be withdrawn or changed by the guarantor by approbation of the beneficiary, the guarantor's obligation shall be deemed changed or terminated from the time of the guarantor receiving the beneficiary's approbation.

4. The modification of the guarantor's obligation after issuance of an independent guarantee to the principal shall not concern the rights and duties of the principal, if he afterwards does not give consent to an

appropriate modification.

Article 372. The Transfer of Rights under an Independent Guarantee

1. The beneficiary under an independent guarantee is not entitled to transfer the rights of claim against the guarantor to another person, unless otherwise provided for by the guarantee.

The transfer by the beneficiary of the rights under an independent guarantee to another person shall only be allowed on condition of the simultaneous assignment of rights under the principal obligation to the same person.

2. If the terms of an independent guarantee allow the transfer by the beneficiary of the right of claim against the guarantor, such transfer shall only be possible with the guarantor's approbation, if not otherwise provided for by the guarantee.

Article 373. The Entry into Force of an Independent Guarantee

An independent guarantee shall enter into force from the time when it is forwarded (transferred) by the guarantor, if not otherwise provided for by the guarantee.

Article 374. The Presentation of a Claim under an Independent Guarantee

1. The beneficiary's claim for payment of the sum of money under an independent guarantee shall be presented to the guarantor in written form, with the documents cited in the guarantee to be enclosed with it. The beneficiary shall point out, either in the claim itself or in the enclosure with it, the circumstances whose occurrence shall entail payment under the independent guarantee.

2. The beneficiary's claim shall be presented to the guarantor before the expiry of the validity term of an independent guarantee.

Article 375. The Guarantor's Obligations in Considering the Beneficiary's Claim

1. On receiving the beneficiary's claim, the guarantor shall without delay notify about it the principal and shall pass to him the copy of the claim with all the related documents.

2. The guarantor shall be obliged to examine the beneficiary's claim and the enclosed documents within five days from the date following the date when the claim with all the enclosed documents are received and, if the claim is recognized as proper, to make payment. The terms of an independent guarantee may provide for a different term for the claim's examination not exceeding 30 days.

3. The guarantor shall verify the compliance of the beneficiary's claim with the terms of an independent guarantee, and shall evaluate the documents attached thereto, by their external features.

Article 375.1. The Beneficiary's Liability

The beneficiary is bound to compensate the guarantor or principal for the losses caused by the fact that the documents filed are unreliable or the claim raised is ill-founded.

Article 376. The Guarantor's Refusal to Satisfy the Beneficiary's Claim

1. The guarantor shall refuse to satisfy the beneficiary's claim, if this claim or the documents enclosed with it do not correspond to the terms of the independent guarantee or if they are presented to the guarantor after the expiry of the guarantee's validity. The guarantor shall be obliged to notify the beneficiary about this at the time fixed by **Item 2 of Article 375** of this Code, with the reason for the refusal being specified.

2. The guarantor shall have the right to suspend payment for a term up to seven days if he has reasonable grounds to believe that:

- 1) any of the documents presented thereto is unreliable;
- 2) the circumstance in the event of whose occurrence the independent guarantee would secure the beneficiary's interests has not occurred;
- 3) the principal obligation of the principal secured by the independent guarantee is invalid;
- 4) execution under the principal obligation of the principal has been accepted by the beneficiary

without any objections.

3. In the event of the payment's suspension, the guarantor is bound to immediately notify the beneficiary and the principal about the reasons for and time of the payment's suspension.

4. The guarantor shall be held liable with respect to the beneficiary and the principal for the payment's unfounded suspension.

5. Upon the expiry of the time period provided for by **Item 2** of this article in the absence of grounds for the refusal to satisfy the beneficiary' claim (**Item 1** of this article) the guarantor is bound to make payment under the guarantee.

Article 377. The Limits of the Guarantor's Obligation

1. The guarantor's obligation to the beneficiary, stipulated by the independent guarantee, shall be limited by the payment of the sum of money, for which the guarantee was issued.

2. The guarantor's responsibility to the beneficiary for his non-discharge or improper discharge of the obligation shall not be limited to the sum of money, for which the guarantee was issued, unless otherwise stipulated in the guarantee.

Article 378. Termination of an Independent Guarantee

1. The guarantor's obligation to the beneficiary under an independent guarantee shall be terminated:
1) by payment to the beneficiary of the sum of money for which the independent guarantee has been issued;

2) after expiry of the term, fixed in the independent guarantee, for which it was issued;

3) as a result of the beneficiary's waiver of the rights thereof under the guarantee;

4) on the basis of the agreement between the guarantor and beneficiary on termination of this obligation.

2. An independent guarantee or the agreement between the guarantor and the beneficiary may provide that for termination of the guarantor's obligation with respect to the beneficiary it is necessary to return to the guarantor the guarantee issued by him.

The termination of the guarantor's obligation on the grounds pointed out in **Subitems 1 and 2 of Item 1** of the present article shall not depend on whether or not the guarantee has been returned to him.

3. A guarantor who has learned about the termination of an independent guarantee shall be obliged to immediately notify the principal about it.

Article 379. The Repayment to the Guarantor of the Sums of Money Paid under an Independent Guarantee

1. The principal is bound to compensate the guarantor for the sums of money paid in compliance with the terms of an independent guarantee, if not otherwise provided for by an agreement on the guarantee's issuance.

2. The guarantor is not entitled to demand compensation from the principal for the sums of money paid to the beneficiary not in compliance with the terms of an independent guarantee or for failing to execute the guarantor's obligation with respect to the beneficiary, except unless otherwise provided for by the agreement between the guarantor and the principal or if the principal has given consent to payment under the guarantee.

§ 7. The Advance

Article 380. The Concept of the Advance. The Form of an Agreement on the Advance

1. The advance shall be recognized as the sum of money, issued by one of the contracting parties to offset the payments to the other party due from it, as a proof that the contract has been concluded and that its discharge has been secured against.

2. The agreement on the advance, regardless of the sum of money involved, shall be effected in written form.

3. In case of the doubt about whether the sum of money, paid to offset the payments, due from the party by the contract, is the advance, in particular, as a result of the non-abidance by the rule, laid down by **Item 2** of the present Article, this sum of money shall be regarded as paid up by way of an advance, unless proved otherwise.

4. If not otherwise established by law, execution of an obligation to conclude the principal agreement under the terms provided for by a preliminary agreement (**Article 429**) may be secured by earnest money as agreed by the parties.

Article 381. The Consequences of the Termination and of the Non-Discharge of the Obligation, Secured Against by the Advance

1. If the obligation is terminated before the start of its discharge by an agreement between the parties or as a result of its discharge being impossible (**Article 416**), the advance shall be returned.

2. If the responsibility for the non-performance of the contract lies with the party, which has given the advance, it shall be left with the other party. If the responsibility for the non-performance of the contract lies with the party, which has received the advance, it shall be obliged to pay to the other party the double amount of the advance.

In addition, the party, responsible for the non-execution of the contract, shall be obliged to recompense to the other party the losses, offsetting the amount of the advance, unless otherwise stipulated by the contract.

§ 8. The Securing Payment

Article 381.1. The Securing Payment

1. A pecuniary obligation, including the duty to compensate for losses or to pay a forfeit in the event of violation of a contract, and an obligation that has originated on the grounds provided for by **Item 2 of Article 1062** of this Code may be secured as agreed by the parties by way of either party entering a definite sum of money (securing payment) for the benefit of the other party. The securing payment may secure an obligation that will originate in the future.

In the event of occurrence of the circumstances provided for by a contract, the sum of the securing payment shall be set off against execution of an appropriate obligation.

2. In the event of non-occurrence of the circumstances cited in **Paragraph Two of Item 1** of this article at the time provided for by a contract or in the event of termination of a secured obligation, the securing payment is subject to repayment, if not otherwise agreed by the parties.

3. An agreement may provide for the duty of an appropriate party to additionally make or partially repay the securing payment, should certain circumstances occur.

4. The interest established by **Article 317.1** of this Code shall not be charged on the securing payment, if not otherwise agreed.

Article 381.2. Application of the Rules Concerning the Securing Payment

The rules concerning the securing payment (**Article 381.1**) shall also apply, if stocks, bonds, other securities or articles defined by generic features which are subject to transfer under the obligation to be secured are entered as security. If securities are entered to secure the discharge of obligations, the specifics of a security payment may be established by laws on securities.

Chapter 24. The Substitution of Persons in an Obligation

§ 1. Transfer of the Rights of a Creditor to Another Person

1. General Provisions

Article 382. Grounds and Procedure for Transfer of Creditor's Rights to Another Person

1. A right (claim) belonging to a creditor on the grounds of an obligation may be transferred to another person under a transaction (assignment of claim) or may be transferred to another person on the basis of law.

2. Except as otherwise envisaged by law or the contract no consent of the debtor is required for the transfer of the creditor's rights to another person.

This paragraph is invalid from June 1, 2018 - **Federal Law No. 212-FZ** of July 26, 2017

The ban of transfer of the creditor's rights to another person envisaged by the contract shall not prevent the sale of such rights in the procedure established by the **legislation** on execution proceedings and the **legislation** on insolvency (bankruptcy).

3. Unless the debtor has been notified in writing of the transfer of the creditor's rights to another person that has taken place, the new creditor shall bear the risk of the consequences which have been caused and are unfavourable for it. The debtor's liability shall be terminated by its discharge to the initial creditor effectuated before the receipt of the notice of transfer of the right to another person.

4. The initial creditor and the new creditor are solidarily obligated to compensate the debtor who is a natural person for the necessary expenses caused by the transfer of the right in cases when the assignment that has caused such expenses took place without the consent of the debtor. Other rules for compensating expenses may be envisaged in accordance with laws on securities.

Article 383. Rights Which May Not Pass to Another Person

The transfer to another person of the rights inseparable from the personality of the creditor, inter alia claims for alimony and compensation for harm caused to life or health is hereby prohibited.

