

## **Part Two**

### **Section IV. Particular Kinds of Obligations**

#### **Chapter 30. Purchase and Sale**

##### **§ 1. General Provisions on Purchase and Sale**

###### **Article 454. Contract of Sale**

1. By contract of sale one party (the seller) shall undertake to convey a thing (commodity) to the ownership of the other party (buyer), while the buyer shall undertake to accept this commodity and pay a definite amount of money (price) therefor.

2. Provisions stipulated by this paragraph shall be applied to the purchase and sale of securities and currency values unless the law establishes special rules for their purchase and sale.

3. In cases provided for by this Code or any other law the specific aspects of purchase and sale of particular goods shall be determined by laws and other legal acts.

4. Provisions stipulated by this paragraph shall be applicable to the sale of property rights, unless the contrary follows from the content or nature of these rights.

5. Provisions specified by this paragraph shall be applicable to particular kinds of the contract of sale (retail sale, delivery of goods, delivery of goods for state needs, contracting, power supply, sale of real estate, sale of an enterprise), unless the contrary is provided for by the rules of this Code for these kinds of contracts.

#### **Article 455. The Condition of the Contract about Goods**

1. Any things may be goods under the contract of sale due to the observance of the rules envisaged by Article 129 of this Code.

2. A contract may be concluded for the sale of goods to be on hand by the seller at the time of its conclusion, and also of goods which will be created or acquired by the seller in the future, unless otherwise stipulated by law or follows from the nature of goods.

3. The condition of the contract of sale shall be deemed to be agreed upon, if the contract makes it possible to determine the name and quantity of goods.

#### **Article 456. The Duties of the Seller for the Transfer of Goods**

1. The seller shall be obliged to transfer to the buyer goods provided for by the contract of sale.

2. Unless otherwise stipulated by the contract of sale, the seller shall be obliged to transfer together with the thing its accessories, and also documents related to it (technical certificate, quality certificate, operations instructions, etc.), envisaged by law, other legal acts or contracts.

#### **Article 457. The Term of the Execution of the Duty to Transfer Goods**

1. The term of the execution of the seller's duty to turn over goods to the buyer shall be determined by the contract of sale, and if the contract does not allow to determine this term, the term of the execution of this duty of the seller shall be determined by the rules stipulated by Article 314 of this Code.

2. The contract of sale shall be deemed to be concluded with the proviso of its performance by the strictly

fixed date, if it follows succinctly from the contract that in case of breaking the term of its execution the buyer loses his interest in the contract.

The seller shall have the right to perform such contract before the onset or after the expiry of the term fixed by it only with the buyer's consent.

**Article 458.** The Time of the Discharge of the Seller's Duty to Hand over Goods

1. Unless otherwise stipulated by the contract of sale, the duty of the seller to hand over goods to the buyer shall be deemed to be exercised at the time of:

the delivery of goods to the buyer or the person indicated by him, if the contract provides for the seller's duty to deliver goods;

the placement of goods at the disposal of the buyer, if goods should be passed to the buyer or the person indicated by him in the place of location of goods. Goods shall be deemed to be placed at the buyer's disposal, when by the time specified by the contract goods are ready for the transfer in the proper place and the buyer is aware of the readiness of goods for such transfer in accordance with the contract's conditions. Goods shall not be deemed to be ready for transfer, if they have not been identified for the contract's purposes by marking or in any other way.

2. In cases when the contract of sale does not imply the seller's duty to deliver goods or turn them over to the buyer at the place of their location, the duty of the seller to turn them over the buyer shall be deemed to be performed at the time of handing over goods to the carrier or the communication organization for the delivery to the buyer, unless otherwise stipulated by the contract.

**Article 459.** The Transfer of the Risk of Accidental Destruction of Goods

1. Unless otherwise stipulated by the contract of sale, the risk of accidental destruction of goods or accidental damage of goods shall be transferred to the buyer since the time when in keeping with law or the contract the seller is deemed to have performed his duty of handing over goods to the buyer.

2. The risk of accidental destruction of, or accidental damage to, goods sold when they are in transit shall be transferred to the buyer since the time of concluding the contract of sale, unless otherwise stipulated by such contract or the customs of business turnover.

The condition of the contract to the effect that the risk of accidental destruction of, or accidental damage to, goods is transferred to the buyer since the time of the delivery of goods to the first carrier may be recognized by a

court of law as invalid on the demand of the buyer, if at the time of concluding the contract the seller knew or should have known that the goods had been lost or damaged and failed to inform the buyer about this.

**Article 460.** The Duty of the Seller to Hand Over Goods Free from the Rights of Third Persons

1. The seller shall be obliged to give to the buyer goods free from any rights of third persons with the exception of the case when the buyer has agreed to accept goods encumbered with the rights of third persons.

The seller's failure to discharge this duty shall entitle the buyer to demand a reduction of the price of goods or to cancel the contract of sale, if it is not proved that the buyer knew or should have known about the rights of third persons to these goods.

2. The rules, provided for by Item 1 of this Article, shall be applicable in that case as well when to the goods by the time of their transfer there had been claims from third persons, about which the seller had information if these claims were subsequently recognized as lawful in the established order.

**Article 461.** The Liability of the Seller in Case of the Withdrawal of Goods from the Buyer

1. If goods are withdrawn from the buyer by third persons on the grounds that arose before the execution of the contract of sale, the seller shall be obliged to compensate the buyer's losses, unless he proves that the buyer knew or should have known about these grounds.

2. The agreement of the parties thereto about the release of the buyer of the liability in case third persons reclaim the acquired goods from the buyer or about its restriction shall be null and void.

**Article 462.** The Duties of the Buyer and the Seller in Case of Bringing an Action About the Withdrawal of Goods

If a third party brings an action for the withdrawal of goods on the ground that arose before the execution of the contract of sale, the buyer shall be obliged to draw the seller to the participation in the case, whereas the seller shall be obliged to join this case on the side of the buyer.

The non-engagement by the buyer of the seller in the participation in the case shall absolve the seller from his liability to the buyer, if the seller proves that by taking part in the case he could prevent the withdrawal of sold goods from the buyer.

The seller who was involved by the buyer in the case but who failed to take part in it shall be deprived of the right to prove that the buyer conducted the case incorrectly.

**Article 463.** The Consequences of the Non-execution of the Duty to Hand Over Goods

1. If the seller refuses to give to the buyer the sold goods, the buyer shall have the right to waive the execution of the contract of sale.

2. If the seller refuses to give an individually definite thing, the buyer shall have the right to lay claims to the seller, provided for by Article 398 of this Code.

**Article 464.** The Consequences of the Non-execution of the Duty to Pass Accessories and Documents Relating to Goods

If the seller fails to pass or refuses to pass to the buyer accessories or documents relating to goods, which he should give in keeping with law, other legal acts or with the contract of sale (Item 2 of Article 456), the buyer shall have the right to fix the reasonable period of time for their transfer.

In case when the accessories and documents relating to goods have not been given by the seller in the said period of time, the buyer shall have the right to waive goods, unless otherwise stipulated by the contract.

**Article 465.** The Quantity of Goods

1. The quantity of goods subject to the transfer to the buyer shall be provided for by the contract of sale in corresponding units of measurement or in money terms. The condition of the quantity of goods may be agreed upon by fixing in the contract the order of its estimation.

2. If the contract of sale does not make it possible to estimate the quantity of goods subject to transfer, the contract shall not be deemed to be concluded.

**Article 466.** The Consequences of the Breach of the Condition for the Quantity of Goods

1. If the seller has passed to the buyer in breach of the contract of sale the less or quantity of goods than that specified in the contract, the buyer shall have the right to demand the missing quantity of goods or to waive the given goods and the payment for them, but the goods have been paid for, to demand the return of the paid sum of money.

2. If the seller has passed to the buyer goods in the quantity exceeding that specified in the contract of sale, the buyer shall be obliged to inform the seller about this in the procedure, provided for by Item 1 of Article 483 of this Code. If the seller has failed to dispose of the corresponding part of goods within the reasonable period of

time, after the receipt of the buyer's information, the buyer shall have the right to accept all the goods, unless otherwise stipulated by the contract.

3. If the buyer accepts goods in the quantity exceeding that indicated in the contract of sale (Item 2 of this Article), the additionally accepted goods shall be paid for at the price specified for the goods accepted in conformity with the contract, unless the agreement between the parties thereto has fixed a different price.

#### **Article 467. Assortment of Goods**

1. If under the contract of sale goods are subject to transfer in a definite correlation according to kinds, models, size, colour and other properties (assortment), the seller shall be obliged to transfer goods in the assortment agreed upon by the parties thereto.

2. If assortment has not been determined in the contract of sale and the latter has not established the procedure for its definition, but it follows from the substance of the obligation that goods should be transferred to the buyer in assortment on the basis of the buyer's needs which were known to the seller at the time of concluding the contract or to refuse to execute this contract.

#### **Article 468. The Consequences of Breaking the Condition of Goods Assortment**

1. In case of the transfer of goods, stipulated by the contract of sale, in assortment inconsistent with the contract, the buyer shall have the right to refuse to accept them and pay for them, but if they have been paid for, to demand the return of the paid sum of money.

2. If alongside with goods whose assortment corresponds to the contract of sale the seller has given to the buyer goods with the breach of the assortment condition, the buyer shall have the right:

to accept goods fitting with the assortment condition and to refuse to accept the rest of them;

to waive all the given goods;

to demand that goods which are at variance with the assortment condition should be replaced by goods in the assortment stipulated by the contract;

to accept all the given goods.

3. In case of the refusal from the goods whose assortment differs from the condition of the contract of sale or in case of making a claim for the replacement of goods inconsistent with the assortment condition, the buyer shall have the right to refuse to pay for these goods, but if they have been paid for, to demand the refund of the paid sum of money.

4. Goods running at variance with the assortment condition of the contract of sale shall be deemed to be accepted, unless the buyer informs the seller about his refusal to take goods within the reasonable period after their receipt.

5. If the buyer has not refused to accept goods whose assortment runs counter to the contract of sale, he shall be obliged to pay for them at the price agreed upon with the seller. In case where the seller has not taken the necessary measures of adjusting the price within the reasonable period, the buyer shall pay for goods at the price which at the time of concluding a contract under comparable circumstances has been usually charged for similar goods.

6. The rules of this Article shall be applied, unless otherwise stipulated by the contract of sale.

#### **Article 469. The Quality of Goods**

1. The seller shall be obliged to transfer to the buyer goods whose quality corresponds to the contract of sale.

2. In the absence of quality terms in the contract of sale the seller shall be obliged to hand over to the customs goods suitable for the purposes for which goods of this sort are usually used.

If the seller was informed by the buyer about the concrete purposes of the acquisition of goods during the conclusion of the relevant contract, the seller shall be obliged to transfer to the buyer goods suitable for use in conformity with these purposes.

3. In case goods are sold according to sample and/or description the seller shall be obliged to hand over goods which correspond to the sample and/or their description.

4. If by a law or in a procedure established by a law for mandatory requirements for the quality of saleable goods, the seller engaged in business shall be obliged to transfer to the buyer goods which meet these mandatory requirements.

Under the agreement between the seller and the buyer the former may hand over to the latter goods meeting the higher requirements for quality as compared with the mandatory requirements stipulated by a law or in a procedure established by a law.

**Article 470.** The Guarantee of the Quality of Goods

1. Goods which the seller is obliged to hand over to the buyer shall correspond to the requirements, stipulated by Article 469 of this Code, at the time of their transfer to the buyer, unless the contract of sale provides for a different time of defining the compliance of goods with these requirements and within the reasonable period goods shall be suitable for the purposes for which goods of this sort are usually used.

2. In case where the contract of sale provides for the submission by the seller of the guarantee of the quality of goods, the seller shall be obliged to transfer to the buyer goods which should meet the requirements, stipulated by Article 469 of this Code, during the time fixed by the contract (guarantee period).

3. The guarantee of the quality of goods shall also extend to all the complementary parts, unless otherwise provided for by the contract of sale.

**Article 471.** The Reckoning of the Guarantee Period

1. The guarantee period shall start to run since the time of transfer of goods to the buyer (Article 457), unless otherwise stipulated by the contract of sale.

2. If the buyer is deprived of the possibility to use goods, for which the contract has provided the guarantee period, due to the circumstances under the control of the seller, the guarantee period shall not run until the removal of relevant circumstances by the seller.

Unless otherwise stipulated by the contract of sale, the guarantee period shall be prolonged for the time during which goods could not be used because of the discovered shortcomings, provide the seller is informed about the defects of goods in the order established by Article 483 of this Code.

3. Unless otherwise stipulated by the contract of sale, the warranty period for complementary parts shall be deemed to be equal to the guarantee period for the basic item and shall begin to run simultaneously with the guarantee period for the basic item.

4. A guarantee period shall be established for goods (complementary parts), in which defects (Article 476) have been discovered during the guarantee period. This guarantee period shall be of the same duration that applies to the replaced goods, unless otherwise stipulated by the contract of sale.



#### **Article 472. The Serviceable Life of Goods**

1. By a law or in a procedure established by a law there may be stipulated the obligation to determine the period of time at the expiration of which the goods are considered unsuitable for use for their regular purpose (period of suitability).

2. Goods for which the serviceable life has been fixed shall be transferred by the seller to the buyer with all allowance for their use by designation before the expiry of the serviceable life, unless otherwise stipulated by the agreement.

#### **Article 473. The Reckoning of the Serviceable Life of Goods**

The serviceable life of goods shall be determined by the period of time, calculated since the day of their manufacture, during which goods are fit for use, or by the date before which goods are fit for use.

#### **Article 474. Quality Inspection**

1. Quality inspection may be provided for by the law, other legal acts and the mandatory requirements of state standards or by the contract of sale.

Procedure for quality inspection shall be introduced by the law, other legal acts, the mandatory requirements of state standards or by the contract. In cases where inspection procedure is established by the law, other legal acts and the mandatory requirements of state standards, the procedure of quality inspection of goods, determined by the contract, shall comply with these requirements.

2. If procedure for quality inspection is not introduced in keeping with Item 1 of this Article, the inspection of the quality of goods shall be carried out in accordance with the customs of the volume of business or with other commonly used terms of the quality inspection of goods subject to transfer under the contract of sale.

3. If the law, other legal acts, the mandatory requirements of state standards or the contract of sale provide for the duty of the seller to inspect the quality of goods to be transferred to the buyer (testing, analysis, inspection, etc.), the seller shall present to the buyer proof of quality inspection.

4. Procedure, and also other terms of the quality inspection of goods, carried out both by the seller and the buyer, shall be the same.

**Article 475. The Consequences of the Transfer of Goods of Improper Quality**

1. Unless defects of goods were specified by the seller, the buyer to whom substandard goods have been handed over shall have the right to demand from the seller at his option:

- a proportionate reduction in the purchase price;
- gratuitous removal of defects in goods within the reasonable period of time;
- compensation of his expenses incurred in the removal of the defects of goods.

2. If the requirements for the quality of goods have been breached substantially (discovery of irremovable defects, defects which cannot be removed without disproportionate costs or costs of time, recurrent defects or newly emerged defects after their removal, and of other similar shortcomings), the buyer shall have the right to act at his option:

- to refuse to fulfil the contract of sale and to demand the sum of money paid for the goods;
- to demand the substitution of proper goods corresponding to the contract for the goods of improper quality.

3. Claims for the removal of defects or for the substitution of goods, referred to in Items 1 and 2 of this Article, may be made by the buyer, unless the contrary follows from the nature of goods or the substance of the obligation.

4. In the event of the improper quality of some part of goods that make up the set (Article 479) the buyer shall have the right to exercise, in respect of this part of goods, the rights, envisaged by Items 1 and 2 of this Article.

5. The rules, provided for by this Article, shall be applicable, unless the present Code or any other law establishes the contrary.

**Article 476. Defects of Goods for Which the Seller Is Responsible**

1. The seller shall be responsible for the defects of goods, if the buyer proves that they had arisen before they were transferred to him or for the reasons that emerged before this occurrence.

2. The seller shall bear responsibility for the defects of the goods to which he accorded the guarantee of quality, unless he proves that these defects arose after the goods had been handed over the buyer in consequence

of the breach by the buyer of the rules of using goods or of their storage, or in consequence of the actions of third persons or force majeure.

#### **Article 477. Time-limits of Discovery of Defects in Transferred Goods**

1. Unless otherwise stipulated by the law or the contract of sale, the buyer shall have the right to make claims associated with defects of goods, provided they have been discovered in the time-limits fixed by this Article.

2. If no guarantee period or serviceable life is established for goods claims for defects in goods may be made by the buyer, provided that the defects of goods sold have been discovered in the reasonable period of time, but within two years since the day of transfer of goods to the buyer or within the longer period of time, when it is fixed by the law or the contract of sale. The time-limit for the discovery of shortcomings in goods subject to carriage or dispatch by post shall be reckoned since the day of the delivery of goods to the place of their destination.

3. If a guarantee period has been fixed for goods, the buyer shall have the right to make claims associated with defects of goods upon the discovery of defects during the guarantee period.

If a warranty period has been fixed for complementary parts in the contract of sale of lesser duration than for the basic unit, the buyer shall have the right to make claims for the defects in a complementary part upon their discovery during the guarantee period for the basic unit.

If a guarantee period is fixed for a complementary part in the contract for longer duration than the guarantee period for the basic unit, the buyer shall have the right to make claims for defects of goods, if defects of the complementary part have been discovered during its guarantee period, regardless of the expiry of the guarantee period for the basic unit.

4. The buyer shall have the right to make claims for the defects of goods with serviceable life, if they have been discovered during their serviceable life.

5. In cases where the guarantee period stipulated by the contract makes up less than two years and defects in goods were discovered by the buyer upon the expiry of the guarantee period, but within two years since the day of the transfer of goods to the buyer, the seller shall bear responsibility, if the buyer proves that the defects of goods arose before they had been handed over to the buyer or for the reasons that emerged before this occurrence.

#### **Article 478. Complete Sets of Goods**

1. The seller shall be obliged to hand over to the buyer goods corresponding to the terms of the contract of sale on completeness.

2. If the contract of sale has not defined the complete set of goods, the seller shall be obliged to hand over to the buyer goods whose completeness is determined by the customs of the volume of business or by other usually made claims.

#### **Article 479. A Set of Goods**

1. If the contract of sale provides for the duty of the seller to hand over to the buyer a definite set of goods, the obligation shall be deemed to be fulfilled since the time of the transfer of all goods included in the set.

2. Unless otherwise stipulated by the contract of sale and unless the contrary follows from the substance of the obligation concerned, the seller shall be obliged to transfer at once to the buyer all the goods included in the set.

#### **Article 480. The Consequences of the Transfer of Incomplete Sets of Goods**

1. If an incomplete set of goods is transferred (Article 478), the buyer shall have the right to demand from the seller at his option:

- a proportionate reduction of the purchase price;
- the completing of goods within the reasonable period of time.

2. If the seller has failed to fulfil the claims of the buyer for completing goods within the reasonable period of time, the buyer shall have the right at his option:

- to demand the substitution of complete goods for incomplete goods;
- to waive the execution of the contract of sale and demand the refund of the paid sum of money.

3. The consequences, envisaged by Items 1 and 2 of this Article, shall also be applied in case of the breach by the seller of his duty to hand over to the buyer a set of goods (Article 479), unless otherwise stipulated by the contract of sale and unless the contrary follows from the substance of the obligation.

#### **Article 481. Tare and Packaging**

1. Unless otherwise stipulated by the contract of sale and unless the contrary follows from the substance of the obligation, the seller shall be obliged to hand over goods in tare and/or in packaging, except for goods which do

not require tare and/or packaging in view of their character.

2. If the contract of sale has not determined the requirements for tare and packaging, goods shall be bagged and/or packaged by the usual method, and in the absence of such method by the method that ensures the safety of goods of such kind under the usual conditions of storage and transportation.

3. If the statutory order provides for mandatory requirements for tare and/or packaging, the seller engaged in business shall be obliged to hand over goods to the buyer in tare and/or in packaging meeting these mandatory requirements.

**Article 482.** The Consequences of the Transfer of Goods Without Tare and/or Packaging or in Improper Tare and/or Packaging

1. In cases where goods subject to bagging and/or packaging are handed over to the buyer without tare and/or packaging, the buyer shall have the right to demand that the seller should bag and/or pack goods or to replace improper tare and/or packaging, unless the contrary follows from the contract, the substance of the obligation or the nature of goods.

2. In cases, provided for by Item 1 of this Article, the buyer shall have the right to make to the seller claims following from the transfer of goods of improper quality (Article 475) instead of the claims, referred to in this Item.

**Article 483.** The Notification of the Seller about the Improper Execution of the Contract of Sale

1. The buyer shall be obliged to inform the seller about the breach of the term of the contract of sale on the quantity, assortment, quality, completeness, tare and/or package of goods within the period provided for by the law, other legal acts or the contract, and if such period has not been fixed, within the reasonable period after the breach of the corresponding term of the contract should have been discovered by proceeding from the character and designation of goods.

2. In case of non-fulfilment of the rule, envisaged by Item 1 of this Article, the seller shall have the right to refuse in full or in part from the satisfaction of the claims of the buyer on the transfer to him of the missing quantity of goods, on the replacement of goods that do not meet the terms of the contract of sale, on the quality and assortment of goods, on the removal of defects of goods, on completing goods or on the substitution of complete goods for incomplete goods, on the bagging and/or packing of goods or on the replacement of substandard tare and/or packaging of goods, if he proves that the non-fulfilment of his rule by the buyer has involved the impossibility of satisfying his claims or entails for the seller the incommensurable expenses as compared with those he would

have incurred, has he been informed in due time about the breach of the contract.

3. If the seller knew or should known about the fact that the transferred goods did not correspond to the terms of the contract of sale, he shall not have the right to refer to the provisions, stipulated by Items 1 and 2 of this Article.

#### **Article 484. The Duty of the Buyer to Accept Goods**

1. The buyer shall be obliged to accept goods given to him with the exception of cases where he has the right to demand that goods be replaced or to refuse to fulfil the contract of sale.

2. Unless otherwise stipulated by the law, other legal acts or the contract of sale, the buyer shall be obliged to perform actions which in keeping with the usual claims are needed on his part to ensure the transfer and receipt of relevant goods.

3. In cases where the buyer in contravention of the law, other legal acts or the contract of sale does not accept goods or refuses to accept them, the seller shall have the right to demand that the buyer should accept goods or refuse to fulfil the contract.

#### **Article 485. The Price of Goods**

1. The buyer shall be obliged to pay for goods at the price, specified by the contract of sale at the price fixed in accordance with Item 3 of Article 424 of this Code unless the contract provides for the price and unless it may be estimated by proceeding from its terms, and also perform actions at his own expense, which in conformity with the law, other legal acts, the contract or the usual requirements are necessary for making payments.

2. When price is set depending on the weight of goods, it shall be estimated according to the net weight, unless otherwise stipulated by the contract of sale.

3. If the contract of sale provides that the price of goods is subject to change depending on the indices stipulating the price of goods (cost price, expenses, etc.), but at the same time does not determine the method of revision of prices, the price shall be estimated by proceeding from the correlation of these indices at the time of concluding the contract and transferring goods. In case the seller delays the fulfilment of the duty of handing over goods, the price shall be estimated from the correlation of these indices at the time of concluding the contract, and the contract does not provide for this, at the time fixed in keeping with Article 314 of this Code.

The rules envisaged by this Item shall be applicable, unless otherwise stipulated by this Code, other law, other legal acts or the contract and unless the contrary follows from the substance of the obligation concerned.

**Article 486. The Payment for Goods**

1. The buyer shall be obliged to pay for goods directly before or after the transfer of goods by the seller, unless otherwise stipulated by this Code, other laws, other legal acts or the contract of sale and unless the contrary follows from the substance of the obligation concerned.

2. If the contract of sale does not provide for payments for goods by instalment, the buyer shall be obliged to payment to the seller the full price for the transferred goods.

3. If the buyer does not pay for the goods transferred to him in keeping with the contract of sale, the seller shall have the right to demand the payment for goods and interest payment in accordance with Article 395 of this Code.

4. If the buyer refuses to accept goods and pay for them in contravention of the contract of sale, the seller shall have the right at his option to demand either the payment for goods or to refuse to fulfil the contract.

5. In cases where in keeping with the contract of sale the seller shall be obliged to hand over to the buyer the goods which have not been paid by the buyer and other goods, the seller shall have the right to suspend the transfer of these goods until the time when all the goods handed over earlier are paid in full, unless otherwise stipulated by the law, other legal acts or the contract.

**Article 487. The Tentative Payment for Goods**

1. In cases where the contract of sale provides for the duty of the buyer to pay for goods in full or in part before the transfer by the seller of goods (tentative payment), the buyer shall make payment within the period provided for by the contract, and if such period is not envisaged by the contract, within the period, determined pursuant to Article 314 of this Code.

2. In case of default on the duty by the buyer to pay for goods use shall be made of the rules, envisaged by Article 328 of this Code.

3. If the seller who has received the sum of tentative payment fails to discharge the duty of transferring goods within the fixed period (Article 457), the buyer shall be obliged to demand the transfer of the paid goods or the refund of the sum of the tentative payment for goods which have not been handed over by the seller.

4. If the seller fails to perform the duty of transferring the tentatively paid goods and unless the contrary is stipulated by the law or contract of sale, interest shall be paid to the amount of the tentative payment pursuant to Article 395 of this Code since the day when under the contract the goods should have been handed over till the day of the transfer of goods to the buyer or the refund to him of the tentatively paid sum of money. The contract may provide for the duty of the seller to pay interest to the amount of the tentative payment since the day of the receipt of this sum from the buyer.

#### **Article 488. Payment for Goods Sold on Credit**

1. If the contract of sale provides for the payment for goods over a definite period of time after they are handed over to the buyer (sale of goods on credit), the buyer shall effect the payment on due date envisaged by the contract, and if such date is not stipulated by the contract, on due date defined in keeping with Article 314 of this Code.

2. In case of default on the duty by the seller to transfer goods, use shall be made of the rules, provided for by Article 328 of this Code.

3. If the buyer who has received goods does not fulfil the duty of payment for them within the period fixed by contract of sale, the seller shall be obliged to demand payment for the transferred goods or the refund of the goods not paid for.

4. If the buyer fails to fulfil the duty of paying for the transferred goods in the period stipulated by the contract and unless the contrary is specified by this Code or the contract of sale, interest shall be paid to the amount of the overdue sum of money in keeping with Article 395 of this Code from the day when the goods should have been paid for to the day of payment for goods by the buyer.

The contract may provide for the duty of the buyer to pay interest to the amount corresponding to the price of goods beginning with the day of the transfer of the goods by the seller.

5. Unless otherwise stipulated by the contract of sale, the goods sold on credit from the time of their transfer to the buyer and to their payment shall be recognized as held in pledge by the seller for the guaranteed execution by the buyer of his duty to make payment for the goods.

#### **Article 489. Payment for Goods by Instalment**

1. The contract for sale of goods on credit with the proviso on the instalment of date shall be deemed to be



concluded, if it indicated the price of goods, the procedure, period and amount of payments alongside with other essential terms of the contract of sale.

2. When the buyer fails to make a regular payment for the goods sold by instalment and transferred to him within the period stipulated by the contract, the seller shall have the right, unless otherwise provided for by the contract, to refuse execute the contract and demand the refund of the sold goods with the exception of cases where the sum of payments received from the buyer exceeds half of the price of the goods.

3. The rules envisaged by Items 2, 4 and 5 of Article 488 of this Code shall be applicable to the contract for sale on credit.

#### **Article 490. Insurance of Goods**

The contract of sale may provide for the duty of the seller or the buyer to insure goods.

If the party duty-bound to ensure goods does not effect insurance in keeping with the contract terms, the other party shall have the right to ensure these goods and demand that the duty-bound party reimburse the expenses on insurance or refuse to execute the contract.

#### **Article 491. The Preservation of the Right of Property for the Seller**

In cases where the contract of sale provides that the right of property in the goods handed over to the buyer is preserved for the seller before the payment for the goods or the onset of other circumstances, the buyer shall not have the right to alienate the goods or dispose of them in any other way before the transfer of the right of ownership to him, unless otherwise stipulated by the law or the contract or unless the contrary follows from the designation and property of the goods.

In cases where the transferred goods are not paid for within the period specified by the contract or where other circumstances emerge under which the right of property passes to the buyer, the seller shall have the right to demand the return of the goods to him, unless otherwise stipulated by the contract.

### **§ 2. Retail Sale**

#### **Article 492. The Contract of Retail Sale**

1. Under the contract of retail sale the seller engaged in the business of retail sales shall undertake to hand over to the buyer goods intended for personal, family, home and any other use unrelated with business activity.

2. The contract of retail sale shall be a public agreement (Article 426).

3. The laws on the protection of the consumers' rights and other legal acts, adopted in accordance with them, shall be applicable to the relations covered by the contract of retail sale with the participation of the buyer-individual but not regulated by this Code.

**Article 493. The Form of the Contract of Retail Sale**

Unless otherwise stipulated by the law or the contract of retail sale, including by the terms of law blanks or other standard forms, to which the buyer joins (Article 428), the contract of retail sale shall be deemed to be concluded in the proper form since the time of the issue by the seller to the buyer of a cash-desk ticket or a sale receipt, or any other document confirming payment for goods. The lack of said documents shall not deprive the buyer of the possibility of referring to testimony by witnesses in corroboration of the conclusion of the contract and its terms and conditions.

**Article 494. The Public Offer of Goods**

1. The offer of goods in advertisement, merchandise catalogues and descriptions of goods, referred to people at large, shall be recognized as a public offer (Item 2 of Article 437), if it contain all the essential terms and conditions of the retail sale contract.

2. The putting up of goods in places of sales (on counters, in windows, etc.), the demonstration of other samples or the presentation of information about goods sold (descriptions, catalogues, photographs of goods, etc.) in places of sales shall be recognized as a public offer, regardless of the fact whether the price or other essential terms and conditions of the retail sale contract, except for the case when the seller has clearly determined that relevant goods are not intended for sale.

**Article 495. The Presentation of Information about Goods to the Buyer**

1. The seller shall be obliged to present to the buyer the requisite and trustworthy information about goods offered for sale, which corresponds to the requirements, established by the law, other legal acts and usually made in retail sale, for the substance and methods of presenting such information.

2. The buyer shall have the right, before the conclusion of a contract of retail sale, to inspect goods, demand the check-up of their properties or their demonstration, unless this is excluded due to the nature of goods

and contradict the rules accepted in retail sale.

**3.** Unless the buyer is given the possibility of receiving forthwith in the place of sale information about goods, referred to in Items 1 and 2 of this Article, he shall be entitled to demand from the seller the compensation for the losses caused by the unwarranted evasion from the conclusion of the contract of retail sale (Item 4 of Article 445), and if the contract has been concluded, to refuse within the reasonable period of time from the execution of the contract, to demand the refund of the paid sum of money and the compensation for other losses.

**4.** The seller who has not offered to the buyer the possibility of receiving relevant information about goods shall also bear liability for the defects of goods which arose after their transfer to the buyer, if he proves that they had arisen in the absence of such information.

**Article 496.** The Sale of Goods with the Proviso That the Buyer Accepts Them Within the Fixed Period of Time

The contract of retail sale may be concluded with the proviso that the buyer accepts goods within the fixed period of time, fixed by the contract, during which these goods may not be sold to another buyer.

Unless otherwise stipulated by the contract, the failure of the buyer to appear or the non-commission of other necessary actions for the acceptance of goods in the period of time fixed by the contract may be regarded by the seller as a ground for the refusal of the buyer to fulfil the contract.

The seller's additional expenses on the secured transfer of goods to the buyer in the period of time fixed by the contract shall be included in the price of goods, unless otherwise stipulated by the law, other legal acts or the contract.

**Article 497.** Sale of Goods by Samples and the Remote Method of the Sale of Goods

**1.** An agreement of retail sale-purchase may be concluded on the basis of familiarising the purchaser with a sample of the goods proposed by the seller and displayed at the place of sale of the goods (sale of goods by samples).

**2.** An agreement of retail sale-purchase may be concluded on the basis of familiarising the purchaser with a description, proposed by the seller, of the goods by means of catalogues, folders, booklets, photographs, communication media (television postal, radio, etc.) or by other methods ruling out the possibility of direct familiarisation of the consumer with the goods or a sample of the goods when concluding such agreement (remote

method of the sale of goods).

3. Unless provided otherwise by a law, other legal acts, or the agreement, an agreement of a retail sale-purchase of goods by samples or an agreement of a retail sale-purchase concluded by the remote method of the sale of goods shall be considered to be performed from the moment of delivery of the goods to the place specified in the agreement, and if the place of transfer of the goods is not determined by the agreement, from the moment of delivery of the goods to the place of residence of the purchaser-citizen or to the location of the purchaser - legal entity.

4. Unless provided otherwise by a law, before the transfer of the goods the purchaser may refuse performance of any retail sale-purchase agreement mentioned in Item 3 of this Article on condition of compensation to the seller for necessary expenses incurred in connection with the performance of actions relating to fulfilment of the agreement.

#### **Article 498.** The Sale of Goods with the Use of Vending Machines

1. In cases where goods are sold with the use of vending machines, the owner of these machines shall be obliged to bring to the notice of buyers information about the seller by putting up on the machine the data on the name (firm's name) of the seller, the place of his location, the conditions of his work, and also on the actions to be committed by the buyer for the receipt of goods or by presenting to the buyer such data by any other method.

2. The contract of retail sale with the use of vending machines shall be deemed to be concluded since the time of the commission by the buyer of the actions necessary for the receipt of goods.

3. If paid goods are not handed over to the buyer, the seller shall be obliged, on the demand of the buyer, forthwith to hand over goods to him or to return the sum of money paid by him.

4. In cases where the vending machine is used for change, the acquisition of currency notes, the rules for retail sale shall be applied, unless the contrary follows from the substance of the obligation concerned.

#### **Article 499.** The Sale of Goods with the Proviso of Their Delivery to the Buyer

1. If the contract of retail sale has been concluded with the proviso of the delivery of goods to the buyer, the seller shall be obliged to deliver goods to the place indicated by the buyer within the period of time, fixed by the

contract, and if the place of delivery of goods has not been indicated by the buyer, goods shall be delivered to the place of residence of the buying individual or the place of location of the buying legal entity.

2. The contract of retail sale shall be deemed to be executed since the time goods have been handed over to the buyer, and in the absence of the latter, to any other person who has produced the receipt or any other document testifying to the conclusion of the contract or to the completion of the delivery of goods, unless otherwise stipulated by the law, other legal acts or the contract and unless the contrary follows from the substance of the obligation concerned.

3. If the contract fails to fix the time of delivery of goods for handing over to the buyer, goods shall be delivered within the reasonable period of time after the receipt of the buyer's claim.

#### **Article 500. The Price and Payment for Goods**

1. The buyer shall be obliged to pay for goods at the price quoted by the seller at the time of concluding the retail sale contract, unless otherwise stipulated by the law or other legal acts or unless follow from the substance of the obligation concerned.

2. If the retail sale contract provides for the tentative payment for goods (Article 487), the non-payment by the buyer of goods in the period of time foxed by the contract shall be deemed to be the buyer's refusal to fulfil the contract, unless otherwise stipulated by the agreement of the parties thereto.

3. The rule envisaged by the first paragraph of Item 4 of Article 488 of this Code shall not be applied to the contracts of retail sale on credit, including to those with the proviso of payment by the buyer for goods by instalment.

The buyer shall have the right to pay for goods at any time within the contractual period of instalment of date.

#### **Article 501. The Contract of Hire and Sale**

Under the contract the buyer shall be a hirer (leaseholder) of goods given to him (contract of hire and sale) prior to the transfer of ownership of goods to the buyer (Article 491).

Unless otherwise stipulated by the contract, the buyer shall become the owner of goods since the time of payment for goods.

#### **Article 502. Exchange of Goods**

1. The buyer shall have the right, during 14 days since the time of the transfer of non-food products to him, if no longer period is declared by the seller, to exchange the bought products in the place of purchase and in other places, announced by the seller, for similar products of a different size, form, clearance, style, colour or complete set by making the necessary resettlement with the seller if there is a difference in price.

If the seller has no goods at his disposal needed for exchange, the buyer shall have the right to return to the seller the acquired goods and receive the sum of money paid for them.

The demand of the buyer for exchange or the return of goods shall be subject to satisfaction, unless goods have been in use, retained their consumer properties and there is evidence that they have been bought from the given seller.

2. The list of goods which are not subject to exchange or return according to the grounds, referred to in this Article, shall be determined in the order prescribed by the law or other legal acts.

#### **Article 503. Rights of Purchaser in the Event of Sale to Him of Goods of Improper Quality**

1. A purchaser to whom goods of improper quality have been sold, unless its defects were stipulated by the seller, may choose to demand:

replacement of poor-quality goods with goods of proper quality;

commensurate reduction of the purchase price;

immediate gratuitous elimination of the defects of the goods;

compensation for expenses of the defects of the goods.

2. In the event of the discovery of defects of goods whose properties do not enable them to be eliminated (foodstuffs, domestic sundries, and so forth) the purchaser may choose to demand the replacement of such goods with goods of proper quality or a commensurate reduction of the purchase price.

3. With respect to sophisticated goods the purchaser may demand their replacement or refuse to fulfil the agreement of retail sale-purchase and demand the return of the amount paid for the goods in the event of an essential violation of the requirements to their quality (Item 2 of Article 475).

4. Instead of presenting the demands provided for in Items 1 and 2 of this Article, the purchaser may refuse to fulfil the agreement and demand the return of the amount paid for the goods.

5. In case of a refusal to fulfil the agreement of retail sale-purchase with the demand for the return of the amount paid for the goods, the purchaser, upon the request of the seller and at his expense, must return the goods received of improper quality.

In the event of the return to the purchaser of the amount paid for the goods, the seller cannot withhold from it the amount by which the value of the goods was lowered because of the full or partial use of the goods, loss of their form as goods, or other similar circumstances.

6. The rules stipulated by this Article shall be applicable unless otherwise established by laws on the protection of consumers' rights.

**Article 504. Compensation for the Difference in Price When Goods Are Replaced, the Purchase Price Is Reduced and Goods of Improper Quality Are Returned**

1. When substandard goods are replaced by goods of proper quality that correspond to the retail sale contract, the seller shall have no right to demand compensation for the difference between the price of goods specified by the contract and the price of goods existing at the time of the substitution of goods or of the delivery by the court of its decision on the replacement of goods.

2. In case of replacement of substandard goods by similar goods of proper quality but with different size, style, sort or other distinctive features, the difference between the price of the replaceable goods at the time of substitution and the price of goods handed over in place of substandard goods shall be subject to compensation.

If the demand of the buyer has not been satisfied by the seller, the price of replaceable goods and the price of goods handed over in place of them shall be fixed at the time of the delivery by the court of its decision on the substitution of goods.

3. If a demand is made on an adequate reduction in the purchase price of goods, it is necessary to take into account the price of goods at the time of making a demand on their price reduction, and if the buyer's demand has not been satisfied of one's own accord, at the time of the delivery by the court of its decision on the proportionate reduction of the price.

4. If substandard goods are returned to the seller, the buyer shall have the right to demand compensation for the difference between the price of goods fixed by the retail sale contract and the price of appropriate goods at the time of the voluntary satisfaction of his demand, and if this demand has not been satisfied of his own accord, at the time of the delivery by the court of its decision.

**Article 505.** The Liability of the Seller and the Fulfillment of the Obligation in Kind

In case of default on the seller's obligation under the contract of retail sale, the compensation of losses and the payment of a penalty shall not absolve the seller from the obligation in kind.

**§ 3. Delivery of Goods**

**Article 506.** Contract for Delivery

Under the contract for delivery the supplier-seller engaged in business shall undertake to transfer to the buyer goods produced or purchased by him within the fixed period or periods of time for use in business or for other purposes unrelated to personal, family, home or any other use.

**Article 507.** Settlement of Disagreements During the Conclusion of the Contract for Delivery

1. When during the conclusion of a contract for delivery disagreements arose between the parties over particular terms and conditions of the contract, the party which has offered to conclude the contract and received from the other party the proposal on the adjustment of these terms and conditions shall, during 30 days since the day of receipt of this proposal, unless a different date is fixed by law and agreed upon between the parties, take measures on the coordination of the relevant terms and conditions of the contract or notify in writing the other party about the refusal to conclude it.

2. The party which has received the proposal under the corresponding terms and conditions of the contract but has not taken measures to coordinate the terms and conditions of the contract for delivery and has not notified the other party about the refusal to conclude the contract on due date, provided for by Item 1 of this Article, shall be obliged to compensate the losses caused by the evasion from the coordination of the terms and conditions of the contract.

**Article 508.** Periods of Delivery of Goods

1. In case where the parties provide for the delivery of goods during the validity term of the contract for delivery by individual consignments and where the periods of delivery of individual batches (periods of delivery) have not be defined, goods shall be delivered by even shipments monthly, unless the contrary follows from the law,



other legal acts, the substance of obligations and the customs of business turnover.

2. The contract for delivery may establish a schedule of shipments of goods (by decade, day, hour, etc.) in addition to the definition of periods of delivery of goods.

3. Prior delivery of goods may be made with the consent of the buyer.

Goods supplied short of the term and accepted by the buyer shall be counted towards the quantity of goods subject to delivery in the next period.

#### **Article 509. The Procedure for Delivery of Goods**

1. Goods shall be delivered by the supplier by means of shipment (transfer) of goods to the buyer who is a party to the contract for delivery or to the person indicated in the contract as a consignee.

2. In case where the contract for delivery provides for the right of the buyer to give to the supplier directions on the shipment (transfer) of goods to consignees (shipment warrants), goods shall be shipped (transferred) by the supplier to the consignees, referred to in the shipment warrant.

The consent of the shipment warrant and the date of its sending by the buyer to the supplier shall be determined by the contract. If the contract does not provide the time of sending a shipment warrant, the latter shall be sent to the supplier within 30 days before the onset of the period of delivery.

3. The non-submission of a shipment warrant by the buyer within the fixed period of time shall entitle the supplier either to renounce the execution of the contract for delivery or to demand that the buyer pay for goods. Moreover, the supplier shall have the right to claim damages caused in connection with the non-submission of the shipment warrant.

#### **Article 510. Delivery of Goods**

1. Delivery of goods shall be made by the supplier by means of their shipment by transport vehicles, provided for by the contract for delivery and on the contractual terms and conditions.

In cases where the contract fails to determine which type of transportation facility and on which conditions goods are to be delivered, the right of choosing the type of transportation facility or of defining the conditions of the delivery of goods shall belong to the supplier, unless the contrary follows from the law, other legal acts and the substance of the obligation concerned or the customs of business turnover.

2. The contract for delivery may provide for the receipt of goods by the buyer (consignee) in the place of location of the supplier (sampling of goods).

If the term of sample is not provided by the contract, the sampling of goods shall be carried out by the buyer (consignee) within the reasonable period of time after the receipt of the supplier's notification about the readiness of goods.

**Article 511. The Replenishment of Short Delivery of Goods**

1. The supplier who has a shortage of delivery of goods in a particular period of delivery shall be obliged to replenish the short delivered goods in the next period (periods) within the validity term of the contract for delivery, unless otherwise provided for by the contract.

2. In case where goods are shipped by the supplier to several consignees, referred to in the contract for delivery or the shipment warrant of the buyer, goods delivered to one consignee over and the quantity envisaged by the contract or the shipment warrant shall not be counted towards the short delivery of goods to other consignees, unless otherwise stipulated by the contract.

3. By notifying the supplier the buyer shall have the right to accept goods whose delivery has been overdue, unless otherwise stipulated by the contract for delivery. Goods delivered before the supplier receives the notification concerned, the buyer shall be obliged to accept and pay for them.

**Article 512. Assortment of Goods in Case of Replenishing Short Deliveries**

1. Assortment of the short delivered goods subject to replenishment shall be determined by the agreement of the parties. In the absence of such agreement the supplier shall be obliged to replenish the short delivered quantity of goods in the assortment established for the period in which the goods were short delivered.

2. The delivery of goods of one name in the greater quantity than the contract for delivery provides shall not be counted towards the cover of the short delivered goods of another name which form the same assortment and shall be subject to replenishment, except for the cases where such delivery was made with the preliminary written consent of the buyer.

**Article 513. The Acceptance of Goods by the Buyer**

1. The buyer (consignee) shall be obliged to perform all the necessary actions which ensure the acceptance of goods delivered in keeping with the contract for delivery.

2. Goods received by the buyer (consignee) shall be examined by him within the period of time, stipulated by the law, other legal acts, the contract for delivery or the customs of the business turnover.

The buyer (consignee) shall be obliged to check the quantity and quality of accepted goods within the same period of time in the order, prescribed by the law, other legal acts, the contract or the customs of business turnover, and to inform the supplier forthwith in writing about the discovered discrepancies or defects of goods.

3. If the buyer (consignee) receives the delivered goods from a transport organization, he shall be obliged to check the compliance of these goods with information referred to in transport and accompanying documents, and also to accept these goods from the transport organization with the observance of the rules stipulated by the laws and other legal acts regulating the activity of transportation facilities.

#### **Article 514. Safekeeping of Goods Which Have Not Been Accepted by the Buyer**

1. When in keeping with the law, other legal acts or the contract for delivery the buyer (consignee) refuses to accept the goods delivered by the supplier, he shall be obliged to ensure the safety of these goods (safekeeping) and inform the supplier immediately.

2. The supplier shall be obliged to take away the goods accepted by the customs for safekeeping or to dispose of them within the reasonable period of time.

If the supplier fails to dispose of these goods within this period, the buyer shall have the right to sell goods or return them to the supplier.

3. The requisite expenses incurred by buyer in connection with the acceptance of goods for safekeeping, the sale of goods or their return to the seller shall be liable to compensation by the supplier.

In this case, the proceeds from the sale of goods shall be transferred to the supplier minus the amount due to the buyer.

4. In cases where the buyer does not accept goods from the supplier without the grounds, established by the law, other legal acts or the contract, or refuses to accept them, the supplier shall have the right to demand from the buyer the payment for the goods.

#### **Article 515. The Sampling of Goods**

1. When the contract for delivery provides for the sampling of goods by the buyer (consignee) in the place of location of the supplier (Item 2 of Article 510), the buyer shall be obliged to inspect the transferred goods in the place of their transfer, unless otherwise stipulated by the law, other legal acts or unless the contrary follows from the substance of the obligation concerned.

2. The non-sampling of goods by the buyer (consignee) within the period of time specified by the contract

for delivery, and in the absence of the contract within the reasonable period of time after the receipt of the supplier's notification about the readiness of goods shall entitle the supplier to refuse to fulfil the contract or to demand that the buyer pay for goods.

#### **Article 516. Payment for Delivered Goods**

1. The buyer shall pay for delivered goods with the observance of the procedure and form of payments stipulated by the contract for delivery. If the agreement between the parties thereto fails to determine the procedure and form of payments, payments shall be effected by means of payment orders.

2. If the contract for delivery provides for the payment for goods to be made by the recipient (payer) and the latter has refused without any foundation to pay for goods or failed to pay for them within the period of time stipulated by the contract, the supplier shall have the right to demand that the buyer pay for the delivered goods.

3. In case where the contract for delivery provides for the shipment of goods in parts forming the set, the payment for goods by the buyer shall be effected after the shipment (sampling) of the last part forming the set, unless otherwise stipulated by the contract.

#### **Article 517. Tare and Packaging**

Unless the contrary is stipulated by the contract for delivery, the buyer (consignee) shall be obliged to return to the supplier reusable tare and means of packaging of the delivered goods in the order and in the terms stipulated by the law, other legal acts and by the obligatory rules adopted in accordance with or by the contract.

Other tare, and also the packaging of goods shall be returned to the supplier only in cases provided for by the contract.

#### **Article 518. The Consequences of the Delivery of Goods of Improper Quality**

1. The buyer (consignee) to whom goods of improper quality have been supplied shall have the right to make claims to the supplier as stipulated by Article 475 of this Code, except for the case when the supplier who has received the notification of the buyer about the defects of the delivered goods shall without delay substitute goods of proper quality for the delivered goods.

2. The buyer (consignee) who sells the delivered goods by retail shall have the right to demand within the reasonable period of time the substitution for the goods of improper quality, unless otherwise stipulated by the contract for delivery.

**Article 519.** The Consequences of the Delivery of Incomplete Goods

1. The buyer (consignee) to whom goods have been supplied with the breach of the terms and conditions of the contract for delivery, of the requirements of the law and other legal acts or of the usual requirements for completeness shall have the right to make to the supplier claims stipulated by Article 480 of this Code, except for the case when the supplier who has received the buyer's notification about the incomplete set of the delivered goods shall make goods complete without delay or replace these by complete goods.

2. The buyer (consignee) who sells goods by retail shall have the right to demand the replacement within the reasonable period of time of incomplete goods returned by the consumer by complete goods, unless otherwise stipulated by the contract of delivery.

**Article 520.** The Rights of the Buyer in Case of Short Delivery of Goods, the Non-fulfilment of the Requirements for the Removal of Defects of Goods or of Completing Goods

1. If the supplier has failed to deliver the quantity of goods, stipulated by the contract for delivery, or has not fulfilled the buyer's claim for the replacement of substandard goods or for completing goods within the fixed period of time, the buyer shall have the right to acquire short delivered goods from other persons and to charge all the necessary and reasonable expenses to the supplier for their acquisition.

The expenses of the buyer on the acquisition of goods from other persons in cases of their short delivery by the supplier or of the non-fulfillment of the buyer's claims for the removal of defects of goods or for completing goods shall be reckoned according to the rules, provided for by Item 1 of Article 524 of this Code.

2. The buyer (consignee) shall have the right to refuse to pay for substandard and incomplete goods, and if such goods have been paid for, to demand to refund of the paid sums of money pending the removal of defects and the completion of goods or of their replacement.

**Article 521.** Penalty for Short Delivery or Delay in Delivery of Goods

The penalty established by the law or the contract for delivery for short delivery or delay in delivery of goods shall be recovered from the supplier until the actual execution of the obligation within the limits of his duty to replenish the short delivered quantity of goods in subsequent periods of delivery, unless a different procedure for the payment of penalty is established by the law or the contract.

#### **Article 522.** Cancellation of Similar Liabilities under Several Contracts for Delivery

1. In cases where goods of the same name are delivered by the supplier to the buyer at once under several contracts for delivery and the quantity of delivered goods is insufficient for the cancellation of the supplier's liabilities under all contracts, the delivered goods shall be counted towards the execution of the contract to be indicated by the supplier when he delivers goods or immediately after this delivery.