Article 384. The Scope of Creditor's Rights Transferred to Another Person

1. Except as otherwise envisaged by law or the contract the creditor's right is transferred to the new creditor in the same scope and on the same terms which existed as of the time of transfer of the right. For instance, the new creditor acquires the rights that secure the performance of the obligation and also other rights relating to the claim, like the right to interest.

2. The right of claim under a monetary obligation may be transferred to another person partially, unless otherwise is envisaged by law.

3. Except as otherwise envisaged by law or the contract the right to receive performance other than the payment of an amount of money may be transferred to another person partially on the condition that the relevant obligation is divisible and partial assignment for the debtor does not make his obligation significantly more burdensome.

Article 385. Notifying a Debtor of Transfer of a Right

1. Notification of a debtor of the transfer of a right is effective for him, no matter if it has been sent by the initial or a new creditor.

The debtor has the right to abstain from performing the obligation to the new creditor until a proof of transfer of the right to that creditor is provided thereto, save cases when a notice of transfer of a right is received from the initial creditor.

2. If a debtor has received a notice concerning one or several subsequent transfers of a right the debtor shall be deemed to have performed the obligation to the proper creditor if the obligation is discharged in accordance with the notice concerning the last of these transfers of the right.

3. A creditor that has assigned a claim to another person shall hand over to him the documents

confirming the right (claim) and provide the information of significance for the exercising of that right (claim).

Article 386. Debtor's Objections against a Claim of a New Creditor

A debtor has the right of raising the same objections against a claim of a new creditor as he had against the initial creditor, if the grounds for such objections had emerged by the time of receipt of the notice of transfer of rights under the obligation to the new creditor. The debtor, within a reasonable term after receiving the cited notification, is bound to inform the new creditor on origination of the grounds for objections which are known to him and to give him an opportunity to get familiar with them. Otherwise the debtor is not entitled to make reference to such grounds.

2. Transfer of Right on the Basis of Law

Article 387. Transfer of Creditor's Rights to Another Person on the Basis of Law

1. The rights of a creditor under an obligation shall be transferred to another person on the basis of law upon the onset of the circumstances specified therein:

- 1) as a result of universal succession of the rights of the creditor;
- 2) by a court decision on transfer of the creditor's rights to another person, if a law has envisaged the possibility of such transfer;
- 3) in consequence of the discharge of the obligation by the debtor's surety or by a pledgor who is not a debtor in respect of that obligation;
- 4) in the event of subrogation to an insurer of the creditor's rights in respect of a debtor who is responsible for the occurrence of the insured accident;
- 5) in other cases envisaged by a law.

2. The relationships relating to the transfer of rights on the basis of a law are subject to the rules of the present Code on assignment of a claim (**Articles 388 - 390**), except as otherwise established by the present Code, other laws or ensues from the essence of the relationships.

3. Assignment of a Claim (Cession)

Article 388. Conditions for the Assignment of a Claim

1. The assignment of a claim by a creditor (assignor) to another person (assignee) is admissible if it does not contravene a law.

2. Without the consent of a debtor the assignment of a claim in respect of an obligation in which the creditor's personality is of material significance for the debtor is prohibited.

3. An agreement between a debtor and a creditor on limitation or a ban on the assignment of a claim in respect of a monetary obligation shall not make such assignment ineffective and shall not serve as grounds for rescission of the contract from which that claim has arisen, but the creditor (assignor) shall not be relieved from liability to the debtor for the given breach of the agreement.

4. The right of receiving performance in non-monetary form may be assigned without the consent of the debtor, unless the assignment makes the performance of its obligation significantly more burdensome.

An agreement between the debtor and the assignor may prohibit or restrict the assignment of the right of receiving non-monetary performance.

If a contract has provided for a ban on assignment of the right to receive non-monetary performance, the agreement on assignment of the right may only be declared invalid on the basis of the debtor's claim, when it is proved that the other party to the agreement knew or had to know about the cited ban.

5. A solidary creditor has the right of assigning a claim to a third party without the consent of other creditors, except as otherwise envisaged by an agreement between them.

Article 388.1. Assignment of a Future Claim

1. A claim under an obligation that is going to arise in the future (a future claim), including a claim under an obligation resulting from a contract that will be made in the future, shall be defined in an agreement of assignment in a way enabling one to identify this claim at the time of its origination or transfer to the assignee.

2. Except as otherwise established by law a future claim shall be transferred to the assignee as of the time when it comes into being. An agreement of the parties may include a provision according to which a future claim is transferred later.

Article 389. The Form of Assignment of a Claim

1. The assignment of a claim based on a transaction that has been concluded in simple written or notarial form shall be effectuated in the relevant form in writing.

2. An agreement on assignment of a claim under a transaction that requires state registration shall be registered in the procedure established for the registration of that transaction, except as otherwise established by law.

Article 389.1. The Rights and Duties of Assignor and Assignee

1. The mutual rights and duties of the assignor and assignee are defined by this Code and the contract between them that serves as grounds for the assignment.

2. A claim shall be transferred to the assignee at the time of conclusion of the contract under which assignment takes place, except as otherwise envisaged by law or the contract.

3. Except as otherwise envisaged by the contract, the assignor shall transfer to the assignee everything that has been received from the debtor to set off the assigned claim.

Article 390. The Liability of the Assignor

1. The assignor shall be liable to the assignee for the invalidity of the claim that has been transferred thereto but shall not be liable for the debtor's default on the performance of that claim, save cases when the assignor has undertaken to provide surety for the debtor in respect of the assignee.

Unless otherwise provided for by law, the contract serving as the basis for the assignment may provide that the assignor is not liable with respect to the assignee for invalidity of the claim transferred thereto under the contract whose execution is connected with the exercise by the parties to it of business activities, provided that such invalidity is caused by the circumstances about which the assignor did not know or could not know or about which he has warned the assignee, in particular by the circumstances related to additional claims, including the claims in respect of the rights securing the discharge of obligations and the rights to interest.

2. The following conditions shall be observed in the event of assignment by the assignor:
the assigned claim is existing as of the time of assignment, unless the claim is a future claim;
the assignor has the capacity to effectuate the assignment;
the assigned claim has not been earlier assigned by the assignor to another person;
the assignor has not committed and will not commit any actions that can serve as ground for the debtor's objections against the assigned claim.

A law or the contract may also envisage other requirements applicable to the assignment.

3. If the assignor has violated the rules set out in **Items 1 and 2** of this article the assignee has the right to demand that the assignor return everything that has been transferred under the agreement on assignment and also compensate for the losses caused.

4. In relationships among several persons to whom one and the same claim has been transferred from one assignor the claim shall be deemed to have been transferred to the person for whose benefit the transfer

took place earlier.

In the event of performance by a debtor to another assignee the risk of consequences of such performance shall be borne by the assignor or assignee who knew or should have known on the assignment of the claim that has taken place earlier.

§ 2. The Transfer of the Debt

Article 391. Conditions for, and the Form of, Transfer of a Debt

1. Transfer of a debt from a debtor to another person may be effectuated by agreement between the initial debtor and the new debtor.

In obligations relating to the pursuance of entrepreneurial activities by the parties to them a debt may be transferred by agreement between the creditor and a new debtor according to which the new debtor assumes the obligation of the initial debtor.

2. The transfer by a debtor of his debt to another person is admissible with the consent of the creditor, and if no such consent is available it shall be deemed null and void.

If the creditor gives preliminary consent to the transfer of the debt that transfer shall be deemed to take place as of the time when the creditor received a notice of transfer of the debt.

3. In the event of transfer of a debt under an obligation relating to the pursuance of entrepreneurial activities by the parties thereto in the case envisaged by **Paragraph 2 of Item 1** of the present article the initial debtor and the new debtor shall bear solidary liability to the creditor, unless the agreement on transfer of the debt envisaged the subsidiary liability of the initial debtor or the initial debtor has been relieved of the duty to perform the obligation.

The new debtor that has discharged the obligation relating to the pursuance of entrepreneurial activities by the parties thereto acquires the right of creditor in respect of that obligation, except as otherwise envisaged by an agreement between the initial debtor and the new debtor or ensues from the essence of their relationships.

4. Accordingly, the form of transfer of the debt shall be subject to the rules contained in **Article 389** of the present Code.

Article 392. Objections of the New Debtor Against the Creditor's Claim

The new debtor shall have the right to put forward objections against the creditor's claims, based on the relationships between the creditor and the primary debtor, but is not entitled to exercise the right of setting off the counterclaim belonging to the initial debtor in respect of the creditor.

Article 392.1. Creditor's Rights in Respect of a New Debtor

1. In respect of a new debtor the creditor may exercise all the rights under the obligation, except as otherwise envisaged by law, the contract or ensues from the essence of the obligation.

2. If in the event of transfer of a debt the initial debtor is relieved from the obligation then the security for performance of the obligation that has been provided by a third party is terminated, except for cases when such person has agreed to be liable for the new debtor.

3. Relieving the initial debtor from the obligation shall extend to any security that has been provided by him, unless the property being the subject of security has been transferred by him to the new debtor.

Article 392.2. Transfer of Debt by Virtue of Law

1. A debt may be transferred from the debtor to another person on the grounds envisaged by law.

2. No consent is required from the creditor for transfer of the debt by virtue of law, except as otherwise established by law or ensues from the essence of the obligation.

Article 392.3. Transfer of a Contract

In the event of simultaneous transfer by a party of all the rights and duties under a contract to another person (transfer of a contract) the transaction of transfer shall be subject to the rules for assignment of a claim and for transfer of a debt respectively.

Chapter 25. Responsibility for the Violation of Obligations

Article 393. The Debtor's Obligation to Recompense the Losses

1. The debtor shall be obliged to recompense to the creditor the losses, caused to him by the non-discharge or by an improper discharge of the obligations.

If not otherwise established by law, the use by the creditor of other ways of protecting violated rights which are provided by law or contract shall not disqualify him from demanding that the debtor compensate for the losses caused by failure to execute or improper execution of an obligation.

2. The losses shall be defined in conformity with the rules, stipulated by **Article 15** of the present Code.

Full compensation for losses means that as a result of compensation for them the creditor shall find himself in the position he would have found himself, if an obligation had been properly executed.

3. Unless otherwise stipulated by the law, other legal acts or by the agreement, when defining the losses, the prices shall be taken into account, which existed in the place, where the obligation should have been discharged, on the date of the debtor's voluntary satisfaction of the creditor's claims, and if the claim has not been voluntarily satisfied - on the date of its presentation. Proceeding from the circumstances, the court may satisfy the claim for the compensation of the losses, taking into account the prices, which existed on the day of its adopting the decision.

4. When defining the lost profit, the measures, taken by the creditor to derive it, and the preparations, made for the same purpose, shall be considered.

5. The amount of losses to be compensated shall be established with a reasonable degree of reliability. A court may not deny satisfaction of the creditor's claim to compensate for the losses caused by failure to execute or improper execution of an obligation solely on the grounds that the amount of losses cannot be estimated with a reasonable degree of reliability. On such occasion, the amount of the losses to be reimbursed shall be estimated by a court subject to all the facts in a case on the basis of the principles of fairness and proportionality of liability to the breach of an obligation made.

6. In the event of the debtor breaching the obligation to abstain from making a definite action (negative obligation), the creditor, regardless of compensation for losses, is entitled to demand the suppression of an appropriate action, if it is not contrary to the essence of the obligation.

Article 393.1. Compensation for Losses in the Event of Termination of a Contract

1. Where the debtor's failure to execute or improper execution of a contract has entailed its early termination and the creditor has made a similar contract instead of it, the creditor is entitled to demand compensation from the debtor for losses in the form of the difference between the price fixed in the terminated contract and the price of comparable goods, works or services under the terms of the contract made instead of the terminated contract.

2. If the creditor has not made a similar contract instead of the terminated one (**Item 1** of this article) but in respect of the execution provided for by the terminated contract there is the current price of comparable goods, works or services, the creditor is entitled to demand compensation from the debtor for losses in the form of the difference between the price fixed in the terminated contract and the current price.

As the current price shall be deemed the one fixed at the time of termination of a contract in respect of comparable goods, works and services at the place where the contract is to be executed or, in the absence

of the current price at the cited place, the price that was applied at a different place and can serve as a reasonable replacement subject to transportation and other additional costs.

3. Satisfaction of the requirements provided for by **Items 1 and 2** of this article shall not relieve the party that has not executed an obligation or has improperly executed it of compensation for other losses caused to the other party.

Article 394. The Losses and the Forfeit

1. If for the non-discharge or an improper discharge of the obligation the forfeit has been ruled, the losses shall be recompensed in the part, which has not been covered by the forfeit.

The law or the agreement may stipulate the cases: when only the forfeit, but not the losses shall be exacted; when the losses may be exacted in full above the forfeit; when, according to the creditor's choice, either the forfeit or the losses may be exacted.

2. In the cases, when a limited responsibility for the non-discharge or an improper discharge of the obligation has been established (**Article 400**), the losses, liable to compensation in the part, not covered by the forfeit, or above it, or instead of it, may be exacted up to the limit, fixed by such a restriction.

Article 395. Responsibility for the Non-Discharge of the Pecuniary Obligation

1. In the event of unlawful deduction of monetary assets, avoidance of their repayment or other delay in their payment, interest on the amount of debt is subject to payment. The rate of interest shall be determined by the **key rate** of the Bank of Russia that was in effect in appropriate periods. These rules shall apply, if other rate of interest is not established by law or contract.

2. If the losses, caused to the creditor by an illegal use of his money, exceed the amount of the interest, due to him on the ground of **Item 1** of the present Article, he shall have the right to claim that the debtor recompense him the losses in the part, exceeding this amount.

3. The interest for the use of another person's means shall be exacted by the date of payment of the amount of these means to the creditor, unless the law, other legal acts or the contract have fixed a shorter term for the calculation of the interest.

4. If the agreement made by the parties provides for a forfeit for failure to discharge or improper discharge of a pecuniary obligation, the interest provided for by this article is not subject to recovery, if not otherwise provided for by law or contract.

5. It is not allowed to charge interest on interest (compound interest), if not otherwise provided for by law. It is not allowed to apply compound interest in respect of the obligations executed while the parties conduct business activities, if not otherwise provided for by law or contract.

6. If the sum of interest to be paid is clearly disproportionate to the effects of violation of an obligation, a court, on the basis of the debtor's application, is entitled to reduce the interest provided for by a contract but at least down to the amount estimated on the basis of the rate cited in **Item 1** of this Article.

Article 396. Responsibility and the Discharge of Obligations in Kind

1. The payment of the forfeit and the compensation of the losses in case of an improper discharge of the obligation shall not absolve the debtor from the discharge of the obligations in kind, unless otherwise stipulated by the law or by the contract.

2. The compensation of the losses in case of the non-discharge of the obligation and the payment of the forfeit for its non-discharge shall absolve the debtor from the discharge of the obligation in kind, unless otherwise stipulated by the law or by the contract.

3. The creditor's refusal to accept the discharge, which as a consequence of the delay has lost all interest for him (**Item 2 of Article 405**), and also the payment of the forfeit, imposed by way of compensation (**Article 409**), shall absolve the debtor from the discharge of the obligation in kind.

Article 397. Discharge of the Obligation at the Debtor's Expense

In case of the non-discharge by the debtor of the obligation to manufacture and transfer the thing into the ownership, into the economic or into the operation management, or into the use of the creditor, or to perform for him a certain job, or to render him a service, the creditor shall have the right, within a reasonable term and for a reasonable pay, to commission third parties with the performance of the obligation, or to

perform it through his own effort, unless otherwise following from the law, other legal acts or the contract, or from the substance of the obligation, and to claim that the debtor recompense the necessary expenses and other losses he has borne.

Article 398. The Consequences of the Non-discharge of the Obligation to Transfer an Individually-definite Thing

In case of the non-discharge of the obligation to transfer an individually-definite thing into the ownership, into the economic or the operation management, or into the gratuitous use of the creditor, the latter shall have the right to claim the forcible withdrawal of this thing from the debtor and its transfer to the creditor on the terms, stipulated by the obligation. This right shall cease to exist, if the thing has already been transferred to a third party, possessing the right of ownership, of economic or of operation management. If the thing has not yet been transferred, the right of priority shall belong to that creditor, with respect to whom the obligation has arisen at an earlier date, and if this is impossible to establish - to that creditor, who has filed the claim at an earlier date.

Instead of the claim for the transfer to him of the thing, which is the object of the obligation, the creditor shall have the right to claim the compensation of his losses.

Article 399. The Subsidiary Liability

1. Before presenting the claims against the person, who, in conformity with the law, other legal acts or with the terms of the obligation, is bearing liability in addition to the liability of another person, who is the principal debtor (the subsidiary liability), the creditor shall be obliged to present the claim against the principal debtor.

If the principal debtor has refused to satisfy the claim of the creditor, or if the creditor has not received from him, within a reasonable term, a response to the presented claim, this claim may be presented against the person, bearing the subsidiary liability.

2. The creditor shall have no right to claim the satisfaction of his claim against the principal debtor from the person, bearing the subsidiary liability, if this claim may be satisfied by offsetting the claim of regress to the principal debtor, or by an indisputable recovery of the means involved from the principal debtor.

3. The person, bearing the subsidiary liability, shall be obliged, before satisfying the claim, presented against him by the creditor, to warn about it the principal debtor, and if the claim has been filed against such a person - to draw the principal debtor into the court case. Otherwise, the principal debtor shall have the right to put forward against the claim of regress of the person, bearing the subsidiary liability, the objections, which he has had against the creditor.

4. The rules of this article shall apply, if this Code or other laws do not establish a different procedure for imposing subsidiary liability.

Article 400. Limitation of the Scope of Liability by Obligations

1. By the individual kinds of obligations and by those obligations, which are related to a definite type of activity, the right to the full compensation of the losses may be limited by the law (the limited responsibility).

2. The agreement on limiting the scope of the debtor's responsibility by the contract of affiliation or by another kind of contract, in which the creditor is the citizen, coming out in the capacity of the consumer, shall be insignificant, if the scope of responsibility for the given kind of obligations or for the given violation has been defined by the law and if the agreement has been concluded before the setting in of the circumstances, entailing the responsibility for the non-discharge or for an improper discharge of the obligation.

Article 401. The Grounds of Responsibility for the Violation of the Obligation

1. The person, who has not discharged the obligation or who has discharged it in an improper way, shall bear responsibility for this, if it has happened through his fault (an ill intention or carelessness on his part), with the exception of the cases, when other grounds of the responsibility have been stipulated by the law or by the contract.

The person shall be recognized as not guilty, if, taking into account the extent of the care and caution, which has been expected from him in the face of the nature and the terms of the circulation, he has taken all the necessary measures for properly discharging the obligation.

2. The absence of the guilt shall be proven by the person, who has violated the obligation.

3. Unless otherwise stipulated by the law or by the contract, the person, who has failed to discharge, or has discharged in an improper way, the obligation, while performing the business activity, shall bear responsibility, unless he proves that the proper discharge has been impossible because of a force-majeure, i.e., because of the **extraordinary** circumstances, which it was **impossible to avert** under the given conditions. To such kind of circumstances shall not be referred, in particular, the violations of obligations on the part of the debtor's counter-agents, or the absence on the market of commodities, indispensable for the discharge, or the absence of the necessary means at the debtor's disposal.

4. An agreement on eliminating or limiting the liability for an intentional violation of the obligation, concluded at an earlier date, shall be insignificant.

Article 402. The Debtor's Responsibility for His Employees

The actions of the debtor's employees, involved in the discharge of his obligation, shall be regarded as those of the debtor himself. The debtor shall be answerable for these actions, if they have caused the non-discharge or an improper discharge of the obligation.