2. If the buyer has paid to the supplier for the goods of the same name, received under several contracts for delivery and the sum of payment is insufficient for the cancellation of the buyer's liabilities under all contracts, the paid sum of money shall be counted towards the execution of the contract, indicated by the buyer when goods are paid for or without delay after payment.

3. If the supplier or the buyer have not availed of the rights granted to them by Items 1 and 2 of this Article, the execution of the liability shall be counted towards the cancellation of the liabilities under the contract, where period of execution commenced earlier. If the period of the execution of the liabilities under several contracts has commenced simultaneously, the granted execution shall be counted in proportion towards the cancellation of the liabilities under all contracts.

#### **Article 523.** Unilateral Waiver of the Execution of the Contract for Delivery

1. Unilateral waiver of the execution of the contract for delivery (in full or in part) or unilateral change of this contract shall be allowed in case of the substantial infringement of the contract by one of the parties thereto (the fourth paragraph of Item 2 of Article 450).

2. The infringement of the contract for delivery by the supplier may be substantial in cases of:

the delivery of goods of improper quality with defects which cannot be removed in the period acceptable for the buyer;

the repeated breach of the terms of delivery of goods.

3. The infringement of the contract for delivery by the buyer may be substantial in cases of:

repeated breach of the terms of payment for goods;

repeated non-sampling of goods.

4. The contract for delivery shall be deemed to be altered or dissolved since the time of receipt by one party of the notification of the other party about the unilateral waiver to execute the contract in full or in part, unless a different term of cancelling or modifying the contract is provided by the notification or defined by the agreement of the parties.

**Article 524.** The Reckoning of Losses in Case of the Cancellation of the Contract

1. If within the reasonable period of time after the cancellation of the contract due to the infringement of the obligation by the seller the buyer bought goods from another person at higher but reasonable price instead of goods specified by the contract, the buyer may make to the seller his claim for the compensation of losses in the form of the difference between the contractual price and the price under the deal made instead.

2. If within the reasonable period of time after the cancellation of the contract owing to the infringement of the obligation by the buyer the seller has sold goods to another person under the reasonable but lower price than that stipulated by the contract, the seller may make to the buyer his claim for the compensation of losses in the form of the difference between the contractual price and the price under the deal made instead.

3. If after the cancellation of the contract on the grounds, provided for by Items 1 and 2 of this Article, no transaction has been made instead of the dissolved contract, and the current price is available for these goods, the party may make his claim for the compensation of losses in the form of the difference between the price specified by the contract and the current price existing at the time of the dissolution of the contract.

The price that is usually charged under the comparable circumstances for similar goods in the place where goods should be transferred shall be recognized as a current price. If there is no current price in this place, use may be made of the current price that was used in another place, which may serve as a reasonable replacement, with due account of the difference in the expenses on the transportation of goods.

4. The satisfaction of the requirements, provided for by Items 1, 2 and 3 of this Article, shall not release the party, which has not fulfilled or fulfilled the obligation in improper way from the compensation of other losses caused by the other party, on the basis of Article 15 of this Code.

**§ 4. Delivery of Goods for State or Municipal Needs**

**Article 525.** The Grounds for the Delivery of Goods for State or Municipal Needs

1. Goods shall be delivered to meet state or municipal needs on the basis of a state contract for the delivery of goods for state or municipal needs, and also in keeping with the contracts for delivery of goods,

concluded in accordance with the state or municipal contract (Item 2 of Article 530).

**2.** The rules for the contract for delivery (Articles 506-522) shall be applicable to the relations involved in the delivery of goods for state or municipal needs, unless otherwise stipulated by the rules of this Code.

Other laws shall be applicable to the relations involved in the delivery of goods for state or municipal needs in the part that is not regulated by this paragraph.

**Article 526.** The State or Municipal Contract for the Delivery of Goods to Meet State or Municipal Needs

Under the state or municipal contract for the delivery of goods for state or municipal needs (hereinafter referred to as the state or municipal contract) the supplier (executor) shall undertake to transfer goods to the state or municipal customer or to another person according to his direction, whereas the state or municipal customer shall undertake to pay for the delivered goods.

**Article 527.** The Grounds for the Conclusion of State or Municipal Contracts

**1.** A state or municipal contract shall be concluded on the basis of an order of delivering goods to meet state or municipal needs placed in the procedure provided for by the legislation on placement of orders to supply goods, carry out works and render services to meet state or municipal needs.

The conclusion of a state or municipal contract shall be mandatory for the state or municipal customer who has placed the order, if not otherwise established by laws.

**2.** The conclusion of a state or municipal contract shall be compulsory for the supplier (executor) only in cases established by law and provided that the state or municipal customer should compensate all the losses which can be caused to supplier (executor) in connection with the fulfilment of the state or municipal contract.

**3.** The condition of compensation of losses, envisaged by Item 2 of this Article, shall not be applied to the governmental enterprises not subject to privatization.

**4.** The term concerning compensation for damages provided for by Item 2 of this Article shall not apply in respect of the winner of an auction or the winner of bidding for goods or in respect of the person with whom under the laws a state or municipal contract is concluded in the event of evading the conclusion of the state or municipal contract by the auction winner or the winner of bidding for goods, provided that the offered price of the state or municipal contract is wittingly understated.



**Article 528.** Procedure for the Conclusion of State or Municipal Contracts

1. A state or municipal contract shall be drafted by a state or municipal customer and sent to the supplier (executor), unless otherwise stipulated by the agreement between them.

2. The party which has received the draft of a state or municipal contract shall sign it within 30 days and return one copy of the state or municipal contract to the other party, while in the presence of disagreements on the terms and conditions of the state or municipal contract shall draw up minutes of disagreements during this period and send it together with the signed state or municipal contract to the other contract party or shall notify it about the refusal to conclude the state or municipal contract.

3. The party which has received the state or municipal contract with the minutes of disagreements shall be obliged within 30 days to consider disagreements, take measures to adjust them with the other party and inform this party about the acceptance of the state or municipal contract in its wording or about the rejection of the minutes of disagreements.

In case of rejection of the minutes of disagreements or upon the expiry of this period of time, the non-adjusted disagreements under the state or municipal contract, the conclusion of which is mandatory for one of the parties, may be transferred by the other party for the consideration by a court of law within 30 days.

4. In case where a state or municipal contract is concluded according to the results of the auction for placing an order for the delivery of goods for state or municipal needs, the state or municipal contract shall be concluded within 30 days since the day of the bidding.

5. If the party for which the conclusion of a state or municipal contract is obligatory evades from its conclusion, the other party shall have the right to apply to a court of law with the demand of compelling this party to conclude the state or municipal contract.

**Article 529.** The Conclusion of a Contract for Delivery of Goods for State or Municipal Needs

1. If a state or municipal contract provides for the delivery of goods by the supplier (executor) to the buyer, defined by the state or municipal customer, under the contracts for the delivery of goods for state or municipal needs, the state or municipal customer shall notify within 30 days since the day of signing the state or municipal

contract the supplier (executor) and the buyer about the attachment of the buyer to the supplier (executor).

The notification about the attachment of the buyer to the supplier (executor), issued by the state or municipal customer in keeping with the state or municipal contract, shall be a ground for the conclusion of a contract for the delivery of goods for state or municipal needs.

2. The supplier (executor) shall be obliged to send the draft of the contract for the delivery of goods for state or municipal needs to the buyer, indicated in the notification about the attachment, within 30 days since the day of the receipt of the notification from the state or municipal customer, unless a different procedure for drafting a contract is stipulated by the state or municipal contract or unless the draft of the contract is submitted by the buyer.

3. The party which has received the draft contract for the delivery of goods for state or municipal needs shall sign it and return one copy to the other party within 30 days since the day of the receipt of the draft and in the presence of disagreements over the contract terms shall draw up during this time minutes of the disagreements and send them to the other party together with the signed contract.

4. The party which has received the signed draft contract for the delivery of goods for state or municipal needs with the minutes of disagreements shall, during 30 days, consider the disagreements, take measures to coordinate the terms and conditions of the contract with the other part and inform the other party about the acceptance of the contract in its wording or about the rejection of the minutes of the disagreements. non-adjusted disagreements may be transferred by the interested party for the consideration by the court within 30 days.

5. If the supplier (executor) evades from the conclusion of the contract for the delivery of goods for state or municipal needs, the buyer shall have the right to apply to a court of law with the demand for compelling the supplier (executor) to conclude a contract on the terms of the contract drafted by the buyer.

**Article 530. The Buyer's Refusal to Conclude a Contract for the Delivery of Goods for State or Municipal Needs**

1. The buyer shall have the right to refuse wholly or partially from goods, indicated in the notification about attachment, and from the conclusion of a contract for their delivery.

In this case, the supplier (executor) shall forthwith notify the state or municipal customer and demand that he notify about the attachment to another buyer.

2. Within 30 days since the day of the receipt of the notification of the supplier (executor), the state or

municipal customer shall issue a notification about the attachment of another buyer to him or send to the supplier (executor) a shipment warrant with an indication of the consignee of goods, or state its consent to accept and pay for goods.

3. In case of default on the state or municipal customer's duties, provided for by Item 2 of this Article, the supplier (executor) shall have the right either to demand that the state or municipal customer should accept and pay for goods or to sell goods at its discretion with the charge of reasonable expenses incurred in their sale to the state or municipal customer.

#### **Article 531. The Execution of the State or Municipal Contract**

1. In cases where in keeping with terms and conditions of the state or municipal contract goods are delivered directly to the state or municipal customer or according to its direction (shipment warrant) to another person (consignee), the relations between the parties in the performance of the state or municipal contract shall be regulated by the rules stipulated by Articles 506-522 of this Code.

2. In cases where goods are delivered for state or municipal needs by the consignee, indicated in the shipment warrant, the goods shall be paid for by the state or municipal customer, unless a different procedure for payments is envisaged by the state or municipal contract.

#### **Article 532. Payment for Goods Under the Contract for the Delivery of Goods for State or Municipal Needs**

In case of the delivery of goods to the buyers under the contracts for the delivery of goods for state or municipal needs payment for goods shall be made by the buyers at the prices estimated in accordance with the state or municipal contract, unless a different procedure determining prices and payments is stipulated by the state or municipal contract.

When the buyer pays for goods under the contract for the delivery of goods for state or municipal needs, the state or municipal customer shall be recognized as a guarantor of this obligation of the buyer (Articles 361-367).

#### **Article 533. Compensation for Losses Caused in Connection with the Execution or Dissolution of a State**

or Municipal Contract

1. Unless otherwise stipulated by a law or a state or municipal contract, the losses caused to the supplier (executor) in connection with the execution of the state or municipal contract (Item 2 of Article 527) shall be liable to compensation by the state or municipal customer within 30 days since the day of the transfer of goods in conformity with the state or municipal contract.

2. In case where the losses caused to the supplier (executor) in connection with the performance of a state or municipal contract are not compensated in accordance with the state or municipal contract, the supplier (executor) shall have the right to refuse to perform the state or municipal contract and demand the compensation of the losses caused by the dissolution of the state or municipal contract.

3. When a state or municipal contract is dissolved on the grounds referred to in Item 2 of this Article, the supplier shall have the right to refuse to execute the contract for the delivery of goods for state or municipal needs.

The losses caused to the buyer by such refusal of the supplier shall be compensated by the state or municipal customer.

**Article 534.** The Rejection by the State Customer of Goods Delivered Under the State or Municipal Contract

In cases provided for by law the state or municipal customer shall have the right to reject wholly or partially the goods whose delivery is stipulated by the state or municipal contract, provided that the losses caused by such rejection are compensated to the supplier.

If the rejection by the state or municipal customer of the goods whose delivery is provided for by the state or municipal contract has involved the cancellation or charge of the contract for the delivery of goods for state or municipal needs, the losses caused to the buyer by such cancellation or change shall be compensated by the state or municipal customer.

**§ 5. Sale of Agricultural Produce**

**Article 535.** Contract of Sale of Agricultural Produce

1. Under the contract of sale of agricultural produce the agricultural producer shall undertake to transfer

the farm products he has grown or produced to the purveyor, the person who purchases such products for processing or sale.

2. The rules for the contract for delivery (Articles 506-524) shall be applicable to the relations covered by the contract of and not regulated by the rules of this paragraph, while in cases of the delivery of goods for state needs the rules for the contract sale of agricultural produce for delivery (Articles 525-534) shall be applicable.

#### **Article 536. The Duties of the Purveyor**

1. Unless otherwise stipulated by the contract of contracting, the purveyor shall be obliged to accept farm products from the producer in the place of their location and to ensure their delivery.

2. In case where farm products are accepted in the place of location of the purveyor or in any other place indicated by it, the purveyor shall have no right to refuse to accept farm products which correspond to the terms and conditions of the contract of contracting and which have been transferred to the purveyor in the period of time, specified by the contract.

3. The contract of contracting may provide for the duty of the purveyor processing farm products to return to the producer the waste of this processing on its demand with payment at the price fixed by the contract.

#### **Article 537. The Duty of the Producer of Farm Products**

The producer of farm products shall be obliged to transfer to the purveyor the grown or produced farm products in the quantity and assortment, envisaged by the contract of contracting.

#### **Article 538. The Liability of the Producer of Farm Products**

The producer of farm products which has failed to fulfil its obligation or has fulfilled it improperly shall bear liability in the presence of its fault.

### **§ 6. Power Supply**

#### **Article 539. The Contract of Power Supply**

1. Under the contract of power supply the energy supplying organization shall undertake to transmit power to the user (consumer) through the connected up network, while the user shall undertake to pay for accepted power, and also to observe the conditions of its consumption, provided for by the contract, and to ensure the safety of the operation of its electrical networks and the working order of the devices and equipment use by it and related to the consumption of power.

2. A contract of power supply shall be concluded with the user, if the latter has at its disposal a power receiving device meeting the technical requirements and connected up to the networks of the energy supplying organization and other requisite equipment, and also if the user guarantees the accounting of the consumption of power.

3. The laws and other legal acts on power supply, and also the mandatory rules adopted in conformity with them, shall be applicable to the relations covered by the contract of power supply and regulated by this Code.

4. The rules of this paragraph shall be applicable to the relations under an agreement for supply with electric power unless otherwise established by a law or other legal acts.

#### **Article 540. The Conclusion and Prolongation of the Contract of Power Supply**

1. In cases where the individual acts as a user of power for domestic consumption under the contract of power supply, this contract shall be deemed to be concluded since the time of the fixed actual linking up of the user to the attached network in the statutory order.

Unless otherwise stipulated by the agreement of the parties, such contract shall be deemed to be concluded for an indefinite period of time and may be altered or dissolved on the grounds, stipulated by Article 546 of this Code.

2. The contract of power supply, concluded for an indefinite period of time, shall be deemed to be prolonged for the same period and on the same conditions, if before the expiry of its validity term neither party states about its termination or alteration or the conclusion of a new contract.

3. If one of the parties to the contract has tabled the proposal on the conclusion of a new contract before the expiry of its validity term, the relations between the parties shall be regulated by the contract concluded earlier before a new contract is to be concluded.

#### **Article 541. The Quantity of Power**

1. The energy supplying organization shall be obliged to transmit power to the user through the attached network in the quantity provided for by the contract of power supply and with the observance of the conditions of transmission to be agreed upon by the parties. The quantity of power transmitted to the subscriber and the used up by him shall be estimated in accordance with the data of accounting of its actual consumption.

2. The contract of power supply may provide for the right of the user to change the quantity of received power, fixed by the contract, provided the compensation of the expenses incurred by the energy supplying organization in connection with the transmission of power in the quantity which is not stipulated by the contract

3. In case where the individual using power for domestic consumption acts as a user under the contract of power supply, he shall have the right to use power in the quantity needed by him.

#### **Article 542. The Quality of Power**

1. The quality of power transmitted shall correspond to the requirements made by state standards and other compulsory rules or envisaged by the contract of power supply.

2. If the energy supplying organization breaks the requirements for the quality of power, the user shall have the right to refuse to pay for such power. In this case, the energy supplying organization shall have the right to demand that the user should compensate the cost of the power which the user has saved groundlessly in consequence of the use of this power (Item 2 of Article 1105).

#### **Article 543. The Duties of the Buyer to Maintain and Operate Networks, Instruments and Equipment**

1. The user shall be obliged to ensure proper technical condition and safety of the operated electric power networks, instruments and equipment, to observe the conditions of power consumption, and also immediately inform the energy supplying organization about accidents, fires and troubles in energy recording instruments and about other infringements arising during the use of energy.

2. In case where the individual using power for domestic consumption acts as a user under the contract of power supply, the duty of ensuring proper technical condition and safety of electric power networks, and also of

energy recording instruments shall be discharged by the energy supplying organization, unless otherwise stipulated by the law and other legal acts.

3. Requirements for the technical condition and operation of electric power networks, instruments and equipment, and also the procedure for control over their work shall be defined by the law, other legal acts or the agreement between the parties.

#### **Article 544. Payment for Power**

1. The user shall pay for the quantity of power, actually accepted by him, in line with the data of power recording, unless otherwise stipulated by the law, other legal acts or the agreement of the parties.

2. Procedure for payments for energy shall be determined by the law, other legal acts or by the agreement between the parties.

#### **Article 545. The Subuser**

The user may transmit power, accepted by it from the energy supplying organization through the attached network, to another person (subuser) only with the consent of the energy supplying organization.

#### **Article 546. The Modification and Cancellation of the Contract of Power Supply**

1. In case where the individual using power for domestic consumption acts as a user under the contract of power supply, he shall have the right to cancel the contract unilaterally, provided he informs the energy supplying organization about this and pays in full for the used power.

In case where the legal entity acts as a user under the contract of power supply, the energy supplying organization shall have the right to refuse to fulfil the contract unilaterally on the grounds provided for by Article 523 of this Code, except for the cases established by the law or other legal acts.

2. An interval in the supply of power, the termination or restriction of the supply of power shall be allowed by agreement between the parties, except for the cases where the unsatisfactory condition of the user's power plant, certified by the state power supervision body, endangers the levels and safety of individuals. The energy supplying organization shall warn the user about the interruption, termination or restriction of the supply of power.

The termination or restriction of the supply of power without the consent of a subscriber that is a juridical



person but with the relevant notification thereof shall be permissible in a procedure established by a law or other legal acts in the case of violation by the said subscriber of the obligations in the payment for the power.

3. An interval in the supply of power, the termination or restriction of the supply of power without agreement with the user and without its appropriate warning shall be allowed whenever it is necessary to take urgent measures of preventing or abolishing the accidents provided the latter immediately informs the user about this.

#### **Article 547. Liability Under the Contract of Power Supply**

1. In cases of default on the obligations or of improper execution of the obligations under the contract of power supply, the defaulting party shall be obliged to compensate the real damage caused by this (Item 2 of Article 15).

2. If a result of the regulation of the conditions of power consumption on the basis of the law or other legal acts an interval has been made in the supply of the user with power, the energy supplying organization shall bear liability for default on the contractual obligations or for their improper fulfilment in the presence of its fault.

#### **Article 548. The Application of the Rules for Power Supply to Other Contracts**

1. The rules envisaged by Articles 539-547 of this Code shall be applicable to the relations connected with the supply of thermal power through the attached network, unless otherwise stipulated by the law or other legal acts.

2. The rules for the contract of power supply (Article 539-547) shall be applied to the relations involved in the supply of gas, oil and oil products, water and other goods, unless otherwise stipulated by the law, other legal acts or unless the contrary follows from the substance of the obligation concerned.

### **§ 7. The Sale of Real Estate**

#### **Article 549. The Contract of Sale of Real Estate**

1. Under the contract of sale of real estate the seller shall undertake to transfer into the buyer's ownership a land plot, a building or structure, an apartment or other real estate (Article 130).

2. The rules, provided for by this paragraph, shall be applied to the sale of enterprises inasmuch as the

contrary is stipulated by the rules for the contract of sale of the enterprise (Articles 559-566).

**Article 550. The Form of the Contract of Sale of Real Estate**

The contract of sale of real estate shall be concluded in writing by drawing up one document to be signed by the parties thereto (Item 2 of Article 434).

The non-observance of the form of a contract of sale of real estate shall invalidate it.

**Article 551. State Registration of the Transfer the Title to Real Estate**

1. The transfer of the title to real estate under the contract of sale of real estate to the buyer shall be subject to state registration.

2. Before the state registration of the transfer of the title to property the execution of the contract of sale of real estate by the parties shall not be a ground for the change of their relations with third persons.

When one party evades the state registration of the transfer of the title to real estate, the court shall have the right on the demand of the other party, and in cases provided for by the legislation of the Russian Federation on court enforcement action also on the demand of a bailiff take a decision on the state registration of the transfer of the right of ownership. The party which groundlessly evades the state registration of the transfer of the title to property shall be obliged to compensate the losses of the other party, caused by the delayed registration.

**Article 552. The Rights to the Land Plot in Case of Sale of the Building, Structure or Other Immovables Located on It**

1. Under the contract of sale of the building, structure or other immovables the buyer shall receive together with the transferred right to such real estate the right to the land plot occupied by the immovable property and required for its use.

2. In case where the seller is the owner of the land plot on which the sold real estate is to be found, the

buyer shall receive the right of property to the land plot occupied by the immovable property and required for using it, except as otherwise envisaged by a law.

**3.** The sale of immovables located on the land plot which does not belong to the seller by right of ownership shall be allowed without the consent of the owner of this land plot, unless this contradicts the terms of the use of such land plot, established by the law or the contract.

In case of sale of such real estate the buyer shall acquire the right to the use of the corresponding land plot on the same conditions as the seller of the real estate does.

**Article 553.** Abrogated.

**Article 554.** The Definition of the Subject-matter in the Contract of Sale of Real Estate

The contract of sale of real estate shall indicate the data that make it possible to ascertain real estate subject to the transfer to the buyer under the contract, including the data which determine the location of real estate on the corresponding land plot or within other real estate.

In the absence of these data in the contract the condition on the real estate subject to transfer shall be deemed not to be agreed upon by the parties thereto and the corresponding contract shall be deemed not to be concluded.

**Article 555.** Price in the Contract of Sale of Real Estate

**1.** The contract of sale of real estate provide for the price of this estate.

In the absence in the contract of the price clause, agreed upon by the parties thereto in written form, the contract of sale of real estate shall be deemed not to be concluded. In this case, the rules for fixing price, envisaged by Item 3 of Article 424 of this Code shall not be applied.

**2.** Unless otherwise stipulated by the law or the contract of sale of real estate, the price fixed in it for the building, structure or other real estate to be found on the land plot shall include the price of the corresponding part of the land plot, transferred with this real estate or the right to it.

**3.** In cases where the price of real estate in the contract of sale of real estate is fixed per unit of its square or per other indicator of its size, the total price of such real estate subject to payment shall be estimated by proceeding from the actual size of the real estate transferred to the buyer.

#### **Article 556. The Transfer of Real Estate**

1. Real estate shall be transferred by the seller and accepted by the buyer on the basis of the deed of conveyance or other document on its transfer.

Unless otherwise stipulated by the law or the contract, the obligation of the seller to transfer real estate to the buyer shall be deemed to be executed after this real estate is handed in to the buyer and after the parties sign the respective document on the transfer.

The evasion by one of the parties from the signing of the document on the transfer of real estate on the terms and conditions of the contract shall be deemed to imply the refusal of the seller to discharge the duty of transferring real estate and that of the buyer to fulfil the duty of accepting such estate.

2. The acceptance by the buyer of real estate which does not comply with the terms and conditions of the contract of sale of real estate, including in case when such non-conformity is specified in the document on the transfer of real estate, shall not be a ground for the release of the seller from the liability for improper performance of the contract.

#### **Article 557. The Consequences of the Transfer of Real Estate of Inadequate Quality**

In case of the transfer by the seller to the buyer of real estate of inadequate quality, which does not comply with the terms and conditions of the contract of sale of real estate on its quality, the rules of Article 475 of this Code shall be applied, exception being made for the provisions dealing with the right of the buyer to demand the substitution of goods conforming to the contract for goods of improper quality.

#### **Article 558. Specific Aspects of the Sale of Living Accommodation**

1. The list of the persons who retain the statutory right of using the living accommodation after it was acquired by the buyer with an indication of their right to use the dwelling being sold shall be a substantial condition of the contract of sale of a dwelling house or apartment, part of the dwelling house or the apartment.

2. The contract of sale of a dwelling house or apartment, part of the dwelling house or the apartment shall be subject to state registration and shall be deemed to be concluded since the time of such registration.

### **§ 8. The Sale of Enterprises**

**Article 559.** The Contract of Sale of the Enterprise

1. Under the contract of sale of the enterprise the seller shall undertake to transfer into the buyer's ownership the enterprise as a whole as a property complex (Article 132) with the exception of the rights and duties which the seller has no right to hand over to other persons.

2. Exclusive rights to the means of individualization of an enterprise, of the products, works or services of the seller (commercial designation, trade mark or servicing mark), as well as the rights to the use of such means of individualization, belonging to him on the basis of licence agreements, shall pass to the buyer, unless otherwise stipulated in the contract.

3. The rights of the seller, received by it on the basis of the permit (license) for the engagement in the respective activity, shall not belong to the transfer to the buyer, unless otherwise stipulated by the law or other legal acts. The transfer to the buyer of the enterprise's obligations which it is impossible to execute in the absence of such permit (license) for it shall not absolve the seller from the corresponding obligations to the creditors. For default on such obligations the seller and the buyer shall bear joint and several liability to the creditors.

**Article 560.** The Form and the State Registration of the Contract of Sale of the Enterprise

1. The contract of sale of the enterprise shall be concluded in writing by drawing up one document to be signed by the parties thereto (Item 2 of Article 434) with the obligatory addendum to it of the documents, referred to in Item 2 of Article 561 of this Code.

2. The non-observance of the form of the contract of sale of the enterprise shall involve its invalidity.

3. The contract of sale of the enterprise shall be subject to state registration and shall be deemed to be concluded since the time of such registration.

**Article 561.** Certification of the Structure of the Enterprise to Be Sold

1. The structure and cost of the enterprise to be sold shall be determined by the contract of sale of the enterprise on the basis of its full inventory making, which is carried out in accordance with the rules of such

inventorying.

2. Prior to the signing of a contract of sale of the enterprise, the parties thereto shall consider the inventorying certificate, the balance-sheet, the opinion of an independent auditor on the structure and cost of the enterprise, and also the list of all debts (liabilities), included in the structure of the enterprise with an indication of creditors and of the character, amount and terms of their claims.

The property, rights and duties, referred to in said documents, shall be subjects to the transfer by the seller to the buyer, unless the contrary follows from the rules of Article 559 of this Code and unless established by the agreement of the parties.

#### **Article 562. The Rights of Creditors in the Sale of the Enterprise**

1. For liabilities, included in the composition of the enterprise to be sold, the creditors shall be notified before it is transferred to the buyer about its sale by one of the parties to the contract of sale of the enterprise.

2. The creditor who has not informed the seller or the buyer about his consent with the transfer of the debt shall have the right to demand, during three months since the day of the receipt of the notice about the sale of the enterprise, either the termination or the prior execution of the obligation and compensation by the seller of the losses caused by this, or the recognition of the contract of sale of the enterprise as invalid in full or in the respective part.

3. The creditor who has not been notified about the sale of the enterprise in the order, prescribed by Item 1 of this Article, may bring an action to satisfy the claims, provided for by Item 2 of this Article, during the year since the day when he learnt or should have learnt about the transfer of the enterprise by the seller to the buyer.

4. After the transfer of the enterprise to the buyer the seller and the buyer shall bear joint and several liability for the debts included in the composition of the transferred enterprise and converted to the buyer without the consent of the creditor.

#### **Article 563. The Transfer of the Enterprise**

1. The enterprise shall be transferred by the seller to the buyer under the deed of conveyance, which contains the data on the structure of the enterprise and on the notification of the creditors about the sale of the enterprise, and also information about the revealed shortcomings of the transferred property and the list of assets, the duty of whose transfer have not been discharged by the seller in view of their loss.

The preparation of the enterprise for conveyance, including the drawing up of a deed of conveyance and

the presentation of this act for signing shall be the duty of the seller and shall be effected at his expense, unless otherwise stipulated by the contract.

2. The enterprise shall be deemed to be transferred to the buyer since the day of signing the deed of conveyance by both parties.

Since this time the risk of accidental destruction or damage of property within the enterprise shall pass to the buyer.

#### **Article 564.** The Transfer of the Title to the Enterprise

1. The title to the enterprise shall pass to the buyer since the time of state registration of this title.

2. Unless otherwise stipulated by the contract of sale of the enterprise, the title to the enterprise shall pass to the buyer and shall be subject to state registration immediately after the conveyance of the enterprise to the buyer (Article 563).

3. In cases where the contract provides for the preservation of the seller's title to the enterprise, transferred to the buyer, until the payment for the enterprise or the onset of other circumstances, the buyer shall have the right to dispose, before the transfer of the title to it, of the assets and rights forming the composition of the transferred enterprise to the extent this is necessary for the purposes for which the enterprise has been acquired.

#### **Article 565.** The Consequences of the Transfer and Acceptance of the Enterprise with Shortcomings

1. Consequences of the transfer by the seller and of the acceptance by the buyer under the deed of conveyance of the enterprise whose structure does not conform, in particular, to the quality of the transferred assets, specified by the contract of sale of the enterprise, shall be determined on the basis of the rules in Articles 460-462, 466, 469, 475 and 479 of this Code, unless otherwise stipulated by the contract and Items 2-4 of this Article.

2. In case where the enterprise has been transferred and accepted under the deed of conveyance, which contains information about the disclosed shortcomings of the enterprise and the lost assets (Item 1 of Article 563), the buyer shall have the right to demand a corresponding reduction of the purchase price of the enterprise, unless the right to make other claims in such cases is provided for by the contract of sale of the enterprise.

3. The buyer shall have the right to demand the reduction of the purchase price in case of the transfer of the debts (liabilities) of the seller within the composition of the enterprise, which have not been indicated in the contract of sale of the enterprise or in the deed of conveyance, unless the seller proves that the buyer has known

about such debts (liabilities) during the conclusion of the contract and the transfer of the enterprise.

4. In case of receipt of the buyer's notice about the defects of the property transferred within the composition of the enterprise or in the absence in this composition of particular types of property subject to the transfer may replace without delay the property of improper quality or present to the buyer the missing property.

5. The buyer shall have the right to demand in due course of law the dissolution or change of the contract of sale of the enterprise and the return of what has been executed under the contract, if it is found out that the enterprise because of its shortcomings, for which the seller is accountable, does not fit for the purposes named in the contract of sale, and these shortcomings have not been removed by the seller on the conditions and in the order and terms fixed in keeping with this Code, other laws, other legal acts or the contract or its is impossible to eliminate such shortcomings.

**Article 566.** The Application to the Contract of Sale of the Enterprise of the Rules for the Consequences of the Invalidation of Transactions and for the Change or Dissolution of the Contract

The rules of this Code for the consequences of the invalidation of transactions and for the change or the dissolution of the contract of sale, providing for the return or the recovery of the received in kind under the contract from one party or from both parties, shall be applied to the contract of sale of the enterprise, id such consequences do not violate the rights and law-protected interests of the creditors of the seller and the buyer and other persons and do not contradict public interests.

## **Chapter 31. Barter**

**Article 567.** Barter Contract

1. Under the barter contract each party thereto shall undertake to transfer into the ownership of the other party one commodity in exchange for the other commodity.

2. The rules for purchase and sale (Chapter 30) shall be applied to the barter contract, unless this contradicts the rules of this Chapter and the essence of barter. In this case each party shall be recognized respectively as the seller of goods which it undertakes to hand over and as the buyer of goods which it undertakes to accept in exchange.

**Article 568.** Prices and Expenses Under the Barter Contract



1. Unless the contrary follows from the barter contract, goods subject to exchange shall be assumed to be of equal value, while the expenses on their transfer and acceptance shall be incurred in each case by the party which bears the respective duties.

2. In case where in keeping with the barter contract the exchanged goods are recognized as those of equal value, the party which is duty-bound to hand over goods whose price is below the price of goods offered in exchange shall pay the difference in the prices immediately before or after the execution of its duty of transferring goods, unless a different procedure of payment is provided for by the contract.

#### **Article 569.** The Reciprocal Fulfilment of the Obligation of Turning Over Goods Under the Barter Contract

In case where in keeping with the barter contract the periods of the transfer of exchanged goods do not coincide, the rules for the reciprocal fulfilment of obligations (Article 328) shall be applied to the execution of the obligation of handing over goods by the party which should pass the goods after the transfer of the goods by the other party.

#### **Article 570.** The Transfer of the Title to Exchanged Goods

Unless the law or the barter contract provides otherwise, the title to exchanged goods shall pass to the parties acting under the barter contract as buyers simultaneously after the execution of the obligation of turning over goods by both parties.

#### **Article 571.** Liability for the Withdrawal of Goods Acquired Under the Barter Contract

The party from which the third party has withdrawn the goods acquired under the barter contract shall have the right, in the presence of the grounds, provided for by Article 461 of this Code, to demand that the other party should return goods received by the latter in exchange and/or in compensation for damages.

### **Chapter 32. Donation**

#### **Article 572.** Donation Contract

1. Under the donation contract one party (donor) shall transfer or undertake to transfer free of charge to the other part (donee) a thing into ownership or property right (claim) to himself or to a third person and release or undertake to release this party from the property obligation to himself or to the third party.

In the presence of a reciprocal transfer of a thing or right or of a reciprocal obligation the contract shall not be recognized as donation. The rules provided for by Item 2 of Article 170 of this Code shall be applied to such contract.

2. The promise of handing over any thing or property right free of charge or of releasing anybody from property obligation (promise of donation) shall be recognized as a donation contract and shall bind the person who has given the promise, if the latter was made in proper form (Item 2 of Article 574) and contains the clearly expressed intention to transfer in future to a specific person a thing or a right free of charge or to release him from property obligation.

The promise to donate all belongings or part of all these belongings without reference to a specific object of donation in the form of a thing, right or the release from obligation shall be null and void.

3. The contract stipulating the transfer of a gift to the donee after the death of the donor shall be null and void.

The rules of civil legislation on inheritance shall be applied to this kind of donation.

#### **Article 573. The Donee's Refusal to Accept the Gift**

1. The donee shall have the right to abandon the gift at any time before it is handed over to him. In this case, the donation contract shall be deemed to be dissolved.

2. If a donation contract has been concluded in writing, the rejection of the gift shall also be made in writing. In case where the donation contract has been registered (Item 3 of Article 574), the rejection of the gift shall also be subject to state registration.

3. If a donation contract has been concluded in writing, the donor shall have the right to demand that the donee should compensate for the real damage inflicted by the refusal to accept the gift.

#### **Article 574. The Form of the Donation Contract**

1. Donation, accompanied by the transfer of the gift to the donee, may be accomplished orally, except for the cases, provided for by Items 2 and 3 of this Article.

The gift shall be presented by handing order, symbolic transfer (delivery of keys, etc.) or delivery of law-making documents.

2. The contract of donation of movables shall be made in writing in cases when:

the donor is represented by a legal entity and the value of the gift exceeds three thousand roubles;

the contract contains the promise of donation in the future.

In cases provided for by this Item the donation contract made orally shall be null and void.

3. The donation contract of real estate shall be subject to state registration.

#### **Article 575. Ban of Donation**

1. It shall be impermissible to donate gifts, except for common gifts, whose value does not exceed three thousand roubles:

1) on behalf of minors and legally unfit individuals and by their legal representatives;

2) to the workers of educational organisations, medical organisations, social-services organisations and similar organisations, including organisations for orphan children and children left without parental care, by individuals who are treated, maintained or educated by them, and by spouses and relatives of these persons;

3) to the persons holding state offices of the Russian Federation, state offices of constituent entities of the Russian Federation, municipal offices, to state civil servants, municipal employees, employees of the Bank of Russia in connection with their official capacity or in connection with the discharge by them of their official duties;

4) in relations between profit-making organizations.

2. The ban to donate gifts to persons holding state offices of the Russian Federation, state offices of constituent entities of the Russian Federation or municipal offices, to municipal employees and to employees of the Bank of Russia established by Item 1 of this article shall not extend to the cases when gifts are donated in connection with protocol events, business missions and other official activities. The gifts received by persons holding state offices of the Russian Federation, state offices of constituent entities of the Russian Federation or municipal offices, by municipal employees and by employees of the Bank of Russia whose value exceeds three thousand roubles shall be deemed accordingly federal property, property of a constituent entity of the Russian Federation or municipal property and shall be passed over by an employee to the body where the said person holds office, this to be legalized by a certificate.

#### **Article 576. The Restriction of Donation**

1. The legal entity owning a thing by right of economic or operative management shall have the right to donate it with the consent of the owner, unless otherwise stipulated by law. This restriction shall not extend to usual gifts of small value.

2. Property held in common joint ownership may be donated by agreement of all those who have a stake in joint ownership with the observance of the rules, specified by Article 253 of this Code.

3. The donor's right to make claims to a third party shall be donated with the observance of the rules, stipulated by Articles 382-386, 388 and 389 of this Code.

4. Donation by means of the execution of the donee's duty to a third party shall be effected with the observance of the rules, provided for by Item 1 of Article 313 of this Code.

Donation by means of the transfer by the donor of the donee's debt to a third party shall be effected with the observance of the rules, specified by Articles 391 and 392 of this Code.

5. A power of attorney for the execution of donation by the representative, in which a donee is not named and an object of donation is not indicated, shall be null and void.

#### **Article 577. The Refusal to Execute the Donation Contract**

1. The donor shall have the right to refuse to execute the contract containing the promise of handing over a thing or a right to the donee in the future or to release the donee from property obligation; if after the conclusion of the contract the property or family status or the state of health of the donor has changed so much that the execution of the contract will lead under new conditions to a substantial reduction of his standard of life.

2. The donor shall have the right to refuse to execute the contract containing the promise of giving a thing or a right to the donee in the future or to release the donee from property obligation on the grounds that entitle him to revoke donation (Item 1 of Article 578).

3. The refusal of the donor to execute the donation contract on the grounds, stipulated by Items 1 and 2 of this Article, shall not entitle the donee to claim damages.

#### **Article 578. The Revocation of Donation**

1. The donor shall have the right to revoke donation, if the donee has committed an attempt on his life, the life of any of his family members or close relatives or has committed deliberately a bodily injury to the donor.

In case of the intentional homicide of the donor by the donee the right to claim in court the revocation of donation shall belong to the donor's heirs.

2. The donor shall have the right to demand judicially the revocation of donation, if the donee's treatment of the gift which has a great intangible value for the donor creates a threat of its irrevocable loss.

3. At the request of the interested person the court of law may revoke the donation of the individual businessman or the legal entity in violation of the provisions of the law on insolvency (bankruptcy) from the pecuniary means, associated with his business, during six months that preceded the declaration of this person as insolvent (bankrupt).

4. The donation contract may specify the donor's right to revoke donation, if he outlives the donee.

5. In case of revocation of donation the donee shall be obliged to return the gift, if the latter had been preserved in kind by the time of the revocation of donation.

#### **Article 579.** Cases in Which the Refusal to Execute the Donation Contract and the Revocation of Donation Are Impossible

The rules for the refusal to execute the donation contract (Article 577) and for the revocation of donation (Article 578) shall not be applied to common gifts of small value.

#### **Article 580.** The Consequences of the Infliction of Damage Owing to the Defects of the Gift

The injury inflicted on the donee's life or health and property tort owing to the defects of the gift shall be subject to indemnity by the donor in keeping with the rules, provided for by Chapter 59 of this Code, if it is proved that these defects had arisen before the transfer of the donated thing to the donee, that they do not relate to obvious shortcomings and the donor did not warn the donee about them, though he had known about them.

#### **Article 581.** Legal Succession in Case of a Promise of Donation

1. The rights of the donee to whom a gift has been promised under the donation contract shall not be passed to his heirs (successors), unless otherwise stipulated by the donation contract.

2. The duties of the donor who has promised donation shall pass to his heirs (successors), unless otherwise stipulated by the donation contract.

#### **Article 582.** Endowment

1. A charitable donation is the giving of a thing or a right for generally useful purposes. Charitable

donations may be made to citizens, medical and upbringing institutions, institutions of social protection and other analogous institutions, charitable, scientific, and educational institutions, funds, museums and other institutions of culture, social and religious organisations, other nonprofit organisations in accordance with the law, and also to the state and other subjects of civil law indicated in Article 124 of this Code.

**2.** No permission or consent shall be required for the acceptance of an endowment.

**3.** The endowment of property to an individual shall be conditioned by the donor, while the endowment of property to a legal entity may be conditioned by him by the use of this property according to a definite purpose. In the absence of such condition the endowment of property to an individual shall be regarded as donation, while in other cases the endowed property shall be used by the donee in keeping with the designation of property.

The legal entity which accepts the endowment to be used for a definite purpose shall keep a separate record of all transactions involved in the use of the endowed property.

**4.** If the law has not established another procedure, in the cases when it is impossible to use the endowed property in accordance with the purpose indicated by the donor due to the changed circumstances, it may be used according to another purpose only with the consent of the donor, while in cases of the death of the donor-individual or of the liquidation of the legal entity only with the consent of the donor and by a court decision.

**5.** The use of endowed property out of accordance with the purpose indicated by the donor or the change of this purpose with the contravention of the rules, provided for by Item 4 of this Article, shall entitle the donor, his heirs or any other successor to demand the revocation of the endowment.

**6.** Articles 578 and 581 of this Code shall not be applied to endowment.

## **Chapter 33. Rent and Life Maintenance with Dependence**

### **§ 1. General Provisions on Rent and Life**

#### **Maintenance with Dependence**

#### **Article 583. The Rent Contract**

**1.** Under the rent contract one party (rent recipient) shall transfer property to the other party (rent payer)

into his ownership, whereas the rent payer shall undertake to pay periodically rent to the recipient in the form of a definite sum of money or to provide money on his maintenance in a different form in exchange for the received property.

2. Under the rent contract it is possible to provide for the duty of paying rent on a permanent basis (permanent rent) or for the entire period of life of the rent recipient (life annuity). Life annuity may be established on the terms of the life maintenance of an individual with dependence.

#### **Article 584. The Form of the Rent Contract**

The rent contract shall be subject to notarization, whereas the contract providing for the alienation of real estate on the disbursement of rent shall also be subject to state registration.

#### **Article 585. Alienation of Property on Rent Disbursement**

1. Property to be alienated on rent disbursement may be turned over by the rent recipient for the ownership of the rent payer for charge or free of charge.

2. In case where the rent contract provides for the transfer of property for charge, the rules for purchase and sale (Chapter 30) shall be applied to the relations of the parties involved in transfer and payment, and in case where such property is transferred free of charge, the rules for the donation contract (Chapter 32) shall be applied inasmuch as the rules of this Chapter stipulate otherwise and do not contradict the substance of the rent contract.

#### **Article 586. Encumbrance of Real Estate with Rent**

1. The rent shall encumber the land plot, enterprise, building, structure or any other real estate, transferred on its payments. In case of alienation of such property by the rent payer, his obligations under the rent contract shall pass on the acquirer of property.

2. The person who transferred real estate encumbered with rent for the ownership of another person shall bear together with him subsidiary liability (Article 399) on the demands of the rent recipient which have arisen in connection with the violation of the rent contract unless the present Code, other law or contract provide joint and several responsibility under this liability.

#### **Article 587. Security for Rent Payment**

1. In case of transfer of a land plot or any other immovable property on rent payment the rent recipient shall

acquire the right of pledge to this property as security for the rent payer's obligation.

2. The clause establishing the duty of the rent payer to present security for the discharge of his obligations (Article 329) or to ensure the risk of liability in favour of the rent recipient for default on these obligations or for their improper discharge shall be the essential condition of the contract stipulating the transfer of a pecuniary sum or other movable assets.

3. In case of default by the rent payer on the obligations, provided for by Item 2 of this Article, and also in case of loss of security or the deterioration of its conditions due to the circumstances for which the rent recipient is not answerable, the rent recipient shall have the right to dissolve the rent contract and claim damages caused by the dissolution of the contract.

#### **Article 588. Liability for Delayed Rent Payment**

For delayed rent payment the rent payer shall pay to the recipient interest, stipulated by Article 395 of this Code, unless a different amount of interest is specified by the rent contract.

### **§ 2. Permanent Rent**

#### **Article 589. Permanent Rent Recipient**

1. Only individuals, and also non-profit organizations may be the permanent rent recipient, unless this contradicts the law and if this corresponds to the aims of their activity.

2. The rights of the rent recipient may be transferred under the permanent rent contract to the persons, referred to in Item 1 of this Article, by means of assignment of a claim and descend by inheritance or by way of legal succession in case of the reorganization of legal entities, unless otherwise stipulated by the law or the contract.

#### **Article 590. The Form and Amount of Permanent Rent**

1. Permanent rent shall be paid out in money terms in the amount fixed by the contract.

The permanent rent contract may provide for the payment of rent by presenting things, performing works or rendering services that correspond to the pecuniary sum of the rent in value terms.

2. Unless otherwise stipulated by the permanent rent contract, the amount of the paid rent shall rise in proportion to the increase in the statutory minimum wages or salaries.



**Article 591. The Dates of Permanent Rent Payment**

Unless otherwise stipulated by the permanent rent contract, permanent rent shall be paid out upon the end of each calendar quarter.

**Article 592. The Payer's Right to Permanent Rent Redemption**

1. The payer of permanent rent shall have the right to refuse to make the further disbursement of rent by means of its redemption.

2. Such refusal shall be valid, provided that it has been made by the rent payer in written form within three months before the cessation of the payment of rent or for longer periods fixed by the permanent rent contract. In this case, the obligation of rent payment shall not terminate until the receipt of the entire sum of redemption by the rent recipient, unless a different redemption procedure is stipulated by the contract.

3. The condition of the permanent rent contract concerning the rent payer's refusal to use the right of redemption shall be null and void.

The contract may stipulate that the right to the permanent rent redemption may not be exercised during the lifetime of the rent recipient or during different periods that do not exceed 30 years since the conclusion of the contract.

**Article 593. The Redemption of Permanent Rent on the Demand of the Rent Recipient**

The permanent rent recipient shall have the right to demand the redemption of rent by the payer in the cases when:

the rent payer has delayed its payment for more than one year, unless otherwise stipulated by the permanent rent contract;

the rent payer has breached his obligations of security rent payment (Article 587);

the rent payer has been recognized as insolvent or other circumstances have appeared to testify patently to the fact that rent will not be paid out by him in the amount and in the period of time fixed by the contract;

real estate, transferred against the rent payment, has replenished common property or has been divided among several persons;

in other cases specified by the contract.

**Article 594. Redemption Price of Permanent Rent**

1. Redemption of permanent price in cases, provided for by Articles 592 and 593 of this Code, shall be effected at the price fixed by the permanent rent contract.

2. In the absence of a clause on redemption price in the permanent rent contract, under which property has been transferred for charge on payment of permanent rent, redemption shall be made at the price that corresponds to the annual sum of rent subject to payment.

3. In the absence of a clause on redemption price in the permanent rent contract, under which property has been transferred for rent payment free of charge, redemption price shall include in addition to the annual sum of rental payments the price of the transferred property to be determined according to the rules, provided for by Item 3 of Article 424 of this Code.

**Article 595. Risk of Accidental Destruction of Property Transferred on Payment of Permanent Rent**

1. The risk of accidental destruction or accidental damage of the property, transferred free of charge on payment of permanent rent, shall be borne by the rent payer.

2. In case of accidental destruction or accidental damage of the property, transferred for charge on payment of permanent rent, the payer shall have the right to demand accordingly the cessation of the obligation of rent payment or the charge of the conditions of its payment.

**§ 3. Life Annuity**

**Article 596. Life Annuity Recipient**

1. Life annuity may be established for the period of life of the individual who conveys property on rent payment or for the period of life of another individual indicated by the former individual.

2. It shall be permissible to introduce life annuity in favour of some individuals whose shares in the right to receive rent are regarded as equal, unless otherwise stipulated by the life annuity contract.

In case of death of one of the rent recipients his share in the right to rent shall pass to the rent recipients who outlived him, unless the life annuity contract provides otherwise, and in case of death of the last recipient the rent payment obligation shall cease.

3. The contract establishing a life annuity in favour of the individual who had died by the time of concluding the contract shall be null and void.

**Article 597. The Amount of Life Annuity**

1. Life annuity shall be defined by the contract as a sum of money periodically paid out to the rent recipient during his life.

2. The amount of life annuity, defined in the contract, shall be per month not less than the minimum amount of the wage or salary, established by the law and in cases, provided for by Article 318 of this Code, shall be subject to increase.

**Article 598. Dates of Payment of Life Annuity**

Unless otherwise stipulated by the life annuity contract, life annuity shall be paid out at the end of each calendar month.

**Article 599. The Cancellation of the Life Annuity Contract on the Demand of the Rent Recipient**

1. In case of essential violation of the life annuity contract by the rent payer, the rent recipient shall have the right to demand that the rent payer redeem rent on the terms, provided for by Article 594 of this Code, or cancel the contract and claim for compensation.

2. If an apartment, dwelling house or any other property has been alienated free of charge on payment of life annuity, the rent recipient shall have the right to demand this property in case of the substantial violation of the contract by the rent payer with the offset against its value on account of the redemption price of rent.

**Article 600. Risk of Accidental Destruction of Property Transferred in Payment for Life Annuity**

The accidental destruction or the accidental damage of the property transferred in payment for life annuity shall not absolve the rent payer from the obligation to pay it on the terms, provided for by the life annuity contract.

**§ 4. Life Maintenance with Dependency**

**Article 601. The Contract of Life Maintenance with Dependency**

1. Under the contract of life maintenance with dependency the rent recipient-individual shall transfer the

dwelling house, apartment or land plot he owns or any other real estate into the ownership of the rent payer, who undertakes to carry on life maintenance with the dependency of the individual and/or the third person (persons) indicated by him.

2. The rules for life maintenance shall be applicable to the contract of life maintenance with dependency, unless otherwise stipulated by the rules of this paragraph.

#### **Article 602.** The Duty of Providing Maintenance with Dependency

1. The duty by the rent payer to provide the maintenance with dependency may include the satisfaction of needs in a dwelling, food and clothing, and if this is required by the individual's state of health, also the care of him. The contract of life maintenance with dependency may also provide for the payment of funeral services.