Article 403. The Debtor's Responsibility for the Actions of Third Parties

The debtor shall be answerable for an improper discharge of the obligation by third parties, on whom the discharge of the obligation has been imposed, unless it has been laid down by the law that the responsibility shall be borne by third party, who has been an immediate discharger.

Article 404. The Creditor's Guilt

1. If the non-discharge or an improper discharge of the obligation has occurred through the fault of both parties, the court shall correspondingly reduce the scope of the debtor's responsibility. The court shall also have the right to reduce the scope of the debtor's responsibility, if the creditor has intentionally or through carelessness contributed to the increase of the losses, caused by the non-discharge or by an improper discharge, or if he has not taken reasonable measures to reduce them.

2. The rules of Item 1 of the present Article shall also be correspondingly applied in the cases, when the debtor, by force of the law or of the contract, bears responsibility for the non-discharge or for an improper discharge of the obligation regardless of whether he is, or is not, at fault.

Article 405. The Debtor's Delay

1. The debtor, who has failed to discharge the obligation on time, shall be answerable to the creditor for the losses, inflicted by the delay, and also for the consequences of the discharge having accidentally become impossible during the period of the delay.

2. If, because of the debtor's delay, the discharge has lost all interest for the creditor, he shall have the right to refuse to accept the discharge and to claim the compensation of the involved losses.

3. The debtor shall not be regarded as guilty of the delay during the period of time, when the obligation could not have been discharged because of the creditor's delay.

Article 406. The Creditor's Delay

1. The creditor shall be regarded as guilty of the delay, if he has refused to accept the proper discharge, offered to him by the debtor, or if he has not performed the actions, stipulated by the law, other

legal acts, or by the contract, or those stemming from the customs or from the substance of the obligation, before the performance of which the debtor could not have discharged his obligation.

The creditor shall also be regarded as guilty of the delay in the cases, pointed out in **Item 2 of Article 408** of the present Code.

The creditor shall not be deemed guilty of the delay, if the debtor was not able to execute an obligation, regardless of the creditor's failure to make the actions provided for by **Paragraph One** of this item.

2. The creditor's delay shall give to the debtor the right to the compensation of losses, caused to him by the said delay, unless the creditor proves that the delay has occurred through the circumstances, for which neither he himself, nor the persons, to whom, by force of the law, other legal acts or of the creditor's commission, the acceptance of the discharge has been entrusted, are answerable.

3. The debtor shall not be obliged to pay the interest by the pecuniary obligation over the period of the creditor's delay.

Article 406.1. Compensation for the Losses Resulting from the Occurrence of the Circumstances Defined in a Contract

1. The parties to an obligation, while exercising business activities, may provide in the agreement made by them the duty of either party to compensate for the property losses of the other party resulting from the occurrence of the circumstances determined in such agreement which are not connected with the violation of an obligation by a party thereto (the losses caused by the impossibility to execute the obligation, the claims raised by third parties or the state power bodies against a party or a third party cited in the contract etc.). The agreement made by the parties shall fix the rate of compensation for such losses or a procedure for its calculation.

2. A court may not reduce the rate of compensation for the losses provided for by this article, except if it is proved that a party has willfully assisted the reduction of the rate of losses.

3. The losses provided for by this article shall be reimbursed regardless of declaring a contract as not concluded or invalid, if not otherwise provided for by the agreement made by the parties.

4. If losses have resulted from wrongful actions of a third party, the creditor's claims against this third party for compensation for losses shall pass over to the party that has compensated for such losses.

5. The rules of this article shall also apply if the clause on compensation for losses is contained in a corporate agreement or in an agreement on alienation of stocks or shares in the authorized capital of a company to which a natural person is a party.

Chapter 26. The Termination of Obligations

Article 407. The Grounds for the Termination of Obligations

1. The obligation shall be terminated in full or in part on the grounds, stipulated by the present Code, other laws and other legal acts, or by the contract.

2. The termination of the obligation upon the claim of one of the parties shall be admitted only in the cases, stipulated by the law or by the contract.

3. The parties are entitled to terminate an obligation by their agreement and to define the effects of its termination, if not otherwise established by law or results from the essence of the obligation.

Article 408. The Termination of the Obligation by the Discharge

1. The proper discharge shall terminate the obligation.

2. While accepting the discharge, the creditor shall be obliged, upon the debtor's claim, to give him a receipt for accepting the discharge in full or in the corresponding part thereof.

If the debtor has issued to the creditor a promissory document to certify the obligation, the creditor, while accepting the discharge, shall be obliged to return it, and in case it is impossible to return the said document, he shall be obliged to indicate this in the receipt he issues. The receipt may be replaced by an

inscription made on the returned document. The debtor's custody of the promissory document shall certify the termination of the obligation, unless otherwise proved.

If the creditor refuses to issue the receipt, to return to the debtor the promissory document, or to indicate in the receipt that it is impossible to return it, the debtor shall have the right to delay the discharge. In these cases, the creditor shall be regarded as having delayed it.

Article 409. Compensation for Release from an Obligation

As agreed by the parties, an obligation may be terminated by providing compensation for release from an obligation - by paying monetary assets or by transfer of other property.

Article 410. Termination of the Obligation by an Offset

The obligation shall be terminated in full or in part by offsetting a similar claim of regress, whose deadline has arrived or has not been fixed, or has been defined by the moment of the demand. Where it is provided for by law, it is allowed to set off a homogeneous counter-claim which is not mature. For the offset, the application from one of the parties shall be sufficient.

Article 411. The Instances of the Offset Being Inadmissible

Offset of the following claims shall be inadmissible:

- for the compensation of the harm, inflicted on life or health;
- for life-long support;
- for exaction of alimony;
- in respect of which the limitation period has expired;
- in other cases stipulated by law or contract.

Article 412. The Offset in the Cession of the Claim

In case of the cession of the claim, the debtor shall have the right to offset against the claim of the new creditor his own claim of regress against the primary creditor.

The offset shall be effected, if the claim has arisen on the grounds, which have existed by the moment of the debtor's receipt of the notification about the cession of the claim, and if the deadline of the claim has set in before its receipt or if this deadline has not been indicated or defined by the moment of the demand.

Article 413. Termination of the Obligation by the Debtor and the Creditor Coinciding in One Person

The obligation shall be terminated in case the debtor and the creditor coincide in a single person, if not otherwise established by law or results from the essence of an obligation.

Article 414. Termination of an Obligation by Novation

1. An obligation shall be terminated by an agreement between the parties on replacing the initial obligation, which existed between them or by another obligation between the same persons (novation), if not otherwise established by law or results from the essence of relations.

2. Novation shall terminate the additional liabilities connected with the initial obligation unless otherwise stipulated by the agreement between the parties.

Article 415. Forgiving the Debt

1. The obligation shall be terminated by the creditor's absolving the debtor from the obligations, borne by him, if this does not violate the rights of other persons with respect to the creditor's property.

2. An obligation shall be deemed terminated from the time of the debtor receiving the creditor's notice of forgiving the debt, if the debtor does not forward objections against forgiving the debt to the creditor within a reasonable time period.

Article 416. Termination of the Obligation Because of the Impossibility to Discharge It

1. The obligation shall be terminated because of the impossibility to discharge it, caused by the circumstance occurring after the origination of the obligation, for which neither of the parties is answerable.

2. In case of the impossibility for the debtor to discharge the obligation because of the faulty actions

of the creditor, the latter shall not have the right to claim the return of what he has discharged by the obligation.

Article 417. Termination of the Obligation on the Grounds of an Act Issued by a State Body

1. If as a result of an act issued by a state body or local authority, the execution of an obligation has become impossible in full or in part, the obligation shall be terminated in full or in the corresponding part. The parties that have suffered losses as a result of this, shall have the right to claim compensation in conformity with **Articles 13 and 16** of the present Code.

2. An obligation shall not be deemed terminated if the issuance of the act by a state power body or local authority that has entailed the impossibility of the obligation's execution has been caused by wrongful actions (omissions) of the debtor proper.

3. If the act issued by the state body or local authority (**Item 1** of this article) is recognized as invalid in conformity with the established procedure, the obligation shall be deemed terminated unless otherwise follows from the agreement between the parties or from the substance of the obligation and unless the creditor has refused to execute the obligation within a reasonable time period.

Article 418. Termination of the Obligation with the Citizen's Death

1. The obligation shall be terminated with the death of the debtor, if it cannot be discharged without the debtor's personal participation, or if it is indissolubly linked with the debtor's personality in any other way.

2. The obligation shall be terminated with the death of the creditor, if its discharge is intended personally for the creditor, or if the obligation is indissolubly linked with the creditor's personality in any other way.

Article 419. Termination of the Obligation with the Liquidation of the Legal Entity

The obligation shall be terminated with the liquidation of the legal entity (the debtor or the creditor), with the exception of the cases, when the law or other legal acts impose the discharge of the obligation of the liquidated legal entity upon another person (by the claims for the compensation of the harm, caused to the life or to the health, etc.).

Subsection 2. The General Provisions on the Contract

Chapter 27. The Concept and the Terms of the Contract

Article 420. The Concept of the Contract

1. The contract shall be recognized as the agreement, concluded by two or by several persons on the institution, modification or termination of the civil rights and duties.

2. Toward the contracts shall be applied the rules on bilateral and multilateral deals, stipulated by **Chapter 9** of the present Code, if not otherwise established by this Code.

3. Toward the obligations, arising from the contract, shall be applied the general provisions on obligations (**Articles 307-419**), unless otherwise stipulated by the rules of the present Chapter and the rules on the individual kinds of contracts, contained in the present Code.

4. Toward the contracts, concluded by more than two parties, the general provisions on the contract shall be applied, unless this contradicts the multilateral nature of such contracts.

Article 421. The Freedom of the Contract

1. The citizens and the legal entities shall be free to conclude contracts.

Compulsion to conclude contracts shall be inadmissible, with the exception of the cases, when the duty to conclude the contract has been stipulated by the present Code, by the law or by a voluntarily assumed obligation.