2. The contract of life maintenance with dependency shall estimate the value of the entire scope of maintenance with dependency. In this case, the value of the whole scope of monthly maintenance may not be less than two minimum amounts of statutory wages or salaries.

3. In settling the dispute between the parties over the scope of maintenance to be provided to an individual the court of law shall be guided by the principles of integrity and reasonableness.

#### **Article 603.** Replacement of Life Maintenance by Periodical Payments

The contract of life maintenance with dependency may provide for possible replacement of the provision of maintenance with dependency in kind with periodical monetary payments during the life of the individual.

#### **Article 604.** Alienation and Use of Property Transferred for Life Maintenance

The rent payer shall have the right to alienate, put in pledge or in any other way encumber real estate, transferred to him as security of life maintenance, only with the preliminary consent of the rent recipient.

The rent payer shall be obliged to take necessary measures so that the use of said property during the period of the provision of life maintenance with dependency should not reduce the value of this property.

#### **Article 605.** The Termination of Life Maintenance with Dependency

1. The obligation of life maintenance with dependency shall cease with the death of the rent recipient.

2. In case of substantial breach by the rent payer of his obligations the rent recipient shall have the right to demand the return of real estate, transferred as security of life maintenance or the disbursement of redemption price on the terms, prescribed by Article 594 of this Code. In this case, the rent payer shall not have the right to claim the compensation for the expenses incurred in connection with the maintenance of the rent recipient.

## **Chapter 34. Lease**

### **§ 1. General Provisions on Lease**

#### **Article 606. Lease Agreement**

Under the lease agreement (contract for lease of property) the lessor shall undertake to furnish to the leaseholder (hirer) property for charge in temporary possession and use or in temporary use.

Fruit, produce and income received by the leaseholder as a result of leased property in keeping with the agreement shall be his property.

#### **Article 607. Objects of Lease**

1. Land plots and other separate natural objects, enterprises and other property complexes, buildings, structures, equipment, transport vehicles and other things, which do not forfeit their natural properties in the process of their use (non-consumed things) may be let on lease.

The law may institute types of property which cannot be let on lease or can be leased with restriction.

2. The law may establish specific aspects of the lease of land plots and other separate natural objects.

3. The lease agreement shall indicate data that make it possible to ascertain definitely property subject to the transfer to the leaseholder as an object of lease. In the absence of these data in the agreement the clause on the object subject to lease shall be deemed to not agreed upon by the parties, and the appropriate agreement shall not be regarded as concluded.

#### **Article 608. Lessor**

The right of leasing property shall belong to its owner. Lessors may also be represented by the persons

who are authorized by law or by the owner to let property on lease.

**Article 609.** The Form and State Registration of the Lease Agreement

1. The lease agreement for a term of over one year shall be concluded in writing, and if at least one of the party is represented by a legal entity the lease agreement shall be concluded in writing, regardless of its term.

2. The agreement for lease of real estate shall be subject to state registration, unless otherwise stipulated by law.

3. The agreement for lease of property that provides for the transfer of the title to this property to the leaseholder (Article 624) shall be concluded in the form stipulated for the contract of sale of such property.

**Article 610.** The Validity Term of the Lease Agreement

1. The lease agreement shall be concluded for a term to be defined by the agreement.

2. If the period of lease is not defined by the agreement, the lease agreement shall be deemed to be concluded for an indefinite period.

In this case, each party shall have the right to recede at any time from the agreement by warning the other party one month before schedule and in case of real estate lease - three months before schedule. The law may fix a different period for warning that the lease agreement, concluded for an indefinite term, ceases to be valid.

3. The law may provide for a maximum period (deadline) of the agreement for particular types of lease, and also for the lease of particular types of property. In these cases, if the term of the lease is not fixed by the agreement and neither party has receded from it before the expiry of the maximum period, fixed by the law, the agreement shall cease to operate upon the expiry of the deadline.

The lease agreement concluded for a term exceeding the statutory maximum period shall be deemed to be concluded for a term equal to the time-limit.

**Article 611.** The Supply of Property to the Leaseholder

1. The lessor shall be obliged to supply property to the leaseholder in the state meeting the terms and

conditions of the lease agreement and the purpose of property.

**2.** Property shall be let on lease together with all its accessories and related documents (technical certificate, quality certificate, etc.), unless otherwise stipulated by the agreement.

If such accessories and documents have not been handed over, the leaseholder may not use property in accordance with its designation or is largely deprived of those assets on which he had the right to count when he concluded the agreement and he may claim for the supply of such accessories and documents by the lessor or for the cancellation of the agreement, and also for compensation of losses.

**3.** If the lessor has failed to furnish to the leaseholder the leased property within the period fixed in the agreement or within the reasonable period when the agreement does not indicate such period, the leaseholder shall have the right to reclaim this property from him in keeping with Article 398 of this Code and claim damages caused by delayed execution or to demand the dissolution of the agreement and to claim damages caused by its non-execution.

#### **Article 612. The Liability of the Lessor for Defects of the Leased Property**

**1.** The lessor shall be answerable for the defects of leased property which prevent in full or in part to its use, if even during the conclusion of the contract he did not know about these defects.

In case of discovery of such defects the leaseholder shall have the right at his option:

the demand that the lessor should either remove free of charge the defects of property or reduce proportionately the rental payment, or indemnify his expenses on the removal of the defects of property;

to deduct directly the sum of the expenses incurred in the removal of these defects from the rental payment by notifying the lessor about this in advance;

to demand the anticipatory dissolution of the contract.

The lessor, who is notified about the leaseholder's claims or about his intention to eliminate the defects of property at the expense of the lessor, may replace without delay the property granted to the leaseholder by other similar property in a proper state or remove its defects free of charge.

If the satisfaction of the leaseholder's claims or the deduction by him of the expenses on the removal of the defects from the rental payment does not cover the losses caused to the leaseholder, he shall have the right to demand the reparation of the uncovered part of the losses.

**2.** The lessor shall not be liable for the defects of the leased property which have been specified by him during the conclusion of the lease agreement or had been known to the leaseholder beforehand or should have

been discovered by the leaseholder during the inspection of the property or the verification of its good condition during the conclusion of the agreement or the granting of property on lease.

#### **Article 613. The Rights of Third Parties to the Leased Property**

The lease of property shall not be a ground for the termination or charge of the rights of third parties to this property.

During the conclusion of a lease agreement the lessor shall be obliged to warn the leaseholder about all the rights of third parties to the leased property (servitude, right of pledge, etc.). Default by the lessor on this duty shall entitle the leaseholder to demand a reduction in the rental payment or to dissolve the agreement and compensate for the losses.

#### **Article 614. Rental Payment**

**1.** The leaseholder shall be obliged to make a charge for the use of property (rental payment) in due time.

Procedure, conditions and terms of making the rental payment shall be determined by the lease agreement. In case where the agreement does not determine the procedure, conditions and terms of making the rental payment, it shall be held that the procedure, conditions and terms are usually applied in the lease of similar property under comparable circumstances.

**2.** The rental payment shall be introduced for the leased property as a whole or for each component in the form:

- 1) the fixed sum of payments made periodically or in a lump;
- 2) the established share of products, fruits or incomes obtained as a result of the use of leased property;
- 3) definite services rendered by the leaseholder;
- 4) the transfer by the leaseholder to the lessor of the thing specified by the contract for ownership or lease;
- 5) the payment by the leaseholder of the costs stipulated by the agreement for the improvement of leased property.

In the lease agreement the parties thereto may provide for the combination of said forms of the rental payment or for other forms of lease payment.

**3.** Unless otherwise stipulated by the agreement, the amount of the rental payment may be changed by agreement of the parties in the periods, provided for by the agreement, but at least once in a year. The law may envisage other minimum terms of the review of the amount of the rental payment for particular types of lease, and



also for the lease of particular types of property.

4. Unless the law provides for otherwise, the leaseholder shall have the right to demand a corresponding reduction of the rental payment, if in view of the circumstances for which he is not answerable, the conditions of the use, specified by the lease agreement, or the state of property have deteriorated substantially.

5. Unless otherwise stipulated by the lease agreement, in case the leaseholder has substantially violated the terms of making the rental payment, the lessor shall have the right to demand that he should make the rental payment short of the term in the period fixed by the lessor. In this case, the lessor shall not have the right to demand an anticipatory payment of the rental for more than two terms in succession.

#### **Article 615. The Use of Leased Property**

1. The leaseholder shall be obliged to make use of leased property in accordance with the terms and conditions of the lease agreement, and if such terms and conditions in the agreement have not been defined, in accordance with the purpose of property.

2. The leaseholder shall have the right to let the leased property in sub-tenancy with the consent of the lessor and to transfer his rights and duties under the lease agreement to another person (transfer of lease), to place the leased property in gratuitous use, and also to put the leasehold interests in pledge and to introduce them as a contribution to the authorized capital of economic partnerships and societies or as a share to the producer cooperative, unless otherwise stipulated by this Code, other law or other legal acts. In said cases, with the exception of the transfer of lease, the leaseholder shall remain to be liable under the agreement to the lessor.

A sublease contract may not be concluded for the term exceeding the term of the lease agreement.

The rules for lease agreements shall be applied to the sublease contracts, unless otherwise stipulated by the law or other legal acts.

3. If the leaseholder makes use of property out of accordance with the terms and conditions of the lease agreement and the purpose of property, the lessor shall have the right to demand the dissolution of the agreement and claim damages.

#### **Article 616. The Duty of the Parties to Maintain Leased Property**

1. The lessor shall be obliged to carry out the overhaul of leased property at his expense, unless otherwise stipulated by the law, other legal acts or the lease agreement.

An overhaul shall be carried out on time, fixed by the agreement, and if it is not provided for by the

agreement or is caused by urgent necessity, it shall be carried out within the reasonable period.

The breach by the lessor of the duty of making an overhaul shall entitle the leaseholder to implement the following measures at his option:

to carry out the overhaul, specified by the agreement or caused by urgent necessity and to exact from the lessor the cost of the overhaul or to count towards the rental payment;

to demand a corresponding reduction of the rental payment;

to demand the dissolution of the agreement and to claim damages.

2. The leaseholder shall be obliged to maintain property in good condition, to carry out an overhaul at his own expense and incur expenses on the maintenance of property, unless otherwise stipulated by the law or the lease agreement.

#### **Article 617.** The Preservation of the Lease Agreement in Force in Case of the Change of the Parties There to

1. The transfer of the right of ownership (economic management, operative management, life inheritable possession) of leased property to another person shall not be a ground for the alteration or dissolution of the lease agreement.

2. In case of death of the individual who leases real estate, his rights and duties shall pass to the heir under the lease agreement, unless otherwise stipulated by the law or the agreement.

The lessor shall have no right to refuse such heir to enter in the agreement for the remaining term of its validity, except for the case when its conclusion was conditioned by the leaseholder's personal qualities.

#### **Article 618.** The Termination of the Sublease Contract in Case of the Anticipatory Cessation of the Lease Agreement

1. Unless otherwise stipulated by the lease agreement, the anticipatory cessation of the lease agreement shall involve the termination of the sublease contract concluded in accordance with the agreement. In this case the subleaseholder shall have the right to conclude a lease agreement on the property used by him in keeping with the sublease contract within the remaining period of sublease on the terms and conditions that correspond to those of the ceased lease agreement.

2. If the lease agreement is null and void on the grounds, provided for by this Code, the sublease contract concluded in conformity with it shall also be null and void.

**Article 619.** Early Rescission of the Lease Agreement on Demand of the Lessor

At the request of the lessor the lease agreement may be dissolved by a court of law short of the term in cases when the leaseholder:

- 1) makes use of property with the substantial violation of the terms and conditions of the agreement or of the purpose of property, or with repeated breaches;
- 2) substantially deteriorates property;
- 3) fails to make a rental payment for more than two times in succession upon the expiry of the payment date, fixed by the agreement;
- 4) fails to carry out an overhaul of property in the time-limits fixed by the lease agreement, and in the absence of them in the agreement within reasonable periods in cases where in conformity with the law, other legal acts or the agreement the overhaul is the duty of the leaseholder.

The lease agreement may provide for other grounds of the anticipatory dissolution of the agreement on the demand of the lessor in compliance with Item 2 of Article 450 of this Code.

The lessor shall have the right to demand that the agreement be dissolved short of the term only after the sending to the leaseholder a written warning about the need to execute the obligation by him within the reasonable period of time.

**Article 620.** The Anticipatory Dissolution of the Lease Agreement on the Demand of the Leaseholder

At the request of the leaseholder the lease agreement may be dissolved short of the term by a court of law in cases when:

- 1) the lessor fails to grant property for use by the leaseholder or creates impediments to the use of property in keeping with the terms and conditions of the agreement or the purpose of property;
- 2) the property transferred to the leaseholder has the defects which prevent its use and which have not been specified by the lessor during the conclusion of the agreement, have not been known to the leaseholder in advance and should not have been discovered by the leaseholder during the inspection of the property or the verification of its serviceability at the time of the conclusion of the agreement;
- 3) the lessor does not carry out the duty of effecting major repairs of property within the time-limits fixed by the lease agreement and in their absence - within the reasonable period of time;
- 4) property proves to be in a faulty condition in view of the circumstances beyond the control of the

leaseholder.

The lease agreement may also institute other grounds for the anticipatory dissolution of the agreement on the demand of the leaseholder in keeping with Item 2 of Article 450 of this Code.

**Article 621.** The Leaseholder's Preferential Right to Conclude a Lease Agreement for a New Term

1. Unless otherwise stipulated by the law or the lease agreement, the leaseholder who discharged his duties properly shall have, with other things being equal, the right of preference to other persons to the conclusion of a lease agreement for a new term upon the expiry of the validity term of the agreement. The leaseholder shall be obliged to inform in writing the lessor about his desire to conclude such agreement, and if the agreement does not indicate such time - within the reasonable period before the expiry of the validity term of the agreement.

With the conclusion of a lease agreement for a new period the terms and conditions of the agreement may be changed by agreement between the parties thereto.

If the lessor has denied the leaseholder the conclusion of an agreement for a new term, but has concluded the lease agreement with another person during one year since the day of the expiry of the validity term of the agreement, the leaseholder shall have the right at his option to demand in court the transfer of the rights and duties under the concluded agreement to himself and the reparation of the losses, caused by the refusal to resume the lease agreement with him, or the reparation of such losses alone.

2. If the leaseholder continues to make use of property after the expiry of the validity term of the agreement in the absence of objections on the part of the lessor, the agreement shall be deemed to be resumed on the same conditions for an indefinite period of time (Article 610).

**Article 622.** The Return of Leased Property to the Lessor

With the termination of the lease agreement the leaseholder shall be obliged to return to the lessor in the same condition in which he received it with an allowance for normal wear and tear or in the condition specified by the agreement.

If the leaseholder has failed to return leased property or returned it untimely, the lessor shall have the right to demand that the rental payment be made during all the time of its delay. In case of where the said payment does not cover the losses caused to the lessor, the leaseholder may claim damages.

In case where a penalty is provided for the untimely return of leased property, losses may be recovered in full measure over and above the penalty, unless otherwise stipulated by the agreement.

**Article 623. Improvements of Leased Property**

1. Separable improvements of leased property made by the leaseholder shall be his property, unless otherwise stipulated by the lease agreement.

2. In case where the leaseholder has made the improvements in leased property, which are not separable without detriment to this property, at the expense of his own pecuniary means and with the consent of the lessor, the leaseholder shall have the right to the replacement of the value of these improvements after the termination of the agreement, unless otherwise stipulated by the lease agreement.

3. The value of inseparable improvements of leased property made by the leaseholder without the lessor's consent shall be subject to reparation, unless otherwise stipulated by the law.

4. Improvements in leased property, both separable and unseparable, made at the expense of depreciation deductions from this property shall be the property of the leaseholder.

**Article 624. Redemption of Leased Property**

1. The law or the lease agreement may stipulate that leased property is to be passed into the hands of the leaseholder upon the expiry of the period of lease or before its expiry, provided that the leaseholder has paid the entire redemption price, specified by the agreement.

2. If the lease agreement does not provide for the clause on the redemption of leased property, it may be introduced by the additional agreement of the parties, which have the right to come to an agreement on the reckoning of the earlier paid rental in the redemption price.

3. The law may specify cases of banning the redemption of leased property.

**Article 625. Specific Aspects of Particular Types of Lease and Lease of Particular Kinds of Property**

Provisions stipulated by this paragraph shall be applicable to particular types of the lease agreement and the agreement of lease of particular kinds of property (hire, lease of transport vehicles, rent of buildings and structures, rent of enterprises, financial lease), unless otherwise stipulated by the rules of this Code on these agreements.

**§ 2. Hire**

#### **Article 626. The Hire Contract**

1. Under the hire contract the lessor who lets property on lease as permanent business shall undertake to grant to the leaseholder movable property for charge in temporary possession and use.

Property given under the hire contract shall be used for consumer purposes, unless otherwise stipulated by the contract or unless the contrary follows from the substance of the obligation.

2. The hire contract shall be concluded in writing.

3. The hire contract shall be a public agreement (Article 426).

#### **Article 627. The Term of the Hire Contract**

1. The hire contract shall be concluded for a term of one year.

2. The rules for the renewal of the lease agreement for an indefinite period and for the preferential right of the leaseholder to renew the lease agreement (Article 621) shall not be applicable to the hire contract.

3. The leaseholder shall have the right to abandon the hire contract at any time by warning the lessor in writing about his intention within ten days.

#### **Article 628. The Granting of Property to the Leaseholder**

The lessor who concludes the hire contract shall be obliged to verify the serviceability of leased property in the presence of the leaseholder, and also to acquaint the leaseholder with the rules of using property or to issue to him written instructions on the use of this property.

#### **Article 629. Removal of Defects of Leased Property**

1. In case of discovery by the leaseholder of defects in leased property that wholly or partially prevent its use, the lessor shall be obliged, within 10 days since the day of the leaseholder's statement on defects, unless the hire contract provides for a shorter period, to remove free of charge the defects of property on the spot or to replace this property for other similar property held in proper condition.

2. If the defects of leased property have resulted from the breach by the leaseholder of the rules of the operation and maintenance of property, the leaseholder shall pay to the lessor the cost of repairs and transportation of property.

#### **Article 630. Rental Payment Under the Hire Contract**

1. A rental payment under the hire contract shall be fixed in definite payments made periodically or in the lump.

2. If the leaseholder returns property short of the term, the lessor shall return to him the corresponding part of the received rental payment, reckoning it since the day succeeding the day of the actual return of property.

3. Recovery of rental payment arrears from the leaseholder shall be effected in the extra-judicial order on the basis of the notary's endorsement of execution.

#### **Article 631. The Use of Leased Property**

1. Major and current repairs of property leased under the hire contract shall be the duty of the lessor.

2. The sub-lease of the property granted to the leaseholder under the hire contract, the transfer by him of his rights and duties under the hire contract to another person, the provision of this property for gratuitous use, the pledge of lease rights and their contribution as a property share to economic partnerships and companies or as a share to producer cooperatives shall not be allowed.

### **§ 3. Lease of Transport Vehicles**

#### **1. Lease of a Transport Vehicle with the Provision of Services for Driving and Technical Operation**

##### **Article 632. The Agreement of Lease of a Transport Vehicle with Its Crew**

Under the agreement of lease (chartering for a time) of a transport vehicle with its crew the lessor shall grant to the leaseholder a transport vehicle for charge in temporary possession and use and shall render the services for driving it and technical operation.

The rules for the renewal of the lease agreement for an indefinite period and for the preferential right of the leaseholder to the conclusion of a lease agreement for a new period (Article 621) shall not be applicable to the lease agreement of a transport vehicle with its crew.

##### **Article 633. The Form of the Agreement of Lease of a Transport Vehicle with Its Crew**

The agreement of lease of a transport vehicle with its crew shall be concluded in writing, regardless of its

validity term. The rules for the registration of lease agreements, provided for by Item 2 of Article 609 of this Code, shall not be applicable to such agreement.

**Article 634.** The Duty of the Lessor to Maintain a Transport Vehicle

During the entire validity term of the agreement of lease of a transport vehicle with its crew the lessor shall be obliged to maintain the proper condition of the leased transport vehicle, including minor and major repairs and the provision of requisite accessories.

**Article 635.** The Duty of the Lessor to Drive and Operate a Transport Vehicle

1. The services of driving and operating a transport vehicle granted by the lessor to the leaseholder shall provide for its normal and safe operation in keeping with the purposes of lease specified in the agreement. The agreement of lease of a transport vehicle with its crew may envisage a wider range of services offered to the leaseholder.

2. The crew of a transport vehicle and the skill of its members shall comply with the rules obligatory for the parties, the terms and conditions of the agreement, and if such requirements have not been established by those mandatory rules, the crew and the skill of its members shall comply with the requirements of the usual practice of the operation of the transport vehicle of this type and with the terms and conditions of the agreement.

The crew members shall be the workers of the lessor. They shall be subordinate to the lessor's orders dealing with driving and technical operation and to the leaseholder's order dealing with the commercial exploitation of the transport vehicle.

Unless the lease agreement provides otherwise, the expenses on the payment for the services of the crew members, and also the expenses incurred in their maintenance shall be borne by the lessor.

**Article 636.** The Duty of the Leaseholder to Pay Expenses Incurred in the Commercial Exploitation of a Transport Vehicle

Unless otherwise stipulated by the agreement of lease of a transport vehicle with its crew, the leaseholder shall bear the expenses incurred in the commercial exploitation of a transport vehicle, including the expenses on the payment for fuel and other materials spent during this exploitation and on the payment of fees.

**Article 637.** Insurance of a Transport Vehicle



Unless otherwise stipulated by the agreement of lease of a transport vehicle with its crew, the duty of insuring the transport vehicle and/or insuring the liability for the damage which can be caused by it or in connection with its operation shall be vested with the leaseholder in those cases where such insurance is obligatory by virtue of the law or the agreement.

#### **Article 638.** Agreements with Third Parties on the Use of a Transport Vehicle

1. Unless otherwise stipulated by the agreement of lease of a transport vehicle with its crew, the leaseholder shall be obliged to sublease the transport vehicle without the lessor's consent.

2. Within the framework of the commercial exploitation of a leased transport vehicle the leaseholder shall have the right to conclude on his own behalf contracts of carriage and other contracts with third parties without the lessor's consent, unless these contracts contradict the purposes of the use of the transport vehicle, indicated in the lease agreement, and if such purposes have not been set, unless these contracts contradict the designation of the transport vehicle.

#### **Article 639.** Liability for the Harm Caused to a Transport Vehicle

In case of the destruction of or damage to the leased transport vehicle the leaseholder shall be obliged to compensate to the lessor for the losses caused, if the latter proves that the destruction of or the damage to the transport vehicle have taken place due to the circumstances for which the leaseholder is answerable in keeping with the law or the lease agreement.

#### **Article 640.** Liability for the Harm Caused by a Transport Vehicle

The liability for the harm, caused to third persons by the leased transport vehicle, its mechanisms, devices, equipment, shall be borne by the leaseholder in keeping with the rules, envisaged by Chapter 59 of this Code. He shall have the right to have recourse against the leaseholder concerning the reimbursement of the sums of money paid to third persons, if he proves that the harm has been caused through the fault of the leaseholder.

#### **Article 641.** Specific Aspects of Transport Vehicles of Particular Types

The transport charters and codes may provide for the lease of transport vehicles of particular types and the provision of driving and technical operation services with their specific aspects other than those specified by this paragraph.

## **2. The Lease of a Transport Vehicle Without Driving and Technical Operation Services**

### **Article 642. The Agreement of Lease of a Transport Vehicle without a Crew**

Under the agreement of lease of a transport vehicle without a crew the lessor shall give to the leaseholder the transport vehicle for charge in his temporary possession and use without rendering the driving and technical operation services.

The rules for the renewal of the lease agreement for an indefinite period and for the preferential right of the leaseholder to conclude the lease agreement for a new period (Article 621) shall not be applicable to the agreement of lease of a transport vehicle without a crew.

### **Article 643. The Form of the Agreement of Lease of a Transport Vehicle Without a Crew**

The agreement of lease of a transport vehicle without a crew shall be concluded in writing, regardless of its validity term. The rules for the registration of lease agreements, envisaged by Item 2 of Article 609 of this Code, shall not be applied to such agreement.

### **Article 644. The Lessor's Duty of Maintaining a Transport Vehicle**

During the entire validity term of the agreement of lease of a transport vehicle without a crew the leaseholder shall be obliged to support the proper condition of the leased transport vehicle, including to carry on minor and major repairs.

### **Article 645. The Leaseholder's Duty of Driving a Transport Vehicle and Operating It**

The leaseholder shall drive the leased transport vehicle on his own and carry out its commercial exploitation and technical operation.

### **Article 646. The Leaseholder's Duty of Paying the Expenses Incurred in the Maintenance of a Transport Vehicle**

Unless otherwise stipulated by the agreement of lease of a transport vehicle without a crew, the

leaseholder shall bear expenses on the maintenance of the leased transport vehicle and its insurance, including the insurance of his liability, and also expenses arising from its operation.

**Article 647.** Contracts with Third Persons on the Use of a Transport Vehicle

1. Unless otherwise stipulated by the agreement of lease of a transport vehicle without a crew, the leaseholder shall have the right to sublease the leased transport vehicle without the lessor's consent on the terms and conditions of the agreement of lease of the transport vehicle with the crew or without it.

2. The leaseholder shall have the right, on his behalf and without the lessor's consent, to conclude contracts of carriage and other contracts with third persons, unless these contracts contradict the purposes of the use of the transport vehicle, indicated in the lease agreement, and if such purposes have not been set, unless these contracts contradict the designation of the transport vehicle.

**Article 648.** Liability for the Harm Inflicted by a Transport Vehicle

The liability for the harm caused to third persons by a transport vehicle, its mechanisms, devices and equipment shall be borne by the leaseholder in keeping with the rules of Chapter 59 of this Code.

**Article 649.** Specific Aspects of the Lease of Transport Vehicles of Particular Types

The transport charters and codes may provide for the lease of transport vehicles of particular types without the provision of driving and technical operation services with their specific aspects other than those specified by this paragraph.

## **§ 4. The Lease of Buildings and Structures**

**Article 650.** The Contract of Lease of a Building or Structure

1. Under the contract of lease of a building or structure the lessor shall undertake to transfer to the leaseholder a building or a structure in temporary possession or use in temporary use.

2. The rules of this paragraph shall be applied to the lease of enterprises, unless otherwise stipulated by the rules of this Code for the lease of enterprises.

**Article 651.** The Form and State Registration of the Contract of Lease of a Building or Structure

1. A contract of lease of a building or structure shall be concluded in writing by drawing up one document to be signed by the parties thereto (Item 2 of Article 434).

Non-observance of the form of the contract of lease of a building or structure shall invalidate it.

2. The contract of lease of a building or structure, concluded for a term of not less than a year, shall be subject to state registration and shall be deemed to be concluded since the time of such registration.

#### **Article 652. The Rights to the Land Plot with the Leased Building or Structure**

1. Under the contract of lease of a building or structure the leaseholder shall receive together with the rights of possession and use of such tenement the right to the land plot occupied by the immovable property and required for its use.

2. In cases where the lessor is the owner of the land plot with the leased building or structure situated on it the leaseholder shall receive the right of lease of the land plot or other right envisaged by contract of lease of building or structure to the appropriate land plot.

If the contract does not specify the right to the corresponding land plot to be transferred to the leaseholder, he shall receive for the term of the lease of the building or structure the right of use of the land plot occupied by the building or the structure and required for its use in accordance with its purpose.

3. The lease of the building or structure situated on the land plot that does not belong to the lessor by right of ownership shall be allowed without the consent of the owner of this plot, unless this runs counter to the terms of the use of such plot, established by the law or the contract concluded with the owner of the land plot.

#### **Article 653. The Preservation by the Tenant of the Building or Structure of the Use of the Land Plot in Case of Its Sale**

In cases where the land plot with the leased building or structure situated on it is sold to another person, the leaseholder of this building or structure shall retain the right of use of the land plot occupied by the building or structure and required for its use, on the terms that were in effect before the sale of the land plot.

#### **Article 654. The Amount of the Rental Payment**

1. The contract of lease of a building or structure shall provide for the amount of the rental payment. In the absence of the proviso on the amount of the rental payment, agreed upon by the parties thereto in writing, the contract of lease of a building or structure shall be deemed to be non-concluded. In this case the rules for determining the price, stipulated by Item 3 of Article 424 of this Code, shall not be applied.

2. The charge for the use of the building or structure, fixed in the contract of lease of the building or structure, shall include the charge for the use of the land plot on which it is situated or for the corresponding part of the land plot transferred together with the building or structure, unless otherwise stipulated by the law or the contract.

3. In cases where the charge for the lease of the building or structure is fixed in the contract per unit of the square of the building (structure) or another index of its size, the rental payment shall be determined on the basis of the actual size of the building or structure transferred to the leaseholder.

#### **Article 655. The Transfer of the Building or Structure**

1. The building or structure shall be transferred by the lessor and accepted by the leaseholder on the strength of the deed of conveyance or another document to be signed by the parties.

Unless otherwise stipulated by the law or the contract of lease of a building or structure, the obligation of the lessor to transfer the building or structure shall be deemed to be executed after it is given to the leaseholder in possession or use and after the parties have signed the respective document.

The evasion by one of the parties from signing the document on the transfer of the building or structure on the conditions stipulated by the contract shall be regarded as a refusal of the lessor from the discharge of the obligation of transferring the property, and of the leaseholder from the acceptance of this property.

2. With the termination of the contract of lease of a building or structure the leased building or structure shall be returned to the lessor with the observance of the rules, provided for by Item 1 of this Article.

### **§ 5. The Lease of Enterprises**

#### **Article 656. The Contract of Lease of the Enterprise**

1. Under the contract of lease of the enterprise as a property complex to be used for business the lessor

shall undertake to grant to the leaseholder for charge in temporary possession and use land plots, buildings, structures, equipment and other fixed assets included in the enterprise, to transfer in the order, on the terms and within the limits of the contract the stocks of raw materials, fuel, auxiliary materials and other current assets, the rights of using land, water bodies and other natural resources, buildings, structures and equipment, other property rights of the lessor related to the enterprise, the rights to the signs which individualize the performance of the enterprise, and other exclusive rights, and also to cede to him the rights of claims and to transfer to him the debts of the enterprise. The transfer of the rights of possession and use of the assets held in the ownership of other persons, including land and other natural resources, shall be effected in the order, provided for by the law and other legal acts.

2. The rights of the lessor, received by him on the basis of the permit (license) for the engagement in the respective activity, shall not be transferred to the leaseholder, unless otherwise stipulated by the law or other legal acts. The inclusion in the composition of the enterprise to be transferred under the contract of the obligations which the leaseholder is unable to execute in the absence of such permit (license) shall not release the lessor from the corresponding obligations to creditors.

#### **Article 657. The Rights of Creditors in Case of the Lease of an Enterprise**

1. Under the obligations included in the composition of the enterprise the creditors shall be notified in writing by the lessor about the lease of the enterprise before it is transferred to the leaseholder.

2. The creditor who has failed to inform the lessor in writing about his consent to transfer the debt shall have the right to demand the termination or the anticipatory execution of the obligation and the compensation for the losses caused by this during three months since the day of receipt of the notice of the lease of the enterprise.

3. The creditor who has not been notified about the lease of the enterprise in the procedure, envisaged by Item 1 of this Article, may bring an action about the satisfaction of the claims, stipulated by Item 2 of this Article, during one year since the day when he has known or should have known about the lease of the enterprise.

4. After the lease of the enterprise the lessor and the leaseholder shall bear joint and several liability for the debts, which have been included in the leased enterprise and which have been transferred to the leaseholder without the creditor's consent.

#### **Article 658. The Form and State Registration of the Contract of Lease of an Enterprise**

1. The contract of lease of an enterprise shall be concluded in writing by drawing up one document to be

signed by the parties thereto (Item 2 of Article 434).

2. The contract of lease of an enterprise shall be subject to state registration and shall be deemed to be concluded since the time of such registration.

3. Non-observance of the form of the contract of lease of an enterprise shall invalidate it.

#### **Article 659.** The Transfer of the Leased Enterprise

The enterprise shall be transferred to the leaseholder under the deed of conveyance.

It shall be the duty of the lessor to prepare the enterprise for its transfer, to draw up and submit the deed of conveyance for signing. These operations shall be carried out at his expense, unless otherwise stipulated by the contract of lease of the enterprise.

#### **Article 660.** The Use of the Property of the Leased Enterprise

Unless otherwise stipulated by the contract of lease of an enterprise, the leaseholder shall have the right, without the lessor's consent, to sell, exchange, grant for temporary use or lend out material values that form part of the property of the leased enterprise, to sublease them and to transfer his rights and duties under the contract of lease in respect of such values to another person, provided that his does not involve the reduction of the cost of the enterprise and does not violate the other provisions of the contract of the lease of the enterprise. The said procedure shall not be applied to land and other natural resources, and also in other cases envisaged by the law.

Unless otherwise stipulated by the contract of lease of the enterprise, the leaseholder shall have the right, without the lessor's consent, to introduce changes to the composition of the leased property complex, to carry out its reconstruction, expansion, and technical re-equipment that increases its cost.

#### **Article 661.** The Leaseholder's Duties of Maintaining the Enterprise and Disbursing Expenses on Its Operation

1. During the entire validity term of the contract of lease of the enterprise the leaseholder shall be obliged to maintain the enterprise in proper technical condition, and also to carry out its current and major repairs.

2. The leaseholder shall bear the expenses incurred in the operation of the leased enterprise, unless otherwise stipulated by the contract, and also in the payment for the insurance of the leased property.

**Article 662.** The Introduction of Improvements to the Leased Enterprise by the Leaseholder

The leaseholder of an enterprise shall have the right to the compensation to him of the cost of inseparable improvements in the leased property, regardless of the permission of the lessor for such improvements, unless otherwise stipulated by the contract of lease of the enterprise.

The lessor may be dispensed by the court from the duty of compensating to the leaseholder the cost of such improvements, if he proves that the leaseholder's outlays on these improvements increase the cost of the leased property in disproportion to the improvement of its quality and/or operation properties or in case of such improvements the principles of conscientiousness and reasonableness have been breached.

**Article 663.** The Application of the Rules for the Consequences of the Invalidity of Transactions and for the Alteration and Dissolution of Contracts to the Contract of Lease of the Enterprise

The rules of this Code for the consequences of the invalidity of transactions and for the alteration and dissolution of the contract, which provide for the return or recovery in kind of the received payment under the contract from one party or from both parties, shall be applicable to the contract of lease of the enterprise, unless such consequences violate substantially the rights and law-protected interests of the creditors of the lessor and the leaseholder and other persons and unless they run counter to public interests.

**Article 664.** The Return of the Leased Enterprise

With the termination of the contract of lease of the enterprise the leased property complex shall be returned to the lessor with the observance of the rules, provided for by Articles 656, 657 and 659 of this Code. In this case the preparation of the enterprise for the transfer to the lessor, including the drawing up and submission of a deed of conveyance for signing shall be the duty of the leaseholder and shall be effected at his expense, unless otherwise stipulated by the contract.

## **§ 6. Financial Lease (Leasing)**

**Article 665.** The Contract of Financial Lease

Under the contract of financial lease (leasing contract) the lessor shall undertake to acquire the property indicated by the leaseholder from the seller specified by him and to grant to the leaseholder this contract for charge



in temporary possession and use for business purposes. In this case the lessor shall bear no responsibility for the choice of a subject of the lease and of a seller.

The contract of financial lease may provide for making the choice of a seller and acquired property by the lessor.

**Article 666.** The Subject of the Contract of Financial Lease

Any non-consumed things used in business, except for land plots and other natural objects may be the subject of the contract of financial lease.

**Article 667.** The Notification of the Seller about the Lease of Property

The lessor who acquires property for the leaseholder shall notify the seller that this property is intended for its lease by a definite person.

**Article 668.** The Transfer of the Subject of the Contract of Financial Lease to the Leaseholder

1. Unless otherwise stipulated by the contract of financial lease, the property which is the subject of this contract shall be transferred by the seller directly the leaseholder in the place of location of the latter.

2. In case where property, being the subject of the contract of financial lease, is not transferred to the leaseholder in the period fixed in the contract or in the reasonable period, if the contract does not fix such date, the leaseholder shall have the right to demand the dissolution of the contract and claim damages, if delay was caused by the circumstances beyond the contract of the lessor.

**Article 669.** The Transfer of the Risk of Accidental Destruction of, or Accidental Damage to, Property to the Leaseholder

The risk of accidental destruction of, or accidental damage to, the leased property shall pass to the leaseholder at the time of the transfer of the leased property to him, unless otherwise stipulated by the contract of financial lease.

**Article 670.** Liability of the Seller

1. The leaseholder shall have the right to place directly to the seller of the property, which is the subject of the contract of financial lease, the claims, following from the contract of sale, concluded between the seller and the lessor, for the quality and completeness of the property, the terms of its delivery and in other cases of the improper performance of the contract by the seller. In this case the leaseholder shall have the rights and bear the duties, provided for by this Code for the buyer, except for the duty of paying for the acquired property, as if he was a party to the contract of sale of said property. However the leaseholder may not dissolve the contract of sale with the seller without the lessor's consent.

In their relations with the seller the leaseholder and the lessor act as joint and several creditors (Article 326).

2. Unless otherwise stipulated by the contract of financial lease, the lessor shall not be liable to the leaseholder for the fulfilment by the seller of the claims following from the contract of sale, except in cases where the responsibility for the choice of a seller rests with the lessor. In the latter case the leaseholder shall have the right at his own option to make claims following from the contract of sale, both directly to the seller of property and to the lessor, who bear joint and several liability.

## **Chapter 35. The Renting of Living Accommodation**

### **Article 671. The Contract of Renting Living Accommodation**

1. Under the contract of renting living accommodation one party - the owner of living quarters or the person authorized by him (renter) - shall be obliged to give to the other part (tenant) living accommodation for charge in possession and use for residing in it.

2. Living accommodation may be granted to legal entities in possession and/or use on the basis of the lease agreement or another contract. A legal entity may use living quarters for the residence of private persons alone.

### **Article 672. The Contract of Renting Living Accommodation in the State and Municipal Housing Stock of Social Use**

1. Living quarters in the state and municipal housing stock in social use shall be given to individuals under

the contract of the social renting of living accommodation.

**2.** The members of the family residing under the contract of the social renting of living accommodation together with the tenant shall enjoy all the rights and bear all the obligations under the contract of renting living quarters on a par with the tenant.

On the demand of the tenant and the members of his family the contract may be concluded with one members of the family. In case of death of the tenant or of his retirement from living quarters the contract shall be concluded with one family members residing in these quarters.

**3.** A contract of the social renting of living accommodation shall be concluded on the grounds and conditions and in the order, provided for by the housing legislation. The rules of Articles 674, 675, 678, 680, and Items 1-3 of Article 685 of this Code shall be applicable to the contract of the social renting of living accommodation, unless otherwise stipulated by the housing legislation.

**Article 673.** The Object of the Contract of Renting Living Accommodation

**1.** Isolated living accommodation suitable for permanent residence (the apartment, dwelling house, part of the apartment or dwelling house).

The fitness of living accommodation for residence shall be determined in the order, provided for by the housing legislation.

**2.** The tenant of living quarters in a tenement shall have the right to use property, indicated in Article 290 of this Code, in addition to the use of living accommodation.

**Article 674.** The Form of the Contract of Renting Living Accommodation

The contract of renting living accommodation shall be concluded in writing.

**Article 675.** The Preservation of the Contract of Renting Living Accommodation When the Right of Ownership of Living Quarters Is Transferred

The transfer of the right of ownership of living quarters under the contract of renting living accommodation shall not involve the dissolution or charge of the contract of renting living accommodation. In this case the new owner shall become a renter on the terms of the contract of renting concluded earlier.

**Article 676.** The Obligations of the Renter of Living Quarters

1. The renter shall be obliged to transfer to the tenant free living quarters in a condition suitable for residence.

2. The renter shall be obliged to carry on proper exploitation of the dwelling house, in which the leased living quarters are to be found, to provide public utilities or ensure their provision to the tenant for charge, to carry on the repair of the common property in the tenement and of devices for rendering communal services in the living quarters.

**Article 677.** The Tenant and Individuals Permanently Residing with Him

1. Only a private person may be a tenant under the contract of renting living accommodation.

2. The contract shall indicate individuals permanently residing in living quarters together with the tenant. In the absence of such indication in the contract these individuals shall be moved in living quarters in accordance with the rules of Article 679 of this Code.

Individuals permanently residing together with the tenant shall have equal rights in the use of living accommodation. The relations between the tenant and such individuals shall be determined by law.

3. The tenant shall be liable to the renter for the actions of the individuals permanently residing together with him and violating the terms and conditions of the contract of renting living accommodation.

4. Individuals permanently residing together with the tenant may be notifying the renter conclude with the tenant a contract to the effect that all the individuals permanently residing in living quarters bear with the tenant joint and several liability to the renter. In this case such individuals shall be co-tenants.

**Article 678.** The Obligations of the Tenant of Living Quarters

The tenant shall be obliged to make use of living quarters for residence only, to preserve them and maintain them in proper condition.

The tenant shall have no right to reconstruct living quarters without the renter's consent.

The tenant shall be obliged to make payment for living accommodation. Unless otherwise stipulated by the contract, the tenant shall be obliged to make utility rates on his own.

**Article 679. The Moving-in of Individuals Permanently Residing with the Tenant**

Other individuals may be moved in living quarters with the consent of the renter, tenant and individuals permanently residing with him in the capacity of permanently residents. No consent shall be required in case of moving in minors.

The moving-in shall be allowed with the observance of the requirements of legislation on the norm of the dwelling premises total useful floor area per person, except for the case of moving in minors.

**Article 680. Temporary Lodgers**

The tenant and the individuals permanently residing with him shall have the right to permit temporary lodgers (users) to live free of charge in their living quarters by common agreement and with the preliminary notification of the renter. The renter may ban the living of temporary lodgers with the observance of the requirements of legislation on the norm of the dwelling premises total useful floor area per person. The period of living of temporary lodgers may not exceed six months.

Temporary lodgers shall not possess the independent right of using living quarters. The tenant shall be responsible for their actions to the renter.

Temporary lodgers shall be obliged to vacate living quarters upon the expiry of the period of residence agreed upon with them, and if this period is not agreed upon, they shall be obliged to vacate living quarters within seven days since the day of making the respective demand by the tenant or any individual permanently residing with him.

**Article 681. Repairs of the Leased Living Quarters**

1. It shall be the duty of the tenant to carry out current repairs of leased living quarters, unless otherwise stipulated by the contract of renting living accommodation.

2. It shall be the duty of the renter to carry out major repairs of leased living quarters, unless otherwise stipulated by the contract of renting living accommodation.

3. It shall not be allowed to re-equip the dwelling house in which living quarters are to be found, if this re-equipment substantially change the conditions of using living quarters, without the consent of the tenant.

**Article 682. Payment for Living Quarters**

1. The amount of the payment for living quarters shall be fixed by agreement between the parties in the contract of renting living quarters. If a maximum payment for living quarters has been fixed in accordance with the law, the payment provided for by the contract shall not exceed this amount.

2. It shall not be allowed to change the payment for living quarters unilaterally, except for the cases provided for by the law or the contract.

3. Payment for living quarters shall be made by the tenant within the periods of time, envisaged by the contract of renting living accommodation. If the contract does not provide for time-limits, payment shall be made by the tenant every month in the order, prescribed by the Housing Code of the Russian Federation.

**Article 683.** The Time-limit in the Contract of Renting Living Accommodation

1. A contract of renting living accommodation shall be concluded for a term that does not exceed five years. If the contract does not fix the term, the contract shall be deemed to be concluded for five years.

2. The rules, envisaged by Item 2 of Article 677, Articles 680, 684-686, the fourth paragraph of Item 2 of Article 687 of this Code shall not be applied to the contract of renting living accommodation, concluded for a term of one year (short-term renting), unless otherwise stipulated by the contract.

**Article 684.** The Preferential Right of the Tenant to Conclude a Contract for a New Term

With the lapse of the term of the contract of renting living quarters the tenant shall have the preferential right to conclude a contract of renting living accommodation for a new term.

Not later than three months before the expiry of the term of the contract of renting living quarters the renter shall propose that the tenant conclude a contract on the same or other conditions or warn the tenant about the refusal to prolong the contract in connection with the decision of not letting on lease living quarters during the period of not less than a year. If the renter has failed to perform this obligation, while the tenant has not refused to prolong the contract, the latter shall be deemed to be extended on the same conditions and for the same period.

When the terms and conditions of the contract are being coordinated, the tenant shall have no right to demand that the number of persons permanently residing with him under the contract of renting living accommodation should be increased.

If the renter has refused to prolong the contract in connection with the decision not to let premises on lease, but during one year since the day of the expiry of the validity term of the contract with the tenant has concluded the contract of renting living accommodation with another person, the tenant shall have the right to

demand that this contract should be recognized as invalid and/or that compensation should be made for the losses caused by the refusal to renew the contract with him.

**Article 685. Sustenance of Living Quarters**

1. Under the contract for sustenance of living quarters the tenant shall transfer for a term all the rented premise or the part thereof in use by subtenant with the consent of the renter. The subtenant shall not acquire the independent right of using living quarters. The tenant shall remain to be liable to the renter under the contract of renting living accommodation.

2. A contract for sustenance of living quarters may be concluded on condition that the requirements of legislation on the norm of the dwelling premises total useful floor area per person should be met.

3. The contract for sustenance of living quarters shall be payable.

4. The validity term of the contract for sustenance of living quarters may not exceed the validity term of the contract of renting living quarters.

5. In case of the termination of the contract of renting living quarters short of the term, the contract for sustenance of living quarters shall cease simultaneously with it.

6. The rules for the preferential right to the conclusion of a contract for a new term shall not extend to the contract for sustenance of living quarters.

**Article 686. The Replacement of the Tenant in the Contract of Renting Living Accommodation**

1. On the demand of the tenant and other private persons permanently residing with him and with the consent of the renter the tenant in the contract of renting living accommodation may be replaced by one of the persons of age permanently residing together with the tenant.

2. In the event of the tenant's death or of his retirement from living quarters, the contract shall continue to operate on the same conditions, and one of the private persons permanently residing with the former tenant shall become a tenant by general agreement between them. If such agreement is not reached, all the individuals permanently residing in living quarters shall become co-tenants.

**Article 687. The Dissolution of the Contract of Renting Living Quarters**

1. With the consent of other persons permanently residing with him the tenant of living quarters shall have the right to cancel the contract of renting with the written warning of the renter three months beforehand.

2. A contract of renting living quarters may be dissolved in due course of law on the demand of the renter in the cases of:

the non-deposition by the tenant of payment for living quarters for six months, unless the contract fixes a longer period, and in case of short-term renting when payment has not been made for more than two times upon the expiry of the term of payment fixed by the contract;

the destruction of, or damage to, the premise by the tenant or other persons for whose actions he is answerable.

By the court's decision the tenant may be granted the period of one year for the removal by him of the breaches that served as a ground for the dissolution of the contract of renting living accommodation. If during the period of time, fixed by a court of law, the tenant does not remove the breaches or does not take all the necessary measures to eliminate them, the court shall make a decision on the dissolution of the contract of renting living accommodation in reply to the repeated application of the renter. In this case, at the request of the tenant the court may postpone the execution of its decision for a term of not more than a year in its decision on the dissolution of the contract.

3. A contract of renting living accommodation may be dissolved by a court of law on the demand of any party to the contract:

if the premise ceases to be suitable for permanent residence, and also in case of its fault;

in other cases, provided for by the housing legislation.

4. If the tenant of living quarters or other private persons for whose actions he is answerable make use of living quarters not to its purpose or systematically violate the rights and interests of neighbours, the renter may warn the tenant about the need to remove these breaches.

If the tenant or other persons, for the actions of which he is answerable, continue to make use of living quarters after the warning not to the purpose or to breach the rights and interests of neighbours, the tenant shall have the right to dissolve the contract of renting living accommodation judicially. In this case, the rules, provided for by the fourth paragraph of Item 2 of this Article, shall be applied.

#### **Article 688.** The Consequences of the Dissolution of the Contract of Renting Living Accommodation

In case of the dissolution of the contract of renting living accommodation the tenant and other persons



living in these living quarters by the time of the cancellation of the contract shall be subject to eviction on the basis of the court's decision.

## **Chapter 36. Gratuitous Use**

### **Article 689. Contract for Gratuitous Use**

1. Under the contract for gratuitous use (loan agreement) one party (lender) shall undertake to transfer a thing or transfers it in gratuitous use by the other party (borrower), while the latter shall undertake to return the same thing in the condition in which it received it with due account for normal depreciation or in the condition stipulated by the contract.

2. The rules of Article 607, Item 1 and Paragraph 1 of Item 2 of Article 610, Items 1 and 3 of Article 615, Item 2 of Article 621, Items 1 and 3 of Article 623 of this Code shall be accordingly applicable to the contract for gratuitous use.

### **Article 690. The Lender**

1. The right of transferring a thing in gratuitous use shall belong to its owner and other persons authorized therefor by the law or by the owner.

2. A non-profit organization shall have no right to transfer property in gratuitous use by the person who is its founder, partner, manager, member of its management or control bodies.

### **Article 691. The Giving of a Thing in Gratuitous Use**

1. The lender shall be obliged to give a thing in the condition that corresponds to the terms of the contract for gratuitous use and its purpose.

2. A thing shall be given for gratuitous use with all its accessories and related documents (instructions on its use, technical certificate, etc.), unless otherwise stipulated by the contract.

If such accessories and documents have not been given, and without them the thing can not be used according to its designation or its use is largely responsible for the loss of its value for the lender, the latter shall have the right to demand such accessories and documents or the cancellation of the contract and the indemnity for the real loss.

**Article 692.** The Consequences of Failure to Give a Thing in Gratuitous Use

If the lender fails to give a thing to the borrower, the latter shall have the right to demand the cancellation of the contract for gratuitous use and the indemnity for the real loss.

**Article 693.** Liability for the Defects of the Thing Given for Gratuitous Use

1. The lender shall be liable for the defects of the thing which he deliberately or because of gross negligence did not specify during the conclusion of the contract for gratuitous use.

In case of discovery of such defects the borrower shall have the right to demand from the lender at his option the gratuitous removal of the defects of the thing or the reimbursement of his expenses on the removal of the defects of the thing, or the anticipatory cancellation of the contract and the indemnity for the real loss.

2. The lender, being informed about the claims of the borrower or about his intention to eliminate the defects of the thing at the expense of the lender, may replace without delay the faulty thing by another similar thing in a proper condition.

3. The lender shall not be liable for the defects of the thing which were specified by him during the conclusion of the contract or had been known in advance to the borrower, or should have been discovered by the borrower during the inspection of the thing or the verification of its good condition during the conclusion of the contract or the transfer of the thing.

**Article 694.** The Rights of Third Persons to the Thing Transferred for Gratuitous Use

The transfer of a thing for gratuitous use shall not be a ground for the alteration or termination of the rights of third persons to this thing.

During the conclusion of a contract for gratuitous use the lender shall be obliged to warn the borrower about all the rights of third persons to this thing (servitude, the right of the pawning of the thing, etc.). Default on this obligation shall entitle the borrower to demand the dissolution of the contract and the indemnity for the real loss.

**Article 695.** The Obligation of the Borrower to Maintain a Thing

The borrower shall be obliged to maintain the thing received for gratuitous use in a good condition, including to effect minor and major repairs and to bear all the expenses on its maintenance, unless otherwise stipulated by the contract for gratuitous use.

**Article 696.** The Risk of Accidental Destruction of, or Accidental Damage to, the Thing

The borrower shall bear the risk of accidental destruction of, or accidental damage to, the thing received for gratuitous use, if the thing has been destroyed or become faulty in view of the fact that he used it out of accordance with the contract for gratuitous use or its purpose, or has transferred the thing to a third person without the lender's consent. The borrower shall also bear the risk of accidental destruction of, or accidental damage to, the thing, if with due account of actual circumstances he could prevent its destruction or damage by sacrificing his thing but has preferred to preserve his thing.

**Article 697.** Liability for the Harm Inflicted on the Third Person As a Result of the Use of a Thing

The lender shall be liable for the harm inflicted on the third person as a result of the use of a thing, unless he proves that the harm was caused in consequence of intent or gross negligence on the part of the borrower or the person who is in possession of this thing with the lender's consent.

**Article 698.** The Cancellation of the Contract for Gratuitous Use Short of the Term

1. The lender shall have the right to demand that the contract for gratuitous use should be cancelled short of the term in cases where the borrower:

uses the thing out of accordance with the contract or with its designation;

fails to discharge the obligation of keeping the thing in good condition or of maintaining it;

substantially worsens the condition of the thing;

has handed over the thing to a third person without the lender's consent.

2. The borrower shall have the right to demand to anticipatory cancellation of the contract for gratuitous use in the following cases:

if defects have been discovered that makes impossible or burdensome the normal use of the thing and, moreover he did not know about them and could not know about them at the time of the conclusion of the contract;

if the thing proves to be in a condition unsuitable for its use by reason of circumstances for which he is not answerable;

if during the conclusion of the contract the lender did not warn him about the rights of third persons to the thing being handed over to them;

if the lender has failed to discharge the obligation of handing over the thing or its accessories and related documents.

#### **Article 699.** Repudiation of the Contract for Gratuitous Use

1. Each party to the contract shall have the right to repudiate at any time the contract for gratuitous use, concluded without an indication of its validity term, by informing the other party one month in advance, unless the contract stipulates a different date of notification.

2. Unless otherwise stipulated by the contract, the borrower shall have the right to repudiate at any time the contract, concluded with an indication of its validity term, in the procedure, envisaged by Item 1 of this Article.

#### **Article 700.** The Change of the Parties to the Contract for Gratuitous Use

1. The lender shall have the right to alienate a thing or to hand it over for lucrative use to a third person. In this case, the new owner or user shall receive the rights under the contract for gratuitous use, concluded earlier, while his rights to the thing shall be encumbered with the rights of the borrower.

2. In case of the lender's death or the reorganization or liquidation of the lending legal entity, the rights and obligations of the lender under the contract for gratuitous use shall pass on to the heir (legal successor) or to the other person to whom the right of ownership of the thing or another right, on the basis of which the thing was handed over for gratuitous use, has been transferred.

In case of the reorganization of the lending legal entity its rights and obligations under the contract shall pass to the legal entity which is its legal successor, unless otherwise stipulated by the contract.

#### **Article 701.** The Termination of the Contract for Gratuitous Use

The contract for gratuitous use shall cease in case of the borrower's death or the liquidation of the borrowing legal entity, unless otherwise stipulated by the contract.

### **Chapter 37. Contract of Hiring Work**

#### **§1. General Provisions on Contract of Hiring Work**

#### **Article 702.** Contract of Work and Labour

1. Under the work and labour contract one party (contractor) shall undertake to perform definite work according to the assignment of the other party (customer) and to turn it over to the customer, whereas the customer shall undertake to accept the result of this work and to pay for it.

2. The provisions envisaged by this paragraph shall be applied to the individual types of the work and labour contract (domestic contract, building contract, contract for the performance of design and survey works, contract works for state needs), unless otherwise stipulated by the rules of this Code for these types of contracts.

#### **Article 703. Works Performed Under the Contract of Work and Labour**

1. A contract of work and labour shall be concluded for the manufacture or processing of a thing or for the performance of another work with the transfer of its result to the customer.

2. Under the contract of work and labour, concluded for the manufacture of a thing, the contractor shall transfer the rights to it to the customer.

3. Unless otherwise stipulated by the contract, the contractor shall determine methods of performing the customer's assignment on his own.

#### **Article 704. Performance of Work by the Contractor's Maintenance**

1. Unless otherwise stipulated by the work and labour contract, the work shall be performed by the contractor's maintenance - from his materials and with his own forces and means.

2. The contractor shall bear liability for improper quality of materials and equipment supplied by him, and also for the provision of materials and equipment, encumbered with the rights of third persons.

#### **Article 705. The Distribution of Risks Between the Parties**

1. Unless otherwise stipulated by this Code, other laws or the contract of work and labour, the risk of accidental destruction of, or accidental damage to, materials, equipment, the things or assets used for the execution of the contract, transferred for processing, shall be borne by the party that has extended them;

the risk of accidental destruction of, or accidental damage to, the result of the performed work before it is accepted by the customer shall be borne by the contractor.

2. In case of delay in the delivery and acceptance of the result of work the risks, specified in Item 1 of this Article, shall be borne by the part which has made this delay.

**Article 706.** The General Contractor and the Subcontractor

1. Unless the obligation of the subcontractor to perform personally the work, envisaged by the contract, follows from the law or the work and labour contract, the contractor shall have the right to draw other persons (subcontractors) in the execution of his obligations. In this case the contractor shall play the part of the general contractor.

2. The contractor who has drawn a subcontractor in the execution of the work and labour contract in contravention of the provisions of Item 1 of this Article or the contract shall bear liability to the customer for the losses caused by the subcontractor's participation in the execution of the contract.

3. The general contractor shall bear liability to the customer for the consequences of the non-discharge or improper discharge of the obligations by the subcontractor in keeping with the rules of Item 1 of Article 313 and Article 403 of this Code and shall bear liability to the subcontractor for the non-fulfilment or improper fulfilment of the obligations by the customer under the work and labour contract.

Unless otherwise stipulated by the law or the contract, the customer and the subcontractor shall not have the right to make to each other claims relating to the breach of the contracts, concluded by each of them with the general contractor.

4. With the general contractor's consent the customer shall have the right to conclude contracts for the performance of individual works with other persons. In this case the said persons shall bear liability directly to the customer for the non-performance or improper performance of work.

**Article 707.** The Participation of Several Persons in the Performance of Work

1. If two or more persons act simultaneously on the side of the contractor, they shall be recognized in case of indivisibility of the subject-matter of the obligation as joint and several debtors with regard to the customer and accordingly as joint and several creditors.

2. In the event of the divisibility of the subject-matter of the obligation, and also in other cases, provided for by the law, other legal acts or the contract, each person, referred to in Item 1 of this Article, shall acquire rights and bear obligations with regard to the customer within the limits of their share (Article 321).

**Article 708.** The Dates of the Performance of the Work

1. The work and labour contract shall indicate the initial and deadline expiry dates of the performance of

work. By agreement between the parties the contract may also provide for the dates of completing in particular stages of the work concerned (interim dates).

Unless otherwise stipulated by the law, other legal acts or the contract, the contractor shall bear liability for breaking both the initial or ultimate and interim dates of the performance of the work concerned.

2. The initial, ultimate and interim dates of the performance of the work may be changed in cases and in the order, rescribed by the contract.

3. The consequences of delay in execution, referred to in Item 2 of Article 405 of this Code shall ensue in case of breaking the ultimate date of the performance of the work concerned, and also of other times established by the work contract.

#### **Article 709. The Price of the Work**

1. The work and labour contract shall indicate the price of the work subject to performance or the methods of its estimation. If there is no such indication in the contract, the price of the work shall be estimated in accordance with Item 3 of Article 424 of this Code.

2. The price in the work and labour contract shall include compensation for the contractor's costs and the remuneration due to him.

3. The price of the work may be estimated by means of drawing up its estimate.

In the event the work is performed in accordance with the estimate made by the contractor, the estimate shall acquire the force and become a part of the work and labour contract since the time of its confirmation by the customer.

4. The price of the work (estimate) may be approximate or firm. In the absence of other references in the work and labour contract the price of the work shall be deemed to be firm.

5. If there is a need for additional works and for this reason for a substantial excess of the price of the work estimated approximately, the contractor shall be obliged to warn the customer in due time about this. The customer who has not given his consent to the price of the work, indicated in the work and labour contract shall have the right to repudiate the contract. In this case the contractor may demand that the customer should pay the price for the performed part of the work.

The contractor who has not warned the customer in due time about the need of exceeding the price of the

work, indicated in the contract, shall be obliged to fulfil the contract and retain the right to the payment for the work at the price specified in the contract.

6. The contractor shall have no right to demand an increase in the firm price, whereas the customer shall have no right to demand its decrease, including in the event when at the time of concluding the work and labour contract the possibility was excluded to make provision for the full scope of works subject to performance or of the expenses needed for this.

In the event of the substantial increase in the case of materials and equipment provided by the contractor, and also of the services rendered to him by third persons, which cannot be foreseen during the conclusion of the contract, the contractor shall have the right to demand an increase in the fixed price, and should the customer refuse to meet this demand, he shall have the right to demand the dissolution of the contract in accordance with Article 451 of this Code.

#### **Article 710. The Saving of the Contractor**

1. When the contractor's actual expenses prove to be less than those reckoned in the estimation of the price of the work, the contractor shall retain the right to the payment for works at the price, envisaged by the work and labour contract, unless the customer proves that the saving obtained by the contractor has influenced the quality of the performed works.

2. the work and labour contract may provide for the distribution of the saving obtained by the contractor among the parties thereto.

#### **Article 711. Procedure of the Payment for the Work**

1. If the work and labour contract does not provide for a preliminary payment for the fulfilled work or of its particular stages, the customer shall be obliged to pay to the contractor the specified price after the final delivery of the results of the work, provided that the work has been performed properly and within the agreed period or short of the term with the consent of the customer.

2. The contractor shall have the right to demand the advance or earnest money only in cases and in the amount, indicated in the law or in the work and labour contract.

#### **Article 712. The Contractor's Right to Retention**

In the event of default on the customer's obligation to pay the fixed price or any other sum of money due to



the contractor in connection with the performance of the work and labour contract, the contractor shall have the right, in keeping with Articles 359 and 360 of this Code, to the retention of the results of the work, and also the equipment belonging to the customer, the thing transferred for processing, the remainder of the unused material and other property of the customer, turned out at his disposal before the payment of relevant sums of money by the customer.

**Article 713.** The Performance of the Work with the Use of the Customer's Material

1. The contractor shall be obliged to make economical and thrifty use of the material supplied by the customer, submit after the completion of the work to the customer his report on the spending of the material, and also to return its remainder or to reduce the price of the work with the customer's consent and with account of the value of the unused material that remains at the contractor's disposal.

2. If no result has been achieved or the achieved result has shortcomings which make it unfit for the use specified by the work and labour contract or by the usual use in the absence of the appropriate condition in the contract for reasons caused by the shortcomings of the material, supplied by the customer, the contractor shall have the right to demand payment for the work done by him.

3. The contractor may exercise the right, indicated in Item 2 of this Article, if he proves that the material's shortcomings could not be discovered in the event of a proper acceptance of this material by the contractor.

**Article 714.** The Contractor's Liability for the Non-safety of Property Supplied by the Contractor

The contractor shall bear liability for the non-safety of the materials, equipment supplied by the customer, of things and other property transferred for processing (treatment) and possessed by the contractor in connection with the execution of the work and labour contract.

**Article 715.** The Rights of the Customer During the Performance of the Work by the Contractor

1. The customer shall have the right to verify at any time the progress and quality of the work performed by the contractor, while not interfering in his activity.

2. If the contractor does not embark on the execution of the work and labour contract or performs the work so slowly that it is obviously impossible to finish it by the time fixed, the customer shall have the right to refuse to execute the contract and to claim damages.

3. If it becomes obvious during the performance of the work that it will not be performed properly, the

customer shall have the right to appoint a reasonable date for the removal of shortcomings and in case of default of this requirement by the contractor in the appointed time to waive the work and labour contract or to entrust another person with the correction of the work at the expense of the contractor, and also to claim damages.

**Article 716.** The Circumstances About Which the Contractor Shall Be Obligated to Warn the Customer

1. The contractor shall be obliged to warn the customer without delay and to suspend the work before he receives his directions in the event of the discovery of:

the unsuitability or the substandard quality of the customer's materials, equipment, technical documents or the thing delivered for processing (treatment);

possible favourable consequences of the implementation of the customer's directions on the method of performing the work;

other circumstances beyond the contractor's control, which endanger the fitness or the stability of the results of the work being performed or make it impossible to finish this work on time.

2. The contractor, who has failed to warn the customer about the circumstances, indicated in Item 1 of this Article or who has continued the work without waiting for the expiry of the date, referred to in the contract, and in its absence without waiting the expiry of the reasonable period for a reply to the warning or despite the timely indication of the customer concerning the discontinuance of the work, shall have no right to refer to said corresponding in the event of the presentation of appropriate claims to him or by him to the customer.

3. If despite the timely and justified warning by the contractor about the circumstances, referred to in Item 1 of this Article, the customer fails to replace within the reasonable time the unfit and substandard materials, equipment, technical documents or the thing transferred for processing (treatment), does not change the directions on the method of performing the work or does not take other necessary measures to remove the circumstances threatening its fitness, the contractor shall have the right to refuse to execute the work and labour contract and claim the damages caused by the termination of the contract.

**Article 717.** The Customer's Refusal to Execute the Work and Labour Contract

Unless otherwise stipulated by the work and labour contract, the customer may at any time before the delivery of the result of the work to him refuse to execute the contract by paying to the contractor a part of the fixed price in proportion to the part of the work performed before the receipt of the notice about the refusal of the customer to implement the contract. The customer shall also be obliged to compensate the contractor's losses,

caused by the termination of the work and labour contract, within the limits of the difference between the price fixed for the entire work and the part of the price paid put for the performed work.

**Article 718.** The Customer's Assistance

1. In cases, in the scope and in the order, provided for by the work and labour contract, the customer shall be obliged to assist the contractor in the performance of the work.

In case of default on this duty by the customer the contractor shall have the right to claim damages, including additional costs caused by downtime or by putting off the dates of the performance of the work, or by the increase in the price of the work, indicated in the contract.

2. In cases where it has become impossible to perform the work under the work and labour contract owing to the customer's actions or omission, the contractor shall have the right to pay the price, indicated in the contract, with account of the performed part of the work.

**Article 719.** Default on the Customer's Reciprocal Obligations Under the Work and Labour Contract

1. The contractor shall have the right not to proceed to the work or to suspend the work he began in cases where the breach by the customer of his obligations under the work and labour contract, in particular, the non-supply of materials, equipment, technical documents or the thing subject to processing (treatment), prevents the execution of the contract by the contractor, and also in the presence of the circumstances evidencing that the said circumstances will not be discharged in the fixed period (Article 328).

2. Unless otherwise stipulated by the work and labour contract, the contractor shall have the right to refuse the execute the contract and to claim damages in the presence of circumstances, referred to in Item 1 of this Article.

**Article 720.** The Acceptance by the Customer of the Work Fulfilled by the Contractor

1. Within the time-limit and in the order, provided for by the work and labour contract, the customer shall be obliged to inspect with the contractor's participation the result of the work and to accept the performed work; in the event of the discovery of departures from the contract that worsen the result of the work or of any other shortcomings in the work, the customer shall be obliged to state at once about this to the contractor.

2. The customer who has discovered shortcomings in the work during its acceptance shall have the right to refer to them in cases where the deed or any other document testifying to the acceptance has specified these

shortcomings or the possibility of a subsequent presentation of the claim about their removal.

3. Unless otherwise stipulated by the work and labour contract, the customer who has accepted the work without its check shall be deprived of the right to refer to the shortcomings in the work which could be ascertained in the usual method of its acceptance (obvious shortcomings).

4. The customer who has discovered in the work after its acceptance departures from the work and labour contract or other defects which could not be identified by the usual method of acceptance (latent defects), including those that were deliberately hidden by the contractor, shall be obliged to inform the contractor about this within the reasonable period upon their discovery.

5. In case a dispute has arisen between the customer and the contractor over the defects of the fulfilled work or their causes, an expert examination shall be scheduled. Expenses on the expert examination shall be borne by the contractor, except for the cases when experts have found out that there are no breaches by the contractor of the work and labour contract or a causal relationship between the contractor's actions and the discovered defects. In said cases the expenses on the expert examination shall be borne by the party which has called for the schedule of the expert examination, and if was scheduled by agreement between the parties, the expenses shall be borne by the parties in equal shares.

6. Unless otherwise stipulated by the work and labour contract, in event of the customer's evasion from the acceptance of the fulfilled work, the contractor shall have the right, upon the expiry of one month since the day when as per the contract the result of the work should have been turned over to the customer, provided the latter makes subsequently two warnings of the customer to sell the result of the work and to place the avails, minus all the payments due to the contractor, on the customer's deposit in the procedure, provided for by Article 327 of this Code.

7. If the evasion of the customer from the acceptance of the fulfilled work has involved a delay in the delivery of the work, the risk of accidental destruction of the thing manufactured (processed or treated) shall be recognized as passed to the customer at the time when the transfer of the thing should have taken place.

#### **Article 721. The Quality of the Work**

1. The quality of the work performed by the contractor shall correspond to the terms and conditions of the contract and in the absence or in the event of the incompleteness of these terms and conditions - to the requirements usually made to the work of appropriate kind. Unless otherwise stipulated by the law, other legal acts or the contract, the result of the fulfilled work shall possess, at the time of its transfer to the customer, the

properties, referred to in the contract, or determined by the usually made requirements and shall be suitable within a reasonable period for the use, stipulated by the contract, for the usual use of the result of the work of this kind.

2. If the law or other legal acts provide in the statutory manner for mandatory requirements for the work to be performed under the work and labour contract, the contractor acting as a businessman shall be obliged to perform the work by observing these mandatory requirements.

The contractor may assume under the contract the obligation of fulfilling the work that meets the requirements for quality higher than the requirements made obligatory for the parties.

#### **Article 722. The Guarantee of the Quality of the Work**

1. In case where the law, other legal acts, the work and labour contract or the customs of business turnover provides for a guarantee period for the result of the work, the result of the work shall correspond to the terms and conditions of the contract for quality during the entire guarantee period (Item 1 of Article 721).

2. Unless otherwise stipulated by the work and labour contract, the guarantee of the quality of the result of the work shall extend to all the components of the result of the work.

#### **Article 723. The Contractor's Liability for Improper Quality of the Work**

1. In cases where the work has been performed by the contractor with departures from the work and labour contract which have worsened the result of the work or with other defects which make it unsuitable for the use, envisaged by the contract, or in the absence of the relevant condition of unfitness for the usual use in the contract, the customer shall have the right, unless otherwise stipulated by the law or the contract, to demand from the contractor the following actions at his option:

gratuitous removal of defects within the reasonable period;

an adequate reduction of the price fixed for the work;

reimbursement of his expenses incurred in the elimination of defects, when the customer's right to remove them is provided for by the work and labour contract (Article 397).

2. Instead of the removal of the defects for which he is responsible the contractor shall have the right to perform gratis the work anew with the compensation to the customer of the losses caused by the delay in the execution of the work. In this case the customer shall be obliged to return the result of the work to the contractor, if such return is possible according to the nature of the work.

3. If departures in the work from the terms and conditions of the work and labour contract or any other

shortcomings of the result of the work have not been eliminated in the reasonable period or are substantial and unremovable, the customer shall have the right to refuse to execute the contract and claim damages.

4. The proviso of the work and labour contract about the release of the contractor from the liability for definite shortcomings shall not absolve him from the liability, if it is proved that such shortcomings have arisen due to the contractor's faulty actions or inaction.

5. The contractor who has submitted materials for the fulfilment of the work is responsible for their quality under the rules for the seller's liability for substandard goods (Article 475).

#### **Article 724. The Terms of Discovery of the Result of the Work of Improper Value**

1. Unless otherwise stipulated by the law or the work and labour contract, the customer shall have the right to make claims relating to the improper quality of the result of the work, provided that it was discovered during the period of time, fixed by this Article.

2. In case where no guarantee period is fixed for the result of the work, claims relating to the shortcomings of the result of the work may be made by the customer, provided they have been disclosed during the reasonable period, but within two years since the day of the delivery of the result of the work, unless different time-limits have been fixed by the law, the contract or the customs of business turnover.

3. The customer shall have the right to make claims, associated with the shortcomings in the result of the work, discovered during the guarantee period.

4. In case where the guarantee period provided for by the contract is less than two years and the shortcomings of the result of the work have been discovered by the customer upon the expiry of the guarantee period but within two years since the time envisaged by Item 5 of this Article, the contractor shall bear liability, if the customer proves that the shortcomings arose before the delivery of the result of the work to the customer or for reasons that arose before this time.

5. Unless otherwise stipulated by the work and labour contract, the guarantee period (Item 1 of Article 722) shall begin to run since the time when the result of the fulfilled work was accepted or should have been accepted by the customer.

6. The rules contained in Items 2 and 4 of Article 471 of this Code shall be applied to the computation of the guarantee period under the work and labour contract, unless otherwise stipulated by the law, other legal acts, the agreement of the parties or unless the contrary follows from the specifics of the work and labour contract.

**Article 725.** The Statute of Limitation for the Improper Quality of the Work

1. The period of limitation for claims made in connection with the improper quality of the work, performed under the work and labour contract, shall be one year, which the period of limitation for buildings and structures shall be determined according to the rules of Article 196 of this Code.

2. If under the work and labour contract the result of the work has been accepted in parts, the period of limitation shall begin to run since the day of the acceptance of the result of the work as a whole.

3. If the law, other legal acts or the work and labour contract provide for a guarantee period and the statement of claim for the shortcomings of the result of the work has been made during the guarantee period, the period of limitation, referred to in Item 1 of this Article, shall run begin with the day of the statement for the shortcomings.

**Article 726.** The Duty of the Contractor to Transfer Information to the Customer

The contractor shall be obliged to transfer together with the result of the work information on the operation or any other use of the subject of the work and labour contract, if this is provided by the contract or if the nature of information is such that without it is impossible to make use of the result of the work for the purposes, indicated in the contract.

**Article 727.** The Confidentiality of Information Received by the Parties

If the party thanks to the discharge of its obligation under the work and labour contract has received from the other party information about new decisions and technical knowledge, including knowledge not protected by law, and also information that can be regarded as a commercial secret (Article 139), the party which has received such information shall have no right to communicate it to the third persons without the consent of the other party.

The procedure and conditions for the use of such information shall be determined by the agreement of the parties.

**Article 728.** The Return by the Contractor of the Property Transferred by the Customer

In cases where the customer dissolves the work and labour contract on the basis of Item 2 of Article 715 or Item 3 of Article 723 of this Code, the contractor shall be obliged to return the materials and equipment, supplied by the customer, the thing transferred for processing (treatment) and other property or to hand them over to the

person indicated by the customer, and if this has proved to be impossible - to replace the value of the materials, equipment and other property.

**Article 729.** The Consequences of the Termination of the Work and Labour Contract Before the Acceptance of the Result of the Work

Should the work and labour contract cease to be valid on the grounds, provided for by the law or the contract, before the acceptance by the customer of the result of the work, performed by the contractor (Item 1 of Article 720), the customer shall have the right to demand the transfer to him of the result of the incomplete work with the compensation of the contractor's expenses.

## **§ 2. The Domestic Contract**

**Article 730.** The Domestic Contract

1. Under the domestic contract the contractor who carries on appropriate business shall undertake to perform the work assigned by the individual (customer) to satisfy the customer's household and other personal requirements, while the customer shall undertake to accept the work and to pay for it.

2. The domestic contract is a public agreement (Article 426).

3. The laws on the protection of the customers' rights and other legal acts adopted in accordance with them shall be applicable to the relations under the domestic contract which are not regulated by this Code.

**Article 731.** The Guarantees of the Customer's Rights

1. The contractor shall have no right to impose on the customer the inclusion of an additional work or service in the domestic contract. The customer shall have the right to refuse to pay for the work or service not specified by the contract.

2. The customer shall have the right to refuse to execute the domestic contract at any time before the delivery of the work to him by paying to the contractor a part of the fixed price in proportion to the part of the work, performed before the notification about the waiver of the execution of the contract and by reimbursing the contractor's expenses incurred prior to this time for the purpose of the fulfilment of the contract, unless they form the said part of the price of the work. The terms and conditions of the contract which deprive the customer of this right shall be void.



**Article 732.** The Provision to the Customer of Information about the Offered Work

1. The contractor shall be obliged, before the conclusion of a domestic contract, to offer to the customer the necessary and trustworthy information about the offered work, its kinds and specific features, the price and the form of payment, and also to provide the customer with other information relating to the contract at his request. If this is of relevance due to the nature of the work, the contractor shall indicate to the customer the concrete person who will perform this work.

2. If the customer was not afforded the possibility of receiving immediately at the place of the conclusion of a consumer work contract the information on the work indicated in Item 1 of this Article, it may demand from the contractor the compensation for damages caused by ungrounded evasion to conclude the contract (Item 4 of Article 445).

The customer may demand the cancellation of a concluded consumer work contract without payment for the work done and also the compensation for damages when, as a result of the incompleteness or inaccuracy of the information received from the contractor, a contract was concluded for the performance of work not having the characteristics that the consumer had in mind.

The contractor that did not finish the customer the information on the work indicated in Item 1 of this Article shall bear responsibility also for the defects of the work which arose after its transfer due to the absence of such information therewith.

**Article 733.** The Performance of the Work from the Contractor's Material

1. If the work under the domestic contract is to be performed from the contractor's materials, the latter shall be paid by the customer during the conclusion of the contract in full or in part, indicated in the contract, with the final settlement at the time of the receipt by the customer of the work fulfilled by the contractor.

In conformity with the contract the material may be supplied by the contractor on credit, including with the proviso of payment by the customer for the material by instalments.

2. The change of the price of the contractor's material after the conclusion of the domestic contract shall involve no recalculation.

**Article 734.** The Fulfilment of the Work from the Customer's Materials

If the work under the domestic contract is fulfilled from the customer's materials, the receipt or any other document issued by the contractor to the customer during the conclusion of the contract shall indicate the exact name, description and price of the materials to be determined by the agreement of the parties. The estimation of the materials in the receipt or any other similar document may be subsequently disputed by the customer in court.

**Article 735.** The Price and Payment for the Work

The price of the work in the domestic contract shall be determined by the agreement of the parties and may not be higher than that fixed or regulated by the respective state bodies. The work shall be paid by the customer after it is finally delivered by the contractor. With the customer's consent the work may be paid by him during the conclusion of the contract in full or by giving an advance.

**Article 736.** The Warning by the Customer about the Conditions of the Use of the Fulfilled Work

In the event of the delivery of the work to the customer the contractor shall be obliged to inform him about the requirements to be observed for the effective and sage use of the result of the work, and also about the consequences possible for the customer himself and other persons in case of non-observance of the relevant requirements.

**Article 737.** The Consequences of the Discovery of Shortcomings in the Fulfilled Work

1. In case of discovery of defects at the time of acceptance of the result of the work or after its acceptance during the quarantee period, and is it has not been established, then during a reasonable period but not later than two years (for immovable property, five years) from the day of the acceptance of the result of the work, the customer may at its choice exercise one of the rights stipulated in Article 723 of this Code or demand the cost-free repeat performance of the work or compensation for the expenditures borne by it for the correction of the shortcomings with its own funds or by third persons.

2. In case of discovery of essential defects of the result of the work the customer may raise a demand to the contractor for the cost-free removal of such defects if is proves that they arose before the acceptance of the result of the work by the customer or for reasons that arose before that moment. This demand may be raised by the customer if the indicated defects were discovered upon the expiry of two years (for immovable property, five years)

from the day of the acceptance of the result of the work by the customer, but within the limits of the period of service established by for the result of the work or during ten years from the day of the acceptance of the result of the work by the customer if the period of service has not been established.";

**3.** In case of default on the contractor's claim, referred to in Item 2 of this Article, the customer shall have the right during the same period to demand either the return of a part of the price paid for the work or the reimbursement of the expenses incurred in connection with the removal of the shortcomings by the customer with his own forces or with the help of third persons or refuse to perform the contract and demand the compensation for the inflicted losses.

**Article 738.** The Consequences of the Customer's Failure to Appear to Receive the Result of the Work

In the event the customer has failed to appear to receive the result of the fulfilled work or has evaded its acceptance, the contractor shall have the right to sell the result of the work at a reasonable price, while making a written warning of the customer, upon the expiry of two months since such warning and to place the avails, minus all the payments due to the contractor, on the deposit account in the order, prescribed by Article 327 of this Code.

**Article 739.** The Customer's Rights in Case of Improper Fulfilment or Non-fulfilment of the Work under the Domestic Contract

In the event of improper fulfilment or non-fulfilment of the work under the domestic contract the customer may avail himself of the rights, granted to the buyer in compliance with Articles 503-505 of this Code.

### **§ 3. The Building Contract**

**Article 740.** The Building Contract

**1.** Under the building contract the contractor shall undertake in the period stipulated by the contract to build by the assignment of the customer a project or to perform other construction works, whereas the customer shall undertake to create for the contractor requisite conditions for the performance of the works, to accept their result and pay the specified price.

**2.** The building contract shall be concluded to build or reconstruct an enterprise or building (including a dwelling house), to erect any other project, and also to perform assembly, start-up and adjustment operations, and other works indissolubly related to the project concerned. The rules for the building contract shall be also applied to

the works involved in the major repairs of buildings and structures, unless otherwise stipulated by the contract.

In cases provided for by the contract the contractor shall assume the duty of running the project after it has been accepted by the customer during the period indicated in the contract.

3. In cases where under the building contract the contractor fulfils the works in order to meet the household and other personal needs of the individual (customer), the rules of the second paragraph of this Article on the customer's rights shall be accordingly applied to such contract.

#### **Article 741. The Allocation of Risk Between the Parties**

1. The risk of accidental destruction of, or accidental damage to, the building project, which makes up the subject of the building contract, shall be borne by the contractor before this project is accepted by the customer.

2. If the building project is destroyed or damaged before the customer has accepted it owing to the substandard materials, supplied by the customer (details, structures), or equipment or owing to the execution of mistaken directions of the customer, the contractor shall have the right to demand the payment for all the cost of the works, specified by the estimate, provided that he has fulfilled the duties, envisaged by Item 1 of Article 716 of this Code.

#### **Article 742. The Insurance of the Building Project**

1. The building contract may provide for the duty of the party to insure appropriate risks if it runs the risk of accidental destruction of, or accidental damage to, the building project, materials, equipment and other assets, used in construction, or bears liability for the infliction of damage to other persons during construction.

The party that bears the obligation for insurance shall present to the other party the proofs of the conclusion by it of the insurance contract on the terms, provided for by the building contract, including data on the insurer, the insurance sum and insured risks.

2. Insurance shall not release the appropriate party from the duty of taking necessary measures to prevent the onset of an insured accident.

#### **Article 743. Technical Documentation and the Estimate**

1. The contract shall be obliged to carry on construction and the related works in accordance with the technical documents determining the scope and content of the works and other requirements made for them and with the estimate fixing the price of the works.

In the absence of other directions the building contract implies that the contractor is obliged to perform all the works indicated in technical documents and the estimate.

2. The building contract shall define the composition and content of technical documentation, and also provide which of the parties and by which date it should submit relevant documents.

3. The contractor who has discovered in the process of construction the works which have not been recorded in technical documents and in this connection the need for additional works and for augmenting the detailed estimate of the cost of construction shall be obliged to inform the customer about this.

If the contractor has failed to receive from the customer a reply to his information during 10 days, unless the law or the building contract provides for a different date, he shall be obliged to suspend the corresponding works and charge the losses caused by downtime to the customer's account. The customer shall be released from the compensation of these losses, if he proves that there is no need for additional works.

4. The contractor who fails to discharge the obligation, established by Item 3 of this Article, shall be deprived of the right to demand from the customer the payment for the fulfilled additional works and the compensation for the relevant losses, unless he proves the need for immediate actions in the interests of the customer, particularly in connection with the fact that the suspension of the works could lead to the destruction of, or damage to, the building project.

5. With the consent of the customer with the conduct and payment of additional works the contractor shall have the right to refuse to perform them only in cases where they do not enter in the sphere of the contractor's professional activity or cannot be performed by the contractor for reasons beyond his control.

#### **Article 744. Introduction of Changes to Technical Documentation**

1. The customer shall have the right to introduce changes to technical documentation, unless related additional works exceed in cost terms 10 per cent of the total estimate cost of construction and change the nature of the works, envisaged in the building contract.

2. Changes shall be made in technical documentation in the scope greater than that, indicated in Item 1 of this Article, on the basis of the additional estimate agreed upon by the parties.

3. The contractor shall be obliged in accordance with Article 450 of this Code to review the estimate, if the cost of the works has exceeded the estimate by not less than 10 per cent for the reasons beyond his control.

4. The contractor shall have the right to demand the reimbursement of reasonable expenses incurred by him in connection with the ascertainment and removal of defects in technical documentation.

**Article 745.** The Supply of Project Construction with Materials and Equipment

1. The duty of supplying project construction with materials, including details and structures, or equipment shall be borne by the contractor, unless the building contract provides for the supply of construction as a whole or in certain part by the customer.

2. The party which is obliged to supply project construction shall bear the liability for the revealed impossibility to make use of its supplied materials or equipment without the deterioration of the quality of the works being performed, unless he proves that their impossible use is due to the circumstances under the control of the other party.

3. In case of the revealed impossibility of making use of the materials and equipment supplied by the customer without the deterioration of the quality of the works being performed and of the customer's refusal to replace them, the contractor shall have the right to waive the building contract and demand that the customer pay the price of the contract in proportion to the fulfilled part of the works.

**Article 746.** The Payment for Works to Be Done

1. The payment for the works done by the contractor shall be made by the customer in the amount provided for by the estimate within the time and in the order prescribed by the law or the building contract. In the absence of appropriate references in the law or the contract the payment for works shall be made in accordance with Article 711 of this Code.

2. The building contract may provide for the payment for works in the lump and in full scope after the projects is accepted by the customer.

**Article 747.** The Customer's Additional Obligations under the Building Contract

1. The customer shall be obliged to provide in time a land plot for construction. The area and condition of the land plot to be provided shall correspond to the terms of the building contract and in the absence of such conditions shall ensure the timely start of the works, their normal performance and completion on due date.

2. In cases and in the procedure, envisaged by the building contract the customer shall be obliged to convey to the contractor for use the buildings and structures necessary for the accomplishment of the works, to transport cargoes at his address, to lay out temporary networks of power, water and steam supply and render other services.

3. Payments for the services rendered by the customer and indicated in Item 2 of this Article shall be made in cases and on the terms, provided for by the building contract.

**Article 748. Control and Supervision by the Customer over the Performance of Works Under the Building Contract**

1. The customer shall have the right to exercise control and supervision over the progress and quality of the works being performed, the observance of the period of their fulfilment (schedule), the quality of the materials supplied by the contractor, and also over the proper use by the contractor of the customer's materials without interfering in the day-to-day economic activity of the contractor.

2. The customer who has discovered during his control and supervision over the performance of the works departures from the terms and conditions of the building contract, which may deteriorate the quality of the works, or any other shortcomings, shall be obliged to inform the contractor about this without delay. The customer who has failed to make such statement to the contractor shall forfeit his right to refer in future to the shortcomings he will detect.

3. The contractor shall be obliged to implement the customer's directions, received during construction, unless such directions contradict the terms and conditions of the building contract and represent intervention in the day-to-day economic activity of the contractor.

4. The contractor who has fulfilled the works improperly shall have no right to refer to the fact that the customer failed to exercise his control and supervision over their performance, except for the cases when the obligation to exercise such control and supervision has been placed on the customer by law.

**Article 749. The Participation of an Engineer (Engineering Organization) in the Exercise of the Rights and in the Discharge of the Obligations of the Customer**

For the purposes of exercising control and supervision over project construction and of adopting on his behalf of decisions in relations with the contractor the customer may conclude on his own, without the contractor's consent, a contract for the rendering of such services to the customer with the relevant engineer (engineering organization). In this case the building contract shall define the functions of such engineer (engineering organization), connected with the consequences of his actions for the contractor.

**Article 750. Cooperation of the Parties to the Building Contract**

1. If hindrances to the proper execution of the building contract come to the surface during project construction and the related works, each party shall be obliged to take all reasonable measures under its control in order to remove such hindrances. The party which has failed to discharge this obligation shall forfeit its right to claim damages caused by the failure to eliminate the relevant hindrances.

2. The expenses of the party incurred in the discharge of the obligations, indicated in Item 1 of this Article, shall be subject to reimbursement by the other party in cases where this is stipulated by the building contract.

**Article 751.** The Contractor's Obligations of Protecting the Environment and of Providing Safety for Building Works

1. The contractor shall be obliged to observe the requirements of the law and other legal acts on environmental protection and safety of building works in the process of construction and the related works.

The contractor shall bear liability for the breach of said requirements.

2. The contractor shall have no right to use during the works being done the materials and equipment, supplied by the customer, or fulfil his directions, if they may lead to the breach of the requirements, obligatory for the parties, for the protection of the environment and the safety of building works.

**Article 752.** The Consequences of the Laying-up of Project Construction

If the works under the building contract have been suspended and the project construction has been laid-in for the reasons beyond the control of the parties, the customer shall be obliged to pay in full to the contractor for the works fulfilled up to the time of the laying-up of the work, and also to reimburse the expenses caused by the need to terminate the works and to lay-up the project construction with the offset of the benefits which the contractor has received or could receive due to the termination of the works.

**Article 753.** The Delivery-Acceptance of Works

1. The customer who has received the communication of the contractor about the delivery of the result of the works performed under the building contract or, if this is provided for by the contract, of the fulfilled stage of the works, shall be obliged to proceed to its acceptance.

2. The customer shall organize and effect the acceptance of the result of the works at his own expense, unless otherwise stipulated by the building contract.

In cases envisaged by the law or any other legal acts the representatives of state bodies and local self-



government bodies shall take part in the acceptance of the result of the works.

3. The customer who has accepted the result of a particular stage of the works shall bear the risk of the consequences of the destruction of, or damage to, the result of the works which have taken place not through the fault of the contractor.

4. The delivery of the result of the works by the contractor and the acceptance of it by the customer shall be formalized by the certificate, signed by both parties. If one of the parties refuses to sign the certificate, a note about this shall be put down in it, with the certificate being signed by the other party.

A unilateral certificate of acceptance of the result of the works may be recognized by a court of law as invalid only in case of the motives of the refusal to sign the acceptance certificate have been recognized by it as sound.

5. In cases where this is provided for by the law or the building contract or follows from the nature of the works performed under the contract, the acceptance of the result of the works shall be preceded by preliminary tests. In these cases the acceptance may take place only with the positive result of the preliminary tests.

6. The customer shall have the right to refuse to accept the result of the works in case of the discovery of shortcomings, which exclude the possibility of its use for the purpose, indicated in the building contract and may not be removed by the contractor or the customer.

#### **Article 754.** The Contractor's Liability for the Quality of Works

1. The contractor shall bear liability to the customer for the departures from the requirements, provided for by technical documents and by the building norms and rules obligatory for the parties, and also for the failure to achieve this building project's indicators, indicated in the technical documents, including the enterprise's industrial capacity.

In the event of the reconstruction (renewal, reorganization, restoration, etc.) of a building or structure the contractor shall bear liability for the reduction or loss of the durability, stability and reliability of the building, structure or a part thereof.

2. The contractor shall bear no liability for small departures from technical documents, made without the customer's consent, if he proves that they have not influenced the quality of project construction.

#### **Article 755.** Guarantees of Quality in the Building Contract

1. Unless otherwise stipulated by the building contract, the contractor shall guarantee the achievement by

the construction project of the indicators indicated in technical documents and the possibility of using the project in keeping with the building contract throughout the guarantee period. The statutory guarantee period may be extended by the agreement of the parties.

2. The contractor shall bear liability for defects, discovered during the guarantee period, unless he proves that they occurred due to the normal wear and tear of the project or of the parts thereof, its incorrect instructions, elaborated by the customer himself or by the third persons attracted by him, the improper repair of the project, carried out by the customer himself or by the third persons attracted by him.

3. The running of the guarantee period lapses for all the time during which the project could not be exploited due to the defects for which the contractor is liable.

4. In case of discovery of defects, indicated in Item 1 of Article 754 of this Code, during the guarantee period, the customer shall inform the contractor about them within reasonable time upon their discovery.

#### **Article 756.** The Time-limits of Discovery of the Improper Quality of Building Works

In the event of making claims for the improper quality of the result of the works, the rules, specified by Items 1-5 of Article 724 of this Code shall be applied.

The deadline for the discovery of defects shall be five years in conformity with Items 2 and 4 of Article 724 of this Code.

#### **Article 757.** Elimination of Defects at the Expense of the Customer

1. The building contract may provide for the obligation of the contractor to eliminate on the demand of the customer and at his expense the defects for which the contractor is not liable.

2. The contractor shall have the right to refuse to perform the obligation, indicated in Item 1 of this Article, in cases where the removal of defects is not connected directly with the subject of the contract or cannot be realized by the contractor for the reasons beyond his control.

### **§ 4. Contract for Design and Survey Works**

#### **Article 758.** Contract for Design and Survey Works

Under the contract for design and survey works the contractor (designer or surveyor) shall undertake to elaborate technical documentation of the customer and/or perform survey works, whereas the customer shall

undertake to accept and pay for their result.

**Article 759. Initial Data for the Performance of Design and Survey Works**

1. Under the contract for design and survey works the customer shall be obliged to give to the contractor his assignment for designing, and also other initial data needed for drawing up technical documentation. An assignment for the performance of design works may be prepared by the contractor on behalf of the customer. In this case the assignment shall become mandatory for the parties since the time of its approval by the customer.

2. The contractor shall be obliged to observe the requirements containing in the assignment and in other initial data for the performance of design and survey works, and shall have the right to depart from them only with the customer's consent.

**Article 760. The Contractor's Obligations**

1. Under the contract for design and survey works the contractor shall be obliged:

to perform the works in keeping with the assignment and other initial data on designing and with the contract;

to coordinate the ready technical documents with the customer and, whenever necessary, together with the customer - with competent state bodies and local self-government bodies;

to transfer to the customer ready technical documents and the results of the survey works.

The contractor shall have no right to give technical documents to third persons without the customer's consent.

2. Under the contract for design and survey works the contractor shall guarantee to the customer that third persons do not have the right to prevent the performance of the works or restrict their performance on the basis of the technical documentation prepared by the contractor.

**Article 761. The Contractor's Liability for the Improper Performance of Design and Survey Works**

1. Under the contract for design and survey works the contractor shall bear liability for the improper drawing up of technical documents and for the performance of survey works, including defects discovered later on during construction, and also in the process of the exploitation of the project, set up on the basis of the technical documents and the data of the survey works.

2. In the event of discovery of defects in technical documents or in survey works the contractor shall be

obliged to remake technical documentation gratis on the customer's demand and accordingly carry out the necessary additional survey works, and also to reimburse to the customer the losses caused, if the law or the contract for performance of design and survey works establishes otherwise.

#### **Article 762. The Customer's Obligations**

Under the contract for design and survey works the customer shall be obliged to take the following measures, unless otherwise stipulated by the contract:

to pay to the contractor the fixed price in full after the completion of all works or to pay it in instalments after the completion of individual stages of the work;

to use technical documentation received from the contractor only for the purposes, provided for by the contract, not to turn over technical documents to third persons and not to divulge the data contained therein without the contractor's consent;

to render assistance to the contractor in the performance of design and survey works in the scope and on the terms and conditions stipulated by the contract;

to participate together with the contractor in the coordination of ready technical documentation with relevant state bodies and local self-government bodies;

to reimburse the contractor's additional expenses, incurred by changes in the initial data for the performance of design and survey works due to the circumstances beyond the contractor's control;

to draw the contractor in the participation in the case on a claim filed by a third person to the contractor in connection with the defects of the compiled technical documents or the performed survey works.

### **§ 5. Contract Works for State or Municipal Needs**

#### **Article 763. The State or Municipal Contract for the Performance of Contract Works to Meet State or Municipal Needs**

1. Contract building works (Article 740), design and survey works (Article 758), intended for meeting the state or municipal needs, shall be performed on the basis of the state or municipal contract for the fulfilment of contract works to meet state or municipal needs.

2. Under the state or municipal contract for contract works to meet state or municipal needs (hereinafter referred to as the state or municipal contract) the contractor shall undertake to perform building, design and other works related to the construction and repair of the projects of a production and non-production character and to transfer them to the state or municipal customer, whereas the state or municipal customer shall undertake to accept the fulfilled works, to pay for them or to ensure their payment.

#### **Article 764. The Parties to a State or Municipal Contract**

1. A legal entity or natural person may act as a contractor under a state or municipal contract.

2. Under a state contract, the state authorities (including state power bodies), managerial bodies of state extra-budgetary funds, as well as the state-financed institutions, other recipients of the federal budget funds, budgets of constituent entities of the Russian Federation may act as state customers when placing orders to carry out contractual works on account of budget funds and extra-budgetary sources of financing.

3. Under a municipal contract, as municipal customers may act local self-government bodies, as well as other recipients of local budget funds in the event of placing orders to carry out contractual works with the use of budget funds and extra-budgetary sources of financing.

#### **Article 765. The Grounds and Procedure for the Conclusion of a State or Municipal Contract**

The grounds and procedure for the conclusion of a state or municipal contract shall be determined in keeping with the provisions of Articles 527 and 528 of this Code.

#### **Article 766. The Contents of the State or Municipal Contract**

1. The state or municipal contract shall contain the terms of the scope and value of the work subject to performance, the time-limits of its beginning and end, the amount and procedure of financing and paying the works and the methods of security of the parties' obligations.

2. Where a state or municipal contract is concluded according to the results of an auction or bidding concerning the works performed for the purpose of placing an order for carrying out contract works to meet state or municipal needs, the terms and conditions of the state or municipal contract shall be determined in accordance with

the announced terms of the auction or bidding in respect of these works and the offer of the contractor who is recognised as the auction winner or the winner of bidding for these works.

**Article 767. Changes in the State or Municipal Contract**

1. In case of the diminution of the resources of the corresponding budget in the statutory manner or by local self-government bodies, allocated for the financing of contract works, the parties shall be obliged to agree upon new dates, and, whenever necessary, other conditions of the performance of the works. The contractor shall have the right to demand that the state and municipal customer compensate the losses caused by changes in the dates of the fulfilment of the works.

2. It shall be allowable to change unilaterally or by agreement of the parties in the instances, provided for by laws, the terms and conditions of a state or municipal contract that are not connected with the circumstances specified in Item 1 of this Article.

**Article 768. Legal Regulation of the State or Municipal Contract**

The law on contracts for state or municipal needs shall be applicable to the relations involved in state or municipal contracts for the fulfilment of contract works for state or municipal needs in the part which is not regulated by this Code.

**Chapter 38. Performance  
of Research and Development and  
Technological Works**

**Article 769. Contracts for the Performance of Research and Development and Technological Works**

1. Under the contract for the performance of research and development and technological works the executor shall be obliged to carry out scientific research, specified by the customer's technical assignment, while under the contract for the development and technological works he shall be obliged to develop the sample of a new product, elaborate design documentation or new technology for it, whereas the customer shall undertake to accept the work and pay for it.

2. The contract with the executor may cover both the entire cycle of research, development and manufacture of the sample of the new product and its particular stages (elements).

3. Unless otherwise stipulated by the law or the contract, the risk of accidental impossibility of executing contracts for the performance of research and development and technological works shall be borne by the customer.

4. The terms and conditions of the contracts for performance of research and development and technological works shall correspond to the laws and other legal acts on exclusive rights (intellectual property).

#### **Article 770. The Performance of Works**

1. The executor shall be obliged to carry out scientific research in person. He shall have the right to draw third persons in the fulfilment of a contract for scientific research works only with the customer's consent.

2. During the performance of development or technological works the executor shall have the right, unless otherwise stipulated by the contract, to draw third persons in its execution. The rules for the general contractor and subcontractor (Article 706) shall be applicable to the relations between the executor and the third persons.

#### **Article 771. The Confidentiality of Information Which Constitutes the Subject of the Contract**

1. Unless otherwise stipulated by the contracts for the performance of research and development and technological works, the parties thereto shall be obliged to ensure the confidentiality of information relating to the subject of the contract, the progress of its execution and the obtained results. The scope of information recognized as confidential shall be determined by the contract.

2. Each party shall undertake to publish information to be recognized as confidential and obtained during the performance of the work only with the consent of the other party.

#### **Article 772. The Rights of the Parties to the Results of the Works**

1. The parties to the contracts for the performance of research and development and technological works shall have the right to make use of the works within the framework of the contract and on its terms and conditions.

2. Unless otherwise stipulated by the contract, the customer shall have the right to make use of the results of the work given to him by the executor while the executor shall have the right to use the obtained results of the works for his own needs.

3. The rights of the performer and of the customer to the results of the works, to which legal protection is granted as to the results of intellectual activity shall be defined in conformity with the rules of Section VII of the present Code.