2. The parties shall have the right to conclude a contract, both stipulated and unstipulated by the law or other legal acts. The rules in respect of individual kinds of contracts provided for by law or other legal acts shall not apply to a contract which is not stipulated by law or other legal acts in the absence of the features cited in **Item 3** of this article, this not excluding the possibility of applying the rules concerning analogy by law (**Item 1 of Article 6**) in respect of individual relations of the parties to a contract.

3. The parties shall have the right to conclude a contract, in which are contained the elements of different contracts, stipulated by the law or other legal acts (the mixed contract). Toward the relationships between the parties in the mixed contract shall be applied in the corresponding parts the rules on the contracts, whose elements are contained in the mixed contract, unless otherwise following from the agreement between the parties or from the substance of the mixed contract.

4. The contract terms (provisions) shall be defined at the discretion of the parties, with the exception of the cases, when the content of the corresponding term (provision) has been stipulated by the law or other legal acts (**Article 422**).

In the cases, when the contract provision has been stipulated by the norm, applied so far as it has not been otherwise stipulated by the agreement between the parties (the dispositive norm), the parties may by their own agreement exclude its application, or may introduce the provision, distinct from that, which has been stipulated by it. In the absence of such an agreement, the contract provision shall be defined by the dispositive norm.

5. Unless the contract provision has been defined by the parties or by the dispositive norm, the corresponding provisions shall be defined by the customs, applicable to the relationships between the parties.

Article 422. The Contract and the Law

1. The contract shall be obliged to correspond to the rules, obligatory for the parties, which have been laid down by the law and other legal acts (the imperative norms), operating at the moment of its conclusion.

2. If after the conclusion of the contract the law has been passed, laying down the rules, obligatory for the parties, which differ from those in operation when the contract was concluded, the provisions of the concluded contract shall stay in force, with the exception of the cases, when the law decrees that its action shall be extended to the relationships that have arisen from the contracts, concluded at an earlier date.

Article 423. The Pecuniary and the Gratuitous Contracts

1. The contract, by which the party shall receive a pay or a different kind of the regress remuneration for the discharge of its duties, shall be a pecuniary one.

2. The contract shall be recognized as gratuitous, if by it one party assumes an obligation to provide something to the other party without receiving from it a pay or another kind of the regress remuneration.

3. The contract shall be supposed to be a pecuniary one, unless otherwise following from the law, other legal acts, or from the content or the substance of the contract.

Article 424. The Price

1. The performance of the contract shall be paid by the price, fixed by an agreement between the parties.

In the law-stipulated cases, the prices (the tariffs, estimates, rates, etc.) shall be applied, fixed or regulated by the specially authorized state bodies and/or bodies of local government.

2. Change in price after the conclusion of the contract shall be admitted in cases and on the terms, provided for by the contract, law, or in the procedure established by law.

3. In the cases, when the price in the pecuniary contract has not been stipulated and cannot be defined proceeding from the contract terms, the performance of the contract shall be remunerated by the price, which

is usually paid under the comparable circumstances for the similar kind of commodities, works or services.

Article 425. The Operation of the Contract

1. The contract shall come in force and shall become obligatory for the parties from the moment of its conclusion.

2. The parties shall have the right to establish that the terms (provisions) of the contract, concluded by them, shall be applied to their relations, which have arisen before the conclusion of the contract, if not otherwise established by law or results from the essence of appropriate relations.

3. The law or the contract may stipulate that the end of the term of operation of the contract entails the termination of the parties' obligations by the contract.

The contract, in which such a term is absent, shall be recognized as operating until the moment, when the parties complete the performance of the obligation, defined in it.

4. The expiry of the term of operation of the contract shall not absolve the parties from the responsibility for its violation.

Article 426. The Public Contract

1. As a public contract shall be recognised as one concluded by a person engaged in business activities or other kind of profitable activities and establishing the duty thereof to sell commodities, carry out works and render services, which such person is bound to effect in conformity with the nature of the activities thereof with respect to anyone who applies thereto (in the sphere of retail trade, passenger carriage by public transport vehicles, communication services, electric energy supply, medical services, hotel accommodation, etc.).

A person exercising business or other profit-making activity shall have no right to show a preference to some persons as compared to others as concerns the conclusion of a public contract, except as stipulated by law or other legal acts.

2. In a public contract the price of goods, works and services shall be equal for consumers of an appropriate category. Other terms of a public contract may not be established on the basis of privileges of individual consumers or of giving preference thereto, except if law or some other legal acts allow the granting of privileges to individual categories of consumers.

3. Refusal on the part of the person engaged in business or other profitable activity to conclude a public contract, if it can provide to the consumer the corresponding commodities and services and to perform for him the corresponding works, shall not be admitted, except for the cases provided for by **Item 4 of Article 786** of this Code.

If the person engaged in business or other profitable activity ungroundlessly avoids the conclusion of a public contract, the provisions, stipulated by **Item 4 of Article 445** of the present Code, shall be applied.

4. In the law-stipulated cases, the Government of the Russian Federation, as well as the federal executive bodies authorised by the Government of the Russian Federation, may issue rules binding for the parties in concluding and performing public contracts (standard contracts, the provisions, etc.).

5. The terms of the public contract, not corresponding to the requirements, laid down in Items 2 and 4 of the present Article, shall be insignificant.

Article 427. The Model Contract Rules

1. It may be stipulated in the contract that its individual terms are defined by the model terms, elaborated for the corresponding type of the contracts and published in the press.

2. In the case, when the contract contains no reference to the model terms, such model terms shall be applied toward the relationships between the parties as the customs, if they comply with the requirements,

laid down by **Article 5** and by **Item 5, Article 421** of the present Code.

3. The model terms may be exposed in the form of a model contract or of another document, containing these terms.

Article 428. The Contract of Affiliation

1. The contract of affiliation shall be recognized as the contract, whose terms have been defined by one of the parties in the official lists or other standard forms and could have been accepted by the other party only by its joining the offered contract as a whole.

2. The party, which has joined the contract, shall have the right to demand that the contract be dissolved or amended, if the contract of affiliation, while not contradicting the law and other legal acts, deprives this party of the rights, which are usually granted by the contracts of the given kind, if it excludes or limits the responsibility of the other party for the violation of the obligations or contains other terms, clearly onerous for the affiliated party, which it would have rejected, proceeding from its own reasonably interpreted interests, could it have taken part in defining the contract terms.

If not otherwise established by law or results from the essence of an obligation, in the event of modification or dissolution of a contract by a court at the demand of a party that has joined the contract, the contract shall be deemed valid in the amended wording or, accordingly, invalid from the time of its making.

3. The rules provided for by **Item 2** of this article are also subject to application if, when making a contract which is not a contract of adhesion, the terms of the contract are defined by either party, while the other party by virtue of the evident disparity of negotiating positions is in a position substantially complicating agreement of a different content of individual terms of a contract.

Article 429. The Preliminary Contract

1. By the preliminary contract, the parties shall assume an obligation to conclude in the future a contract on the transfer of the property, on the performance of works or on rendering services (the basic contract) on the terms, stipulated by the preliminary contract.

2. The preliminary contract shall be concluded in the form, established for the basic contract, and if the form of the basic contract has not been established, in written form. The non-observance of the rules on the form of the preliminary contract shall entail its insignificance.

3. The preliminary contract shall contain the terms, making it possible to identify the object, and also the terms of the basic contract in respect of which an agreement must be reached on the basis of an application of either party when making a preliminary contract.

4. In the preliminary contract shall be pointed out the term, within which the parties are obliged to conclude the basic contract.

If such term has not been defined in the preliminary contract, the basic contract shall be subject to conclusion in the course of one year from the moment of concluding the preliminary contract.

5. In the cases when a party that has concluded a preliminary contract is avoiding the conclusion of the basic contract, the provisions stipulated by **Item 4 of Article 445** of the present Code shall apply. The claim for coercion to make the basic contract may be raised within six months from the time when the obligation to make the contract was not fulfilled.

Where there are differences between the parties as to the terms of the basic contract, such terms shall be defined in compliance with a court decision. On such occasion, the basic contract shall be deemed made from the entry into legal force of the court decision or from the time cited in the court decision.

6. The obligations, stipulated by the preliminary contract, shall be terminated, if before the expiry of the term, within which the parties have been obliged to conclude the basic contract, it is not concluded, or if one of the parties does not forward to the other party an offer to conclude this contract.

Article 429.1. A Framework Contract

1. As a framework contract (a contract with open terms) shall be deemed a contract defining the

general terms of obligations of the legal relationship of the parties that may be specified and made more detailed by the parties by way of making separate agreements, the filing of applications by either party or in some other way on the basis of or in pursuance of the framework contract.

2. The general terms contained in a framework agreement are subject to application to the parties' relations which are not regulated by separate contracts, if not otherwise cited in separate contracts or results from the essence of an obligation.

Article 429.2. An Option to Make a Contract

1. By virtue of an agreement on providing an option on making a contract (an option to conclude a contract) either party by way of an irrevocable offer shall grant to the other party the right to conclude one or several contracts under the terms provided for by the option. An option to conclude a contract shall be granted on a paid basis or for another counter provision, if not otherwise stipulated by the agreement, including one made by profit-making organisations. The other party is entitled to conclude a contract by way of acceptance of such offer in the procedure, at the time and under the terms provided for by an option.

An option to conclude a contract may provide that the acceptance is only possible in the event of occurrence of the condition defined by such option, including one which is dependent on the will of one of the parties.

2. Where an option to conclude a contract does not fix the time period for acceptance of an irrevocable offer, this time period shall be deemed equal to a year, unless otherwise results from the essence of a contract or customs.

3. If not otherwise provided for by an option to conclude a contract, payment in respect of it shall be counted against payments under the contract made on the basis of an irrevocable offer and is not subject to repayment if there is no acceptance.

4. An option to conclude a contract shall contain the terms enabling one to determine the subject and other essential terms of the contract to be concluded.

The subject of the contract to be concluded may be described in any way enabling one to identify it as of the time of acceptance of an irrevocable offer.