#### **Article 773. The Executor's Obligations**

The executor shall be obliged to take the following measures under the contracts for the performance of research and development and technological works:

to perform the works in keeping with the technical assignment agreed upon with the customer and to turn over to the customer their results within the period fixed by the contract;

to coordinate with the customer the necessity for the use of the results of intellectual activity that belong to third persons and the acquisition of rights to their use;

to remove the defects, made through his fault, in the fulfilled works with his own forces and at his own expense, if they can involve departures from the technical and economic parameters, envisaged by the technical assignment or the contract;

to inform forthwith the customer about the ascertained impossibility to receive the expected results or about the inexpediency of continuing the work;

to guarantee to the customer the transfer of the results which have been received under the contract and which do not break the exclusive rights of other persons.

#### **Article 774. The Customer's Obligations**

1. In contracts for the performance of research and development and technological work the customer shall be obliged to undertake the following measures:

to give to the executor information needed for the fulfilment of the work;

to accept the results of the fulfilled works and to pay for them.

2. The contract may also provide for the obligation of the customer to give to the executor a technical assignment and to agree with him the programme) technical and economic parameters) or the topics of the works.

#### **Article 775. The Consequences of the Impossible Attainment of Results of Scientific Research Works**

If in the course of scientific research works it is found out that it is impossible to attain results owing to the circumstances that are beyond to executor's control, the customer shall be obliged to pay for the value of the works



carried out before the ascertainment of the impossibility to obtain results, envisaged by the contract for the performance of scientific research works, but not over and above the corresponding part of the price of the work, indicated in the contract.

**Article 776.** The Consequences of the Impossible Continuation of Research and Development and Technological Works

If during the performance of research and development and technological works it is found out that the impossible or inexpedient continuation of the works has arisen not through the fault of the executor, the customer shall be obliged to pay for the expenses incurred by the executor.

**Article 777.** The Liability of the Executor for the Breach of a Contract

1. The executor shall be liable to the customer for breaking the contracts for the performance of research and development and technological works, unless he proves that such breach has taken not through the fault of the executor (Item 1 of Article 401).

2. The executor shall be obliged to reimburse the losses caused by him to the customer within the limits of the cost of the works in which defects have been discovered, if the contract provides that they are subject to compensation within the limits of the total cost of the works under the contract. The lost profit shall be subject to compensation in cases stipulated by the contract.

**Article 778.** Legal Regulation of the Contracts for the Performance of Research and Development and Technological Works

The rules of Articles 708, 709 and 738 of this Code shall be applicable accordingly to the dates of the fulfilment of works and to their price, and also to the consequences of the customer's non-appearance for the receipt of the results of the works.

The rules of Articles 763-768 of this Code shall be applicable to the state or municipal contracts for the performance of research and development and technological works to meet state or municipal needs.

**Chapter 39. The Repayable Rendering of Services**

**Article 779.** The Contract for the Repayable Rendering of Services

1. Under the contract of repayable rendering of services the executor shall undertake to render services (to perform certain actions or carry out certain activity) according to the customer's assignment, while the customer shall undertake to pay for these services.

2. The rules of this Chapter shall be applicable to the contracts of rendering the communication services, medical, veterinary, audit, consulting, information, instruction, tourist and other services, except for the services rendered under the contracts, envisaged by Chapters 37, 38, 40, 41, 44, 45, 46, 47, 49, 51 and 53 of this Code.

**Article 780.** The Execution of the Contract for the Repayable Rendering of Services

Unless otherwise stipulated by the contract for the repayable rendering of services, the executor shall be obliged to render the services in person.

**Article 781.** Payment for Services

1. The customer shall be obliged to pay of the services rendered to him within the period and in the procedure indicated in the contract for the repayable rendering of services.

2. If it is impossible to execute the contract through the fault of the customer, the services rendered shall be subject to full payment, unless otherwise stipulated by the law or the contract for the repayable rendering of services.

3. In case where it is impossible to execute the contract due to the circumstances for which neither party is answerable, the customer shall reimburse the executor's actual expenses, unless otherwise provided for by the law or the contract for repayable rendering services.

**Article 782.** The Unilateral Refusal to Execute the Contract for the Repayable Rendering of Services

1. The contractor shall have the right to refuse to execute the contract for the repayable rendering of services, provided the executor's actually incurred expenses are paid out.

2. The executor shall have the right to refuse to execute the obligations under the contract for the repayable rendering of services, provided the customer's losses are fully reimbursed.

**Article 783.** The Legal Regulations of the Contract for the Repayable Rendering of Services

The general provisions on the work and labour contract (Articles 702-729) and the provisions on the domestic contract (Articles 730-739) shall be applicable to the contract for the repayable rendering services, unless this runs counter to Articles 779-782 of this Code, and also to the specific subject of the contract for the repayable rendering of services.

**Chapter 40. Carriage**

**Article 784.** General Provisions on Carriage

1. Cargoes, passengers and baggage shall be transported on the basis of the contract of carriage.
2. The general conditions of carriage shall be determined by transport charters and codes, other laws and rules issued in accordance with these laws.

The conditions of the carriage of cargoes, passengers and baggage by particular transport vehicles, and also the liability of the parties for this transportation shall be determined by the agreement of the parties, unless otherwise stipulated by this Code, transport charters and codes, other laws and rules issued in conformity with them.

**Article 785.** The Contract of Carriage of Cargo

1. Under the contract of carriage of cargo the carrier shall undertake to deliver the cargo entrusted to him by the consignor to the point of destination and to release it to the person (consignee) authorized to receive it, while the consignor shall undertake to pay a fixed charge for the carriage of cargo.
2. The conclusion of a contract for the carriage of cargo shall be confirmed by the drawing up and issue of a consignment bill to the consignor of cargo (bill of lading or any other cargo document, stipulated by the relevant transport charter or code).

**Article 786.** The Contract of Carriage of the Passenger

1. Under the contract of carriage of the passenger the carrier shall undertake to transport the passenger to the point of destination, and in case of delivery of luggage to the point of destination and to issue it to the person authorized to receive it; the passenger shall undertake to pay the fixed charge for the journey and for the carriage of luggage in case of its registry.

2. The conclusion of a contract of the passenger carriage shall be certified with a ticket, while the booking of luggage by the passenger - with a luggage receipt.

The forms of the ticket and the luggage receipt shall be established in the order, prescribed by transport charters and codes.

3. The passenger shall have the right in the order, prescribed by the relevant transport charter or code:

to carry with himself his children free of charge or on other easy terms;

to carry with himself hand luggage free of charge within the limits of fixed norms;

to book luggage for carriage for a tariff charge.

#### **Article 787. The Freight Contract**

Under the freight contract (charter) one party shall undertake to provide to the other party (affreighter) for charge the entire or partial capacity of one or several transport facilities for one or several voyages or flights for the haulage of cargoes, passengers and baggage.

Procedure for the conclusion of a freight contract, and also the form of the said contract shall be established by transport charters and codes.

#### **Article 788. Through Mixed Traffic**

The mutual relations of transport organizations that carry cargoes, passengers and baggage with the aid of various transport vehicles under a single transport document (through mixed traffic), and also the procedure of the organization of this carriage shall be determined by the agreements between the organizations of the respective types of transport, concluded in keeping with the law on direct mixed (combined) carriage.

#### **Article 789. Carriage by Public Transport**

1. The carriage realized by a profit-making organization shall be recognized as the carriage by public transport, if it transpires from the law, other legal acts, that the said organization is duty-bound to effect the carriage of cargoes, passengers and baggage in case of an application by any individual or legal entity.

The list of organizations which are obligated to effect the carriage to be recognized as the carriage by public transport shall be published in the established order.

2. The contract of carriage by public transport shall be a public agreement (Article 426).

#### **Article 790. Payment for Carriage**

1. Payment for carriage, fixed by the agreement of the parties, shall be collected for the transportation of cargoes, passengers and baggage, unless otherwise stipulated by the law or other legal acts.

2. Payment for the carriage of cargoes, passengers and baggage by public transport shall be estimated on the basis of the rates, approved in the order, established by transport charters and codes.

3. Works and services, performed or rendered by the carrier at the request of the cargo owner and not specified by rates, shall be paid by the agreement of the parties.

4. The carrier shall have the right to withhold the cargo and baggage, given to him for carriage, as security for the payments for carriage due to him (Articles 359 and 360), unless otherwise stipulated by the law, other legal acts, the contract of carriage or unless the contrary follows from the substance of the obligation.

5. In cases where the laws or other legal acts have introduced preferences for the payment for the carriage of cargoes, passengers and baggage, the expenses incurred in this connection shall be reimbursed by the transport organization from the resources of the appropriate budget.

#### **Article 791. The Supply of Transport Vehicles, the Loading and Unloading of Cargo**

1. The carrier shall be obliged to drive up serviceable transport vehicles in a condition fit for the carriage of cargo to the consignor for loading cargo in time, fixed by the order accepted from him, the contract of carriage or the agreement on the organization of carriage.

The consignor of cargo shall have the right to waiver the supplied transport vehicles which are not fit for the

carriage of cargo.

2. The loading (unloading) of cargo shall be carried out by the transport organization or the consignor (consignee) in the procedure, specified by the contract, with the observance of the provisions of transport charters and codes and the rules promulgated in compliance with them.

3. The loading (unloading) of cargo, realized by the forces and means of the consignor (consignee), shall be effected in the periods of time, stipulated by the contract, unless such periods have been fixed by transport charters and codes and the rules adopted in conformity with them.

**Article 792. Time-limits for the Delivery of Cargo, Passengers and Baggage**

The carrier shall be obliged to deliver cargo, passengers or baggage to the point of destination in the time-limits, fixed in the procedure, stipulated by transport charters and codes, and in the absence of such time-limits - within the reasonable period.

**Article 793. Liability for Breaking the Obligations of Carriage**

1. In case of default on the obligations of carriage or of improper discharge of such obligations, the parties shall bear liability, established by this Code, transport charters and codes, and also by the agreement of the parties.

2. Agreements between transport organizations and passengers or cargo owners on the limitation or elimination of the carrier's statutory liability shall be void, except for the cases when the possibility of such agreements is provided for by transport charters or codes for the carriage of cargo.

**Article 794. The Carrier's Liability for Failure to Drive up Transport Vehicles and the Consignor's Liability for Non-use of Driven-up Transport Vehicles**

1. For failure to drive up transport vehicles for the carriage of cargo in keeping with the accepted order or any other contract the carrier shall bear the liability, established by transport charters and codes and also by the

agreement of the parties, and for failure to submit cargo or for non-use of driven-up transport vehicles for other reasons the consignor shall bear the liability, established by transport charters and codes, and also by the agreement of the parties.

2. The carrier and the consignor shall be released from liability in case of failure to drive up transport vehicles or of non-use of driven-up transport vehicles, if this was due to the following reasons:

force majeure, and also other elements (fires, snow-drifts, floods) and hostilities;

the termination or limitation of the carriage of cargo in certain directions, which has been practiced in the order, prescribed by the respective transport charter or code;

in other cases, provided for by transport charters and codes.

**Article 795.** The Liability of the Carrier for the Delayed Dispatch of the Passenger

1. For the delayed dispatch of the transport vehicle which carries the passenger or for the late arrival of such transport vehicle at the point of destination (except for carriage in urban or suburban communication) the carrier shall pay a fine to the passenger in the amount, fixed by the corresponding transport charter or code, unless he proves that the delay or lateness have taken place due to force majeure, the removal of the malfunction of transport vehicles threatening the lives and health of passengers or due to other circumstances beyond the carrier's control.

2. If the passenger refuses to be carried because of the delayed dispatch of a transport vehicle, the carrier shall be obliged to return the fare to the passenger.

**Article 796.** The Liability of the Carrier for the Loss and Short Delivery of, and Damage to, Cargo or Baggage

1. The carrier shall be liable for the non-safety of cargo or baggage after it was accepted for carriage and before it was issued to the consignee, the person authorized by him or the person authorized to receive baggage, unless he proves that the loss and short delivery of, or damage to, cargo or baggage have taken place due to the circumstances which the carrier could not prevent and whose removal has not depended on him.

2. The damage caused during the carriage of cargo or baggage shall be recovered by the carrier in the following cases:

in case of the loss or short delivery of cargo or baggage - in the amount of the value of the lost or missing cargo or baggage;

in case of the damage to cargo or baggage - in the amount of the sum by which its value fell, and if it is impossible to restore the damaged cargo or baggage - in the amount of its value;

in case of the loss of cargo or baggage delivered for carriage with the announcement of its value - in the amount of the announced value of cargo or baggage.

The value of cargo or baggage shall be determined on the basis of its price, indicated in the seller's bill or envisaged by the contract, and in the absence of a bill or with reference to the price in the contract in terms of the price which under comparable circumstances is usually charged for similar goods.

3. In addition to the restitution of the ascertained damage, caused by the loss and short delivery or, or damage to, cargo or baggage, the carrier shall return to the consignor (consignee) the payment for carriage, recovered for the carriage of the lost, missing, spoiled or damaged cargo or baggage, if this payment is not a part of the value of cargo.

4. Documents on the causes of the non-safety of cargo or baggage (commercial report, general form statement, etc.), compiled by the carrier unilaterally, shall be subject to the appraisal by the court in case of a dispute in addition to other documents certifying the circumstances, which can serve as a ground for the liability of the carrier, consignor or consignee of cargo or baggage.

#### **Article 797. Claims and Suits in the Carriage of Cargoes**

1. Before bringing a suit against the carrier that follows from the carriage of cargo it is obligatory to make a claim on him in the procedure stipulated by the respective transport charter or code.

2. A suit against the carrier may be brought by the consignor or consignee in case of a full or partial refusal of the carrier to satisfy the claim or in case of non-receipt of a reply from the carrier within 30 days.

3. The period of limitation on the claims following from the carriage of cargo shall fixed in one year since the time, determined in keeping with transport charters and codes.



**Article 798.** Contracts for the Organization of the Carriage of Cargo

In case of need for systematic carriage the carrier and the cargo owner may conclude long-term contracts for the organization of carriage.

Under the contract of the organization of the carriage of cargo the carrier shall undertake to accept in fixed time-limits, while the cargo owner shall undertake to present cargo for carriage in the stipulated scope. The contract for the organization of the carriage of cargo shall determine the amounts, time-limits and other conditions for the provision of transport facilities and for the presentation of cargo for carriage, the procedure of payments, and also other conditions for the organization of carriage.

**Article 799.** Contracts Concluded Between Transport Organizations

Contracts for the organization of the work of ensuring the carriage of cargo (complex agreements, contracts for centralized delivery of cargo and others) may be concluded between the organizations of different kinds of transport.

Procedure for the conclusion of such contracts shall be determined by transport charters and codes, other laws and other legal acts.

**Article 800.** The Carrier's Liability for the Infliction of Harm to the Life and Health of a Passenger

The liability of the carrier for the harm inflicted to the life and health of a passenger shall be determined according to the rules of Chapter 59 of this Code, unless the law or the contract of carriage provides for the carrier's increased liability.

## **Chapter 41. Transport Forwarding**

**Article 801.** Contract of Transport Forwarding

1. Under the contract of transport forwarding one party (forwarding agent shall undertake to perform or organize the performance of the services of cargo carriage for reward and at the expense of the other party (consignor or consignee as a client).

The contract of transport forwarding may provide for the forwarder's obligation to organize the carriage of cargo by transport and along the route, chosen by the forwarding agent or the client, the obligation of the forwarding agent to conclude a contract (contracts) of the carriage of cargo on behalf of the client or on his own behalf, to ensure the dispatch and receipt of cargo, and also other obligations for carriage.

The contract of transport forwarding may provide as additional services such operations necessary for the delivery of cargo as the receipt of documents required for export or import, the performance of customs and other formalities, the inspection of the quantity and condition of cargo, its loading and unloading, the payment of duties, fees and other expenses to be incurred by the client, the storage of cargo, its receipt in the point of destination, and also the fulfilment of other operations and the provision of services, specified by the contract.

2. The rules of this Chapter shall also extend to the cases where in keeping with the contract the obligations of the forwarding agent shall be discharged by the carrier.

3. The conditions for the fulfilment of the contract of transport forwarding shall be determined by the agreement of the parties, unless otherwise stipulated by the law on transport forwarding, by other laws and other legal acts.

#### **Article 802.** The Form of the Contract of Transport Forwarding

1. The contract of transport forwarding shall be concluded in writing.

2. The client shall issue to the forwarding agent a power of attorney, if it is necessary for the discharge of his obligations.

#### **Article 803.** The Liability of the Forwarding Agent under the Contract of Transport Forwarding

For default on the obligations or improper discharge of obligations the forwarding agent shall bear liability on the grounds and in the amount which are determined in accordance with the rules of Chapter 25 of this Code.

If the forwarding agent proves that the infringement of the obligation is caused by the improper execution of the contracts of carriage, the liability of this forwarding agent to the client shall be determined by the same rules under which the relevant carrier is liable to the forwarding agent.

#### **Article 804.** Documents and Other Information Submitted to the Forwarding Agent

1. The client shall be obliged to submit to the forwarding agent documents and other information about the properties of cargo, the terms of its carriage, and also other information needed for the discharge of the forwarder's

obligation, specified by the contract of transport forwarding.

**2.** The forwarding agent shall be obliged to inform the client about the discovered shortcomings of received information, and in case of incomplete information to request from the client additional data.

**3.** In case of the non-submission of the necessary information by the client the forwarding agent shall have the right not to proceed to the discharge of relevant obligations until the time of presenting such information.

**4.** The client shall bear liability for the losses caused to the forwarding agent in connection with the breach of the obligation of presenting information, indicated in Item 1 of this Article.

#### **Article 805. The Discharge of the Forwarding Agent's Obligations by a Third Person**

If it does not follow from the contract of transport forwarding that the forwarder should discharge his duties in person, the forwarder shall have the right to draw other persons in the discharge of his obligations.

The entrustment of a third person with the discharge of the obligation shall not release the forwarder from the liability to the client for the execution of the contract.

#### **Article 806. Unilateral Refusal to Execute the Contract of Transport Forwarding**

Any party shall have the right to refuse to execute the contract of transport forwarding by warning the other party within a reasonable period.

In case of unilateral refusal to execute the contract the party which stated his refusal shall reimburse to the other party the losses caused by the dissolution of the contract.

## **Chapter 42. Loans and Credits**

### **§ 1. Loans**

#### **Article 807. The Loan Agreement**

**1.** Under the loan agreement one party (the lender) shall transfer into the ownership of the other party (borrower) money or things marked by generic features, while the borrower shall undertake to return to the lender the same sum of money (the loan amount) or the equal quantity of things of the same type and quality.

A loan agreement shall be deemed concluded from the moment the money or things are transferred.

2. Foreign currency and currency values may be a subject of a loan agreement on the territory of the Russian Federation with the observance of the rules of Articles 140, 141 and 317 of this Code.

**Article 808. The Form of the Loan Agreement**

1. A loan agreement between individuals shall be concluded in writing, if its sum of money exceeds in more than ten times the statutory minimum amount of wages or salaries and regardless of the sum of money in case where the lender is a legal entity.

2. In acknowledgment of a loan agreement and its terms and conditions the borrower's receipt or another document certifying the transfer of a definite sum of money or a certain quantity of things may be presented.

**Article 809. Interest Under the Loan Agreement**

1. Unless otherwise stipulated by the law or the loan agreement, the lender shall have the right to receive from the borrower interest for the sum of the loan in the amount and in the procedure, specified by the agreement. In the absence in the agreement of a clause on the amount of interest, the latter shall be determined by the rate of bank interest (the rate of refunding) in the place of residence of the lender or in the place of the location of the legal entity, if the latter is the lender, on the day of payment by the borrower of the sum of debt or its appropriate part.

2. In the absence of a different agreement interest shall be paid out every month up to the day of the return of the sum of the loan.

3. The loan agreement is supposed to be interest free, unless otherwise stipulated expressly in cases where:

the agreement is concluded between individuals for the sum of money that does not exceed the five-fold amount of the statutory minimum wage or salary and is not connected with the business activity of at least of one of the parties;

under the agreement other things, marked by generic features, and not money are transferred to the borrower.

**Article 810. The Borrower's Obligation to Return the Loan Agreement**

1. The borrower shall be obliged to return to the lender the received loan amount in the period and in the order, prescribed by the loan agreement.

In cases where the term of the return of loan amount is not fixed by or determined by the time of demand,

the loan amount shall be returned by the borrower during 30 days since the day of the making by the lender of the claim, unless otherwise stipulated by the contract.

2. Unless otherwise stipulated by the loan agreement, the amount of an interest-free loan may be returned by the borrower short of the term.

The loan amount given on interest may be returned short of the term with the consent of the lender.

3. Unless otherwise stipulated by the loan agreement, the loan amount shall be deemed to be returned at the time of its transfer to the lender or of the charge of corresponding pecuniary means to his bank account.

#### **Article 811.** The Consequences of Breaking the Loan Agreement by the Borrower

1. Unless otherwise stipulated by the law or the loan agreement, in cases where the borrower fails to return on time the loan amount, interest on this sum of money shall be subject to payment in amount, envisaged by Item 1 of Article 395 of this Code, from the day when it should have been returned to the day of its return to the lender, regardless of the payment of interest, specified by Item 1 of Article 809 of this Code.

2. If the loan agreement provides for the return of the loan in parts (by instalment), then with the breach by the borrower of the period, fixed for the return of the regular part of the loan, the lender shall have the right to demand the anticipatory return of the entire remaining sum of the loan together with interest due to him.

#### **Article 812.** The Contesting of a Loan Agreement

1. The borrower shall have the right to contest the loan agreement due to the lack of money by proving that money or other things have not been received by him in reality from the lender or received in lesser quantity than it was stated in the agreement.

2. If a loan agreement is to be concluded in writing (Article 808), it shall be impermissible to contest it due to the lack of money by means of witness depositions, except in cases where the agreement was concluded under the influence of fraud, violence, threat or the malicious agreement of the borrower's representative with the lender or the concurrence of hard circumstances.

3. If it is found during the process of contesting by the borrower of the loan agreement due to the lack of money that money or other things have not been received in reality from the lender, the loan agreement shall be deemed to be non-concluded. When money or things have been in fact received by the borrower from the lender in lesser quantity than it is indicated in the agreement, the latter shall be deemed to be concluded for this quantity of money or things.

**Article 813. The Consequences of the Loss of the Security of the Borrower's Obligations**

In case of default by the borrower on the obligations, stipulated by the loan agreement, to secure the return of the loan amount, and also in case of the loss of the security or of the deterioration of its conditions due to the circumstances for which the lender is not answerable, the lender shall have the right to demand from the borrower the anticipatory return of the loan amount and the payment of interest due to him, unless otherwise stipulated by the agreement.

**Article 814. Special-purpose Loan**

1. If a loan agreement is concluded with the proviso of using by the borrower the received pecuniary means for certain purposes (special-purpose loan), the borrower shall be obliged to ensure the possibility of exercising control by the lender over the special-purpose use of the loan sum.

2. If the borrower fails to fulfil the clause of the loan agreement on the special-purpose use of the loan, and also if he breaks the obligations, provided for by Item 1 of this Article, the lender shall have the right to demand from the borrower the anticipatory return of the loan sum and the payment of interest due to him, unless otherwise stipulated by the agreement.

**Article 815. The Bill**

In cases where in accordance with the agreement of the parties the borrower has passed the bill certifying the obligation of the drawer of a bill, not stipulated by anything (promissory note), or of any payer, indicated in the bill (bill of exchange), to pay out the pecuniary sums borrowed at maturity, specified by the bill, the relations of the parties under the bill shall be regulated by the law on the promissory note and the bill of exchange.

Since the time of the issue of a bill the rules of this paragraph may be applied to these relations inasmuch as they do not contradict the law on the bill of exchange or the promissory note.

**Article 816. The Bond**

In cases envisaged by the law or other legal acts the loan agreement may be concluded by means of the issue and sale of bonds.

A bond shall be recognized the security that certifies the right of its holder to receive the nominal value of

the bond or any other property equivalent from the person, who has issued the bond, in the period specified by it. The bond shall also give to its holder the right to receive the interest fixed in it of the nominal value of the obligation or any other property rights.

The rules of this paragraph shall apply to the relations between the person who has issued the bond and its holder inasmuch as unless otherwise stipulated by the law or in the order established by it.

#### **Article 817. The State Loan Agreement**

1. Under the state loan agreement the role of the borrower shall be played by the Russian Federation or its subject, while that of the lender shall be played by an individual or a legal entity.

2. State loans shall be voluntary.

3. A state loan agreement shall be concluded through the acquisition by the lender of the issued state bonds or other government securities certifying the right of the lender to receive from the borrower the pecuniary means lent to him or, depending on the loan terms, other property, fixed interest or other property rights within the periods of time, specified by the terms of the floated loan.

4. It shall be impermissible to change the terms of a floated loan.

5. The rules for the state loan agreement shall be applied accordingly to the loans issued by a municipal body.

#### **Article 818. Novation of a Debt by Its Acknowledgment**

1. Under the agreement of the parties the debt which has arisen from purchase and sale, the lease of property or on any other ground may be replaced by the acknowledgment of the debt.

2. The novation of the debt by its acknowledgment shall be carried out with the observance of the requirements for novation (Article 414) and shall be done in the form, specified for the conclusion of a loan agreement (Article 808).

## **§ 2. Credit**

#### **Article 819. The Credit Agreement**

1. Under the credit agreement the bank or any other credit organization (creditor) shall undertake to grant monetary means (credit) to a borrower in the amount and on the terms, stipulated by the agreement, while the

borrower shall undertake to return the received sum of money and pay interest on it.

2. The rules specified by the first paragraph of this Chapter shall be applied to the relations covered by the credit agreement, unless otherwise stipulated by the rules of paragraph one of the present Chapter and unless the contrary follows from the substance of the credit agreement.

#### **Article 820. The Form of the Credit Agreement**

A credit agreement shall be concluded in writing.

The non-observance of the written form shall invalidate the credit agreement. Such agreement shall be deemed to be null and void.

#### **Article 821. The Refusal to Grant or Receive Credit**

1. The creditor shall have the right to refuse to grant to the borrower a credit in full or in part, as envisaged by the credit agreement in the presence of circumstances which expressly testify to the fact that the sum of money given to the borrower will not be returned in due time.

2. The borrower shall have the right to refuse to receive credit in full or in part by notifying the creditor about this until the time fixed by the agreement, unless otherwise stipulated by the law, other legal acts or the credit agreement.

3. If the borrower contravenes the obligation of a special-purpose use of credit (Article 814), provided for by the credit agreement, the creditor shall also have the right waive the further crediting of the borrower under the agreement.

### **§ 3. Credit Against Goods and Commercial Credit**

#### **Article 822. Credit Against Goods**

The parties may conclude a contract providing for the obligation of one party to give to the other party things defined by generic features (the agreement on credit against goods). The rules of the second paragraph of this Chapter shall be applicable to such agreement, unless otherwise stipulated by such agreement and unless the contrary follows from the substance of the obligation.



The conditions on the quantity, assortment, completeness, quality, tare and/or packing of given things shall be implemented in accordance with the rules governing the contract of sale (Articles 465-485), unless otherwise stipulated by the agreement on credit against goods.

#### **Article 823. Commercial Credit**

1. Contracts whose execution is associated with the transfer to the other party of sums of money or other things, defined by generic features, may provide for the granting of credit, including that in the form of advance, prepayment, deferment or instalment payment for goods, works or services (commercial credit), unless otherwise stipulated by the law.

2. The rules of this Chapter shall be applicable to commercial credit, unless otherwise stipulated by the rules on the agreement which has given rise to the appropriate obligation and unless this contradicts the substance of such obligation.

### **Chapter 43. Financing Against the Assignment of a Monetary Claim**

#### **Article 824. The Contract of Financing Against the Assignment of a Monetary Claim**

1. Under the contract of financing against the assignment of a monetary claim one part (financial agent) shall transfer or undertake to transfer to the other party (client) pecuniary means on account of the monetary claim of the client (creditor) to a third person (debtor) that follows from the granting by the client of goods, the performance of works or the rendering of services to the third person, while the client shall assign or undertake to assign this monetary claim to the financial agent.

A monetary claim to the debtor may be assigned by the client to the financial agent also for the purpose of discharging the client's obligation to the financial agent.

2. Under the contract of financing against the assignment of a monetary claim the obligations of the financial agent may include the keeping of accounting for the client, and also the provision of other financial service to the client, associated with the monetary claims which are the subject of the assignment.

#### **Article 825. Financial Agent**

Commercial organisations may conclude, in the capacity of a financial agent, contracts of financing under

assignment of monetary demand.

**Article 826. A Monetary Claim Assigned for Financing Purposes**

1. Both the monetary claim, whose date of payment has already ensured (existing claim) and the right to receive pecuniary means which will arise in the future (future claim) may be a subject of assignment for which financing is granted.

The monetary claim that is the subject of the assignment shall be defined in the contract of the client with the financial agent in a way that makes it possible to identify the existing claim at the time of concluding the contract, while the future claim - not later than at the time of its rise.

2. In case of assignment of a future monetary claim the latter shall be deemed to be passed to the financial agent for the emergence of the right to receive pecuniary means from the debtor, which are the subject of the assignment of the claim, stipulated by the contract. If the assignment of a monetary claim is conditioned by a definite occurrence, it shall enter into force after the advent of this occurrence.

Additional formalization of the assignment of a monetary claim shall not be required in these cases.

**Article 827. The Client's Liability to the Financial Agent**

1. Unless the contract of financing against the assignment of a monetary claim provides otherwise, the client shall bear liability to the financial agent for the reality of the monetary claim that is the subject of the assignment.

2. The monetary claim which is the subject of assignment shall be recognized as actual, if the client has the right to transfer the monetary claim and if at the time of the assignment of this claim he is not aware of the circumstances in consequence of which the debtor has the right not to execute it.

3. A client shall not be answerable for the non-fulfilment or improper fulfilment by the debtor of the claim which is the subject of assignment in case the financial agent presents it for execution, unless otherwise stipulated by the contract between the client and the financial agent.

**Article 828. Invalidity of the Ban on the Assignment of a Monetary Claim**

1. The assignment of a monetary claim to the financial agent shall be actual, if even there is an agreement on its ban or restriction between the client and his debtor.

2. The provision established by Item 1 of this Article shall not release the client from obligations or liability

to the debtor in connection with the assignment of the claim in violation of the existing agreement between them on its ban or restriction.

**Article 829.** The Subsequent Assignment of a Monetary Claim

The subsequent assignment of a monetary claim shall not be allowed by the financial agent, unless the contract of financing against the assignment of the monetary claim provides for otherwise.

In case where the contract allows for the subsequent assignment of a monetary claim, the provisions of this Chapter shall be accordingly applicable to it.

**Article 830.** The Execution of a Monetary Claim by the Debtor to the Financial Agent

1. The debtor shall be obliged to make a payment to the financial agent, provided that he has received from the client or the financial agent a written notification about the assignment of a monetary claim to this financial agent and that the notification defines the monetary claim subject to execution, and also indicates the financial agent to whom payment is to be made.

2. At debtor's request the financial agent shall be obliged to submit to the debtor within a reasonable period of time evidence of the fact that the assignment of the monetary claim has in fact taken place. If the financial agent fails to execute this obligation, the debtor shall have the right to make payment to the client in pursuance of his obligation to the latter.

3. The execution of the monetary claim by the debtor to the financial agent in keeping with the rules of this Article shall release the debtor from the relevant obligation to the client.

**Article 831.** The Rights of the Financial Agent to the Amounts Received from the Debtor

1. If under the contract of financing against the assignment of a monetary claim the client shall be financed by means of buying from his this claim by the financial agent, the latter shall acquire the right to all the sums of money he will receive from the debtor in fulfilment of the claim, while the client shall bear no liability to the financial agent for the fact that the received sums of money have proved to be less than the price for which the agent has bought the claim.

2. If a monetary claim has been assigned to the financial agent for the purpose of providing the execution of the client's obligation for him and unless the contract of financing against the assignment of the claim stipulates otherwise, the financial agent shall be obliged to submit his account to the client and transfer to him the sum of

money exceeding the sum of the debt of the client, secured by the assignment of the claim. If the pecuniary means received by the financial agent from the debtor have proved to be less than the amount of the debt of the client to the financial agent, secured by the assignment of the claim, the client shall remain liable to the financial agent for the remainder of the debt.

#### **Article 832. Counter Claims of the Debtor**

1. If the financial agent applies to the debtor with the claim for payment, the debtor shall have the right, in keeping with Articles 410 - 412 of this Code, to present for the offset his monetary claims based on the contract with the client, which the debtor had by the time when he received the notice about the assignment of the claim to the financial agent.

2. The claims which the debtor could present to the client in connection with the breach by the latter of the agreement on the ban on the restriction of the assignment of the claim shall be invalid in respect of the financial agent.

#### **Article 833. The Return to the Debtor of the Amounts Received by the Financial Agent**

1. In case where the client has breached his obligations under the contract concluded with the debtor, the latter shall have no right to demand from the financial agent the return of the sums of money paid to him under the claim that has passed to the financial agent, if the debtor has the right to receive such sums of money directly from the client.

2. The debtor, who has the right to receive directly from the client the amounts paid to the financial agent as a result of the assignment of the claim, shall have nevertheless the right to demand the return of these sums of money by the financial agent, if it is proved that the latter has failed to execute his obligation to effect for the client the promised payment, associated with the assignment of the claim, or has made such payment, knowing about the breach by the client of that obligation to the debtor to which the payment, associated with the assignment of the claim, refers.

### **Chapter 44. Bank Deposit**

#### **Article 834. The Bank Deposit Agreement**

1. Under the bank deposit agreement one party (the bank), which has received the monetary sum (deposit)

from the other party (depositor) or the receipts due to it (deposit), shall undertake to return the amount of the deposit and pay interest on it on the terms and in the procedure specified by the agreement.

2. The bank deposit agreement in which a private person is a depositor shall be deemed to be a public agreement (Article 426).

3. The rules of the bank deposit agreement (Chapter 45) shall be applicable to the relations between the bank and the depositor involved in the account on which the deposit has been placed, unless otherwise stipulated by the rules of this Chapter or unless the contrary follows from the substance of the bank deposit agreement.

Legal entities shall have no right to transmit pecuniary means held in deposits to other persons.

4. The rules of this Chapter relating to bank shall also be applicable to other credit organizations which accept deposits from legal entities in keeping with the law.

#### **Article 835. The Right of Attraction of Monetary Means for Making Deposits**

1. The right to attract monetary means for making deposits shall belong to the banks to which such right has been accorded in conformity with the permit (license), issued in the statutory procedure.

2. If a deposit is accepted from an individual by the person who has no right to do so or in contravention of the procedure, established by the law or by the bank rules adopted in accordance with it, the depositor may demand the immediate return of the amount of the deposit, and also the payment of the relevant interest, stipulated by Article 395 of this Code, and the reimbursement of all the losses caused to the investor over and above the amount of interest.

If such person has accepted the pecuniary means of a legal entity on the terms of the bank deposit agreement, such agreement shall be null and void (Article 168).

3. Unless otherwise stipulated by the law, the consequences, provided for by Item 2 of this Article, shall also be applicable in the cases of:

the attraction of monetary resources of individuals and legal entities by means of sale to them of shares and other securities whose issue has been recognized as illegal;

the attraction of monetary resources of individuals for making deposits against the bills or other securities which exclude the receipt of their holders of their deposits as soon as demanded and the exercise by the depositors of other rights, envisaged by the rules of this Chapter.

**Article 836. The Form of the Bank Deposit Agreement**

1. A bank deposit agreement shall be concluded in writing.

The written form of a bank deposit agreement shall be deemed to be observed, if the placement of a deposit is certified with a savings book, a savings or deposit certificate, or with any other document issued by the bank to the depositor which complies with the requirements, stipulated by the law for such documents, introduced by the bank rules in conformity with the law and applicable in banking practice by the customs of business turnover.

2. Non-observance of the written form of the bank deposit agreement shall invalidate this agreement. Such agreement shall be void.

**Article 837. Types of Deposits**

1. A bank deposit agreement shall be concluded on the terms of the issue of a deposit as soon as demanded (deposit at short notice) or on the terms of the return of a deposit upon the expiry of the period of time specified by the agreement (time fixed deposit).

The agreement may provide for the placement of deposits on the different terms of their return which are not inconsistent with the law.

2. Under the agreement of a bank deposit of any type the bank shall be obliged to issue the sum of the deposit or part thereof as soon as demanded by the depositor, except for the deposits placed by legal entities on different terms of return, provided for by the agreement.

The agreement's proviso about the refusal by an individual to receive his deposit as soon as he demanded shall be void.

3. In cases where a time deposit or any deposit other than a call deposit shall be returned to its holder as soon as he demanded before the expiry of the term or the onset of other circumstances, indicated in the bank deposit agreement, interest on deposits shall be paid out in the amount corresponding to the rate of interest paid out by the banks for deposits at short notice, unless the agreement provides for a different amount of interest.

4. In cases where the depositor does not demand the return of the sum of his time fixed deposit upon the expiry of the term or the sum of the deposit placed by him on the different conditions of return, upon the onset of the circumstances, specified by the agreement, the agreement shall be deemed to be prolonged on the terms of the call deposit, unless otherwise stipulated by the agreement.

#### **Article 838. Interest on Deposits**

1. The bank shall pay out to a depositor interest on his deposit in the amount defined by the bank deposit agreement.

In the absence in the agreement of a clause on the rate of interest to be paid out the bank shall be obliged to pay out interest in the amount, defined in accordance with Item 1 of Article 809 of this Code.

2. Unless otherwise stipulated by the bank deposit agreement, the bank shall have the right to change the rate of interest paid out on the call deposits.

If the bank increases the rate of interest, the new interest rate shall be applied to the deposits made before the announcement on the diminution of the interest rate to depositors, upon the expiry of the month since the time of the relevant announcement, unless otherwise stipulated by the contract.

3. The interest rate, defined by the bank deposit agreement on the deposit made by a private person on the terms of its issue upon the expiry of a definite time or upon the onset of the circumstances provided for by the agreement, may not be decreased by the bank unilaterally, unless otherwise stipulated by the law. Under such bank deposit agreement, concluded by the bank with a legal entity, the interest rate may not be changed unilaterally, unless otherwise stipulated by the law or the agreement.

#### **Article 839. Procedure for Adding Interest on Deposits and Its Payment**

1. Interest on the sum of a bank deposit shall be added from the day that follows the day of its receipt by the bank until the day of its return to the depositor inclusive, and if it has been withdrawn from the account of the depositor on other bases, then until the day of the withdrawal inclusive.

2. Unless otherwise stipulated by the bank deposit agreement, interest on the sum of the bank deposit shall be paid out to the depositor on his demand upon the expiry of each quarter separately from the amount of the deposit, while the uncalled interest shall increase the amount of the deposit on which interest is cast.

In case of the return of a deposit all the interest added by this time shall be paid off.

#### **Article 840. Security for the Return of a Deposit**

1. The banks shall be obliged to secure the return of deposits of private persons through obligatory insurance or by other methods in cases specified by the law.

The return of deposits of private persons by the bank in whose statutory capital over 50 per cent of shares or participating interest belongs to the Russian Federation and/or the subjects of the Russian Federation, and also to municipal bodies shall be, furthermore, guaranteed by their subsidiary liability according to the demands of the investor to the bank in the procedure, envisaged by Article 399 of this Code.

**2.** Methods of the bank's security for the return of deposits of legal entities shall be defined by the bank deposit agreement.

**3.** During the conclusion of a bank deposit agreement the bank shall be obliged to provide the depositor with information about the secured return of the deposit.

**4.** If the bank fails to discharge the obligation of securing the return of a deposit, envisaged by the law or the bank deposit agreement, and also in case of the loss of security or the deterioration of its conditions the depositor shall have the right to demand that the bank should immediately return the sum of the deposit, pay out interest in the amount, defined in conformity with Item 1 of Article 809 of this Code and indemnify the caused losses.

#### **Article 841.** The Placement of Monetary Means by Third Persons on the Depositor's Account

Unless otherwise stipulated by the bank deposit agreement, the account of the depositor shall receive the monetary means credited to the bank's account by third persons with an indication of the essential data on his deposit account. In this case it is supposed that the depositor has expressed his consent with the receipt of monetary means from such persons and furnished to them the essential data on the deposit account.

#### **Article 842.** Deposits in Favour of Third Persons

**1.** A deposit may be in the bank in favour of a definite third person. Unless otherwise stipulated by the bank deposit agreement, such person shall acquire the depositor's rights since the time of presenting to the bank the first claim based on these rights or expressing his intention of availing himself of such rights by any other method.

The indication of the name of an individual (Article 19) or the name of a legal entity (Article 54) in whose favour a deposit is made is an essential condition of the relevant bank deposit agreement.

The bank deposit agreement in favour of the individual who died at the time of the conclusion of the agreement or at the time of the non-existence of the legal entity shall be void.

**2.** Before the third person expresses his intention to avail himself of the depositor's rights, the person who has concluded a bank deposit agreement may avail himself of the depositor's rights in respect of monetary means



placed on the deposit account.

**3.** The rules for the agreement in favour of the third person (Article 430) shall be applicable to the bank deposit agreement in favour of the third person, unless this contradicts the rules of this Article and the substance of the bank deposit.

#### **Article 843. The Savings Book**

**1.** Unless otherwise stipulated by the arrangement of the parties, the conclusion of a bank deposit agreement with a private person and the placement of monetary means on his deposit account shall be certified by a savings book. The bank deposit agreement may provide for the issue of a registered savings book or a savings book to bearer. The savings book to bearer shall be a security.

The savings book shall indicate and certify by the bank its name and place of location (Article 54), and if a deposit is made in its branch, this book shall also indicate the name and place of its branch, the deposit account number, and also all the sums of money charged to the account, all the sums of money written off the account, and the remainder of cash on the account at the time of presenting the savings book to the bank.

Unless a different condition of the deposit is proved, the data on the deposit contained in the savings book shall be a ground for settlements between the bank and the depositor.

**2.** The payment of a deposit and interest on it and the fulfilment of the instructions of the depositor on the transfer of money from the deposit account to other persons shall be effected by the bank upon the production of the savings book.

If the registered savings book has been lost or brought into a faulty state for presentation, the bank shall give to the depositor a new savings book upon his application.

The rights under the lost savings book to bearer shall be restored in the procedure, envisaged for securities to bearer (Article 148).

#### **Article 844. The Savings (Deposit) Certificate**

**1.** The savings (deposit) certificate shall be a security that certifies the sum of the deposit made in the bank and the rights of the depositor (certificate holder) to the receipt of the amount of the deposit upon the expiry of the fixed time and of the deposit upon the expiry of the fixed time and of interest stipulated by the certificate in the bank which has issued the certificate or in any branch of this bank.

**2.** Savings (deposit) certificates may be registered or to bearer.

3. In case of the anticipatory presentation of a savings (deposit) certificate for payment the bank shall pay off the sum of the deposit and interest on it, paid out in call deposits, unless the certificate conditions provide for a different interest rate.

## **Chapter 45. Bank Account**

### **Article 845. The Bank Account Agreement**

1. Under the bank account agreement the bank shall undertake to charge cash to the account opened for a client (account holder), to implement the client's instructions on his transfer to, and the withdrawal of, relevant sums of money from the account and on other operations with the account.

2. The bank may use the monetary means placed on the account, while guaranteeing the client's right to make use of these means.

3. The bank shall have no right to determine and control the trends of using the client's monetary funds and introduce other restrictions on his right to dispose of cash at his discretion which are not provided by the law or the bank account agreement.

4. The rules of this Chapter relating to the banks shall also be applicable to other credit organizations in case of the conclusion and execution of the bank account agreement in conformity with the issued permit (license).

### **Article 846. The Conclusion of a Bank Account Agreement**

1. With the conclusion of a bank account agreement an account shall be opened with a bank for the client or the person indicated by him on the terms, agreed upon by the parties.

2. The bank shall be obliged to conclude a bank account agreement with the client who has made his offer to open an account on the conditions announced by the bank for the accounts of the given type, which meet the requirements of the law and the bank rules, established in conformity with it.

The bank shall have no right to refuse to open an account, the corresponding operations with which are stipulated by the law, the constituent instruments of the bank and the permit (license) issue to it, except for the cases where such refusal has been caused by the bank's lack of the possibility to accept the account for banking servicing or is admitted by the law or other legal acts.

If the bank evades from the conclusion of a bank account agreement on a groundless basis, the client shall

have the right to present to it his claims, provided for by Item 4 of Article 445 of this Code.

**Article 847. The Certification of the Right to Dispose of Cash Placed on the Account**

1. The rights of the persons who implement the instructions of the client on the transfer and payment of cash from the account shall be certified by the client by means of presenting to the bank of statutory documents in conformity with the bank rules established by the law and the bank account agreement.

2. The client may give instructions to the bank on the write off of cash from the account on the demand of third persons, including the instructions connected with the performance by the client of his obligations to these persons. The bank shall accept these instructions, provided they indicate in writing the necessary data which make it possible to identify the person who has the right to present the relevant claim.

3. The agreement may provide for the certification of rights of disposing of cash placed on the account by the electronic payment facilities and by other documents with the use in them of the analogues of the autograph (Item 2 of Article 160), codes, passwords and other means confirming that instructions have been given by the person authorized therefor.

**Article 848. Bank Operations with Accounts**

The bank shall be obliged to perform operations for the client, which are provided for the accounts of the given types by the law, the bank rules established by law and the customs of business turnover applicable in banking practice, unless otherwise stipulated by the bank account agreement.

**Article 849. Time-limits for Operations with Accounts**

The bank shall be obliged to charge cash placed on the client's account within the day that follows the day of the receipt by the bank of the relevant payment document, unless the bank account agreement provides for a shorter period.

The bank shall be obliged to pay out cash or transfer it from the depositor's account within the day that follows the day of the receipt by the bank of the relevant payment document, unless the law, the bank rules introduced in accordance with it or the bank account agreement provide for different time-limits.

**Article 850. Account Crediting**

1. In cases where in conformity with the bank account agreement the bank makes payments from the

account despite the absence of monetary means (account crediting), the bank shall be deemed to grant to a client a credit in the appropriate amount since the day such payment was effected.

2. The rights and obligations of the parties associated with account crediting shall be determined by the rules for loans and credits (Chapter 42), unless the bank account agreement provides otherwise.

**Article 851.** The Payment of Banking Expenses on Operations with Accounts

1. In cases specified by the bank account agreement the client shall pay for the bank's services involved in the operations with cash placed on the account.

2. A charge for the bank's services, provided for by Item 1 of this Article, may be collected by the bank upon the expiry of each quarter from the monetary means of the client placed on the account, unless otherwise stipulated by the bank account agreement.

**Article 852.** Interest Paid by the Bank for the Use of Cash on Accounts

1. Unless otherwise stipulated by the bank account agreement, the bank shall pay interest, the amount of which is charged to the client's account, for the use of cash placed on this account.

The amount of interest shall be placed on the account within the periods of time, provided for by the agreement, and upon the expiry of each quarter in case where such time-limits are not envisaged by the agreement.

2. Interest, referred to in Item 1 of this Article, shall be paid by the bank in the amount to be defined by the bank account agreement, while in the absence of a relevant clause in the agreement interest shall be paid in the amount, usually paid by the bank for call accounts (Article 838).

**Article 853.** The Offsetting of the Counter Claims of the Bank and the Client

The bank's monetary claims to the client, associated with account crediting (Article 850) and the payment for the bank's services (Article 851), and also the client's claims to the bank on the payment of interest for the use of cash (Article 852) shall be terminated by offsetting (Article 410), unless otherwise stipulated by the bank account agreement.

Said claims shall be offset by the bank. The bank shall be obliged to inform the client about the offset in the procedure and in the period of time envisaged by the agreement, but if the appropriate conditions are not agreed upon by the parties, the bank shall be obliged to inform the client about the offset in the procedure and in the

periods of time which are common for the banking practice of providing clients with information about the state of cash in the relevant account.

**Article 854. The Grounds for Writing off Cash from the Account**

1. The bank shall write off cash from the client's account on the basis of his instructions.
2. Without the client's instructions cash kept on his account may be written off by a court decision, and also in cases, established by the law or envisaged by the agreement between the bank and the client.

**Article 855. The Sequence of Writing off Cash from the Account**

1. In the presence in the account of cash whose amount is sufficient to meet all the claims to the account, this cash shall be written off from the account in the procedure of the receipt of the client's instructions and other documents for writing off (calendar sequence), unless otherwise stipulated by the law.

2. If cash is insufficient in the account to meet all the claims made to it, this cash shall be written off in the following sequence:

in the first place cash is written off according to the executive documents which provide for the transfer or issue of cash from the account to meet claims for the reparation of harm inflicted on human life and health, and also claims for the recovery of alimony;

in the second place, cash is written off according to the executive documents which provide for the transfer or issue of cash for settlements in the payment of dismissal benefits and labour remuneration with the persons working under a labour contract and in the payment of fees to the authors of the results of intellectual activity;

in the third place there shall be carried out the write-off on the payment documents stipulating the transfer or issuance of monetary funds for the settlements in the remuneration of labour with the persons working under a labour agreement (contract), and also on the allocations to the Pension Funds of the Russian Federation, the Social Insurance Fund of the Russian Federation and the funds of the obligatory medical insurance;

in the fourth place there shall be carried out the write-off on the payment documents stipulating the payments to the budget and the non-budgetary funds the allocations to which are not stipulated in the third place;

in the fifth place, cash is written off according to the executive documents providing for the satisfaction of other monetary claims;

in the sixth place, cash is written off according to the payment documents in the order of calendar sequence.

Cash shall be written off from the account according to the claims of one turn in the order of the calendar priority of the receipt of documents.

#### **Article 856. The Bank's Liability for Improper Performance of Operations with the Account**

In cases where cash is charged to the client's account untimely or where the bank has written it off from the account groundlessly, and also of the non-fulfilment of the client's instructions on the transfer of cash from the account or on the withdrawal of cash from the account, the bank shall be obliged to pay interest on this sum in the order and in the amount, prescribed by Article 395 of his Code.

#### **Article 857. The Bank Secrecy**

**1.** The bank shall guarantee the secrecy of a bank account and a bank deposit, operations with the account and information about clients.

**2.** Information constituting a banking secret can be provided only to the clients themselves or their representatives, and also provided to credit bureaus on the grounds and in the procedure provided for by a law. Such information can be provided to State bodies and their officials only in cases and in the procedure provided for by a law.

**3.** In case the bank divulges information constituting the bank's secrecy, the client whose rights have been infringed shall have the right to demand compensation for the losses caused.

**Article 858. Restriction on the Disposal of Accounts**

No restriction shall be allowed on the client's rights of disposing of cash on his account, exception being made for the attachment on cash kept in the account or for the suspension of account operations in cases, stipulated by the Law.

**Article 859. The Dissolution of a Bank Account Agreement**

1. A bank account agreement shall be dissolved by the client's application at any time.

1.1. If not otherwise provided for by a contract, a bank shall be entitled to refuse to execute a contract of bank account, having warned the client on it in writing, if within two years there are no monetary funds on the client's account and there are not transactions made on it. The contract of bank account shall be deemed dissolved upon the expiry of two months as of the date of directing such warning by a bank, provided that within this time period monetary funds are not entered to the client's account.

2. On the bank's demand the bank account agreement may be cancelled by the court in the following cases:

where the sum of money placed on the client's account proves to be below the minimum amount, envisaged by the bank rules or the agreement, unless such sum is restored during one month since the day of the bank's warning about this;

in the absence of operations with the account during one year, unless otherwise stipulated by the agreement.

3. The remainder of cash on the account shall be given to the client or transferred to another account by his instructions within seven days after the receipt of the client's relevant written application.

4. The dissolution of bank account agreement shall be a ground for the closing of the client's account.

**Article 860. Bank Accounts**

The rules of this Chapter shall extend to correspondent accounts, correspondent subaccounts, other bank accounts, unless otherwise stipulated by the law, other legal acts or the bank rules, introduced in accordance with them.

## **Chapter 46. Payments**

### **§ 1. General Provisions on Payments**

#### **Article 861. Cash and Cashless Payments**

1. Payments with the participation of private persons, not connected with their business, may be effected in cash (Article 140) without the limitation of the sum of money or non-cash.

2. Settlements between legal entities, and also payments with the participation of individuals, associated with their business, shall be effected in non-cash. Settlements between these legal entities may be effected in cash, unless otherwise stipulated by the law.

3. Clearing settlements shall be made through banks and other credit organizations (hereinafter referred to as the banks) which have opened relevant accounts, unless the contrary follows from the law and is conditioned by the usable form of payments.

#### **Article 862. The Forms of Cashless Payments**

1. Cashless payments may assume the following forms: payments by written order, by letters of credit, by cheques, for collection, and also payments in other forms prescribed by the law, the bank rules established in conformity with it and by the business turnover customs, used in banking practice.

2. The parties to the contract shall have the right to choose and fix in this contract any form of payments, referred to in Item 1 of this Article.

### **§ 2. Payments by Written Order**

#### **Article 863. General Provisions on Payments by Written Order**

1. In case of payments by written order the bank shall undertake to transfer a definite sum of money on the order of the payer from the monetary means kept in his account to the account of the person indicated by the payer in this or that bank within the period of time, prescribed by the law or fixed in accordance with it, unless the bank



account agreement provides for a shorter period or the business turnover customs used in banking practice define it.

2. The rules of this paragraph shall be applied to the relations, connected with the transfer of cash via the bank by the person who has not his account in this bank, unless otherwise stipulated by the law and the bank rules introduced in conformity with it or unless the contrary follows from the substance of these relations.

3. The procedure for making payments by written order shall be regulated by the law, and also by the bank rules introduced in conformity with it and the business turnover customs used in banking practice.

#### **Article 864. The Conditions for the Execution of Payment Order by the Bank**

1. The content of the payment order and the settlement documents submitted together with it and their form shall comply with the requirements of the law and the bank rules, established in keeping with it.

2. If a payment order fails to comply with the requirements of Item 1 of this Article, the bank may clarify the content of the order. Such inquiry shall be made to the payer without delay, upon the receipt of the order. If no answer has been received within the period, prescribed by the law or the bank rules introduced in keeping with it, and in their absence - within the reasonable period the bank may leave the order without execution and return it to the payer, unless otherwise stipulated by the law, the bank rules introduced in accordance with it or by the agreement between the bank and the payer.

3. The payer's order shall be executed by the bank in the presence of cash in the payer's account, unless otherwise stipulated by the agreement between payer and the bank. Orders shall be executed by the bank with the observance of sequence of writing off cash from the account (Article 855).

#### **Article 865. The Execution of the Payer's Order**

1. The bank which has accepted the payer's payment order shall be obliged to transfer the relevant sum of money to the bank of the recipient of money for its charge to the account of the person, indicated in the order, within the time, fixed by Item 1 of Article 863 of this Code.

2. The bank shall have the right to draw other banks in the operations of transmitting cash to the account indicated by the client's order.

3. The bank shall be obliged to immediately inform the payer at his request about the execution of the order. Procedure for drawing up a notification about the execution of the order and requirements for its content shall be envisaged by the law, the bank rules introduced in accordance with it or by the agreement of the parties.

**Article 866.** Liability for Non-fulfilment or Improper Fulfilment of the Client's Order

1. In case of non-fulfilment or improper fulfilment of the client's order the bank shall bear liability on the grounds and in the amounts, prescribed by Chapter 25 of this Code.

2. In cases of non-fulfilment or improper fulfilment of the client's order in connection with the breach of the rules for settlement operations by the bank which has been drawn in the execution of the payer's order, the liability, envisaged by Item 1 of this Article, may be vested by a court of law on this bank.

3. If the breach of the rules for settlement operations by the bank has involved the unlawful withholding of cash, the bank shall be obliged to pay interest in the procedure and in the amount, prescribed by Article 395 of this Code.

**§ 3. Payments by Letters of Credit**

**Article 867.** General Provisions on Payments by a Letter of Credit

1. In payments by a letter of credit the bank acting on behalf of the payer in the opening of the letter of credit and in accordance with his instruction (the bank of circulation) shall undertake to make payments to the recipient of cash to retire, accept or discount a bill of exchange, or to instruct another bank (executing bank) to effect payments to the recipient of cash or to retire, accept or discount a bill of exchange.

The rules for the executing bank shall be applicable to the bank of circulation that makes payments to the recipient of cash or retires, accepts or discounts the bill of exchange.

2. At the time of opening a covered (deposited) letter of credit the bank of circulation shall be obliged to transfer the amount of the letter of credit (payment) at the expense of the payer or to place the credit given to him at the disposal of the executing bank for the entire period of validity of the obligation of the bank of circulation.

In case of opening an uncovered (guaranteed) letter of credit the executing bank shall be given the right to charge off the entire sum of the letter of credit from the account kept by the bank of circulation.

3. Procedure for making payments by a letter of credit shall be regulated by the law, and also by the bank rules introduced in accordance with it, and by the business turnover customs applicable in banking practice.

**Article 868. The Revocable Letter of Credit**

1. A letter of credit which can be changed or cancelled by the bank of circulation without a preliminary notification of the recipient of cash shall be recognized as revocable. The revocation of a letter of credit shall not create any obligations for the bank of circulation to the recipient of cash.

2. The executing bank shall be obliged to make payments or carry on other operations with the revocable letter of credit, if by the time of their conduct it had not received a notice about the change of the terms of the letter of credit of its cancellation.

3. A letter of credit shall be revocable, unless otherwise stipulated expressly in its text.

**Article 869. The Irrevocable Letter of Credit**

1. A letter of credit which cannot be cancelled without the consent of the recipient of cash shall be recognized as irrevocable.

2. At the request of the bank of circulation the executing bank that takes part in the operation with a letter may confirm an irrevocable letter of credit (confirmed letter of credit). Such confirmation shall

An irrevocable letter of credit confirmed by the executing bank may not be changed or cancelled without the consent of this bank.

**Article 870. The Execution of the Letter of Credit**

1. In order to execute a letter of credit, the recipient of cash shall submit to the executing bank documents confirming the fulfilment of all the terms of the letter of credit. If one of these terms is contravened, the letter of credit shall not be executed.

2. If the executing bank has made a payment or carried out a different transaction in keeping with the terms of the letter of credit, the bank of circulation shall be obliged to compensate for the expenses incurred. Said expenses, and also all other expenses of the bank of circulation, incurred in the execution of the letter of credit, shall be recompensed by the payer.

**Article 871. The Refusal to Accept Documents**

1. If the executing bank refuses to accept documents which do not comply with the terms of the letter of credit according to external signs, it shall be obliged to inform forthwith the recipient of cash and the bank of circulation with an indication of the reasons for the refusal.

2. If the bank of circulation, which has received the documents accepted by the executing bank, holds that they do not correspond to the terms of the letter of credit according to the external signs, it shall have the right to refuse to accept them and demand from the executing bank the sum of money paid to the recipient of cash with the contravention of the terms of the letter of credit and to refuse to recompense the paid sums of money under the uncovered letter of credit.

**Article 872. The Bank's Liability for Breaking the Terms of a Letter of Credit**

1. Liability for breaking the terms of a letter of credit to the payer shall be borne by the bank of circulation, while such liability to the bank of circulation shall be borne by the executing bank, except for the cases, provided for by this Article.

2. In the event of a groundless refusal by the executing bank to pay out cash under the covered or confirmed letter of credit, the liability to the recipient of cash may be entrusted to the executing bank.

3. In case of a wrong payment of cash by the executing bank under the covered or confirmed letter of credit in consequence of breaking its terms, the liability to the payer may be entrusted with the executing bank.

**Article 873. The Closing of the Letter of Credit**

1. The executing bank shall close letters of credit in the cases of:

the expiry of the validity term of a letter of credit;

the application by the recipient of cash on the refusal to make use of a letter of credit before the expiry of its validity term, if the letter of credit provides for the possibility of such refusal;

the demand of the payer for a full or partial revocation of a letter of credit, if such revocation is possible under the terms of the letter of credit.

The executing bank shall be obliged to inform the bank of circulation about the closing of the letter of credit.

2. The non-used amount of the covered letter of credit shall be subject to return to the bank of circulation without delay simultaneously with the closing of the letter of credit. The bank of circulation shall be obliged to charge the returned sums of money to the payer's account from which cash has been deposited.

**§ 4. Payments for Collection**

#### **Article 874.** General Provisions on Payments for Collection

1. In payment for collection the bank (bank of circulation) shall undertake to carry out actions involved in the receipt of payment and/or acceptance of payment on the order of the client and at his expense.

2. The bank of circulation which has received the client's order shall have the right to draw another bank (executing bank) for its implementation.

Procedure for making payment for collection shall be regulated by the law, the bank rules introduced in keeping with it and by the business turnover customs applicable in banking practice.

3. In case of default on the client's order or improper execution the bank of circulation shall bear liability to it on the grounds and in the amount, prescribed by Chapter 25 of this Code.

If the client's order has not been executed or executed improperly due to the infringement of the rules for payment operations by the executing bank, the liability to the client may be placed on this bank.

#### **Article 875.** The Execution of a Collection Order

1. In the absence of any document or in case of the non-conformity of documents with the collection order by their external signs the executing bank shall be obliged forthwith to inform about this the person from whom it has received the collection order. In the event of non-removal of said drawbacks the bank shall have the right to return the documents without execution.

2. Documents shall be submitted to the payer in the form in which they have been received with the exception of bank notes and endorsements needed for the formalization of a collection transaction.

3. If documents are subject to payment at sign, the executing bank shall present them for payment immediately upon the receipt of a collection order.

If documents are subject to payment at other time, the executing bank shall present documents for acceptance for the receipt of the payer's acceptance immediately upon the receipt of the collection order, while the claim for payment shall be made not later than the day of the onset of the payment date, indicated in the document.

4. Partial payments may be accepted in cases where this is provided for by the bank rules or in the presence of a special permit in the collection order.

5. The received (collected) amounts shall be immediately placed by the executing bank at the disposal of the bank of circulation, which is duty-bound to charge these amounts to the client's account. The executing bank shall have the right to withhold from the collected amounts the fees due to it and the compensation for expenses.

#### **Article 876.** Notice of Transactions Made

1. If payment and/or acceptance have not been received, the executing bank shall be obliged to inform at once the bank of circulation about the reasons for non-payment or for the refusal from acceptance.

The bank of circulation shall be obliged to inform the client about this immediately and inquire about its directions on further actions.

2. In the event it has failed to receive directions about further actions within the time-limit fixed by the bank rules or within a reasonable period in the absence of this time-limit the executing bank shall have the right to return the documents to the bank of circulation.

### **§ 5. Payments by Cheques**

#### **Article 877.** General Provisions on Payments by Cheques

1. A cheque shall be recognized to be the security containing the non-stipulated cheque drawer's order to the respective bank to effect the payment of the amount of money, indicated in it to the cheque holder.

2. Only the bank where the cheque drawer has money to be disposed of by drawing cheques may be indicated as a payer by cheque.

3. A cheque may not be withdrawn before the expiry of the time for its presentation.

4. The drawing of a cheque shall not cancel the obligation in the fulfilment of which it has been written.

5. Procedure and conditions for the use of cheques in payment transactions shall be regulated by this Code and in the part which is not regulated by it they shall be regulated by other laws and the bank rules established in accordance with them.

#### **Article 878.** The Essential Elements of the Cheque

1. The cheque shall contain:

- 1) the name "cheque", included in the text of the document;
- 2) the order to the payer to pay out a certain sum of money;
- 3) the name of the payer and reference to the account from which payment is to be made;
- 4) reference to the currency of the payment;
- 5) reference to the date and place of writing the cheque;
- 6) the signature of the person who has drawn the cheque (cheque drawer).

The absence of any of said essential elements in the document shall invalidate the cheque.

A cheque that does not contain the place of its writing shall be regarded as that signed at the place of the location of the cheque drawer.

Reference to interest shall be deemed to be unwritten.

2. The form of cheques and procedure for its filling in shall be determined by the law and the bank rules introduced in keeping with it.

#### **Article 879. Cheque Payment**

1. A cheque shall be paid at the expense of the cheque drawer's resources.

If cash is deposited, procedure and conditions for depositing cash to cover cheques shall be established by the bank rules.

2. A cheque shall be liable to payment by the payer, provided that is presented for payment within the time-limit fixed by the law.

3. The payer by cheque shall be obliged to assure himself of the authenticity of the cheque with all means at his disposal, and also of the fact that the cheque bearer is a person authorized therefor.

During the payment of the endorsed cheque the payer shall be obliged to verify whether endorsements are correct but shall not check the signatures of endorser.

4. The losses incurred due to the payment by the payer for a forged, pilfered or lost cheque shall be covered by the payer or the cheque drawer depending through whose fault they have been caused.

5. A person who has paid the cheque shall have the right to demand it with the receipt for the sum of money.

#### **Article 880. The Assignment of Rights by a Cheque**

1. The rights by a cheque shall be assigned in the order, prescribed by Article 146 of this Code with the observance of the rules, provided for by this Article.

2. A cheque to bearer shall not be subject to transfer.

3. In an assigned cheque the endorsement in full shall have the force of receipt for the sum of money.

The endorsement made by the payer shall be null and void.

A person who possesses the assigned cheque, received under the endorsement, shall be deemed to be its legitimate holder, if he bases his right on the continuous numbers of endorsements.

**Article 881. Guarantee of Payment**

1. Payment of a cheque may be guaranteed in full or in part by means of its surety.

The guarantee of payment of a cheque (surety) may be given by any person, except for the payer.

2. The guarantee shall be put down on the face side of a cheque or on the additional sheet by means of endorsement ("regard as guarantee") and the indication of who and for whom it has been given. Unless there is no such indication, the guarantee shall be deemed to be given in place of the cheque drawer.

The guarantee shall be signed by the guarantor with an indication of the place of his residence and the date of making an endorsement, and if the guarantor is represented by a legal entity, the guarantee shall signed with an indication of its place of location and the date of making an endorsement.

3. The guarantee shall be liable just as the person in place of whom he has given the guarantee.

His obligation shall be valid even in the event if the obligation guarantee by him proves to be void on any ground other than the non-observance of the form.

4. The guarantor who has paid the cheque shall acquire the rights that follow from the cheque against the person in place of whom he has given the guarantee and against those persons who are obligated to the latter.

**Article 882. Collection of a Cheque**

1. The submission of a cheque to the bank which serves the cheque holder for collection in order to get payment shall be deemed to be the presentation for payment.

Cheque payment shall be made in the order, prescribed by Article 875 of this Code.

2. Cash shall be entered to the cheque holder's account under the collected cheque after the receipt of payment from the payer, unless otherwise stipulated by the agreement between the cheque holder and the bank.

**Article 883. Certification of the Refusal to Pay a Cheque**

1. A refusal to pay a cheque shall be certified by one of the following methods:

1) by making a protest by the notary or by drawing up an equivalent report in the statutory manner;

2) by putting down a note by the payer on the cheque to the effect that her refuses to pay it with an indication of the date for presenting the cheque for payment;

3) by putting down a note by the collecting bank with an indication of the date to the effect that the cheque has been drawn in due time and dishonored.



2. A protest or an equivalent report shall be made before the expiry of the time for presenting the cheque.

If the cheque was presented on the last day of the time-limit, a protest or an equivalent report may be made on the next working day.

#### **Article 884. Notification About the Non-payment of a Cheque**

The cheque holder shall be obliged to inform his endorser and cheque drawer about non-payment during two working days that follow the day of making the protest or the equivalent report.

During two working days that follows the day of the receipt of the notification by it every endorser shall be obliged to bring to the notice of his endorser the received notification. During the same period of time the notification shall be sent to the one who has given the guarantee for this person.

The person who has not sent a notification within the said period shall not lose his rights. He shall indemnify for the losses that can be caused by the non-notification about cheque non-payment. The amount of the indemnified losses may not exceed the cheque amount.

#### **Article 885. The Consequences of Cheque Non-Payment**

1. If the payer refuses to pay a cheque, the cheque holder shall have the right to bring an action to one, several or all the persons bound by the cheque (cheque drawer, guarantors and endorsers), who bear joint and several liability to him.

2. The cheque drawer shall have the right to demand from said persons the payment of the cheque amount, his costs involved in the cashing of the cheque, and also interest in keeping with Item 1 of Article 395 of this Code.

The same right shall belong to the person bound by the cheque after it has paid the cheque.

3. The cheque holder's claim against the persons, referred to in Item 1 of this Article, may be brought during six months since the day of the expiry of the period of presenting the cheque for payment. Claim resources of bound persons to each other shall be cancelled upon the expiry of six months since the day when the relevant bound person has satisfied the claim or since the day of bringing the action against him.

## **Chapter 47. Storage**

### **§ 1. General Provisions on Storage**

#### **Article 886. The Storage Agreement**

1. Under the storage agreement one party (depository) shall undertake to keep the thing given to it by the other party (depositor) and to return this thing perfectly safe.

2. The storage agreement in which the depository is represented by a profit-making or a non-profit organization, which ensures storage as one of the goals of its professional activity (professional depository), may provide for the depository's obligation of accepting a thing for storage from the depositor within the period fixed by the agreement.

#### **Article 887. The Form of the Storage Agreement**

1. A storage agreement shall be concluded in writing in cases, indicated in Article 161 of this Code. For the storage agreement concluded between individuals (Subitem 2 of Item 1 of Article 161) the written form shall be observed, if the value of the thing put in storage exceeds the minimum amount of the wage or salary by at least ten months.

The storage agreement, which provides for the depository's obligation of accepting a thing for storage, shall be concluded in writing, regardless of the number of the parties to this agreement and the value of the thing put in storage.

The delivery of a thing for storage under extraordinary circumstances (a fire, natural disaster, sudden illness, threat of assault, etc.) may be proved by the witness's testimony.

2. The single written form of the storage agreement shall be deemed to be observed, if the acceptance of a thing for storage is certified by the issue of the following documents by the depository to the depositor:

the trust receipt, storage receipt, certificate or other document signed by the depository;

the numbered counter (check) and other sign that certifies the acceptance of things for storage, if such form of acknowledgment of the acceptance of things for storage is provided for by the law or any other legal act, or is common for this type of storage.

3. Non-observance of the simple written form of the storage agreement shall not deprive the parties of the right to refer to testimonies by witnesses in case of a dispute over the identity of the thing accepted for storage and the thing returned by the depositor.

#### **Article 888. The Execution of the Obligation to Accept a Thing for Storage**

1. The depository who has undertaken under the storage agreement the obligation of accepting a thing for storage (Item 2 of Article 886) shall have no right to demand the transfer of this thing for storage.

However, the depositor who has failed to transfer a thing for storage within the period fixed by the agreement shall bear liability to the depository for the losses caused in connection with coming off storage, unless otherwise stipulated by the law or the storage agreement. The depositor shall be released from this liability, if he states to the depository that he refuses to accept his services within a reasonable period of time.

2. Unless otherwise stipulated by the storage agreement, the depository shall be released from the obligation of accepting a thing for storage in case when the thing will not be given to him in the period of time specified by the agreement.

#### **Article 889. The Period of Storage**

1. The depository shall be obliged to keep a thing during the time-limit specified by the agreement.

2. Unless the period of storage is provided for by the agreement and if it cannot be defined by proceeding from its terms and conditions, the depository shall be obliged to keep the thing until it is claimed by its depositor.

3. If the period of storage is determined by the time of claiming a thing by the depositor, the depository shall have the right to demand that the depositor should take back the thing upon the expiry of the period of storage which is usual under given circumstances and to provide to him a reasonable period of time for this. The non-execution by the depositor of this obligation shall involve the consequences, envisaged by Article 899 of this Code.

#### **Article 890. The Storage of Things with Deprivation of Individuality**

In cases, expressly provided for by the storage agreement, the things of one depositor accepted for storage may be mixed with the things of the same kind and quality belonging to other depositors (storage with deprivation of individuality). The quantity of things of the same kind and quality shall be returned to the depositor in equal amounts as specified by the parties.

#### **Article 891. The Depository's Obligation to Ensure the Safety of a Thing**

1. The depository shall be obliged to take all the measures envisaged by the storage agreement in order to ensure the safety of the thing put in storage.

In the absence in the agreement of the conditions for such measures or in case of incompleteness of these conditions the depository shall also be obliged to take for the preservation of the thing measures corresponding to

the business turnover usages and the substance of the obligation, including the properties of the thing put in storage, unless the necessity for taking these measures is excluded by the agreement.

2. The depository shall take measures in any case for the preservation of the thing given to him, if they are provided for by the law, other legal acts or in the manner stipulated by them (fire prevention, sanitary, protective and other measures).

3. If storage is carried out gratuitously, the depository shall be obliged to take care of the thing accepted for storage to no less extent than of his own things.

#### **Article 892. Use of the Thing Put in Storage**

The depository shall have no right to make use of the thing put in storage without the consent of the depositor and likewise to give the opportunity for its use by third persons with the exception of the case when the use of the kept thing is necessary for its preservation and does not contradict the storage agreement.

#### **Article 893. Changes in the Conditions of Storage**

1. If it is necessary to change the conditions of the storage of a thing, envisaged by the storage agreement, the depository shall be obliged to notify the depositor about this without delay and to wait for his answer.

If changes in the conditions of storage are essential for the removal of the danger of the loss, shortage of, or damage to, a thing, the depository shall have the right to change the method, place and other conditions of storage without waiting for the depositor's answer.

2. If during storage there is a real threat of damage to a thing or the thing has already been damaged, or there are circumstances that do not make it possible to preserve it and if the depositor is unable to take measures in due time, the depository shall have the right to sell the thing on its own or its part thereof at the price that have formed in the place of storage. If said circumstances have arisen for the reasons for which the depository is not answerable, he shall have the right to recompense his costs of the sale at the expense of the purchase price.

#### **Article 894. The Storage of Things with Hazardous Properties**

1. Highly inflammable, explosion risky or generally dangerous things may be at any time rendered harmless or destroyed by the depository without compensation of the depositor's losses, unless the depositor failed to warn the depository about these properties when he put them in storage. The depositor shall be liable for the losses caused to the depository and third persons in connection with the storage of these things.

When things with dangerous properties are transferred for storage to the professional depository, the rules envisaged by the first paragraph of this point shall be applied in case when such things were put in storage under the wrong name and the depository could not make sure of their dangerous properties by means of an external inspection.

In the event of remunerated storage in cases, provided for by this Item, the paid remuneration for the storage of things shall not be returned, and if it has not been paid, the depository may recover it in full.

2. If things accepted for storage with the knowledge and consent of the depository and indicated in the first paragraph of Item 1 of this Article, have become dangerous for people around or for the depositor's property or that of third persons, despite the observance of the conditions of their storage, and if circumstances make it possible for the depository to demand that the depositor should take them, at once or if he does not meet this demand, these things may be rendered harmless or destroyed by the depository without compensation of the depositor's losses. In such case the depositor shall bear no liability to the depository and third persons for the losses caused in view of the storage of these things.

#### **Article 895. The Transfer of a Thing to a Third Person**

Unless the storage agreement stipulates otherwise, the depository shall have no right to transfer a thing for storage to a third person without the consent of the depositor with the exception of cases where he is compelled to do so by force of circumstances in the interest of the depositor and is deprived of the possibility to get his consent.

The depository shall be obliged to inform the depositor at once about the transfer of a thing for storage to a third person.

In case of the transfer of a thing for storage to a third person the terms and conditions of the agreement between the depositor and the original depository shall retain their force and the latter shall be answerable for the actions of the third person to whom he has given the thing as for his own actions.

#### **Article 896. Remuneration for Storage**

1. Remuneration for storage shall be paid to the depository as soon as storage is over, and if payment for storage is envisaged by persons of time, it shall be paid out in appropriate portions upon the expiry of each period.

2. In case of delay in the payment of remuneration for storage for over than half of the period, for which it should be paid, the depository shall have the right to refuse to execute the agreement and demand that the depositor should immediately take the thing put in storage.

3. If storage is terminated before the expiry of the stipulated period of time due to the circumstances for which the depository is not answerable, he shall have the right to a proportionate part of remuneration and in case, specified by Item 1 of Article 894 of this Code, to the entire sum of this remuneration.

If storage is terminated short of the term due to the circumstances for which the depository is answerable, he shall not have the right to demand remuneration for storage and shall be obliged to return the sum of money received on account of this remuneration to the depositor.

4. If the thing held in custody has not been taken back by the depositor upon the expiry of the period of storage, he shall be obliged to pay to the depository adequate remuneration for the further storage of the thing. This rule shall also be applied in case where the depositor is obliged to take the thing before the expiry of the period of storage.

5. The rules of this Article shall be applied, unless the storage agreement provides for otherwise.

#### **Article 897. The Reimbursement of Storage Expenses**

1. Unless otherwise stipulated by the storage agreement, the depository's expenses on the storage of a thing shall be included in remuneration for storage.

2. In case of unremunerated storage the depositor shall be obliged to compensate for the depository's necessary expenses on the storage of the thing, unless the law or the storage agreement provides otherwise.

#### **Article 898. Extraordinary Storage Expenses**

1. Expenses on the storage of things which exceed the usual expenses of this kind and which could not be foreseen by the parties during the conclusion of a storage agreement (extraordinary expenses) shall be reimbursed to the depository, if the depositor has given his consent to these expenses or has approved them afterwards, and also in other cases stipulated by the law, other legal acts or the storage agreement.

2. If there is a need for making extraordinary expenses, the depository shall be obliged to inquire about the depositor's consent to these expenses. If the depositor fails to state his disagreement within the period of time, indicated by the depository or during the normally essential time for reply, it shall be held that he agrees with the extraordinary expenses.

When the depository made extraordinary storage expenses without the preliminary consent of the depositor, although this was possible thanks to the circumstances of the case and the depositor failed to approve them afterwards, the depository may demand the compensation for the extraordinary expenses only within the

limits of the damage which could be caused to the thing, had not these expenses been made.

3. Unless otherwise stipulated by the storage agreement, extraordinary expenses shall be reimbursed over and above remuneration for storage.

#### **Article 899.** The Depositor's Obligation to Take a Thing Back

1. Upon the expiry of the stipulated period of storage or the period granted by the depository for the receipt of a thing back on the strength of Item 3 of Article 889 of this Code, the depositor shall be obliged to take the thing put in storage without delay.

2. In case of default on his obligation by the depositor to take back the thing transferred for storage, including in case of his evasion from obtaining the thing, the depository shall have the right, unless otherwise stipulated by the storage agreement, after the written warning of the depositor to sell the thing on his own at the price formed in the place of storage, and if the cost of the thing exceeds 100 statutory minimum amounts of wages or salaries, to sell the thing at an auction in the order, prescribed by Articles 447-449 of this Code.

The sum of money received from the sale of the thing shall be transferred to the depositor minus the amount due to the depository, including his expenses on the sale of the thing.

#### **Article 900.** The Depository's Obligation to Return a Thing

1. The depository shall be obliged to return to the depositor or the person, indicated by him as a recipient, the very thing which was put in storage, unless the agreement provides for storage with deprivation of individuality (Article 890).

2. The thing shall be returned by the depository in the condition in which it was accepted for storage with due account of its natural deterioration, natural properties.

3. The depository shall be obliged, simultaneously with the return of a thing, to transfer the fruits and incomes obtained during its storage, unless otherwise stipulated by the storage agreement.

#### **Article 901.** Grounds for the Depository's Liability

1. The depository shall be liable for the loss and shortage of, or damage to, things accepted for storage on the grounds, provided for by Article 401 of this Code.

A professional depository shall be liable for the loss and shortage of, or damage to, things, unless he proves that the loss, shortage or damage have taken place due to force majeure or to the properties of the thing

about which the depository did not know and should nor know when he accepted it for storage or as a result of malice or gross negligence on the part of the depositor.

2. The depository shall be liable for the loss and shortage of, damage to, the things accepted for storage only in the presence of the depositor's malice or gross negligence after the onset of the latter's obligation to take these things back (Item 1 of Article 899).

#### **Article 902.** The Extent of the Depository's Liability

1. Losses caused to the depositor by the loss and shortage of, or damage to, things shall be reimbursed by the depository in keeping with Article 393 of this Code, unless otherwise stipulated by the law or the storage agreement.

2. In case of remunerated storage the losses caused to the depositor by the loss and shortage of, or damage to, things shall be reimbursed as follows:

- 1) for the loss and shortage of things - in the amount of the value of the lost or missing things;
- 2) for the damage to things - in the amount of the sum of money by which their value has been reduced.

3. In case where as a result of damage, for which the depository is liable, the quality of the thing has changed so much that it cannot be used according to the original designation, the depositor shall have the right to waive it and demand that the depository should replace the value of this thing, and also should reimburse other losses, unless otherwise stipulated by the law or the storage agreement.

#### **Article 903.** The Reparation of Losses Caused to the Depository

The depositor shall be obliged to compensate for the depository's losses caused by the properties of the thing put in storage, if the depository did not know or should not know about these properties when he accepted the thing for storage.

#### **Article 904.** The Termination of Storage on the Depositor's Demand

The depository shall be obliged to return the thing accepted for storage on the depositor's demand, although the period of storage fixed by the agreement is not over as yet.

#### **Article 905.** The Application of the General Provisions on Storage to Some of Its Kinds

The general provisions on storage (Articles 886-904) shall be applicable to some of its kinds, unless



otherwise stipulated by the rules for particular kinds of storage, contained in Articles 907-926 of this Code and in other laws.

#### **Article 906. Storage in Virtue of Law**

The rules of this Chapter shall be applicable to the obligations of storage that arise by dint of law, unless the law establishes different rules.

### **§ 2. Warehousing**

#### **Article 907. Warehouse Storage Agreement**

1. Under the warehouse storage agreement the commodity warehouse (depository) shall undertake to keep in store for remuneration goods given to it by the commodity owner (depositor) and to return these goods perfectly safe.

A commodity warehouse shall be deemed to be the organization which keeps goods in store as business and which renders services relating to storage.

2. The written form of the warehouse storage agreement shall be deemed to be observed, if its conclusion and acceptance of goods for warehouse have been certified by the warehouse document (Article 912).

#### **Article 908. Storage of Goods at the Public Warehouse**

1. A commodity warehouse shall be recognized as a public warehouse, if it follows from the law, other legal acts that is a duty-bound to accept goods for storage from any commodity owner.

2. A warehouse storage agreement, concluded by the public warehouse shall be recognized as a public agreement (Article 426).

#### **Article 909. Inspection of Goods When the Commodity Warehouse Accepts Them and During Their Storage**

1. Unless otherwise stipulated by the warehouse storage agreement, the commodity warehouse shall be obliged, when it accepts goods for storage, to inspect them as its own expense and to estimate their quantity

(number of units or places of storage, or measure: weight or volume) and their external appearance.

2. The commodity warehouse shall be obliged to enable the commodity owner to inspect goods or their samples during storage, if storage is carried out with deprivation of individuality, to take on time and adopt measures necessary for the safety of goods.

#### **Article 910. Changes in the Conditions of Storage and the State of Goods**

1. In case where it is necessary to change the conditions of storage of goods in order to keep them safe, the commodity warehouse shall have the right to take the required measures on its own. However, it shall be obliged to notify the commodity owner about the adopted measures, if it was necessary to make essential changes in the conditions of storage of goods, envisaged by the warehouse storage agreement.

2. Upon the discovery, during storage, of damage inflicted on goods and transcending the usual norms of natural spoiling or such norms agreed upon in the warehouse storage agreement, the commodity warehouse shall be obliged to draw up a report about this without delay and on the same day inform the commodity owner about this.

#### **Article 911. The Checking of the Quantity and the State of Goods When They Are Returned to the Commodity Owner**

1. The commodity owner and the commodity warehouse shall each have the right to demand that they should be inspected and their quantity checked during their return. Expenses incurred by this shall be borne by the person who demanded the inspection of goods and their quantity check.

2. If during the return of goods to the commodity owner by the warehouse goods have not been inspected and checked by them jointly, a written application on the shortage of, or damage to, goods owing to their improper storage shall be filed with the warehouse upon the receipt of goods. As for shortage of goods or damage to them, which could not be detected with the usual method of accepting goods an application shall be filed during three days after their acceptance.

In the absence of the application, referred to in the first paragraph of this Item, it shall be held, unless the contrary is proved, that goods have been returned by the warehouse in keeping with the terms and conditions of the warehouse storage agreement.

#### **Article 912. Warehouse Documents**

1. The commodity warehouse shall issue one of the following warehouse documents in the acknowledgement of accepting goods for storage:

the twofold warehouse certificate;

the single warehouse certificate;

the warehouse receipt.

2. The twofold warehouse certificate consists of two parts - the warehouse certificate and the mortgage certificate (warrant), which can be separated from each other.

3. The twofold warehouse certificate, each of its two parts and the single warehouse certificate shall be securities.

4. Goods accepted for storage under the twofold or single warehouse certificate may be a subject of mortgage during their storage by means of pledge of the corresponding certificate.

**Article 913. The Twofold Warehouse Certificate**

1. Each part of the twofold warehouse certificate shall equally indicate:

1) the name and place of location of the commodity warehouse that has accepted goods for storage;

2) the current number of the warehouse certificate in the warehouse's register;

3) the name of the legal entity or the name of the individual from whom goods have been accepted for storage, and also the place of location (place of residence) of the commodity owner;

4) the name and quantity of goods accepted for storage - the number of units and/or commodity places and/or the measure of goods (weight or volume);

5) the period of time for which goods have been accepted for storage, if such period is fixed, or the reference to the effect that goods have been accepted for storage until to be called for;

6) the amount of remuneration for storage or the rates on the basis of which it is reckoned and the procedure for payment for storage;

7) the date of the issue of the warehouse certificate.

Both parts of the twofold warehouse certificate shall have the individual signatures of the authorized representative and the warehouse seal.

2. The document which does not comply with the requirements of this Article shall not be a twofold warehouse certificate.

**Article 914. The Rights of the Holders of the Warehouse and Mortgage Certificates**

1. The holder of the warehouse and mortgage certificates shall have the right to dispose of goods kept in a warehouse in full measure.

2. The holder of the warehouse certificate separated from the mortgage certificate shall have the right to dispose of goods, but may not take them from the warehouse until he repays the credit granted under the mortgage certificate.

3. The holder of the mortgage certificate who differs from the holder of the warehouse certificate shall have the right to pledge to goods in the amount of the credit given under the mortgage certificate and interest on it. When goods are put in pledge, a note on this shall be made in the warehouse certificate.

**Article 915. The Transfer of Warehouse and Mortgage Certificates**

A warehouse certificate and a mortgage certificate may be transferred together or separately according to endorsements.

**Article 916. The Issue of Goods under the Two-fold Warehouse Certificate**

1. The commodity warehouse shall issue goods to the holder of the warehouse and mortgage certificates (twofold warehouse certificate) precisely in exchange for both these certificates together.

2. The holder of a warehouse certificate who does not possess a mortgage certificate, but has contributed the entire sum of debt under it shall receive goods from the warehouse precisely in exchange for the warehouse certificate and provided that he has submitted together with it the receipt of the payment of the entire sum of debt under the mortgage certificate.

3. The commodity warehouse, which has issued goods to the holder of a warehouse certificate who does not possess a mortgage certificate and has failed to bring in the amount of debt under it contrary to the requirements of this Article, shall bear liability to the holder of the mortgage certificate for payment of the entire sum of money secured by it.

4. The holder of the warehouse and mortgage certificates shall have the right to demand the issue of goods in parts. In exchange for the original certificates he shall be given new certificates for goods that remained in the warehouse.

**Article 917. The Simple Warehouse Certificate**

1. A simple warehouse certificate shall be issued to the bearer.

2. The simple warehouse certificate shall contain information, specified by Subitems 1, 2, 4-7 of Item 1 and the last paragraph of Article 913 of this Code, and also reference to the fact that it has been issued to the bearer.

3. The document which does not comply with the requirements of this Article shall not be a simple warehouse certificate.

#### **Article 918.** The Storage of Things with the Right to Dispose of Them

If it follows from the law, other legal acts or the agreement that the commodity warehouse can dispose of goods put in storage, the relations between the parties shall be governed by the rules of Chapter 42 of this Code on Loans, but the time and place of the return of goods shall be determined by the rules of this Chapter.

### **§ 3. Special Kinds of Storage**

#### **Article 919.** Storage in a Pawnshop

1. The agreement of pawnshop storage of things belonging to an individual shall be a public agreement (Article 426).

2. The conclusion of a pawnshop storage agreement shall be certified by the issue by the pawnshop to the depositor of a registered deposit receipt.

3. A thing to be put in storage in a pawnshop shall be subject to valuation under the agreement of the parties in accordance with prices for things of this kind and quality, usually adopted in trade at the time and place of their acceptance for storage.

4. The pawnshop shall be obliged to insure the things accepted for storage in favour of the depositor at its expense in the full amount of the valuation made in keeping with Item 3 of this Article.

#### **Article 920.** Things Not Reclaimed from the Pawnshop

1. If a thing out in storage in a pawnshop has not been reclaimed by the depositor within the time specified by the agreement, the pawnshop shall be obliged to keep it during two months and to charge payment, provided for by the storage agreement. Upon the expiry of this time the non-reclaimed thing may be sold by the pawnshop in the procedure, established by Item 5 of Article 358 of this Code.

2. Payment for the storage of the non-reclaimed thing shall be repayed from the sum of money, received from the sale of this thing. The remainder of the sum shall be returned by the pawnshop to the depositor in question.

**Article 921. The Custody of Valuables in a Bank**

1. The bank may receive securities, precious metals and stones, other valuables and values, including documents, into its custody.

2. The conclusion of an agreement on the custody of valuables in a bank shall be certified by the issue by it to the depositor of a registered protection document whose presentation is a ground for the issue of kept valuables to the depositor.

**Article 922. The Custody of Valuables in the Individual Bank Safe-deposit Box**

1. The valuables bank custody agreement may provide for their custody with the use of an individual bank safe-deposit box (safe cell or isolated bank premise) by the depositor (client) or with the provision of such safe-deposit box protected by the bank.

Under the valuables bank custody agreement the client shall be provided with the right to put valuables in an individual bank safe-deposit box and withdraw them from it. For this purpose he shall be given a key to the safe and the card that makes it possible to identify the client or any other sign or document certifying the client's right to have access to the safe and its contents.

The agreement terms may provide for the client's right to work in the bank with valuables kept in the individual safe.

2. Under the valuables bank custody agreement with the use by the client of an individual safe-deposit box the bank shall accept from the client the valuables which should be kept in the safe and exercise control over their placement by the client in the safe-deposit box, over their withdrawal from the safe and return them to the client after the withdrawal.

3. Under the valuables bank custody agreement with the provision of the client with an individual safe-deposit box the bank shall enable the client to place valuables in the safe and to withdraw them from the safe outside anybody's control, including bank control.

The bank shall be obliged to exercise control over the access to the premise where the safe-deposit box

given to the client is situated.

Unless the valuables bank custody agreement with the provision of the client with an individual safe-deposit box provides for otherwise, the bank shall be released from the liability for the non-safety of the safe's contents, if it proves that access by anybody to the safe was impossible under the custody terms without the knowledge of the client or was possible due to force majeure.

4. The rules of this Code on the lease agreement shall be applicable to the agreement on the provision of another person with a bank safe-deposit box for his use without the bank's liability for the safe's contents.

### **Article 923. Storage in Cloak-Rooms of Transport Organizations**

1. The cloak-rooms under the authority of transport organizations of public use shall be obliged to accept for storage the things of passengers and other private persons, regardless of the possession of travel documents. The agreement on the storage of things in the cloak-rooms of transport organizations shall be recognized as a public agreement (Article 426).

2. A receipt or numbered counter shall be issued to the depositor in acknowledgement of the acceptance of a thing for storage in a cloak-room (except for automated cloak-rooms). In case of the loss of a receipt or counter, the thing left in the cloak-room shall be issued to the depositor upon the submission of evidence that this thing belongs to him.

3. The period of time during which the cloak-room is obliged to keep things in store shall be determined by the rules, introduced in keeping with the second paragraph of Item 2 of Article 784 of this Code, unless the agreement between the parties stipulates a longer period. Things which have not been reclaimed in said period of time shall be kept by the cloak-room for 30 days more. With the expiry of this period non-reclaimed things may be sold in the procedure, envisaged by Item 2 of Article 899 of this Code.

4. The losses of the depositor owing to the loss and shortage of, or damage to, the things deposited in a cloak-room shall be reimbursed by the custodian during 24 hours since the time of presenting a claim for these things within the sum of their appraisal by the depositor at the time of depositing.

### **Article 924. Storage in the Wardrobes of Organizations**

1. The storage of things in the wardrobes of organizations shall be gratuitous, unless money reward is specified or stipulated in any other way when things were put in storage.

The custodian of the thing left in a wardrobe shall be obliged to take all the measures, provided for by

Items 1 and 2 of Article 891 of this Code, in order to preserve the thing, regardless of the fact whether its storage was gratuitous or remunerated.

2. The rules of this Article shall also be applied to the custody of outwear, head gear and other similar things left without putting them in storage by private persons in places used for these purposes in transport organizations and facilities.

#### **Article 925. The Custody of Things in Hotels**

1. The hotel shall also be liable as a custodian without the conclusion of a relevant agreement with its guest residing in it for the loss and shortage of, or damage to, his things brought into the hotel with the except of money, other currency values, securities and other valuables.

The thing entrusted to hotel attendants or the thing deposited in a hotel room or in any other specially assigned place shall be regarded as the one brought into the hotel.

2. The hotel shall be liable for the loss of money, other currency values, securities and other valuables of a guest, provided they have been accepted by the hotel safe, regardless of the fact whether this safe is to be found in his room or in another hotel premise. The hotel shall be released from liability for the non-safety of the safe's contents, if it proves that under the storage terms the access of any body to the safe was impossible without the guest's knowledge or became possible owing to force majeure.

3. The guest who has discovered that his things were lost or damaged shall be obliged to state about this to the hotel management without delay. Otherwise the hotel shall be released from its liability for the non-safety of things.

4. The hotel's notice to the effect that it does not assume the responsibility for the non-safety of things belonging to guests shall not absolve it from liability.

5. The rules of this Article shall be applied accordingly to the custody of things belonging to private persons in motels, holiday homes, holiday hotels, sanatoria, public baths and other similar organizations.

#### **Article 926. The Custody of Things Which Are the Subject of Disputes (Sequestration)**

1. Under the agreement on sequestration two or several persons who have started an argument over the right to a thing shall pass this thing to the third person who assumes the obligation of returning, upon the settlement of the dispute, of the thing to that person to whom it will be adjudged or given under the agreement of all the persons in dispute (contractual sequestration).



2. A thing that is the subject of argument between two or several persons may be put in storage by way of sequestration by a court decision (judicial sequestration).

Both the person appointed by a court of law and the person, chosen by the mutual agreement of the persons in dispute, may act as a custodian under the judicial sequestration. The custodian's consent shall be required in both cases, unless the law establishes otherwise.

3. Both movable and immovable things may be put in storage by way of sequestration.

4. The custodian who keeps a thing in store by way of sequestration shall have the right to receive remuneration at the expense of the persons in dispute, unless the agreement or the court decision responsible for sequestration provides for otherwise.

## **Chapter 48. Insurance**

### **Article 927. Voluntary and Obligatory Insurance**

1. Insurance shall be effected on the basis of contracts of property or personal insurance, concluded by the individual or legal entity (insurant) with the insurance company (insurer).

The contract of personal insurance is a public agreement (Article 426).

2. In cases where the law entrusts the obligation of insurance cover to the persons referred to in it of the lives, health or property of other persons or of their civil liability to other persons at their expense or at the expense of interested persons (obligatory insurance), insurance shall be effected by concluding contracts in keeping with the rules of this Chapter. For the insurers the conclusion of contracts of insurance shall not be obligatory on the terms offered by the insurant.

3. The law may provide for cases of obligatory insurance of the lives, health and property of individuals at the expense of the resources allocated from the appropriate budget (obligatory state insurance).

### **Article 928. Interests Whose Insurance Is Not Allowed**

1. No insurance of interests contrary to law shall be allowed.

2. No insurance of losses from the participation in games, lotteries and bets shall be allowed.

3. No insurance of expenditure to which a person can be compelled for the purpose of setting hostages free shall be allowed.

4. The terms and conditions of the contracts of insurance which contradict Items 1-3 of this Article shall be null and void.

#### **Article 929.** The Contract of Property Insurance

1. Under the contract of property insurance one part (insurer) shall undertake, for the charge stipulated by the contract (insurance premium) and upon the onset of an event (insured accident), stipulated by the contract, to reimburse to the other party (insurant) or another person in favour of whom the contract has been concluded (beneficiary) the losses inflicted in consequence of this event in the insured property or the losses sustained in connection with other property interests of the insurant (to pay insurance compensation) within the amount specified by the contract (insured sum).

2. The following property interests may be insured in particular under the contract of property insurance:

1) the risk of loss (destruction), shortage of, or damage to, property (Article 930);

2) the liability risk under the obligations arising due to the infliction of harm on the lives, health or property of other persons, and also the civil liability risk (Articles 931 and 932), or liability under contracts in cases, provided for by the law;

3) the risk of losses from business activity because of the violation of their obligations by the contracting parties of the businessman or the change in the conditions of this activity due to the circumstances beyond the businessman's control, including the risk of non-receipt of expected incomes - the entrepreneur's risk (Article 933).

#### **Article 930.** Insurance of Property

1. Property may be insured under the contract of insurance in favour of the person (insurant or beneficiary) who has the interest in the preservation of the property, based on the law, other legal act or the contract.

2. The contract of insurance of property, concluded in the absence of the insurant's or the beneficiary's interest in the preservation of insured property, shall be void.

3. A contract of insurance of property in favour of a beneficiary may be concluded without reference to the name of the beneficiary (insurance at the expense of the one who pays).

Upon the conclusion of such contract the insurant shall be given an insurance policy to bearer. When the

insurant or the beneficiary exercises the rights under such contract this policy shall be given to the insurer.

**Article 931. Insurance of Liability for the Infliction of Harm**

1. Under the contract of insurance of liability risk under the obligations following in consequence of the infliction of harm on the lives, health or property of other persons, the liability risk of the insurant himself or any other person who bears such liability may be insured.

2. A person whose risk of liability for the infliction of harm has been insured shall be named in the insurance contract. If this person is not named in the contract, the liability risk of the insurant himself shall be deemed to be insured.

3. A contract of insurance of the risk of liability for the infliction of harm shall be deemed to be concluded, even if the contract has been concluded in favour of the insurant or any other person liable for the infliction of harm or the contract fails to state in whose favour it has been concluded.

4. In case where the liability for the infliction of harm is insured because its insurance is compulsory, and also in other cases, stipulated by the law or the contract of insurance of such liability, the person in favour of whom the insurance contract is deemed to be concluded shall have the right to present directly to the insurer his claim on the reparation of harm within the insured amount.

**Article 932. Insurance of Liability under the Contract**

1. Insurance of the risk of liability for the contravention of the contract shall be allowed in cases, provided for by the law.

2. Under the contract of insurance of the risk of liability for the contravention of the contract only the liability risk of the insurant himself may be insured. The insurance contract that does not comply with such requirements shall be void.

3. This risk of liability for the violation of the contract shall be deemed to be insured in favour of the party to whom the insurant should bear liability under the terms and conditions of this contract, that is the beneficiary, even if the insurance contract has been concluded in favour of another person or if the contract does not say in whose favour it is concluded.

**Article 933. Insurance of Entrepreneurial Risk**

Under the contract of insurance of entrepreneurial risk only the entrepreneurial risk of the insurant himself

may be insured and only in his favour.

The contract of insurance of the entrepreneurial risk of the person who is not an insurant shall be void.

The contract of insurance of entrepreneurial risk is favour of the person who is not an insurant shall be concluded in favour of the insurant.

#### **Article 934. The Contract of Personal Insurance**

1. Under the contract of personal insurance one party (insurer) shall undertake to pay for the charge, stipulated by the contract (insurance premium) and paid by the other party (insurant), in the lump or periodically the sum of money, specified by the contract (insured amount) in case of the infliction of harm on the life or health of the insurant himself or any other individual named in the contract (insured person), of the attainment of a certain age or the onset of another event, provided for by the contract (insured accident).

The right to receive the insured amount shall belong to the person in favour of whom the contract has been concluded.

2. A contract of personal insurance shall be deemed to be concluded in favour of the insured person, if the contract fails to name another person as a beneficiary. In the event of death of the person insured under the contract, in which a different beneficiary is not named, the heirs of the insured person shall be recognized as beneficiaries.

A contract of personal insurance in favour of the person who is not insured, including in favour of the insurant who is not an insured person, may be concluded only with the written consent of the insured person. In the absence of such consent a contract may be recognized as invalid upon the lawsuit of the insured person and in the event of death of this person - upon the lawsuit brought by his heirs.

#### **Article 935. Obligatory Insurance**

1. The law may entrust the obligation of insurance to the persons referred to in it:

the lives, health and property of other persons, defined in the law, in case of the infliction of harm to their lives, health and property;

the risk of their civil liability which can competence in consequence of the infliction of harm on the lives,

health or property of other persons or the contravention of contracts concluded with other persons.