5. An option to conclude a contract shall be made in the form established for the contract to be concluded.

6. An option to conclude a contract may be included into another agreement unless otherwise results from the essence of such agreement.

7. The rights under an option to conclude a contract may be assigned to another person if not otherwise provided for by this agreement or results from its essence.

8. The specifics of individual kinds of options to conclude a contract may be established by law.

Article 429.3. An Option Agreement

1. Under an option agreement either party under the terms provided for by this agreement is entitled to demand at the time fixed by the contract that the other party taking the actions provided for by the option contract (in particular to pay monetary assets, to transfer or accept property) and, in so doing, if the authorized party does not make a claim at the cited time, the option contract shall be terminated. An option contract may provide that the claim under the option contract shall be deemed made when the circumstances defined by such contract occur.

2. For the right to conclude a claim under an option contract a party shall pay the monetary sum provided for by such contract, except if an option contract, in particular one made between profit-making organisations, provides for its gratuitousness or if the conclusion of such contract is caused by a different circumstance or other interest protected by law, these resulting from the parties' relations.

3. In the event of termination of an option contract, the payment provided for by **Item 2** of this article is not subject to repayment, unless otherwise provided for by an option contract.

4. The specifics of individual kinds of option contracts may be established by law or in the procedure established by it.

Article 429.4. A Contract to Be Executed on Demand (Subscriber's Contract)

1. As a contract to be executed on demand (a subscriber's contract) shall be deemed one providing for conclusion by one of the parties (the subscriber) definite, in particular periodical, payments or some other provision for the right to demand that the other party (the executor) execute in the required number or extent or under other terms defined by the subscriber.

2. A subscriber is bound to make payments or to make other provision under a subscriber contract, regardless of whether the appropriate execution has been requested by him from the executor or not, unless otherwise provided for by law or contract.

Article 430. The Contract in Favour of a Third Party

1. The contract in favour of a third party shall be recognized as a contract, in which the parties have laid down that the debtor shall be obliged to discharge the obligation not to the creditor, but to a third party, who is, or is not mentioned in the contract and who shall have the right to claim from the debtor that he discharge the obligation in his favour.

2. Unless otherwise stipulated by the law, other legal acts or by the contract, from the moment of a third party expressing to the debtor his intention to avail himself of his right by the contract, the parties shall not have the right to dissolve or to amend the contract, concluded by them, without the consent of a third party.

3. The debtor by the contract shall have the right to put forward the objections against the claims of a third party, which he could have put forward against the creditor.

4. In the case, when a third party has renounced the right, granted to him by the contract, the creditor may avail himself of this right, unless this contradicts the law, other legal acts or the contract.

Article 431. The Interpretation of the Contract

While interpreting the terms of the contract, the court shall take into account the literal meaning of the words and expressions, contained in it. The literal meaning of the terms of the contract in case of its being vague shall be identified by way of comparison with other terms and with the meaning of the contract as a whole.

If the rules, contained in the **first part** of the present Article, do not make it possible to identify the content of the contract, the actual common will of the parties shall be found out with account for the purpose of the contract. All the corresponding circumstances, including the negotiations and the correspondence, preceding the conclusion of the contract, the habitual practices in the relationships between the parties, the customs and the subsequent behaviour of the parties shall be taken into account.

Article 431.1. A Contract's Invalidity

1. The provisions of this Code as to the invalidity of transactions (**Paragraph 2 of Chapter 9**) shall apply to contracts, if not otherwise established by rules in respect of individual kinds of contracts and by this article.

2. The party that has accepted execution from a contractor under a contract connected with the exercise by the parties thereto of business activities and, in so doing, has not executed in full or in part the obligation thereof, is not entitled to demand that the contract be declared invalid, except for declaring a contract invalid on the grounds provided for by **Articles 173, 178 and 179** of this Code, as well as if the provision granted by the other party is connected with wittingly unfair actions of this party.

3. In the event of declaring a contract that is a disputable deal and whose execution is connected with the exercise of business activities by the parties thereto invalid at the request of either party, the general effect of a transaction's invalidity (**Article 167**) shall apply, if other effects of the contract's invalidity are not provided for by the agreement made by the parties after declaring the contract invalid and doing so does not affect the interests of third parties or infringe upon public interests.

Article 431.2. Representations about Circumstances

1. The party, which in case of making a contract has given unreliable representations to the other party, either before or after its making, about the circumstances which are significant for concluding the contract, its execution or termination (including those which are related to the subject of the contract, the authority for making it, correspondence of the contract to the legislation applicable thereto, availability of required licences and permits, its own financial status and those related to a third party), is bound to compensate the other party at the request thereof for the losses caused by unreliability or to pay the forfeit provided for by the contract.

The recognition of a contract as not made or as invalid in itself shall not serve as an obstacle to occurrence of the circumstances provided for by Paragraph One of this item.

The liability provided for by this article shall ensue, if the party that has provided unreliable representations has proceeded from the assumption that the other party will rely on them or had reasonable grounds to proceed from such an assumption.

2. The party that has relied upon unreliable representations of the contractor which are of major importance for it, along with the claim for repair of damage or recovery of a forfeit, is also entitled to renounce the contract, if not otherwise agreed by the parties.

3. The party that has made a contract under the influence of deceit or being significantly misled caused by the unreliable presentations provided by the other party is entitled, instead of the contract's renouncement (**Item 2** of this article) to demand that the contract be declared invalid (**Article 179 and 178**).

4. The effects provided for by **Items 1 and 2** of this article shall apply to the party that has provided unreliable presentations while exercising business activities, as well as in connection with a corporate agreement or an agreement on alienation of stocks or shares in the authorized capital of a company, regardless of whether or not it knew about the unreliability of such presentations, if not otherwise agreed by the parties.

Where it is provided for by **Paragraph One** of this article, it shall be assumed that the party that has provided unreliable presentations knew that the other party would rely upon such presentations.

Chapter 28. The Conclusion of the Contract

Article 432. The Basic Provisions on the Conclusion of a Contract

1. The contract shall be regarded as concluded, if an agreement has been achieved between the parties on all its essential terms, in the form proper for the similar kind of contracts.

As essential shall be recognized the terms, dealing with the object of the contract, the terms, defined as essential or indispensable for the given kind of contracts in the law or other legal acts, and also all the terms, about which, by the statement of one of the parties, an accord shall be reached.

2. The contract shall be concluded by way of forwarding the offer (the proposal to conclude the contract) by one of the parties and of its acceptance (the acceptance of the offer) by the other party.

3. The party that has accepted the full or partial execution under a contract from the other party or in some other way has proved the validity of a contract is not entitled to demand that this contract be recognised as not having been made, if making such a claim, subject to the specific circumstances, contradicts the principle of fairness (**Item 3 of Article 1**).

Article 433. The Moment of the Conclusion of the Contract

1. The contract shall be recognized as concluded at the moment, when the person, who has forwarded the offer, has obtained its acceptance.

2. If in conformity with the law, the transfer of the property is also required for the conclusion of the contract, it shall be regarded as concluded from the moment of the transfer of the corresponding property (**Article 224**).

3. The contract, subject to the state registration, shall be regarded for third parties as concluded from

the moment of its registration, unless otherwise stipulated by the law.

Article 434. The Form of the Contract

1. The contract may be concluded in any form, stipulated for making the deals, unless the law stipulates a definite form for the given kind of contracts.

If the parties have agreed to conclude the contract in a definite form, it shall be regarded as concluded after the agreed form has been rendered to it, even if the law does not require such form for the given kind of contracts.

2. An agreement in written form may be made by drawing up a single document (including an electronic one) signed by the parties thereto or by exchanging letters, telegrams, electronic documents or other data in compliance with the rules of **Paragraph Two of Item 1 of Article 160** of this Code.

3. The written form of the contract shall be regarded as observed, if the written offer to conclude the contract has been accepted in conformity with the order, stipulated by **Item 3, Article 438** of the present Code.

4. Where it is provided for by law or agreed by the parties, a contract in writing may only be made by drawing up a single document signed by the parties to the contract.

Article 434.1. Talks Concerning the Conclusion of a Contract

1. If not otherwise provided for by law or contract, citizens and legal entities shall be free to hold talks on making a contract, shall independently bear the expenses connected with their holding and shall not be held liable if it has not been agreed.

2. When entering into the talks on making a contract, in the course of them and upon their completion the parties are bound to act in good faith, in particular not to enter into the talks about making the contract or to continue them, if it is clear that the other party has no intention of reaching an agreement. The following shall be deemed unfair actions in holding talks:

1) provision by either party of incomplete or unreliable information, in particular non-disclosure of the circumstances, which by virtue of the nature of a contract, must be brought to the knowledge of the other party;

2) abrupt and unjustified termination of talks on making a contract under the circumstances when the other party to the talks has no reasonable grounds to expect it.

3. The party that holds and unfairly interrupts talks on making a contract is bound to compensate for the losses caused by it to the other party.

The losses to be compensated by an unfair party shall be deemed borne by the other party in connection with holding talks about making a contract, as well as in connection with the loss of the possibility to make a contract with a third party.

4. If in the course of holding talks about making a contract either party receives information transferred by it to the other party as confidential, it is bound not to disclose this information and not to use it in an improper way for its own purposes, regardless of whether the contract will be made or not. In the event of failure to discharge this duty, it is bound to compensate the other party for the losses caused as a result of disclosing confidential information or its use for its own purposes.

5. The parties may conclude an agreement on the procedure for holding talks. Such an agreement may specify the requirements for fair holding of talks, establish a procedure for distributing the outlays on holding them and other similar rights and duties. An agreement on a procedure for holding talks may establish a forfeit for violation of the provisions contained therein.

The terms of an agreement on a procedure for holding talks restricting liability for unfair actions of the parties to the agreement shall be null and void.

6. The provisions on the duty of either party to compensate for the losses caused to the other party provided for by **Items 3 and 4** of this article shall not apply to the citizens recognized as consumers in compliance with the **legislation** on the protection of consumer rights.