2. The obligation of insuring his life and health may not be entrusted to the individual under the law.

3. In cases stipulated by the law or established in the statutory procedure the legal entities, which possess state or municipal property in their economic or operative management, may be entrusted with the obligation of insuring this property.

4. In case where the obligation of insurance does not follow from the law is based on the contract, including the obligation of insuring property, on the contract with the owner of property or on the constituent documents of the legal entity which owns property, such insurance shall not be obligatory in the meaning of this Article and shall not entail the consequences, provided for by Article 937 of this Code.

#### **Article 936.** The Conduct of Obligatory Insurance

1. Obligatory insurance shall be effected by means of concluding an insurance contract with the person charged with the obligation of such insurance (the insurant) and the insurer.

2. Obligatory insurance shall be effected at the expense of the insurant with the exception of obligatory insurance of passengers, which in statutory cases may be effected at their expense.

3. Facilities subject to obligatory insurance, the risks against which they should be insured and the minimum amounts of insured sums shall be determined by the law and in the case, specified by Item 3 of Article 935 of this Code, by the law or in the statutory procedure.

#### **Article 937.** The Consequences of the Violation of the Rules for Obligatory Insurance

1. The person in favour of whom obligatory insurance should be effected shall have the right, if he knows that insurance is not effected, to demand in due course of law its implementation by the person charged with the obligation of insurance.

2. If the person who is entrusted with the obligation of insurance has not effected it or has concluded an insurance contract on the terms deteriorating the position of the beneficiary as compared with the terms defined by the law, he shall bear liability to the beneficiary with the onset of an insured accident on the same terms on which the insured compensation should have been paid in case of proper insurance.

3. The sums of money saved groundlessly by the person charged with the obligation of insurance due to

the fact that he has not fulfilled this obligation or has fulfilled it improperly, shall be recovered on the claim lodged by bodies of state insurance supervision for the benefit of the Russian Federation with the addition of interest to these sums of money in keeping with Article 395 of this Code.

**Article 938. The Insurer**

Legal entities with a permit (license) appropriate insurance may conclude insurance contracts as insurers.

The requirements made to insurance companies and the procedure for licensing their activity and exercising state supervision over this activity shall be determined by the laws on insurance.

**Article 939. The Performance of the Obligations under the Insurance Contract by the Insurant and the Beneficiary**

1. The conclusion of an insurance contract in favour of the beneficiary, especially at a time when the insured person is the beneficiary shall not absolve the insurant from the obligations under this contract, unless the latter provides for otherwise or if the insurant's obligations have been fulfilled by the person, in favour of whom the contract was concluded.

2. The insurer shall have the right to demand from the beneficiary, especially at a time when the beneficiary is represented by the insured person, that the latter should perform the obligations under the insurance contract, including the obligations entrusted to the insurant but not fulfilled by him, upon the presentation by the beneficiary of the claim for the payment of insurance compensation under the contract of property insurance or of the insured amount under the contract of personal insurance. The risk of the consequences of non-fulfilment or untimely fulfilment of the obligations, which should have been fulfilled earlier, shall be borne by the beneficiary.

**Article 940. The Form of the Insurance Contract**

1. An insurance contract may be concluded in writing. Non-observance of the written form shall invalidate an insurance contract, exception being made for the contract of obligatory state insurance (Article 969).

2. An insurance contract may be concluded by means of drawing up one document (Item 2 of Article 434) or handing over by the insurer to the insurant on the basis of his written or oral statement an customer policy (certificate or receipt) signed by the insurer.

In the latter case the insurant's consent to conclude a contract on the terms proposed by the insurer shall be confirmed by the acceptance from the insurer of the documents, referred to in the first paragraph of this Item.

3. At the time of concluding an insurance contract the insurer shall have the right to apply the standard forms of the contract (insurance policy), elaborated by him or the association of insurers for particular types of insurance.

#### **Article 941. Insurance Under the General Policy**

1. Systematic insurance of different lots of similar property (goods, cargoes, etc.) on acceptable terms during a definite period of time may be effected by agreement between the insurant and the insurer on the basis of one insurance contract, that is, general policy.

2. The insurant shall be obliged to provide the insurer with information specified by such policy in respect of each lot of property subject to the operation of the general policy within the period of time, envisaged by it, and if this period is not provided for by it, at once upon their receipt. The insurant shall not be released from this duty, even if by the time of the receipt of such information, the possibility of losses liable to compensation by the insurer has already passed.

3. On the demand of the insurant the insurer shall be obliged to issue insurance policies for particular lots of property liable to the operation of the general policy.

In the event of inconsistency of the insurance policy with the general policy in terms of content, preference shall be given to insurance policy.

#### **Article 942. The Essential Terms and Conditions of the Insurance Contract**

1. During the conclusion of a contract of property insurance the insurant and the insurer shall reach agreement on:

- 1) definite property or any other property interest as the object of insurance;
- 2) the character of the event that entails insurance (insured accident);
- 3) the amount of the insurance sum;
- 4) the validity terms of the contract.

2. During the conclusion of a contract of personal insurance the insurant and the insurer shall reach understanding on:

- 1) the insured person;
- 2) the character of the event (insured accident) that entails insurance in the life of the insured person;
- 3) the amount of the insurance sum;

4) the validity term of the contract.

**Article 943.** The Definition of the Terms and Conditions of the Insurance Contract in the Insurance Rules

1. The terms and conditions on which an insurance contract is concluded may be defined in the standard insurance rules, adopted, approved or endorsed by the insurer or by the association of insurers (insurance rules).

2. The conditions contained in the insurance rules and not included in the text of the insurance contract (insurance policy) shall be compulsory for the insurant (beneficiary), if the contract (insurance policy) expressly indicated the application of such rules and the rules are set forth in one document with the contract (insurance policy) or on its reverse side or are appended to it. In the latter case the delivery of the insurance rules to the insurant during the conclusion of a contract shall be certified with an entry in the contract.

3. During the conclusion of an insurance contract the insurant and the insurer may come to terms on the modification or exclusion of some provisions in the insurance rules and on the supplementing of the rules.

4. The insurant (beneficial) shall have the right to refer in defence of its interests to the insurance rules to which there is a reference in the insurance contract (insurance policy), even if there rules are not compulsory for it by virtue of this Article.

**Article 944.** Information Given by the Insurant During the Conclusion of an Insurance Contract

1. During the conclusion of an insurance contract the insurant shall be obliged to communicate to the insurer the circumstances known to him and of relevance for the definition of the possible onset of an insured accident and the extent of possible losses from its commencement (insurance risk), if these circumstances are not known and should not be known to the insurer.

The circumstances definitely specified by the insurer in the standard form of the insurance contract (insurance policy) or in its written inquiry shall be recognized as essential in any case.

2. If an insurance contract has been concluded in the absence of the insurant's replies to any questions put by the insurer, the latter may not demand afterwards the dissolution of the contract or its recognition as invalid on the ground that relevant circumstances have not been communicated by the insurant.

3. If it is ascertained after the conclusion of an insurance contract that the insurant has given to the insurer information known to be false about the circumstances, referred to in Item 1 of this Article, the insurer has the right to demand that the contract should be recognized as invalid and that the consequences, stipulated by Item 2 of Article 179 of this Code should be applied.



The insurer may not demand the recognition of the insurance contract as invalid, if the circumstances about which the insurant has concealed have already disappeared.

**Article 945. The Insurer's Right to the Appraisal of Insurance Risk**

1. During the conclusion of a property insurance contract the insurer shall have the right to inspect the insurable property and in case of need to schedule an expert examination in order to estimate its actual value.

2. During the conclusion of a personal insurance contract the insurer shall have the right to examine the insurable person for the appraisal of the actual state of his health.

3. The appraisal of insurance risk by the insurer shall not be compulsory on the strength of this Article for the insurant, who has the right to prove something different.

**Article 946. Secrecy of Insurance**

The insurer shall have no right to disclose information about the insurant, the insured person and the beneficiary, the state of their health and about their property status, which he obtained as a result of his professional activity. For the divulgence of secrecy of insurance the insurer shall bear liability depending on the kind of the infringed rights and the nature of divulgence in accordance with the rules, envisaged by Article 139 or Article 150 of this Code.

**Article 947. The Insurance Sum**

1. The sum of money, within the limits of which the insurer undertakes to pay out insurance compensation under the property insurance contract or which he undertakes to pay out under the personal insurance contract (insurance sum) shall be determined by the agreement between the insurant and the insurer in keeping with the rules, provided for by this Article.

2. In case of insurance of property or entrepreneurial risk, unless the insurance contract stipulates otherwise, the insurance sum shall not exceed their actual value (insurance sum). It shall be held as such value:

for property its actual value in the place of its location on the day of concluding an insurance contract;

for entrepreneurial risk the losses from business activity, which the insurant, as is to be expected, would sustain with the onset of an insured accident.

3. In contracts of personal insurance and contracts of civil liability insurance the insurance sum shall be determined by the parties at their discretion.

**Article 948.** The Contestation of the Insured Value of Assets

The insured value of assets, referred to in the insurance contract, may not be contested afterwards, except for the case when the insurer, who before the conclusion of the contract has not availed himself of his right to the appraisal of insurance risk (Item 1 of Article 945) was deliberately misled with regard to this value.

**Article 949.** Incomplete Property Insurance

If the contract of property insurance or entrepreneurial risk has fixed the insurance sum below the insured value, the insurer shall be obliged on the onset of an insured accident to compensate for the part of the losses sustained by the insurant (beneficiary) in proportion to the ratio between the insurance sum and the insured value.

The contract may provide for a higher amount of insurance compensation but not higher than the insured value.

**Article 950.** Additional Property Insurance

1. In case where property or entrepreneurial risk is insured only in terms of the part of insured value, the insurant (beneficiary) shall have the right to effect additional insurance, including with another insurer, with the proviso that total insurance sum should not exceed the insured value in all insurance contracts.

2. The non-observance of the provisions of Item 1 of this Article shall entail the consequences, envisaged by Item 4 of Article 951 of this Code.

**Article 951.** The Consequences of Insurance Over and Above the Insured Value

1. If the insurance sum, referred to in the contract of property insurance or entrepreneurial risk, exceeds the insured value, the contract shall be void in that part of the sum which exceeds the insured value.

The excessively paid part of the insurance premium shall not be subject to return in this case.

2. If in accordance with the insurance contract the insurance premium is contributed by instalments and by the time of ascertaining the circumstances, referred to in Item 1 of this Article, it has not been contributed in full, the remaining insurance contributions shall be paid in the amount reduced in proportion to the decrease in the amount of the insurance sum.

3. If the overestimation of the insurance sum in an insurance contract has been the consequence of deceit on the part of the insurant, the insurer shall have the right to demand that the contract be recognized as invalid and

the related losses caused to him be compensated in the amount that exceeds the sum of the insurance premium received by him from the insurant.

4. The rules, envisaged in Items 1-3 of this Article, shall also be accordingly applied in the case where the insurance sum has exceeded the insured as a result of insurance of one and the same facility by two or several insurers (double insurance).

The amount of insurance compensation subject to payment in this case by each insurer shall be cut down in proportion to the decrease in the original insurance sum under the relevant insurance contract.

#### **Article 952. Property Insurance Against Different Insurance Risks**

1. Property and entrepreneurial risk may be insured against different insurance risks both under one and several insurance contracts, including contracts with different insurers.

In these cases the amount of the total insurance sum may exceed the insured value in all contracts.

2. If the obligation of insurers to pay the insurance compensation for the same consequences of the onset of one and the same insured accident follows from two or several contracts, concluded in keeping with Item 1 of this Article, the rules, stipulated by Item 4 of Article 951 of this Code, shall be applied to such contracts in the respective part.

#### **Article 953. Coinsurance**

An insurance object may be jointly insured under one insurance contract by several insurers (coinsurance). If such contract does not define the rights and obligations of each insurer, they shall be liable jointly and severally to the insurant (beneficiary) for the payment of insurance compensation under the property insurance contract or of the insurance sum under the personal insurance contract.

#### **Article 954. Insurance Premium and Insurance Instalments**

1. Insurance premium shall be understood to mean the payment for insurance which the insurant (beneficiary) shall be obliged to make to the insurer in the procedure and in time-limits fixed of the insurance contract.

2. In estimating the amount of the insurance premium subject to payment under the insurance contract the insurer shall have the right to apply the insurance rates elaborated by him which determine the premium, collected from the unit of the insurance sum with due account of the object of insurance and the character of insurance risk.

In cases provided for by the law the amount of the insurance premium shall be estimate in keeping with insurance rates, established or regulated by state insurance supervision bodies.

3. If the insurance contract provides for the payment of the insurance premium by instalments, the contract may determine the consequences of the non-payment of regular insurance instalments within the established time-limits.

4. If an insured accident took place before the payment of a regular insurance instalment which is overdue, the insurer shall have the right to offset the amount of the overdue insurance instalment at a time of estimating the amount of insurance compensation subject to payment under the property insurance contract or the insurance sum under the personal insurance contract.

#### **Article 955. Replacement of the Insured Person**

1. In case where the contract of insurance of the risk of liability for the infliction of harm (Article 931) has insured the liability of a person other than the insurant, the latter shall have the right, unless otherwise stipulated by the contract, to replace this person by another one at any time before the onset of the insured accident by notifying the insurer about this in writing.

2. The insured person, named in a personal insurance contract, may be replaced by another person on the initiative of the insurant and with the consent of the insured person and the insurer.

#### **Article 956. The Replacement of the Beneficiary**

The insurant shall have the right to replace the beneficiary, named in the insurance contract, by another person while notifying the insurer about this in writing. The beneficiary, appointed with the consent of the insured person (Item 2 of Article 934), may be replaced under the personal insurance contract only with the consent of this person.

The beneficiary may not be replaced by another person after he has fulfilled any obligation under the insurance contract or has presented to the insurer his claim for the payment of insurance compensation or the insurance sum.

#### **Article 957. The Beginning of the Validity of the Insurance Contract**

1. An insurance contract, unless it provides for otherwise, shall enter into force at the time of payment of the insurance premium or its first instalment.

2. Insurance, stipulated by the insurance contract, shall extend to the insured accidents which have taken place after the entry of the insurance contract into force, unless the contract provides for a different period of the started operation of insurance.

**Article 958.** The Termination of an Insurance Contract Short of the Term

1. An insurance contract shall cease to be valid before the beginning of the period for which it was concluded, if after its entry into force the possibility of the onset of an insured accident disappeared and insurance risk ceased to exist due to the circumstances other than the insured accident. Such circumstances include in particular:

the destruction of insured property for reasons other than the onset of an insured accident;

the termination of business activity in the statutory order by the person who has insured the entrepreneurial risk or civil liability risk, associated with this activity.

2. The insurant (beneficiary) shall have the right to waive the insurance contract at any time, if by the time of his refusal the possibility of the onset of an insured accident had not disappeared to the circumstances, referred to in Item 1 of this Article.

3. If the insurance contract ceases to be valid short of the term due to the circumstances, referred to in Item 1 of this Article, the insurer shall have the right to the part of the insurance premium in proportion to the time during which insurance was effected.

If the insurant (beneficiary) waives the insurance contract short of the term, the insurance premium paid to the insurer shall not be subject to return, unless otherwise stipulated by the contract.

**Article 959.** The Consequences of Increased Insurance Risk During the Validity Term of the Insurance Contract

1. In the period of validity of the property insurance contract the insurant (beneficiary) shall be obliged to inform the insurer about the substantial changes which have become known to him in the circumstances communicated to the insurer during the conclusion of the contract, if these changes can substantially influence insurance risk by increasing it.

Changes, stipulated in the insurance contract (insurance policy) and in the insurance rules given to the insurant, shall be recognized as considerable in any case.

2. The insurer who is notified about the circumstances entailing the increase risk shall have the right to

demand the introduction of changes in the insurance contract or the payment of an additional insurance premium in proportion to the increase in risk.

If the insurant (beneficiary) objects to changes in the terms and conditions of the insurance contract or to the additional charge to the insurance premium, the insurer shall have the right to demand the cancellation of the contract in keeping with the rules, provided for by Chapter 29 of this Code.

**3.** In case of default of the obligation by the insurant or beneficiary, provided for by Item 1 of this Article, the insurer shall have the right to demand the dissolution of the insurance contract and the compensation for the losses caused by the cancellation of the contract (Item 5 of Article 453).

**4.** The insurer shall have no right to demand the cancellation of the insurance contract, if circumstances entailing the increase in insurance risk have already disappeared.

**5.** In case of personal insurance the consequences of changes in insurance risk during the validity term of the insurance contract, referred to in Items 2 and 3 of this Article, may take place, if only they are expressly envisaged in the contract.

#### **Article 960.** The Assignment of the Rights to Insured Property to Another Person

In case of the assignment of the rights to insured property from the person in whole interest the insurance contract was concluded to another person, the rights and obligations under this contract shall be transferred to the person to whom the rights to property have passed, exception being made for the cases of the compulsory seizure of property on the grounds, referred to in Item 2 of Article 235 of this Code, and of the refusal from the right of ownership (Article 236).

The person to whom the rights to insured property has been transferred shall at once notify the insurer about this.

#### **Article 961.** The Notification of the Insurer about the Onset of an Insured Accident

**1.** Under the property insurance contract the insurant, who was informed about the onset of the insurance accident, shall be obliged to notify without delay the insurer or its representative about its onset. If the contract provides for a definite date and/or method of notification, the latter shall be effected in the stipulated period and the method, indicated in the contract.

The same obligation lies with the beneficiary who knows about the conclusion of the insurance contract in his favour, if he intends to avail himself of the right to insurance compensation.

2. Default of the obligation, provided for by Item 1 of this Article shall entail the insurer to waive the payment of insurance compensation, unless it is provided that the insurer had learnt about the onset of the insured accident in due time or that the insurer has no information about this could not influence his obligation to pay insurance compensation.

3. The rules, envisaged by Items 1 and 2 of this Article, shall be applied accordingly to the personal insurance contract, if the death of the insured person or the infliction of injury on his health is an insured accident. In this case the date of notification of the insurer, specified by the contract may not be less than 30 days.

#### **Article 962.** The Diminution of Losses from the Insured Accident

1. With the onset of the insured accident, provided for by the property insurance contract, the insurant shall be obliged to take reasonable measures available in the present circumstances in order to reduce possible losses.

In taking such measures the insurant shall follow the instructions of the insurer, if they have been brought to the notice of the insurant.

2. Expenses on the reduction of losses subject to compensation by the insurer shall be reimbursed by the insurer, if such expenses were necessary or made in order to fulfil the insurer's instructions, even if appropriate measures had proved to be unsuccessful.

Such expenses shall be reimbursed in proportion to the ratio between the insurance sum and the insured value, regardless of the fact that together with the compensation for other losses they can exceed the insurance sum.

3. The insurer shall be released from the compensation for the losses which have arisen in consequence of the fact that the insurant failed to take reasonable measures accessible to him in order to reduce possible losses.

#### **Article 963.** The Consequences of the Onset of an Insured Accident Through the Fault of the Insurant, Beneficiary or the Insured Person

1. The insurer shall be released from the payment of insurance compensation or the insurance sum, if the insured accident commenced owing to the intent of the insurant, beneficiary or insured person, except for the cases, stipulated by Items 2 and 3 of this Article.

The law may provide for cases of the release of the insurer from the payment of insurance compensation under the property insurance contracts in case of the onset of an insured accident owing to gross negligence on the part of the insurant or beneficiary.

2. The insurer shall not be released from the payment of insurance compensation under the contract of insurance of civil liability for the infliction of harm on human life or health, if harm was done through the fault of the person responsible for it.

3. The insurer shall not be released from the payment of the insurance sum which is subject under the personal insurance contract to payment in the event of death of the insured person, if his death took place because of suicide and by that time the insurance contract had been in effect for not less than two years.

**Article 964.** The Grounds for the Release of the Insurer from the Payment of Insurance Compensation and the Insurance Sum

1. Unless the law or the insurance contract provides for otherwise, the insurer shall be released from the payment of insurance compensation and the insurance sum, when the insured accident commenced owing to:

the impact of a nuclear blast, radiation or radioactive contamination;  
the hostilities, and also exercises and other military undertakings;  
the civil war, popular unrest of any kind of strikes.

2. Unless the property insurance contract provides for otherwise, the insurer shall be released from the payment of insurance compensation for the losses sustained owing to the seizure, confiscation, requisition, attachment or destruction of insured property according to the orders of state bodies.

**Article 965.** The Assignment of the Insurant's Rights to Compensation for Damage to the Insurer (Subrogation)

1. Unless the property insurance contract provides for otherwise, the right of claim which the insurant (beneficiary) has to the person, responsible for the losses reimbursed as a result of insurance, shall assign within the paid sum of money to the insurer who has paid insurance compensation. However, the contract clause that excludes the assignment of the right of claim to the person who deliberately caused damage shall be void.

2. The right of claim that has been transferred to the insurer shall be implemented by him with the observance of the rules regulating the relations between the insurant (beneficiary) and the person responsible for losses.

3. The insurant (beneficiary) shall be obliged to give all documents and evidence to the insurer and to provide him with all information necessary for the implementation by the insurer of the right of claim that has passed to him.



4. If the insurant (beneficiary) has abandoned his right of claim to the person responsible for the losses compensated by the insurer, or if the exercise of this right has become impossible through the fault of the insurant (beneficiary), the insurer shall be released from the payment of insurance compensation in full or in part and shall have the right to demand the return of the excessively paid sum of compensation.

#### **Article 966.** Limitation Period for Claims Related to Property Insurance

1. Limitation period for claims following from a property insurance contract, except for a contract of insuring the risk of liability under obligations which result from infliction of harm upon life, health or property of other persons, shall be two years.

2. Limitation period for claims following from a contract of insuring the risk of liability under obligations which result from infliction of harm upon life, health or property of other persons shall be three years (Article 196).

#### **Article 967.** Reinsurance

1. The risk of payment of insurance compensation or the insurance sum, assumed by the insurer under the insurance contract may be insured by him in full or in part at another insurer (insurers) under the contract of reinsurance concluded with the latter.

2. The rules envisaged by the Chapter and subject to application to the insurance of entrepreneurial risk shall be applied to the contract of reinsurance, unless the contract of reinsurance provides for otherwise. Under the contract of insurance (principal contract) the insurer who has concluded the contract of reinsurance shall be deemed to be an insurant in the latter contract.

3. In case of reinsurance the insurer shall remain liable to the insurant under the principal insurance contract for the payment of insurance compensation or the insurance sum.

4. It shall be permissible to conclude two or several contracts of reinsurance.

#### **Article 968.** Mutual Insurance

1. Individuals and legal entities may insure their property and other property interests, referred to in Item 2 of Article 929 of this Code, on a mutual basis by means of pooling necessary resources in mutual insurance societies.

2. Mutual insurance societies shall effect the insurance of property and other property interests of their members and shall be non-profit making organizations.

The specific aspects of the legal status of the mutual insurance societies and the conditions of their activity shall be determined by the Law on mutual insurance in conformity with this Code.

3. The mutual insurance societies shall insure the property and property interests of their members directly on the basis of their membership, unless the societies' constituent documents provide for the conclusion of insurance contracts in these cases.

The rules envisaged by this Chapter shall be applied to the insurance relations between the mutual insurance society and its members, unless otherwise stipulated by the Law on mutual insurance.

4. Obligatory insurance through mutual insurance shall be allowed in cases, provided for by the Law on mutual insurance.

5. Abrogated.

#### **Article 969. Obligatory State Insurance**

1. The law may institute obligatory state insurance of the lives, health and property of civil servants of some categories for the purpose of ensuring the social interests of individuals and the interests of the State.

Obligatory state insurance shall be effected at the expense of the financial resources, appropriated for these purposes from the corresponding budget to the ministries and other federal executive bodies (insurants).

2. Obligatory state insurance shall be effected directly on the basis of the laws and other legal acts on such insurance by state insurance companies and other state organizations (insurers), indicated in these acts or on the basis of insurance contracts, concluded by insurers and insurants in accordance with these acts.

3. Obligatory state insurance shall be paid to the insurers in the amount, defined by laws and other legal acts on such insurance.

4. The rules, envisaged by this Chapter, shall be applicable to obligatory state insurance, unless otherwise stipulated by the laws and other legal acts on such insurance and unless the contrary follows from the substance of relevant insurance relations.

#### **Article 970. The Application of General Rules for Insurance to Special Types of Insurance**

The rules, provided for by this Chapter, shall be applicable to the relations of insurance of foreign investments against non-commercial risks, marine insurance, medical insurance, insurance of bank deposits and pensions, unless the laws on these types of insurance stipulate otherwise.

## **Chapter 49. Agency**

### **Article 971. Contract of Agency**

1. Under the contract of agency one party (agent) shall undertake to perform certain legal actions on behalf and at the expense of the other party (principal). The rights and obligations under the transaction completed by the agent shall accrue directly for the principal.

2. A contract of agency may be concluded with reference to the period during which the agent has the right to act on behalf of the principal or without such reference.

### **Article 972. Remuneration of the Agent**

1. The principal shall be obliged to pay remuneration to the agent, if this is stipulated by the law, other legal acts or the contract of agency.

In cases where the contract of agency is connected with the business activity of both parties or one of them, the principal shall be obliged to pay remuneration to the agent, unless otherwise stipulated by the contract.

2. In the absence of the clause on the amount of remuneration or the procedure of its payment in the remunerated contract of agency, remuneration shall be paid after the execution of agency in the amount, estimated in keeping with Item 3 of Article 424 of this Code.

3. The agent who acts as a commercial representative (Item 1 of Article 184) shall have the right to withhold, in keeping with Article 359 of this Code, the things he has at his disposal, which are subject to the transfer to the principal as security of his claims under the contract of agency.

### **Article 973. The Execution of Agency in Accordance with the Trustee's Instructions**

1. The agent shall be obliged to perform the agency given to him in accordance with the principal's instructions. The instructions shall be lawful, practicable and concrete.

2. The agent shall have the right to depart from the principal's instructions, if it is necessary under the existing circumstances and in the interests of the principal and if the agent could not inquire the principal in advance or had not received an answer to his inquiry within a reasonable period of time. The agent shall be obliged to notify the principal about the admitted departures as soon as such information has become possible.

3. The agent acting a commercial representative (Item 1 of Article 184) may be given by the principal the right to depart from the instructions of the principal in his interests without a preliminary inquiry about this. In this case the commercial representative shall be obliged to notify the principal about the admitted departures within a reasonable period of time, unless otherwise stipulated by the contract of agency.

#### **Article 974. The Obligations of the Agent**

The agent shall be obliged:

to perform the agency given to him in person, except for the cases, indicated in Article 976 of this Code;

to communicate to the principal all information about the progress of the execution of agency at his request;

to convey to the principal without delay all the things received under the deals, performed in pursuance of the agency;

to return without delay to the principal the power of attorney whose validity term has, not expired upon the execution of agency or in case of the termination of the contract of agency before it is executed and to submit a report with appended covering documents, if this is required by the terms and conditions of the contract or the character of agency.

#### **Article 975. The Obligations of the Principal**

1. The principal shall be obliged to issue to the agent a power of attorney (powers of attorney) for the performance of legal actions provided for by the contract of agency, except for the cases, stipulated by the second paragraph of Item 1 of Article 182 of this Code.

2. Unless otherwise stipulated by the contract, the principal shall be obliged:

to compensate for the agent's costs;

to provide the agent with pecuniary means needed for the execution of agency.

3. The principal shall be obliged to accept from the agent without delay all that has been performed in accordance with the contract of agency.

4. The principal shall be obliged to pay remuneration to the agency, if in keeping with Article 972 of this Code the contract of agency is remunerated.

**Article 976. The Transference of the Execution of Agency**

1. The agent shall have the right to transfer the execution of agency to another person (substitute) only in cases and on the terms, provided for by Article 187 of this Code.

2. The principal shall have the right to challenge the substitute chosen as an agent.

3. If a possible substitute of the agent is named in the contract of agency, the agent shall not be answerable either for his choice or for the conduct of his affairs.

If the right of the agent to transfer the execution of agency to another person is not provided for by the contract or is provided for, but the substitute is not named in it, the agent shall be answerable for the choice of the substitute.

**Article 977. The Termination of the Contract of Agency**

1. The contract of agency shall be terminated in consequence of:

the revocation of agency by the principal;

the refusal of the agent;

the death of the principal or the agent, the recognition of any of them as legally unfit, specially disabled or missing.

2. The principal shall have the right to revoke the agency, while the agent shall have the right to abandon it at any time. An agreement on the refusal from this right shall be void.

3. The party which waives the contract of agency that provides for the agent's actions as a commercial representative shall notify the other party about the termination of the contract within 30 days, unless the contract provides for a longer period.

In case of the reorganization of a legal entity that is a commercial representative the principal shall have the right to revoke the agency without such a preliminary notification.

**Article 978. The Consequences of the Termination of the Contract of Agency**

1. If a contract of agency is terminated before the agency has been executed by the agent in full, the principal shall be obliged to compensate for the agent's expenses incurred during the execution of the agency, and

when the agent was to receive remuneration, to pay to him the remuneration as well in proportion to the work done by him. This rule shall not be applied to the execution by the agent of the agency after he has known or should have known about the termination of the agency.

**2.** The revocation of the commission by the principal shall not be a ground for the compensation for the losses caused to the agent by the termination of the contract of agency, except for the cases of the termination of the contract that provides for the operation of the agent as a commercial representative.

**3.** The refusal of the agent to execute the commission of the principal shall not be a ground for the compensation for the losses caused to the principal by the termination of the contract of agency, except for the cases of the agent's refusal in the conditions when the principal has no possibility of insuring his interests in a different way, and also in cases of the refusal to execute the contract that provide for the operation of the agent as a commercial representative.

**Article 979.** The Obligations of the Heirs of the Agent and the Liquidator of the Legal Entity That Acts as an Agent

In case of death of the agent, his heirs shall be obliged to inform the principal about the termination of the contract of agency and take measures needed to protect the principal's property, in particular to preserve his things and documents and thereupon to transfer this property to the principal.

The same obligation shall lie with the liquidator of the legal entity that acts as an agent.

## **Chapter 50. Actions in the Interest of Other People**

### **Without Commission**

**Article 980.** Terms for Actions in the Interest of Other People

**1.** Actions without commission, other instruction or the interested person's consent promised in advance for the purpose of averting harm to his personality or property, executing his obligation or in other legitimate interests (actions in the interest of other people) shall be performed due to the obvious benefit or profit and to the actual and probable intentions of the interested person and with care and diligence vision requisite in the circumstances of the case.

**2.** The rules, envisaged by this Chapter, shall not be applied to actions in the interest of other persons, committed by state and municipal bodies, for which such actions are one of the purposes of their activity.

**Article 981.** Notification of the Interested Person about Actions in His Interest

1. A person who acts in the interest of another person shall be obliged to inform the interested person about this at the first opportunity and wait during a reasonable period of time for his decision on the approval or disapproval of the undertaken actions, unless such waiting entails serious damage to the interested person.

2. It shall not be required to specially inform the interested individual about the actions in his interest, if such actions are undertaken in his presence.

**Article 982.** The Consequences of the Approval by the Interested Person of Actions in His Interests

If a person for the benefit of whom actions are taken without his commission adopts these actions, the rules for the contract of agency or a different contract that corresponds to the character of the undertaken actions shall be applied to the relations between the parties, even if this approval was oral.

**Article 983.** The Consequences of the Non-approval by the Interested Person of Actions in His Interest

1. Actions in the interest of other people committed after it has become known to the performer of these actions that they are not approved by the interested person shall not entail obligations for the latter either in respect of the performer of these actions or of third persons.

2. Actions undertaken to prevent danger for the life of the person who is imperiled shall also be allowed against the will of this person, while the discharge of the obligation of maintaining anybody shall be allowed against the will of the person charged with this obligation.

**Article 984.** Compensation for Losses for the Person Who Acted in the Interest of Other People

1. Requisite expenses and other real damage sustained by the person who acted in the interest of other people in accordance with the rules, provided for by this Chapter, shall be subject to compensation by the interested person, with the exception of the expenses incurred by the actions referred to in Item 1 of Article 983 of this Code.

The right to compensation for necessary and other real damage shall also be retained in case where actions in the interest of other people have not brought about the expected result. However, in case of preventing damage to the property of another person the amount of compensation shall not exceed the value of property.

2. Expenses and other losses of the person who acted in the interest of other people, incurred by him in

connection with the actions undertaken after the receipt of approval by the interested person (Article 982), shall be reimbursed according to the rules for a contract of the relevant type.

**Article 985. Remuneration for Actions in the Interest of Other People**

A person whose actions in the interest of other people have led to the result positive for the interested person shall have the right to receive remuneration, if such right is provided for by law, the agreement with the interested person or the business turnover customs.

**Article 986. The Consequences of a Transaction in the Interest of Other People**

The obligations under the transaction concluded in the interest of other people shall pass to the person in whose interest it has been made, subject to the approval by him of this transaction and if the other party does not object against such passage or has known or should have known during the conclusion of the transaction that it was concluded in the interest of other people.

With the passage of obligations under such transaction to the person in whose interest it was concluded, the rights under this transaction shall also be transferred to the latter person.

**Article 987. Unjust Enrichment in Consequences of Actions in the Interest of Other People**

If actions which are not directly aimed at the security of the interests of another person, including in the case where the person who has committed them mistakenly supposed that he acts in his own interest, have led to the unjust enrichment of another person, the rules, provided for by Chapter 60 of this Code shall be applied.

**Article 988. The Compensation for the Harm Inflicted by Actions in the Interest of Other People**

Relations involved in the compensation of the harm inflicted by actions in the interest of other people on the interested person or third persons, shall be regulated by the rules of Chapter 59 of this Code.

**Article 989. The Report of the Person Who Acted in the Interest of Other People**

The person who acted in the interest of other people shall be obliged to submit to the person in whose interest such actions have been committed his report with an indication of the obtained incomes and incurred expenses and other losses.



## **Chapter 51. Commission**

### **Article 990. The Contract of Commission**

1. Under the contract of commission one party (commission agent) shall undertake to perform one or several transaction on its behalf on the instruction of the other party (principal) for remuneration at the expense of the principal.

In a transaction conducted by the commission agent with a third person the commission agent shall acquire and become to be bound, although the principal was named in the transaction or entered in direct relations with the third person in the performance of the transaction.

2. A contract of commission may be concluded for an indefinite period or without reference of its validity term with reference or without reference of the territory of its execution, with the obligation of the principal not to give to third persons the right of making in his interests and at his expense transactions, the conduct of which has been entrusted to the commission agent, or without such obligation, with conditions or without them for the assortment of goods which are the subject of commission.

3. The law and other legal acts may provide for specificity of the contract of commission of particular kinds.

### **Article 991. Commission Fee**

1. The principal shall be obliged to pay a commission fee to the commission agent and when the commission agent has stood the surety for the execution of the transaction by a third person (del credere) the principal shall also pay an additional fee in the amount and in the order fixed in the contract of commission.

If the contract does not provide for the amount of the fee or the procedure for its payment and the amount of the fee cannot be determined on the basis of the contract, the fee shall be paid after the execution of the contract of commission in the amount, defined in conformity with Item 3 of Article 424 of this Code.

2. If a contract of commission has not been executed for the reasons depending on the principal, the commission agent shall retain the right of a commission fee, and also to compensation for the incurred expenses.

### **Article 992. The Execution of a Commission Order**

The order assumed by the commission agent the latter shall be obliged to perform on the conditions most favorable for the principal in accordance with the instructions of the principal, and in the absence if such instructions of the principal, and in the absence of such instructions in the contract of commission the commission

agent shall be obliged to perform the order in keeping with the business turnover customs or other usual requirements.

In case where the commission agent has performed a transaction on the conditions more favourable than those which have been indicated by the principal, the additional benefit shall be divided between the principal and the commission agent, unless otherwise stipulated by the agreement of the parties.

**Article 993.** Liability for the Non-execution of the Transaction Concluded for the Principal

1. The commission agent shall not be liable to the principal for the non-execution by a third person of the transaction concluded with him at the expense of the principal, except for the cases where the commission agent has not displayed the necessary circumspection in the choice of this person or has stood surety for the performance of the transaction (*del credere*).

2. If a third person does not fulfil the transaction concluded with him by the commission agent, the latter shall be obliged to inform at once the principal about this, gather necessary evidence, and also to transfer to him the rights in this transaction on the demand of the principal and with the observance of the rules for the assignment of a claim (Articles 382-386, 388 and 389).

3. The cession of rights to the principal in a transaction on the basis of Item 2 of this Article shall be allowed, regardless of the agreement of the commission agent with a third person, which bans or restricts such cession. This shall not release the commission agent from liability to a third person in connection with the cession of the right in violation of the agreement on its ban or restriction.

**Article 994.** Subcommission

1. Unless otherwise stipulated by the contract of commission, the commission agent shall have the right to conclude a contract of subcommission with another person for the purpose of executing this contract, remaining to be liable for the actions of the sub-commissioner to the principal.

Under the contract of subcommission the commission agent shall acquire the rights and obligations of the principal in respect of the subcommissioner.

2. Until the termination of the contract of commission the principal shall not have the right to enter into relations with the subcommissioner without the consent of the commission agent, unless otherwise stipulated by the contract of commission.

#### **Article 995. Departures from the Principal's Instructions**

1. The commission agent shall have the right to depart from the principal's instructions, if this is necessary under the present circumstances of the case in the interests of the principal and the commission agent could not acquire the principal in advance or did not receive an answer to his inquiry within a reasonable period of time. The commission agent shall be obliged to notify the principal about the departures made as soon as the notification has become possible.

The commission agent who acts as a businessman may be given by the principal the right to depart from his instructions without a preliminary inquiry. In this case the commission agent shall be obliged to notify the principal about the departures made within a reasonable period of time, unless otherwise stipulated by the contract of commission.

2. The commission agent who has sold property at the price below that agreed upon with the principal, shall be obliged to compensate to the latter for the difference, unless he proves that he had no possibility of selling property at the agreed price and the sale at a lower price prevented still greater losses. In case where the commission agent has obliged to inquire the principal in advance, the commissioner shall also prove that he had no possibility of receiving the preliminary consent of the principal with a departure from his instructions.

3. If the commission agent has bought property at the price higher than that agreed with the principal, the latter, if he does not wish to accept such purchase, shall be obliged to state about this to the commission agent within a reasonable period of time upon the receipt from him the notification about the conclusion of the transaction with a third person. Otherwise the purchase shall be recognized as accepted by the principal.

If the commission agent stated that he accepts the difference in prices at its expense, the principal shall not have the right to waive the transaction concluded for him.

#### **Article 996. The Rights to the Things Which Are the Subject of Commission**

1. Things which the commission agent received from the principal or brought at the expense of the principal shall be the property of the latter.

2. In accordance with Article 359 of this Code the commissioner shall have the right to withhold the things which he has and which are subject to the transfer to the principal or the person indicated by the principal in security for his claims under the contract of commission.

In the event of declaring a principal insolvent (bankrupt) the said right of the commissioner shall be ceased and his claims to the principal within the cost of things which he has retained shall be satisfied in keeping with

Article 360 of this Code on a par with the claims secured with pledge.

**Article 997.** The Satisfaction of the Claims of the Commission Agent from the Sums of Money Due to the  
Principal

The commission agent shall have the right, in accordance with Article 410 of this Code, to withhold all the sums of money due to him under the contract of commission, received by him from the principal. However, the principal's creditors who enjoy advantage with regard to the pledgees in respect of the sequence of satisfying their claims from the sums of money withheld by the commission agent.

**Article 998.** The Liability of the Commission Agent for the Loss and Shortage of, or Damage to, the  
Principal's Property

1. The commission agent shall be liable to the principal for the loss and shortage of, or damage to, the principal's property held by him.

2. If in this property there are damages or shortages during the acceptance by the commission agent of property, forwarded, by the principal or received by the commission agent for the principal, the damages and shortages being noticed in case of an outward inspection, and also has been inflicted by anybody on the principal's property held by the commission agent, the commission agent shall be obliged to take measures protecting the rights of the principal, to gather necessary evidence and to inform the principal about this without delay.

3. The commission agent who has not insured the principal's property held by him shall be liable for his only in cases where the principal has prescribed him to insure property at the expense of the principal or where the insurance of this property by the commission agent is provided for by the contract of commission or by the business turnover customs.

**Article 999.** The Report by the Commission Agent

Upon the execution of the instruction the commission agent shall be obliged to submit to the principal his report and to give him all that he has received under the contract of commission. The principal who has objections to the report shall be obliged to inform the commission agent during 30 days since the receipt of the report, unless the agreement between the parties has fixed a different period of time. Otherwise the report shall be deemed to be accepted in the absence of a different agreement.

**Article 1000.** The Acceptance by the Principal of Everything Performed Under the Contract of Commission

The principal shall be obliged:

to accept from the commission agent everything performed under the contract of commission;

to inspect the property acquired by the commission agent for him and to inform the latter without delay about the defects discovered in this property;

to release the commission agent from the obligation assumed to a third person in the execution of the commission order.

**Article 1001.** Compensation for the Expenses to Be Incurred in the Execution of a Commission Order

The principal shall be obliged to compensate for the sums of money, spent by the commission agent to execute the commission order in addition to the payment of a commission fee and in requisite cases also an additional fee for del credere.

The commission agent shall have no right to recompense the expenses on the storage of the principal's property held by him, unless otherwise stipulated by the law or the contract of commission.

**Article 1002.** The Termination of the Contract of Commission

The contract of commission shall be terminated in consequence of:

the refusal of the principal to execute the contract;

the refusal of the commission agent to execute the contract;

the refusal of the principal to execute the contract in cases provided for by the law or the contract;

the death of the commission agent, the recognition of him as legally unfit, specially incapable or missing;

the recognition of an individual businessman, who is a commission agent, as insolvent (bankrupt).

In case of declaring that the commission agent is insolvent (bankrupt), his rights and obligations in transactions, committed by him for the principal in pursuance of the instructions of the latter, shall pass to the principal.

**Article 1003.** The Revocation of a Commission Note by the Principal

1. The principal shall have the right to refuse at any time to execute the contract of commission by revoking the note given to the commission agent. The commission agent shall have the right to demand the compensation for the losses caused by the revocation of the order.

2. In case where a contract of commission has been concluded without an indication of its validity term the principal shall be obliged to notify the commission agent about the termination of the contract within 30 days, unless the property provides for a longer period of notification.

In this case the principal shall be obliged to pay to the commission agent a charge for the deals made by him before the termination of the contract, and also to reimburse to the commission agent the expenses, incurred by him before the cessation of the contract.

3. In case of revocation of the note the principal shall be obliged, within the period fixed by the contract of commission agent, and if such period is not fixed, also to discharge at once of his property held by the commission agent. If the principal fails to discharge this obligation, the commission agent shall have the right to put the property in storage at the expense of the principal or to sell it at the price most remunerative for the principal.

#### **Article 1004. The Refusal of the Commission Agent to Execute the Contract of Commission**

1. The commission agent shall have no right, unless otherwise stipulated by the contract of commission, to refuse to execute it, with the exception of the case where the contract was concluded without an indication of its validity term. In this case the commission agent shall notify the principal about the termination of the contract within 30 days, unless the contract provides for a longer period of time.

The commission agent shall be obliged to take measures needed for the safety of the principal's property.

2. Unless the contract of commission stipulates a different period of time, the principal shall dispose of his property under the authority of the commission agent within 15 days since the day of the receipt of the notice about the commission agent's refusal to execute the note. If he does not discharge this obligation, the commission agent shall have the right to put the property in storage at the expense of the principal or to sell it at the price most remunerative for the principal.

3. Unless otherwise stipulated by the contract of commission, the commission agent who has refused to perform the note shall retain the right to a commission charge for the deals made by him before the termination of the contract, and also to the compensation for the expenses incurred before this time.

### **Chapter 52. Agency Service**

#### **Article 1005. The Brokerage Contract**

1. Under the brokerage contract one party (agent) shall undertake for remuneration to perform legal and

other actions on the instruction of the other party (principal) on his own behalf, but at the expense of the principal or on behalf and at the expense of the principal.

In a transaction made by the agent with a third person in his own name and at the expense of the principal, the agent shall acquire rights and become to be bound, although the principal has been named in the transaction or entered in direct relations with a third party for the execution of the transaction.

In a transaction made by the agent with a third person on behalf and at the expense of the principal, the rights and obligations shall arise for the principal.

2. In cases where the brokerage contract concluded in written form provides for the agent's general obligations for making deals on behalf of the principal, the latter shall have no right in his relations with third persons to refer to the lack of requisite obligations by the agent, unless he proves that the third person knew or should have known about the limitation of the agent's obligations.

3. The brokerage contract may be concluded for an indefinite period or without an indication of its validity term.

4. The law may provide for the specific aspects of particular types of the brokerage contract.

#### **Article 1006.** The Bonus of the Agent

The principal shall be obliged to pay to the agent the bonus in the amount and in the order established by the brokerage contract.

If the brokerage contract does not provide for the amount of the bonus of the agent and the latter cannot be estimated on the basis of the contractual terms, the bonus shall be subject to payment in amount, specified in keeping with Item 3 of Article 424 of this Code.

In the absence of contractual terms on the procedure for the payment of the agent's bonus, the principal shall be obliged to pay the bonus during a week since the time of the submission of a report by the agent to him for the past period, unless a different procedure for the payment of the bonus follows for the substance of the contract or the business turnover customs.

#### **Article 1007.** The Restriction of the Rights of the Principal and the Agent by the Brokerage Contract

1. The brokerage contract may provide for the principal's obligation not to conclude similar brokerage contracts with other agents acting on the territory defined by the contract or to refrain from the independent activity on this territory, which is analogous to the activity that makes up the subject of the brokerage contract.

2. The brokerage contract may provide for the agent's obligation not to conclude with other principals similar contracts, which shall be executed on the territory coinciding in full or in part with the territory indicated in the contract.

3. The terms and conditions of the contract, by virtue of which the agent shall have the right to sell goods, perform works or render services for an exclusively definite category of buyers (customers) or exclusively for the buyers (customers) who have their place of location or residence on the territory defined by the contract, shall be void.

#### **Article 1008. Reports by the Agent**

1. During the performance of the brokerage contract the agent shall be obliged to submit his reports to the principal in the order and in the time-limits which are provided for by the contract. In the absence of appropriate terms and conditions in the contract, reports shall be submitted by the agent to the extent of the execution of the contract by him or upon the expiry of the validity term of the contract.

2. Unless otherwise stipulated by the brokerage contract, the agent's report shall be enclosed with necessary proof of the expenses incurred by the agent at the expense of the principal.

3. The principal who has objections to the agent's report shall be obliged to communicate them to the agent within 30 days since the day of receipt of the contract, unless the agreement of the parties stipulates a different period of time. Otherwise the report shall be deemed to be accepted by the principal.

#### **Article 1009. The Sub-agency Contract**

1. Unless otherwise stipulated by the brokerage contract, the agent shall have the right to conclude a sub-agency contract with another person for the purpose of executing the contract, being liable for the actions of the sub-agent to the principal. The brokerage contract may provide for the agent's obligation to conclude a sub-agency contract with or without an indication of concrete terms and conditions of such contract.

2. The sub-agent shall have no right to conclude with third parties transactions on behalf of the principal under the brokerage contract, except for the cases where in conformity with Item 1 of Article 187 of this Code, the sub-agent may act on the basis of substitution. The procedure and consequences of such substitution shall be determined according to the rules, provided for by Article 976 of this Code.

#### **Article 1010. The Termination of the Brokerage Contract**



The brokerage contract shall cease in consequence of:

the refusal of one of the parties to execute the contract concluded without fixing the period of the completion of its validity;

the death of the agent, the recognition of him as legally unfit, specially incapable or missing;

the recognition of the individual businessman who is an agent as insolvent (bankrupt).

**Article 1011.** The Application of the Rules for Contracts of Agency and Commission to the Relations of Agents

The rules provided for by Chapter 49 or Chapter 51 of this Code shall be applied accordingly to the relations following from the brokerage contract depending on the fact whether the agent acts under the terms and conditions of this contract on behalf of the principal or in his own name, unless these rules contradict the provisions of this Chapter or the substance of the brokerage contract.

**Chapter 53. Trust of Estate**

**Article 1012.** The Contract of Trust of Estate

1. Under the contract of trust of estate one party (settler of trust) shall transfer estate in trust to the other party (trust administrator) for a definite period, while the other party shall undertake to administer this estate in the interests of the seller of trust or the person indicated by him (beneficiary).

The transfer of estate in trust shall not involve the assignment of the right of its ownership to the trust administrator.

2. While implementing the trust of estate, the trust administrator shall have the right to perform any legal and actual actions in the interests of the beneficiary in keeping with contract of trust of estate.

The law or the contract may provide for restrictions on individual actions for the trust of estate.

3. Transactions with estate transferred in trust shall be made by the trust administrator on his behalf by pointing out that he acts as such administrator. This proviso shall be deemed to be observed, if during the actions which do not require the written form the other party is informed about them by the trust administrator acting in this capacity and if the written documents bear the note T.A. after the name of the trust administrator.

In the absence of the indication about the operation of the trust administrator in this capacity, the trust administrator shall bind himself to the third persons and shall be liable to them only within the property belonging to

him.

4. The specifics of trust management of unit investment trusts shall be established by law.

#### **Article 1013. The Object of Trust**

1. The objects of trust may include enterprises and other property complexes, particular facilities relating to real estate, securities, rights certified by non-documentary securities, exclusive rights and other property.
2. Money may not be an independent object of trust with the exception of cases, provided for by the law.
3. Estate held in economic or operative management may not be transferred in trust. The transfer in trust of estate held in economic or operative management is possible only after the liquidation of the legal entity which was in charge of property or carried out operative management or after the termination of the right of economic or operative management and its passage into the possession of the owner on other statutory grounds.

#### **Article 1014. The Seller of Trust**

The owner of estate or another person in cases, specified by Article 1026 of this Code, shall be a seller of trust.

#### **Article 1015. The Trust Administrator**

1. An individual businessman or a products-making organization may be a trust administrator, exception being made for a unitarian enterprise.

In cases where the trust of estate is exercised on the statutory grounds, the post of the trust administrator may be held by the individual who is not a businessman or by the non-profit-making organization with the exception of an institution.

2. Estate shall not be transferred in trust to a state body or a local self-government body.
3. The trust administrator may not be a beneficiary under the contract of trust of estate.