7. The rules of this article shall apply, irrespective of whether a contract has been concluded on the basis of the results of the talks by the parties thereto or not.

8. The rules of this article do not exclude application of the rules of **Chapter 59** of this Code to the relations that have originated when establishing contractual obligations.

Article 435. The Offer

1. The offer shall be recognized as the proposal, addressed to one or to several concrete persons, which is sufficiently comprehensive and which expresses the intention of the person, who has made the proposal, to regard himself as having concluded the contract with the addressee, who will accept the proposal.

The offer shall contain the essential terms of the contract.

2. The offer shall commit the person, who has forwarded it, from the moment of its receipt by the addressee.

If the notification about the recall of the offer comes in before, or simultaneously with the offer, the offer shall be regarded as not received.

Article 436. The Irrevocability of the Offer

The offer, received by the addressee, shall not be revoked in the course of the term, fixed for its acceptance, unless otherwise stipulated in the offer itself or follows from the substance of the proposal, or from the setting, in which it has been made.

Article 437. The Invitation to Make the Offers. The Public Offer

1. The advertisements and other proposals, addressed to an indefinite circle of persons, shall be regarded as an invitation to make the offers, unless directly pointed out otherwise in the proposal.

2. The proposal, containing all the essential terms of the contract, in which is seen the will of the person, who is making the proposal, to conclude the contract on the terms, indicated in the proposal, with any responding person, shall be recognized as an offer (the public offer).

Article 438. The Acceptance

1. The acceptance shall be recognized as the response of the person, to whom the offer has been addressed, about its being accepted.

The acceptance shall be full and unconditional.

2. The silence shall not be regarded as the acceptance, unless otherwise following from the law, the parties' agreement, from the custom, or from the former business relations between the parties.

3. The performance by the person, who has received an offer, of the actions, involved in complying with the terms of the contract, pointed out in the offer (the dispatch of commodities, the rendering of services, the performance of works, the payment of the corresponding amount of money, etc.), shall be regarded as the acceptance, unless otherwise stipulated by the law or other legal acts, or indicated in the offer.

Article 439. Recall of the Offer

If the notification about the recall of the offer has come to the person, who has forwarded the offer, before the acceptance or simultaneously with it, the acceptance shall be regarded as not obtained.

Article 440. Conclusion of the Contract on the Ground of the Offer, Fixing the Term of Acceptance

When the term of acceptance has been fixed in the offer, the contract shall be regarded as concluded, if the acceptance has been obtained by the person, who has forwarded the offer, within the term, stipulated in it.

Article 441. Conclusion of the Contract on the Ground of the Offer, Not Fixing the Term of Acceptance

1. When in the written offer no term of acceptance has been stipulated, the contract shall be regarded as concluded, if the acceptance has been obtained by the person, who has forwarded the offer, before the expiry of the term, fixed by the law or other legal acts, and if such term has not been fixed - in the course of the normally required time.

2. When the offer has been made orally and no term of acceptance has been indicated, the contract shall be regarded as concluded, if the other party immediately declared its acceptance.

Article 442. The Acceptance, Obtained with a Delay

In the cases, when the duly forwarded notification about the acceptance is received with a delay, the acceptance shall not be regarded as belated, unless the party, which has forwarded the offer, immediately notifies the other party about the arrival of the acceptance with a delay.

If the party, which has forwarded the offer, immediately notifies the other party about the obtaining of its acceptance, which has come in with a delay, the contract shall be regarded as concluded.

Article 443. The Acceptance on Other Terms

The answer, indicating the consent to conclude the contract on the terms other than those indicated in the offer, shall not be regarded as the acceptance.

Such an answer shall be recognized as the refusal of the acceptance and at the same time as a new offer.

Article 444. The Place of the Conclusion of the Contract

If no place of its conclusion has been indicated in the contract, it shall be recognized as concluded at the place of residence of the citizen or at the location of the legal entity, who (which) has forwarded the offer.

Article 445. The Obligatory Conclusion of the Contract

1. In the cases, when in conformity with the present Code or other laws, the conclusion of the contract is obligatory for the party, to which the offer (the draft contract) has been forwarded, this party shall forward to the other party the notification about the acceptance, or about the refusal of the acceptance, or about the acceptance of the offer on different terms (the records on the differences by the draft contract) within 30 days from the date, when the offer was received.

The party, which has forwarded the offer and which has received from the party, for which the conclusion of the contract is obligatory, the notification about its acceptance on different terms (the records on the differences by the draft contract), shall have the right to pass the differences, which have arisen during the conclusion of the contract, for consideration to the court within 30 days from the day of receiving such a notification or from the day of the expiry of the term of acceptance.

2. In the cases, when in conformity with the present Code or other legal acts, the conclusion of the contract is obligatory for the party, which has forwarded the offer (the draft contract), and when within 30 days the records on the differences by the draft contract are forwarded to it, this party shall be obliged to notify the other party, within 30 days from the receipt of the records on the differences, about the acceptance of the contract in its own version, or about the rejection of the records on the differences.

In the case of the records on the differences being rejected, or of the non-receipt of the notification about the results of their examination within the stipulated term, the party, which has forwarded the records of the differences, shall have the right to pass the differences that have arisen during the conclusion of the contract, for consideration to the court.

3. The rules on the term, stipulated by Items 1 and 2 of the present Article, shall be applied, unless another term has been stipulated by the law or other legal acts, or has been agreed upon between the parties.

4. If the party, for which, in conformity with the present Code or with the other laws, the conclusion of the contract is obligatory, avoids its conclusion, the other party shall have the right to turn to the court with a claim for compelling it to conclude the contract. On such occasion, a contract shall be deemed concluded under the terms cited in the court decision from the time of entry into legal force of an appropriate court

decision.

The party, groundlessly avoiding the conclusion of the contract, shall be obliged to recompense to the other party the losses, thus inflicted upon it.

Article 446. The Pre-Contract Disputes

1. In the cases, when the differences, arising during the conclusion of the contract, are passed for consideration to the court on the ground of **Article 445** of the present Code or by an agreement between the parties, the terms of the contract, by which the parties have displayed differences, shall be defined in conformity with the court decision.

2. The differences that originated when making a contract and have not been transferred to a court for consideration within six months from the time of their origination are not subject to judicial settlement.

Article 447. Conclusion of the Contract by a Tender

1. The contract, unless otherwise following from its substance, shall be concluded by holding a tender. In this case, the contract shall be concluded with the person, who has won it.

2. The following may act as a trade promoter: the owner of an article, the holder of another property right to it, another person interested in making a contract with the sales winner, as well as a person acting on the basis of the contract made with the cited persons and acting on their behalf or in the own name thereof, if not otherwise provided for by law (notary, specialised organisation etc.).

3. In the cases, indicated in the present Code or other laws, the contracts on the sale of the thing or of the right of ownership may be concluded only by holding a sale.

4. Sales (in particular electronic sales) shall be held in the form of an auction, tender or in some other form provided for by law.

The winner of the bidding at an auction shall be recognized as the person, who has offered the highest price, and at the tender - the person, who, as has been concluded by the tender commission, appointed in advance by the organiser of the tender, has offered the best terms.

The form of the bidding shall be defined by the owner of the thing on sale or by the possessor of the realized right of ownership, unless otherwise stipulated by the law.

5. The auction and the tender, in which only one customer has participated, shall be recognized as having failed. Other grounds for declaring sales frustrated shall be established by law.

6. The rules provided for by **Articles 448** and **449** of this Code shall also apply to the sales held for the purpose of making contracts for the acquisition of goods, carrying out works, rendering services or acquisition of property rights, if not otherwise established by law or results from the essence of relations.

The rules provided for by **Articles 448** and **449** of this Code shall not apply to organised trade, if not otherwise established by law.

Article 448. The Organisation and Procedure for of Holding Sales

1. Auctions and tenders shall be open and closed. In an open auction and in an open tender any person may take part. In a closed auction and in a closed tender only the persons specially invited for this purpose shall take part.

2. Unless otherwise stipulated by the law, a notice of holding sales shall be published by its organiser not later than 30 days before holding them. The notice shall contain information on the time, place and form of the sales, about its object, on the existing encumbrances on the property to be sold and about the procedure for holding sales, in particular on formalizing participation in the sales, on the way of determining the winner in the bidding, and shall also give the starting price.

3. The terms of the contract made on the basis of the sales' results shall be defined by the trade promoter and shall be cited in a notice of holding sales.

4. Unless otherwise stipulated by law or by a notice of holding sales, the organiser of open sales that

has published a notice, shall have the right to refuse to hold the sales at any time, but not later than three days before the date set, and in case of a tender - not later than 30 days before the date set.

If the organiser of open sales has refused to hold them with a violation of the cited time, he shall be obliged to recompense the participants the actual losses they have suffered.

The organiser of a closed auction or of a closed tender shall be obliged to recompense the invited participants their actual losses, regardless of on what particular date after forwarding them a notice the refusal to hold it was sent.

5. The sales participants shall pay an advance in the amount, within the term and in conformity with the procedure that have been pointed out in the notice on holding the sales. If they have not taken place, the advance is subject to return. The advance shall also be returned to the persons that, while having taken part in the bidding, have not won.

When concluding a contract with the person who has won the bidding, the amount of the advance paid by him shall be offset against the discharge of obligations under the concluded contract.

If not otherwise established by law, the obligations of the trade-promoter and of sales participants on making a contract on the basis of sales results may be secured by an independent guarantee.

6. If not otherwise established by law, the person who has won the sales and its organiser shall sign a record of the results of the sales on the date of holding an auction or tender, this having the force of a contract.

A person that has avoided signing a contract is bound to compensate for the losses caused by it insofar as they exceed the amount of the provided security.

If in compliance with law a contract may be only concluded by way of holding sales, the sales winner, in case of the trade-promoter's avoiding signing a record, is entitled to file a court claim to coerce it to make the contract, as well as for compensation for the losses caused by avoiding conclusion of the contract.

7. If in compliance with law a contract may only be made by way of holding sales, the sales winner is not entitled to assign rights (except for claims under a monetary obligation) and to transfer the debt on the obligations resulting from the contract made during the sales. Obligations under such contract shall be discharged by the sales winner in person, unless otherwise established by law.

8. The terms of a contract made on the basis of the sales' results, where under law it is only allowed to be made by holding sales, may be changed by the parties:

1) on the grounds established by law;

2) in connection with alteration of the rate of interest for the loan's use, should the **key rate** of the Bank of Russia be changed (in proportion to such alteration), if a contract of loan (credit) was made during the sales;

3) on other grounds, if the modification of a contract does not affect the terms thereof that were essential for fixing the price during the sales."

Article 449. Grounds and Effects of Recognising Sales Invalid

1. Sales held in defiance of the Rules established by law may be declared invalid by a court on the basis of a claim of a person concerned within a year of the date of holding the sales.

Sales may be declared invalid, if:

someone has been unfoundedly excluded from participation in the sales;

the highest offered price has not been accepted at the sales without any ground for this;

the sales have been held earlier than the time cited in the notice;

other major violations of the procedure for holding sales have occurred, these entailing the wrongful fixing of the selling price;

other violations of the rules established by law have occurred.

2. The recognizing of the bidding to be invalid shall entail the invalidity of the contract, concluded with the person, who has won it, and application of the effects provided for by **Article 167** of this Code.

3. The outlays of the trade promoter connected with application of the effects of sales' invalidity and with the need for holding repeated sales shall be distributed among the persons that have made the violations entailing the recognition of the sales as invalid.

Article 449.1. Public Sales

1. Public sales mean sales held for the purpose of execution of a court decision or execution documents by way of **execution proceedings**, as well as in other cases established by the law. The rules provided for by **Articles 448 and 449** of this Code shall apply to public sales, if not otherwise established by this Code and the **procedural legislation**.

2. As the organiser of public sales shall act the person authorized in compliance with law or other legal act to alienate property by way of execution proceedings, as well as the state body or the local government body in the cases established by the law.

3. The debtor, recoverer and the persons having rights to the property to be sold through public sales are entitled to attend them.

4. A notice of holding public sales shall be published in the procedure provided for by **Item 2 of Article 446** of this Code, and shall be inserted in the site of the body engaged in execution proceedings, or if as the organiser of a public auction comes out the state power body or the local government body on the site of the corresponding body.

The notice shall contain, along with the data cited in **Item 2 of Article 448** of this Code, an indication of the property owner (right holder).

5. The following may not act as participants of public sales: the debtor, organisations entrusted with evaluation and sale of the debtor's property, as well as employees of the cited organisations, officials of the state power bodies and local government bodies whose participation in the sales may influence the sales terms and results, as well as family members of the appropriate natural persons.

6. A record of public sales' results shall cite the sales' participants, as well as the bids made by them.

7. In the event of the sales winner's failure to pay the selling price in due time, the contract made with him shall be deemed not made, while the sales shall be recognized as frustrated. The trade promoter is also entitled to claim for repair of the losses caused thereto.

Chapter 29. The Amendment and the Cancellation of the Contract

Article 450. The Grounds for the Amendment and the Cancellation of the Contract

1. The amendment and the cancellation of the contract shall be possible only by an agreement between the parties, unless otherwise stipulated by the present Code, other legal acts or by the contract.

A multisided contract whose execution is connected with the exercise of business activities by all the parties thereto may provide for the possibility of modification or dissolution of such contract as agreed by both all the persons and by the majority of the persons participating in the cited contract, if not otherwise established by law. The contract cited in this paragraph may provide the procedure for defining such majority.

2. Upon the demand of one of the parties, the contract may be amended or cancelled by the court decision only:

- 1) in case of an essential violation of the contract by the other party;
- 2) in other cases, stipulated by the present Code, other legal acts or the contract.

As an essential violation shall be recognized such violation of the contract by one of the parties, which entails for the other party the losses, to a considerable extent depriving it of what it could have counted upon when concluding the contract.

3. **Abrogated** on June 1, 2015.

4. The party which under this Code, other laws or contract is entitled to unilaterally modify the

contract is bound while exercising this right to act in good faith and reasonably within the limits provided for by this Code, other laws and the contract.

Article 450.1. The Repudiation of a Contract (the Refusal to Execute a Contract) or the Refusal to Exercise the Rights under a Contract

1. The right to unilaterally repudiate a contract (the refusal to execute a contract) (**Article 310**) granted by this Code, other laws, other legal acts or contract may be exercised by the authorised party by way of notifying the other party about the repudiation of the contract (the refusal to execute the contract). The contract shall be terminated from the time of receiving the given notice, if not otherwise provided for by this Code, other laws, other legal acts or the contract.

2. In the event of unilateral renunciation of a contract (the refusal to execute it) in full or in part, if such renunciation is allowed, the contract shall be deemed dissolved or amended.

3. If either party to a contract has no licence for exercising activities or is not a member of a self-regulated organisation which is required for execution of an obligation under the contract, the other party is entitled to renounce the contract (to refuse to execute the contract) and to claim for compensation for losses.

4. The party which under this Code, other laws, other legal acts or contract is entitled to renounce the contract (to refuse to execute a contract) is bound while exercising this right to act in good faith and reasonably within the limits provided for by this Code, other laws, other legal acts or contract.

5. If in the presence of grounds for the repudiation of a contract (for the refusal to execute a contract) the party entitled to such repudiation proves the validity of the contract, in particular by way of acceptance from the other party the execution of the obligation offered by the latter, subsequent renunciation on the same grounds is not allowed.

6. If not otherwise provided for by this Code, other laws, other legal acts or contract, when a party engaged in business activities, in the event of occurrence of the circumstances provided for by this Code, other laws, other legal acts or contract and serving as grounds for the exercise of a definite right under the contract, declares its waiver of this right, afterwards the exercise of this right on the same grounds is not allowed, except when similar circumstances occur again.

7. Where it is established by this Code, other laws, other legal acts or contract, the rules of **Item 6** of this article shall apply in the event of non-exercise of a definite right at the time provided for by this Code, other laws, other legal acts or contract.

Article 451. The Amendment and the Cancellation of the Contract Because of an Essential Change of Circumstances

1. An essential change of the circumstances, from which the parties have proceeded when concluding the contract, shall be the ground for its amendment or cancellation, unless otherwise stipulated by the contract or following from its substance.

The change of the circumstances shall be recognized as essential, if they have changed to such an extent that in case the parties could have wisely envisaged it, the contract would not have been concluded by them or would have been concluded on the essentially different terms.

2. If the parties have failed to reach an agreement on bringing the contract into correspondence with the essentially changed circumstances or on its cancellation, the contract may be cancelled, and on the grounds, stipulated by Item 4 of the present Article, it may be amended by the court upon the claim of the interested party in the face of the simultaneous existence of the following conditions:

1) at the moment of concluding the contract, the parties have proceeded from the fact that no such change of the circumstances will take place;

2) the change of the circumstances has been called forth by the causes, which the interested party could not overcome after they have arisen, while displaying the degree of care and circumspection, which have been expected from it by the nature of the contract and by the terms of the circulation;

3) the execution of the contract without amending its provisions would so much upset the balance of the property interests of the parties, corresponding to the contract, and would entail such a loss for the interested party that it would have been to a considerable extent deprived of what it could have counted upon when concluding the contract;

4) neither from the customs, or from the substance of the contract does it follow that the risk, involved in the change of the circumstances, shall be borne by the interested party.

3. In case of the cancellation of the contract because of the essentially changed circumstances, the court shall, upon the claim of any one of the parties, define the consequences of the cancellation of the contract, proceeding from the need to justly distribute the expenses, borne by them in connection with the execution of this contract, between the parties.

4. The amendment of the contract in connection with an essential change of the circumstances shall be admitted by the court decision in extraordinary cases, when the cancellation of the contract contradicts the public interests, or if it entails the losses for the parties, considerably exceeding the expenses, necessary for the execution of the contract on the terms, amended by the court.

Article 452. The Procedure for the Amendment and the Cancellation of the Contract

1. The agreement on the amendment or on the cancellation of the contract shall be legalized in the same form as the contract itself, unless otherwise following from the law, other legal acts, the contract or from the customs.

2. The claim for the amendment or for the cancellation of the contract may be filed by the party with the court only after it has received the refusal from the other party in response to its proposal to amend or to cancel the contract, or in case of its non-receipt of any response within the term, indicated in the proposal or fixed by the law or by the contract, and in the absence thereof - within a 30-day term.

Article 453. The Consequences of the Amendment and of the Cancellation of the Contract

1. In case of the amendment of the contract, the parties' obligations shall be preserved in the amended form.

2. In case of the cancellation of the contract, the parties' obligations shall be terminated, if not otherwise provided for by law, contract or results from the essence of an obligation.

3. In case of the amendment or of the cancellation of the contract, the obligations shall be regarded as amended or as terminated from the moment of the parties' concluding an agreement on the amendment or on the cancellation of the contract, unless otherwise following from the agreement or from the nature of the contract's amendment, and in case of the amendment or the cancellation of the contract by the court decision - from the moment of the enforcement of the court ruling on the amendment or on the cancellation of the contract.

4. The parties shall have no right to claim the return of what has been discharged by them by their obligations up to the moment of the amendment or the cancellation of the contract, unless otherwise stipulated by the **law** or by the agreement between the parties.

If before dissolution or modification of a contract either party, having received from the other party the execution of an obligation under a contract, has not executed its obligation or has provided to the other party an unequal execution, the rules in respect of the obligations resulting from unjust enrichment (**Chapter 60**) shall apply to the parties' relations, if not otherwise provided for by law or the contract or results from the essence of the obligation.

5. If an essential violation of the contract by one of the parties has served as the ground for the amendment or for the cancellation of the contract, the other party shall have the right to claim the compensation of the losses, inflicted upon it by the amendment or by the cancellation of the contract.