#### **Article 1016. The Substantial Terms and Conditions of the Contract of Trust of Estate**

1. The contract of trust of estate shall indicate the following:

the structure of estate transferred in trust;

the name of the legal entity or the individual in whose interest the trust of estate is exercised (the seller of trust or the beneficiary);

the amount and form of remuneration for the administrator, if it is provided for by the contract;

the term of validity of the contract.

**2.** A contract of trust of estate shall be concluded for a term not exceeding five years. For particular types of estate transferred in trust the law may provide for other maximum terms for which contracts may be concluded.

In the absence of the statement by one of the parties on the termination of a contract upon the expiry of its validity term, it shall be deemed to be prolonged for the same period and on the same conditions which were provided by the contract.

#### **Article 1017.** The Form of the Contract of Trust of Estate

**1.** A contract of trust of estate shall be concluded in writing.

**2.** A contract of trust of real estate shall be concluded in the form, provided for the contract of sale of real estate. The transfer of real estate in trust shall be subject to state registration in the same procedure that governs the transfer of the right of ownership of this property.

**3.** The non-observance of the form of the contract of trust of estate or of the requirement for the registration of the transfer of real estate in trust shall invalidate the contract.

#### **Article 1018.** The Separation of Estate Held in Trust

**1.** Estate transferred in trust shall be separated from the other estate of the seller of trust, and also from the estate of the trust administrator. This estate shall reflect in the trust administrator's separate balance-sheet, with an independent accounting being kept on its basis. A separate bank account shall be opened for settlements in the activity associated with trust.

**2.** The execution for the debts of the settler of trust on the estate transferred by him in trust shall not be levied with the exception of the insolvency (bankruptcy) of this person. In case of the bankruptcy of the settler of trust the trust of this estate shall be ceased and it shall be included in the bankrupt's estate.

**Article 1019.** The Transfer in Trust of Estate Encumbered with Pledge

1. The transfer of the pledged estate in trust shall not deprive the pledgee of the right to every execution on this estate.

2. The trust administrator shall be warned about the fact that the estate transferred in trust has been encumbered with pledge. If the trust administrator did not know and should not know about the estate encumbered with pledge and given to him in trust, he shall have the right to demand in court the cancellation of the contract of trust of estate and the payment of remuneration for one year that is due to him under the contract.

**Article 1020.** The Rights and Obligations of the Trust Administrator

1. The trust administrator shall exercise the proprietary rights to the estate transferred in trust within the limits prescribed by the law and the contract of trust of estate. The trust administrator shall dispose of real estate in cases, provided for by the contract of trust of estate.

2. The rights, acquired by the trust administrator as a result of actions in the trust of estate, shall be included in the estate transferred in trust. The obligations arising as a result of such actions of the trust administrator shall be executed at the expense of this estate.

3. In order to protect the rights to estate in trust, the trust administrator shall have the right to demand any removal of the infringement of his rights (Articles 301, 302, 304 and 305).

4. The trust administrator shall submit to the seller of trust and the beneficiary the report on his activity in the time-limits and in the procedure, established by the contract of trust of estate.

**Article 1021.** The Transfer of Trust of Estate

1. The trust administrator shall effect the trust of estate in person, except for the cases, provided for by Item 2 of this Article.

2. The trust administrator may charge another person with the performance of actions necessary for the trust of estate on behalf of the trust administrator, if he is authorized therefor by the contract of trust of estate or has received the settler's consent with this in written form, or is forced to do so by virtue of circumstances for the safeguarding the interests of the settler of trust or the beneficiary and has no possibility of receiving the settler's instructions in a reasonable period of time.

The trust administrator shall be answerable for the actions of the agent chosen by him as for his own actions.

**Article 1022.** The Liability of the Trust Administrator

1. The trust administrator who failed to show due care for the interests of the beneficiary or the settler of trust in case of trust of estate shall reimburse to the beneficiary the lost profit during the trust of estate and to the settler of trust - the losses caused by the loss of, or damage to, estate with due account of its depreciation, and also the lost profit.

The trust administrator shall be liable for the inflicted losses, unless he proves that these losses were caused by force majeure or by the actions of the beneficiary or the settler of trust.

2. The obligations in the transaction made by the trust administrator with the excess of power or with the contravention of the limitations established for him shall be borne by the trust administrator in person. If the third persons participating in the transaction did not know or should not have known about the excess of power or about the established limitations, the obligations which have arisen shall be subject to satisfaction in the procedure, established by Item 3 of this Article. In this case the settler of trust may demand that the trust administrator should recompense the losses sustained by him.

3. The debts in obligations which have arisen in connection with trust of estate shall be repaid at the expense of this estate. If such estate is not sufficient, execution may be levied on the estate of the trust administrator; and if his estate proves to be insufficient as well, execution may be levied on the estate of the settler of trust that has not been placed in trust.

4. The contract of trust of estate may provide for the submission of mortgage by the trust administrator in the security for the reparation of the losses that can be caused to the settler of trust or the beneficiary by the improper execution of the contract of trust.

**Article 1023.** Remuneration for the Trust Administrator

The trust administrator shall have the right to the remuneration, provided for by the contract of trust of estate, and also to the reimbursement of the necessary expenses, made by him during the trust of estate, at the expense of the incomes from the use of this property.

**Article 1024.** The Termination of the Contract of Trust of Estate

1. The contract of trust of estate shall be terminated in consequence of:

the death of the individual who is a beneficiary or the liquidation of the legal entity - also a beneficiary -

unless the contract provides for otherwise;

the refusal of the beneficiary to receive benefits under the contract, unless the latter provides for otherwise;

the death of the individual who is a trust administrator, the recognition of him as legally unfit, specially incapable or missing, and also the recognition of the individual businessman as insolvent (bankrupt);

the refusal of the trust administrator or the settler of trust to carry out trust in connection with the impossibility for the trust administrator to effect in person the trust of estate;

the rejection by the settler of trust of the contract for the reason other than that indicated in the fifth paragraph of this Item, provided that the remuneration specified by the contract has been paid to the trust administrator;

the recognition of the businessman who is the settler of trust as insolvent (bankrupt).

**2.** If one party abandons the contract of trust of estate, the other party shall be notified about this three months before the termination of the contract, unless the latter provides for a different date of notification.

**3.** With the cessation of the contract of trust the estate held in trust shall be transferred to the settler of trust, unless otherwise stipulated by the contract.

#### **Article 1025.** The Transfer of Securities in Trust

In case of the transfer of securities in trust, they may be pooled for the transfer in trust by different persons.

The authority of the trust administrator to dispose of securities shall be defined in the contract of trust.

The specific features of trust of securities shall be determined by the law.

The rules of this Article shall be applied accordingly to the rights, certified by non-documentary securities (Article 149).

#### **Article 1026.** Trust of Estate on the Grounds Stipulated by the Law

**1.** Trust of estate may be instituted in the following cases:

on account of the need for the permanent trust of the estate of the ward in cases provided for by Article 38 of this Code;

on the grounds of the restatement which has appointed the testamentary executor;

on other grounds specified by the law.

**2.** The rules provided for by this Chapter shall be applied accordingly to the relations involving the trust of estate, instituted on the grounds, referred to in Item 1 of this Article, unless otherwise stipulated by the law and

unless the contrary follows from the essence of such relations.

In cases where trust of estate is instituted on the grounds, referred to in Item 1 of this Article, the rights of the settler of trust, provided for by the rules of this Chapter, shall belong accordingly to the body of guardianship, the testamentary execution or any other person, indicated in the law.

## **Chapter 54. The Commercial Concession**

### **Article 1027. The Contract of the Commercial Concession**

1. Under a contract of commercial concession, one party (the right holder) is obliged to give to the other party (the user) for an award, for a term or without pointing out a term, the right to use in the user's business activity the complex of exclusive rights belonging to the right holder, including the right to the trade mark and to the servicing mark, as well as the rights to the other objects of exclusive rights stipulated in the contract, in particular to the commercial designation and to the production secret (to the know-how).

2. The contract of the commercial concession shall provide for the use of a complex of exclusive rights, the business standing and commercial know-how of the right holder in a definite scope (in particular with the establishment of a minimum and/or maximum extent of use), with an indication or without indication of the territory of use with reference to a certain sphere of business activity (sales of goods obtained from the right holder or produced by the user, other trade activity, performance of works and provision of services).

3. Commercial organizations and private persons registered as individual entrepreneurs may be the parties to the contract of the commercial concession.

4. To the contract of commercial concession shall be applied, respectively, the rules of Section VII of the present Code on the licence agreement, unless this contradicts the provisions of the present Chapter and the substance of the contract of commercial concession.

### **Article 1028. The Form and Registration of the Contract of the Commercial Concession**

1. A contract of the commercial concession shall be concluded in writing.

The non-observance of the written form shall invalidate the contract. Such contract shall be deemed to be void.

2. A contract of commercial concession is subject to state registration with the federal executive power body on intellectual property. If this demand is not satisfied, the contract shall be seen as null and void.

#### **Article 1029. The Commercial Subconcession**

1. The contract of the commercial concession may provide for the right of the user to authorize other persons to make use of the complex of exclusive rights granted to him or a part of this complex on the terms of subconcession, agreed upon with the right holder or defined by the contract of the commercial concession. The contract may provide for the obligation of the user to submit during a definite period of time to a definite number of persons the right of using said rights on the terms of the subconcession.

A contract of the commercial subconcession may not be concluded for a longer period than the contract of the commercial concession, on the basis of which it is concluded.

2. If a contract of the commercial concession is invalid, the contracts of the commercial subconcession concluded on its basis shall be invalid as well.

3. Unless otherwise stipulated by the contract of the commercial concession, concluded for a definite term, the rights and obligations of the second right holder under the contract of the commercial subconcession (the user under the contract of the commercial concession) shall pass to the right holder in case of the termination of the contract of the commercial concession short of the term, unless he refuses to assume the rights and obligations under this contract. This rule shall be applied accordingly in case of the cancellation of the contract of the commercial concession, concluded without reference to a definite term.

4. The user shall bear subsidiary liability for the harm done to the right holder by the actions of the second users, unless otherwise stipulated by the contract of the commercial concession.

5. The rules for the contracts of the commercial concession, specified by this Chapter shall be applied to the contracts of the commercial subconcession, unless the contrary follows from the specificity of the subconcession.

#### **Article 1030. Remuneration under the Contract of the Commercial Concession**

Remuneration under the contract of the commercial concession may be paid by the user to the right holder



in the form of fixed non-recurrent and periodical payments, deductions from proceeds, markups on the wholesale price of goods given by the right holder for resale, or in other form stipulated by the contract.

#### **Article 1031. The Obligations of the Right Holder**

1. The right holder is obliged to hand over to the user the technical and the commercial documentation, and to supply other information necessary to the user for exercising the rights granted to him under the contract of commercial concession, and also to instruct the user and his workers on the issues involved in exercising these rights.

2. Unless otherwise stipulated by the contract of the commercial concession, the right holder shall be obliged:

to ensure the state registration of the contract of the commercial concession (Item 2 of Article 1028);

to render contract technical and consultative assistance for the user, including assistance in the training and upgrading the skill of workers;

to control the quality of goods (works and services), produced (performed and rendered) by the user on the basis of the contract of the commercial concession.

#### **Article 1032. The User's Obligations**

With account of the nature and specificity of the activity carried on by the user under the contract of the commercial concession the user shall be obliged:

to use the commercial designation, trade mark, servicing mark or another means of individualization of the right holder in the way indicated by the contract during the activity stipulated by the contract;

to ensure the compliance of the quality of goods, produced by him on the basis of the contract, of the works performed and the services rendered, with the quality of similar goods, works and services, produced, performed or rendered directly by the right holder;

to observe the instructions and directions of the right holder, intended for the compliance of the nature, methods and conditions of the use of the complex of exclusive rights with the way it is used by the right holder, including the directions regarding the external and internal design of commercial premises, used by the user in the

exercise of the rights granted to him by the contract;

to render to the buyer (customer) all the additional services which they could expect by acquiring (ordering) goods (works, services) directly from the right holder;

not to divulge the right holder's secrets of production (know-how) and other confidential commercial information received from him;

to grant the specified number of subconcessions, if such obligation is provided for by the contract;

to inform the buyers (customers) by the most patent method that he uses the commercial designation, trademark, service mark or any other means of individualization of virtue of the contract of the commercial concession.

### **Article 1033.** The Restrictions on the Rights of the Parties to the Contract of the Commercial Concession

**1.** The contract of the commercial concession may provide for the restrictions on the rights of the parties to this contract, in particular may provide for the following:

the obligation of the right holder not to provide other persons with similar complexes of exclusive rights for their use on the territory assigned to the user or to refrain from his own similar activity on this territory;

the obligation of the user not to compete with the right holder on the territory to which the contract of the commercial concession extends in terms of business activity carried out by the user with the use of the exclusive rights belonging to the right holder;

the refusal of the user to receive under contracts of the commercial concession similar rights from the competitors (potential competitors) of the right holder;

the obligation of the user to get agreement with the right holder on the place of location of commercial premises to be used in the exercise of the exclusive rights granted under the contract, and also on their external and internal design.

Restrictive conditions may be recognized as invalid on the demand of the antimonopoly body or any other interested person, if these conditions contradict the antimonopoly legislation in the light of the market conditions and the economic position of the parties.

**2.** The conditions restricting the rights of the parties to the contract of the commercial concession shall be void, if:

the right holder has the right to determine the price of the sale of goods by the user or the price of works (services), performed (rendered) by the user or to fix the upper or lower limit of these prices;

the user has the right to sell goods, perform works or render services for the exclusively definite category of buyers (customers) or exclusively for the buyers (customers) who have their place of location (place of residence) on the territory defined by the contract.

**Article 1034.** The right Holder's Liability for Claims Presented to the User

The right holder shall bear subsidiary liability for the claims made to the user for the inconsistency of the quality of goods (works, services), sold (performed or rendered) by the user under the contract of the commercial concession.

Against the claims made to the user as the manufacture of the products (goods) of the right holder, the latter shall be liable jointly with the user.

**Article 1035.** The User's Right to Conclude a Contract of the Commercial Concession for a New Term

1. The user who has discharged his obligations properly shall have the right to conclude a contract for a new term on the same conditions upon the expiry of the validity term of the contract of the commercial concession.

2. The right holder shall have the right to refuse to conclude a contract of the commercial concession for a new term, provided that during three years since the expiry of the validity of this contract he will not conclude with other persons similar contracts of the commercial concession and give his consent to the conclusion of analogous contracts of the commercial subconcession, the operation of which will extend to the same territory on which the discontinued contract operated. If before the expiry of the three-year period the right holder wished to grant to anybody the same rights which had been granted to the user under the discontinued contract, he shall be obliged to offer the user the conclusion of a new contract or to reimburse the losses sustained by him. With the conclusion of the new contract its terms and conditions shall be not less favourable for the user than those of the discontinued contract.

**Article 1036.** Amendment of a Contract of Commercial Concession

1. A contract of commercial concession may be amended in conformity with the rules of Chapter 29 of the present Code.

2. An amendment of the contract of commercial concession is subject to the state registration in accordance with the procedure established in Item 2 of Article 1028 of the present Code.

**Article 1037.** The Termination of the Contract of the Commercial Concession

1. Each party to the contract of the commercial concession, concluded without reference of its validity term, shall have the right to abandon the contract at any time by notifying about this the other party six months in advance, unless the contract provides for a longer period.

2. The anticipatory cancellation of a contract of the commercial concession, concluded with the reference to its validity term, and also the cancellation of a contract, concluded without reference to its validity term, shall be subject to the state registration in the procedure, established by Item 2 of Article 1028 of this Code.

3. When the right to the trade mark, the servicing mark or the commercial designation belonging to the right holder is terminated, if such right is included in the complex of exclusive rights granted to the user under the contract of commercial concession without the terminated right's replacement by a new similar right, the contract of commercial concession shall also be terminated.

4. When the right holder or the user is declared to be insolvent (bankrupt), the contract of the commercial concession shall cease to operate.

**Article 1038.** The Validity of the Contract of the Commercial Concession in Case of the Change of the Parties

1. The transfer to another person of any exclusive right, included in the complex of exclusive rights given to the user, shall not be a ground for changing or dissolving the contract of the commercial concession. A new right holder shall become a party to this contract in respect of the rights and obligations relating to the transferred exclusive right.

2. In the event of the death of a right holder his rights and obligations under the contract of the commercial concession shall pass to his heir, provided that he has been registered or during six months since the opening of inheritance gets registered as an individual businessman. Otherwise the contract shall cease to operate.

The rights of the deceased right holder and his obligations shall be accordingly exercised and discharged by the administrator appointed by the respective notary before his heir assumes these rights and obligations or before the heir is registered as an individual businessman.

#### **Article 1039.** Consequences of Changing the Commercial Designation

If the commercial designation included into the complex of the exclusive rights granted to the user under a contract of commercial concession is changed by the right holder, this contract goes on operating with respect to the right holder's new commercial designation, unless the user demands the cancellation of the contract and the recompense of losses. If the contract goes on operating, the user has the right to demand a commensurate reduction of the award due to the right holder.

#### **Article 1040.** The Consequences of the Termination of the Exclusive Right the Enjoyment of Which Is Granted by the Contract of the Commercial Concession

If during the validity term of the contract of the commercial concession the validity term of the exclusive right under this contract has expired or such right has ceased to operate on another ground, the contract of the commercial concession shall be valid as before, with the exception of the provisions relating to the discontinued right, while the user, unless otherwise stipulated by the contract, shall have the right to demand a proportionate reduction of the remuneration due to the right holder.

If an exclusive right to the trade mark, servicing mark or commercial designation, belonging to the right-holder is terminated, the consequences envisaged in Item 3 of Article 1037 and in Article 1039 of the present Code shall set in.

### **Chapter 55. Particular Partnership**

#### **Article 1041.** The Contract of Particular Partnership

1. Under the contract of particular partnership (contract for joint activity) two or several persons (partners) shall undertake to pool their contributions and to act jointly without forming a legal entity for the deriving of profit or for the attaining another goal not inconsistent with the law.

2. Only individual businessmen and/or profit-making organizations may be the parties to the contract of particular partnership.

#### **Article 1042.** Contributions by Partners

1. All that is contributed to the common cause, including money, other assets, professional and other

knowledge, experience and skills, and also business standing and business contracts, shall be recognized as the contributions of the partners.

2. The contributions of partners shall be equal in value, unless the contrary follows from the contract of particular partnership or from actual circumstances. A monetary estimation of the partners's contribution shall be carried out by agreement between the partners.

#### **Article 1043.** The Joint Assets of Partners

1. The assets contributed by partners and owned by them by right of property, and also products manufactured as a result of their joint activity shall be recognized as their common property in shares, unless otherwise stipulated by the law or the contract of particular partnership or unless the contrary follows from the substance of the obligation.

The assets owned by them on the grounds different from the right of property and contributed by the partners shall be used in the interests of all the partners and comprise the common property of the partners in addition to the assets held in their common ownership.

2. The accounting of the common property of the partners may be entrusted by them to one of the legal entities which participate in the contract of particular partnership.

3. The common property of the partners shall be used by their common agreement, and in case of disagreement it shall be used in the order prescribed by a court of law.

4. The obligations of the partners to maintain their common property and the procedure for the reimbursement of expenses relating to the discharge of these obligations shall be determined by the contract of particular partnership.

#### **Article 1044.** The Conduct of the Common Affairs of Partners

1. In the conduct of their common affairs each partner shall have the right to act on behalf of all the partners, unless the contract of particular partnership stipulates otherwise that the affairs are conducted by particular partners or jointly by all the participants in the contract of particular partnership.

The consent of all the partners shall be required for the completion of each transaction in case of the joint conduct of their affairs.

2. In relations with third persons the power of a partner to conclude deals on behalf of all the partners shall be certified with the power of attorney, issued to him by the other partners or with the contract of particular

partnership, concluded in written form.

3. In relations with third persons the partners may not refer to the restriction of the rights of the partner who has completed the transaction in the conduct of the common affairs of the partners, except for the cases where they will prove that at the time of concluding the transaction the third person knew or should have known about such transactions.

4. A partner who has made on behalf of all the partners transactions in respect of which his right to conduct the common affairs of the partners was restricted may demand the reparation of the expenses incurred by him at his own expense, if there are sufficient grounds to believe that these transactions were necessary in the interests of all the partners. Partners who have incurred losses in consequence of such transactions shall have the right to demand their damages.

5. Decisions affecting the common affairs of the partners shall be taken by the partners by common agreement, unless otherwise stipulated by the contract of particular partnership.

#### **Article 1045.** The Right of a Partner to Information

Every partner shall have the right to get acquainted with all the documents relating to the conduct of affairs regardless of the fact whether is empowered to conduct the common affairs of the partners. The abandonment of this right or its restriction, including by agreement between the parties, shall be void.

#### **Article 1046.** Common Expenses and Losses of Partners

Procedure for the meeting of expenses and the compensation for losses incurred in the joint activity of the partners shall be determined by their agreement. In the absence of such agreement each partner shall bear expenses and losses in proportion to the value of his contribution to the common cause.

Any agreement which fully releases any partner from the participation in the meeting of common expenses or the compensation for losses shall be void.

#### **Article 1047.** The Liability of the Partners Under Common Obligations

1. If a contract of particular partnership is not associated with the business activity of its participants, each partner shall be liable for the common contractual obligations within all their property in proportion to the value of his contribution to the common cause.

The partners shall be liable jointly for the common obligations arising not from the contract.

2. If a contract of particular partnership is associated with business activity of its participants, the partners shall be liable jointly within all the common liabilities, regardless of the grounds for their appearance.

**Article 1048.** The Distribution of Profit

Profit received by the partners as a result of their joint activity shall be distributed in proportion to the value of the contributions made by the partners to the common cause, unless otherwise stipulated by the contract of particular partnership or by other agreement of the partners. Any agreement on the elimination of any partner from profit sharing shall be void.

**Article 1049.** The Allotment of a Partner's Share on the Demand of His Creditor

The creditor of a participant in the contract of particular partnership shall have the right to allot his share in the common property in accordance with Article 255 of this Code.

**Article 1050.** The Termination of the Contract of Particular Partnership

1. The contract of particular partnership shall be terminated in consequence of:

the declaration of any partner as legally unfit, specially incapable or missing, unless the contract of particular partnership or the subsequent agreement provides for the conservation of the contract in relations between the other partners;

the declaration of any partner as insolvent (bankrupt) with the exception indicated in the second paragraph of this Item;

the death of a partner or the liquidation, or the reorganization of the legal entity that participates in the contract of particular partnership, unless the contract or the subsequent agreement provides for the conservation of the contract in the relations between the other partners or for the replacement of the deceased partner (liquidated or reorganized legal entity) by his heirs (legal successors);

the refusal of any partner to take further part in the contract of unlimited duration with the exception, indicated in the second paragraph of this Item;

the dissolution of the contract of particular partnership, concluded with reference to a definite validity term on the demand of one partner in the relations between him and other partners with the exception, indicated in the second paragraph of this Item;

the expiry of the validity term of the contract of particular partnership;



the allotment of a partner's share on the demand of his creditor with the exception, indicated in the second paragraph of this Item.

2. With the termination of a contract of particular partnership the things, transferred for common possession and/or use of the partners, shall be returned to the partners who have contributed them free of charge, unless otherwise stipulated by the agreement of the parties.

Since the time of the termination of a contract of particular partnership, its participants shall bear joint liability in case of default on the common obligations with regard to third persons.

The partition of the property held in the common ownership of the partners and of the common rights of claim which have arisen for them shall be effected in the order, prescribed by Article 252 of this Code.

A partner who has contributed an individual thing shall have the right to demand in court the return of this thing to him with the termination of the contract of particular partnership subject to the observance of the interests of the other partners and creditors.

#### **Article 1051.** The Abandonment of the Contract of Particular Partnership of Unlimited Duration

A statement on the partner's abandonment of the contract of particular partnership of unlimited duration shall be made by him at least before three months before the supposed withdrawal from the contract.

Any agreement on the limitation of the right to abandon the contract of unlimited duration shall be void.

#### **Article 1052.** The Cancellation of the Contract of Particular Partnership on the Demand of a Party Thereto

In addition to the grounds, indicated in Item 2 of Article 450 of this Code a party to the contract of particular partnership, concluded with reference to its validity term or the goal as a revocable proviso, shall have the right to demand the cancellation of the contract in relations between himself and the other partners for valid reasons with the compensation for the real damage inflicted on the other partners by the dissolution of the contract.

#### **Article 1053.** The Liability of the Partner in Respect of Whom the Contract of Particular Partnership Has Been Dissolved

In case where a contract of particular partnership has not been terminated as a result of the statement by any participant on the refusal to continue his participation in it or of the dissolution of the contract on the demand of one partner, the person whose participation in the contract has ceased shall be liable to third persons under the common obligations that have arisen during his participation in the contract, as if he remained as a participant in

the contract of particular partnership.

#### **Article 1054. Private Partnership**

1. The contract of particular partnership may provide for the non-disclosure of its existence for third parties (private partnership). The rules for the contracts of particular partnership, provided for by this Chapter, shall be applicable to such unofficial contract, unless otherwise stipulated by the Article or unless the contrary follows from the private partnership.

2. In relations with third persons each participant of the private partnership shall be liable for all his property in the transactions he has concluded on his own behalf in the common interests of the partners.

3. In relations between the partners the obligations which have arisen during their joint activity shall be regarded as common.

### **Chapter 56. Public Promise of a Reward**

#### **Article 1055. The Obligation to Pay a Reward**

1. A person who has announced in public the payment of a pecuniary remuneration or the issue of a different reward (payment of a reward) to the person who will perform the lawful action, indicated in the announcement within the period mentioned by it, shall be obliged to pay the promised reward to anybody who has committed the relevant action, in particular found out the lost thing or provided the person who announced the issue of the reward with the necessary information.

2. The obligation to pay a reward shall originate, provided that the promise of a reward makes it possible to ascertain the person who has given the promise. The person who has responded to the promise shall have the right to demand the written confirmation of this promise and shall bear the risk of consequences of the non-presentation of this demand, if it transpires that in actual fact the announcement of the reward has not been made by the person indicated in it.

3. If the public promise of a reward has not indicated its amount, the latter shall be defined by agreement with the person who has promised the reward and by a court of law in case of a dispute.

4. The obligation to pay a reward shall arise, regardless of the fact whether an appropriate action in connection with the announcement or beside it.

5. In cases where the action indicated in the announcement has been committed by several persons, the

right to the receipt of a reward shall be acquired by those of them who made the relevant action first.

If the action indicated in the announcement has been committed by two or more persons and it is impossible to ascertain who of them has made the action first, and also in case where the action has been committed by two or more persons simultaneously, the reward shall be divided between them in equal shares or in a different amount, envisaged by the agreement between them.

6. Unless the announcement of a reward provides for otherwise and unless the contrary follows from the character of the action, indicated in it, the compliance of the performed action with the requirements of the announcement shall be determined by the person who has promised the reward in public and by a court of law in case of a dispute.

#### **Article 1056. The Revocation of the Public Promise of a Reward**

1. A person who has announced in public the payment of a reward shall have the right in the same form the repudiate his promise, except for the cases where the announcement itself provides for the inadmissibility of repudiation or the latter follows from it or fixes a definite date for the performance of the action for which the reward has been promised, or where by the time of the announcement about the repudiation one or several responded persons had already committed the action indicated in the announcement.

2. The revocation of the public promise of a reward shall not release the person who has announced the reward from the reimbursement of the responded persons' expenses, incurred by them in connection with the performance of the action, indicated in the announcement, within the limits of the reward referred to in the announcement.

### **Chapter 57. Public Competition**

#### **Article 1057. The Organization of a Public Competition**

1. A person who has announced in public the payment of a pecuniary remuneration or the issue of a different reward (the payment of a reward) for the best performance of work or the achievement of other results (public competition) shall pay (issue) the stipulated reward to the person who has been recognized as its winner in keeping with the terms of holding the competition.

2. A public competition shall be aimed at the attainment of some socially useful objectives.

3. A public competition may be open, when the offer of the competition organizer for the participation in it is

addressed to all those who desire to take part by announcing in the press or other mass media, or may be closed, when the offer for the participation in the competition is sent to a definite range of persons at the option of the competition organizer.

An open competition may be stipulated by the preliminary qualification of its participants at a time when the competition organizer holds a preliminary selection of the persons who desire to take part in it.

4. An announcement of a public competition shall contain at least the conditions providing for the substance of an assignment, the criteria and procedure for the appraisal of the results of work or any other achievements, the place, period of time and procedure for their presentation, the amount and form of rewards, and also the procedure and date of announcing the results of the competition.

5. The rules, provided for by this Chapter, shall be applicable to public competitions containing the obligation of concluding with the competition winner a contract inasmuch as Articles 447-449 of this Code do not stipulate otherwise.

#### **Article 1058. Changes in the Terms of a Public Competition and Its Revocation**

1. A person who has announced a public competition shall have the right to change its terms or to revoke it only during the first half of the period of time fixed for the presentation of works.

2. A notice about changes in the terms of the competition or its revocation shall be made by the same method of announcing the competition.

3. In cases of changes in the terms of the competition or its revocation the person who has announced the competition shall have the right to reimburse the expenses incurred by any person who has performed the work, envisaged in the announcement before he knew or should have known about the changes on the terms of the competition and about its revocation.

A person who has announced the competition shall be released from the obligation of reimbursing the expenses, if he proves that the work has been fulfilled not in connection with the competition, in particular before the announcement of the competition or when obviously the work has not complied with the competition terms.

4. If the requirements, referred to in Items 1 or 2 of this Article have been violated in case of changing the terms of the competition or of its revocation, the person who has announced the competition shall be obliged to pay the reward to those who fulfilled the work that satisfies the terms indicated in the announcement.

#### **Article 1059. The Decision on the Payment of a Reward**

1. A decision on the payment of a reward shall be passed and communicated to the public competition participants in the procedure and in the period of time fixed by the announcement of the competition.

2. If the results, referred to in the announcement, have been achieved in the work performed jointly by two or more persons, the reward shall be distributed in keeping with the agreement reached by them. If such agreement is not achieved, the procedure for the distribution of the reward shall be determined by a court of law.

#### **Article 1060.** The Use of the Works of Science, Literature and Art Awarded with Rewards

If the creation of a work of science, literature or art makes up the subject of a public competition and unless its terms provide for otherwise, the person who has announced the public competition shall acquire the preferential right to the conclusion with the author of the rewarded work of a contract for the use of the work and to the reception of relevant remuneration for it.

#### **Article 1061.** The Return of the Works to the Participants in a Public Competition

A person who has announced the public competition shall be obliged to return to the competition participants the works not awarded with rewards, unless otherwise stipulated by the announcement of the competition and unless the contrary follows from the nature of the performed work.

### **Chapter 58. Gaming and Betting**

#### **Article 1062.** Claims Associated with the Organization of Games and Bets and the Participation in Them

1. The claims of individuals and legal entities, associated with the organization of games and bets or the participation in them, shall not be subject to judicial remedy with the exception of the claims of the persons who have taken part in games or bets under the influence of the fraud, violence, threat or malicious agreement of their representative with the organizer of games or bets, and also of the claims, referred to in Item 5 of Article 1063 of this Code.

2. The rules of this Chapter shall not be applicable to demands connected with participation in transactions stipulating the duty of a party or parties to a transaction to pay monetary amounts depending on the change of the prices of goods or securities, the rate of exchange of the relevant currency, the magnitude of the interest rates, the

level of inflation or on the values calculated on the basis of the aggregate of such indices or on the occurrence of another circumstance which is stipulated by the law and about which it is not known whether it will occur or will not. The said demands shall be subject to judicial defence if at least one of the parties to a transaction is a legal entity that has obtained a licence for the performance of bank operations or a licence for the carrying out of professional activity on the securities market or at least one of the parties to a transaction concluded at an exchange is a legal entity that has obtained a licence on whose basis it is possible to conclude transactions at an exchange.

Demands connected with participation of citizens in transactions mentioned in this Item shall be subject to judicial defence only on condition of their conclusion at an exchange.

**Article 1063.** The Holding of Lotteries, Totalizators and Other Games by State and Municipal Bodies or  
With Their Permit

1. Relations between the organizers of lotteries, totalizators (mutual bets) and of other games based on risk - the Russian Federation, the subjects of the Russian Federation, the municipal bodies, the persons and for lotteries, by legal entities, who received a right to conduct such games in the procedure established by a law from the authorized state and municipal body - and the participants in games shall be based on the agreement.

2. In cases provided for by the rules for the organization of games, the agreement between the organizer and the participant in games shall be formalized by the issue of a lottery ticket, receipt or any other document, and also otherwise.

3. The offer on the conclusion of an agreement, stipulated by Item 1 of this Article, shall include the clauses on the period of holding games and the procedure for determining prizes and their amounts.

In case where the organizer of games refuses to hold them within the fixed period of time the participants in games shall have the right to demand that their organizer should recover the real damage sustained as a result of the revocation of games or of the postponement of the date of the real damage.

4. Persons who in keeping with the terms of holding a lottery, totalizator or other games are recognized as those who have won them shall be paid out by the organizer of games the prizes in the amounts stipulated by the terms of their holding (in monetary terms or in kind) and on due date, and if the date is not indicated in these terms - within 10 days since the time of determining the results of the games or within another term established by a law.

5. In case of default by the organizer of games on the obligation, indicated in Item 4 of this Article, the

participant who has won in the lottery or totalizator or any other games shall have the right to demand that the organizer of games should pay off the prize and also to reimburse the losses caused by the breach of the contract by the organizer.

## **Chapter 59. Liabilities for Damage**

### **§ 1. General Provisions in the Redress of Injury**

#### **Article 1064. General Grounds for Liability for Damage**

1. The injury inflicted on the personality or property of an individual, and also the damage done to the property of a legal entity shall be subject to full compensation by the person who inflicted the damage.

The obligation to redress the injury may be imposed by the law on the person who is not the inflictor of injury.

The law or the contract may institute the obligation of the inflictor of injury to repay to the victims compensation over and above the compensation of damage.

2. A person who has caused harm shall be released from the redress of injury, if he proves that injury was caused not through his fault. The law may also provide for the redress of injury in the absence of the fault of the inflictor of injury.

3. Injury inflicted by lawful actions shall be subject to redress in cases, provided for by the law.

Redress of injury may be rejected, if injury has been caused at the request or with the consent of the insured person and unless the actions of the inflictor of injury violate the moral principles of the society.

#### **Article 1065. Prevention of the Infliction of Injury**

1. The damage of the infliction of injury in future may be a ground for the action for the prohibition of the activity that creates such danger.

2. If the injury caused is the consequence of the operation of an enterprise, structure or of any other production activity which continues to inflict injuries or threatens with a new damage, the court of law shall have the right to bound the defendant to suspend or stop the relevant activity in addition to the redress of injury.

The court may dismiss the action for the suspension or discontinuance of the relevant activity only in case, if its suspension or discontinuance contradicts public interests. The dismissal of the action for the suspension or discontinuance of such activity shall not deprive the insured party of the right to the redress of the injury inflicted by this activity.

**Article 1066.** The Infliction of Injury in the State of Justifiable Defence

Injury inflicted in the state of justifiable defence, unless the requirements of justifiable defence are exceeded, shall not be subject to redress.

**Article 1067.** The Infliction of Injury in the State of Absolute Necessity

Injury inflicted in the state of absolute necessity, that is for the removal of danger threatening the inflictor of injury himself or other persons, if this danger could not be eliminated under the given circumstances with other means, shall be redressed by the person who has caused this injury.

Taking into account the circumstances under which such injury was inflicted, the court of law may impose the obligation of its redress on a third person, in whose interest the inflictor of injury acted, or release this third person and the inflictor of injury from the redress of this injury in full or in part.

**Article 1068.** The Liability of a Legal Entity or an Individual for Injury Inflicted by the Employee

1. A legal entity or an individual shall redress the injury inflicted by the employee during the performance of labour (official) duties.

In terms of the rules, provided for by this Chapter, individuals performing their work on the basis of a labour contract, and also individuals performing their work under a civil-law contract shall be recognized as employees, if in this case they acted or should have acted on the assignment of the relevant legal entity or individual and under their control over the safe conduct of works.

2. Economic partnerships and procedure cooperatives shall redress the injury inflicted by their participants (members) during the performance by them of the business, production or any other activity of the partnership or cooperative.

**Article 1069.** Liability for the Injury Inflicted by State and Local Self-government Bodies, and Also by Their

Officials



The injury inflicted on an individual or a legal entity as a result of unlawful actions (inaction) of state and local self-government bodies or of their officials, including as a result of the issuance of an act of a state or self-government body inconsistent with the law or any other legal act, shall be subject to redress. The injury shall be redressed at the expense of the state treasury of the Russian Federation, the respective subject of the Russian Federation or the respective municipal body, as the case may be.

**Article 1070.** Liability for the Injury Inflicted by the Illegal Actions of the Bodies of Inquest, Preliminary Investigation, the Procurator's Office and the Court of Law

1. The injury inflicted on an individual as a result of illegal conviction, illegal institution of proceedings on criminal charges, illegal application of remand in custody as a measure of suppression or of a written understanding not to leave one's place of residence, of illegally taking to administrative responsibility in the form of administrative arrest, as well as the damage inflicted upon a legal entity as a result of illegally taking to administrative responsibility in the form of an administrative suspension of the activity shall be redressed in full at the expense of the state treasury of the Russian Federation and in cases, stipulated by law, at the expense of the state treasury of the respective subject of the Russian Federation or of the respective municipal body, regardless of the fault of the officials of bodies of inquest, preliminary investigation, procurator's offices or courts of law in the procedure established by law.

2. Injury inflicted on an individual or a legal entity as a result of the illegal activity of bodies of inquest, preliminary investigation, procurator's offices, which has not entailed the consequences, specified by Item 1 of this Article, shall be redressed on the grounds and in the procedure, provided for by Article 1069 of this Code. Injury inflicted during the administration of justice shall be redressed in cases, if the fault of a judge has been established by the court's judgement that has entered into legal force.

**Article 1071.** Bodies and Persons Acting on Behalf of the State Treasury in Case of Redress of Injury at Its Expense

In cases where in keeping with this Code or other laws an injury inflicted is subject to redress at the expense of state treasury of the Russian Federation, that of the subject of the Russian Federation or the municipal

formation, the state treasury shall be represented by the relevant finance bodies, unless in accordance with Item 3 of Article 125 of this Code this duty is imposed on a different body, legal entity or an individual.

**Article 1072. Redress of Injury by the Person Who Has Insured His Liability**

A legal entity or an individual who has insured their liability by way of voluntary or obligatory insurance in favour of the injured party (Article 931 and Item 1 of Article 935), when insurance compensation is not sufficient to redress the inflicted injury, shall compensate for the difference between the insurance compensation and the actual injury.

**Article 1073. Liability for the Injury Inflicted by Minors at the Age Before 14 Years**

1. Parents (adopters) or guardians shall be liable for the injury inflicted by minors who have not reached 14 years of age, unless they prove that the injury has been inflicted not through their fault.

2. If a minor citizen left without parental care has been placed under supervision in an organisation for orphan children and children left without parental care (Article 155.1 of the Family Code of the Russian Federation) this organisation shall provide compensation for the harm inflicted by the minor citizen, unless it proves that the harm has not been caused through its fault.

3. If a minor citizen has caused harm when he/she was temporarily under the supervision of an educational organisation, medical organisation or another organisation responsible for exercising supervision over him/her or of a person responsible for exercising supervision over him/her under a contract this organisation or person shall be liable for the harm so inflicted, unless it/he/she proves that the harm has been inflicted through no fault thereof as it/he/she was exercising supervision.

4. The obligation of parents (adopters), guardians, medical organisations or other organisations in the redress of the injury inflicted by a minor shall not be discontinued with the attainment by the minor of majority or with the receipt by him of property sufficient to redress the injury.

If parents (adopters), guardians or other private persons, referred to in Item 3 of this Article, have died or do not have sufficient pecuniary means to redress the injury inflicted on the life or health of the injured person, and the inflictor of injury who has acquired a legal capacity in full possesses such means, the court of law shall have the right to take a decision on the redress of the injury in full or in part at the expense of the inflictor of the injury by taking into account the property status of the injured person and the inflictor of the injury, and also other circumstances.

**Article 1074.** Liability for the Injury Inflicted by Minors at the Age From 14 to 18 Years

1. Minors at the age from 14 to 18 years shall bear liability for the inflicted injury on general grounds.

2. In case where a minor at the age from 14 to 18 years has no income or other property sufficient to redress injury the latter shall be redressed in full or in the lacking part by his parents (adopters) or the guardian, unless they prove that the injury has been inflicted not through their fault.

If a minor citizen aged from 14 to 18 left without parental care has been placed under supervision in an organisation for orphan children and children left without parental care (Article 155.1 of the Family Code of the Russian Federation) this organisation shall provide compensation for the harm in full or in the missing part, unless it proves that the harm has been incurred through no fault thereof.

3. The obligation of parents (adopters), the guardian and the respective organisation to redress the injury inflicted by a minor at the age from 14 to 18 years shall cease upon the attainment of majority by the inflictor of injury in cases where before the attainment of majority he acquired income or other property, which are sufficient to redress the injury, or where he acquired legal capacity before the attainment of majority.

**Article 1075.** Liability of Parents Deprived in Parental Rights for the Injury Inflicted by Minors

The court of law may impose liability for the injury inflicted by a minor on his parent during three years after the parent was deprived of his parental rights, if the child's behaviour that entailed the infliction of injury had been the result of the improper exercise of parental duties.

**Article 1076.** Liability for the Injury Inflicted by the Individual Recognized as Legally Unfit

1. The injury inflicted by the individual recognized as legally unfit shall be redressed by his guardian or the organization which is duty-bound to exercise supervision over him, unless they prove that the injury has been inflicted not through their fault.

2. The obligation of the guardian or the organization which is duty-bound to exercise supervision over the redress of the injury inflicted by the individual, recognized as legally unfit, shall not cease in case of the subsequent recognition of him as having a legal capacity.

3. If the guardian has died or has not sufficient pecuniary means to redress the injury inflicted on the life or health of the injured person, and the inflictor of the injury possesses such means, the court of law shall have the right to take a decision on the redress of the injury in full or in part at the expense of the inflictor of the injury by taking into account the property status of the injured party and the inflictor of the injury.

**Article 1077.** Liability for the Injury Inflicted by the Individual Recognized as Having Limited Legal Capacity

Injury inflicted by the individual with limited legal capacity in consequence of the abuse of alcoholic drinks or narcotics shall be redressed by the inflictor of injury himself.

**Article 1078.** Liability for the Injury Inflicted by the Individual Who Is Incapable of Understanding the Significance of His Actions

1. An individual with a legal capacity or a minor at the age from 14 to 18 years who has inflicted injury in a state when he could not understand the significance of his actions or guide them shall not be liable for the injury inflicted by him.

If injury is inflicted on the life or health of the injured person, the court of law may impose the duty of redressing the injury in full or in part on the inflictor of injury by taking into account the property status of the injured party and the inflictor of injury, and also other circumstances.

2. The inflictor of injury shall not be released from liability, if he has brought himself in a state in which he could not understand the significance of his actions or guide them by the abuse of alcoholic drinks, narcotics or by any other method.

3. If injury is inflicted by the person who could not understand the significance of his actions or guide them in consequence of his psychic disorder, the court of law may impose the duty in redressing injury on the above-bodied spouse, parents, and children of age who have known about the psychic disorder of the inflictor of injury but

failed to raise the question about the recognition of this person as legally unfit.

**Article 1079.** Liability for the Injury Inflicted by the Activity with Increased Hazard for People Around

1. Legal entities and individuals whose activity is associated with increased hazard for people around (the use of transport vehicles, mechanisms, high voltage electric power, atomic power, explosives, potent poisons, etc.; building and other related activity, etc.) shall be obliged to redress the injury inflicted by a source of special danger, unless they prove that injury has been inflicted in consequence of force majeure or the intent of the injured person. The owner of a source of special danger may be released by the court from liability in full or in part also on the grounds, provided for by Items 2 and 3 of Article 1083 of this Code.

The obligation of redressing injury shall be imposed on the legal entity or the individual who possess the source of special danger by right of ownership, the right of economic or operative management or on any other lawful ground (by right of lease, by procuration for the right to drive a transport vehicle, by decision of the corresponding body on the transfer of the source of special danger, etc.).

2. The owner of a source of special danger shall not be liable for the injury inflicted by this source, if he proves that the source has retired from his possession as a result of the illegal actions of other persons. In such cases liability for the injury inflicted by the source of special danger shall be borne by the persons who have acquired the source contrary to law. If the owner of the source of special danger is guilty of the withdrawal of this source from his possession contrary to law, liability may be imposed both the owner and on the person who has acquired the source of special danger contrary to law.

3. The owners of sources of special danger shall bear joint liability for the injury inflicted as a result of the interaction of these sources (the collusion of transport vehicles, etc.) to third persons on the grounds, provided for by Item 1 of this Article.

Injury inflicted as a result of the interaction of the sources of special danger to their owners shall be redressed on general grounds (Article 1064).

**Article 1080.** Liability for the Injury Jointly Inflicted by Persons

Persons who jointly inflicted injury shall be jointly liable to the injured party.

In response of the application of the injured person and in his interests the court of law shall have the right to impose liability on the persons who jointly inflicted injury in shares by estimating them with reference to the rules, provided for by Item 2 of Article 1081 of this Code.

**Article 1081.** The Right of Recourse to the Person Who Has Inflicted Injury

1. A person who has redressed the injury inflicted by another person (the employee who discharges official or other labour duties, the person who drives a transport vehicle, etc.) shall have the right to recourse to this person in the amount of the paid compensation, unless the law establishes a different amount of compensation.

2. The inflictor of injury who has redressed the injury jointly with others shall have the right to demand from each inflictor of injury the share of the compensation paid to the injured party in the amount that corresponds to the degree of guilt of this inflictor of injury. If it is impossible to determine the degree of guilt, the shares shall be recognized as equal.

3. The Russian Federation, the respective subject of the Russian Federation or the municipal formation shall have the right of recourse to the official of the body of inquest, preliminary investigation, procurator's office or the court of law in case of redress of the injury inflicted by them (Item 1 of Article 1070), if his guilt has been established by the court's judgement that has entered in legal force.

4. Persons who have redressed injury on the grounds, referred to in Articles 1073-1076 of this Code shall have no right of recourse to the inflictor of injury.

**Article 1082.** Methods of Redressing Injury

While satisfying the claim for redressing injury, the court of law, in keeping with the circumstances of the case, shall bind the person responsible for the infliction of injury to redress injury in kind (to present a thing of the same sort and quality, to repair a damaged thing, etc.) or to recompense for the losses caused (Item 2 of Article 15).

**Article 1083.** The Registration of the Fault of the Injured Party and the Property Status of the Person Who Has Inflicted Injury

1. Injury inflicted due to the intent of the injured party shall not be redressed.

2. If the gross negligence of the injured party himself has facilitated the emergence or increase of injury, the amount of compensation shall be reduced depending on the degree of the guilt of the injured party and the inflictor of injury.

In the event of gross negligence on the part of the injured person and in the absence of guilt of the inflictor of injury in cases where his liability commences regardless of his guilt, the amount of compensation shall be

reduced or the redress of injury may be rejected, unless the law provides for otherwise. If injury is inflicted on the life or health of the individual, the refusal to redress injury shall not be allowed.

The fault of the injured party shall not be taken into account in case of the reimbursement of additional expenses (Item 1 of Article 1085), of the redress of injury in connection with the death of the breadwinner (Article 1089), and also in case of the compensation for the expenses on the burial (Article 1094).

3. The court of law may reduce the amount of compensation for the injury inflicted by an individual with due account of his property standing, with the exception of cases where injury has been inflicted by deliberate actions.

## **§ 2. The Redress of the Injury Inflicted on the Life or Health of an Individual**

### **Article 1084.** The Redress of the Injury Inflicted on the Life or Health of an Individual During the Discharge of Contractual or Other Obligations

Injury inflicted on the life or health of an individual during the discharge of contractual obligations, and also during the discharge of the military duty, during the service in the militia and during the discharge of other appropriate duties shall be redressed according to the rules, provided for by this Chapter, unless the law or the contract provide for a higher degree of responsibility.

### **Article 1085.** The Extent and Character of the Redress of Injury Inflicted on the Person's Health

1. In case of maiming an individual or of any other injury to his health compensation shall be extended to the earnings (income) which has been lost by the injured person and which he had or could definitely have, and also to the expenses incurred by injury to his health, including the expenses on medical treatment, additional nutrition, the acquisition of medicines, prosthesis, care by other people, the sanatoria and spa treatment, the acquisition of special transport vehicles, retraining, if it is found out that the injured person is in need of aid of these kinds and care and has not the right to receive them free of charge.

2. In estimating the lost earnings (income) the disability pension, awarded to the injured person in connection with mutilation or any other injury to his health, and also other pensions, benefits and other similar payments, awarded both before and after the infliction of injury on his health, shall not be taken into account and shall not involve a reduction of the amount of the compensation for the injury (shall not be counted towards the redress of the injury). The earnings (income), received by the injured party after the impairment of his health, shall

not be counted towards the redress of injury.

3. The extent and amount of the redress of injury due to the injured party in keeping with this Article may be increased by the law or the agreement.

**Article 1086.** The Estimation of the Earnings (Income) Lost as a Result of the Impairment of Health

1. The amount of the earnings (income) lost by the victim and subject to compensation shall be determined in percentage of the average monthly earnings (income) before maiming or any other impairment of health or before the loss of the capacity for work, which correspond to the degree of the loss by the victim of his professional ability to work, and in the absence of professional ability to work - to the degree of the loss of general capacity for work.

2. The lost earnings (income) of the victim shall include all types of taxable payment for his labour under labour and civil-law contracts in the place of his main work and in case of holding more than one office. Settled apart shall be lump-sum payments, in particular compensation for the non-used leave of absence and the retirement benefit in case of dismissal. The paid benefit shall be reckoned over the period of temporal physical disability or of maternity leave. Income from business activity, and also the author's fees shall be included in the lost earnings, with income from business being included on the basis of the data supplied by a tax inspection team.

All types of earnings (income) shall be reckoned in the amounts charged before tax.

3. The average monthly earnings (income) of the injured person shall be reckoned by dividing the total sum of his earnings (income) for the 12 months of work that preceded the impairment of his health by 12. If the victim had worked for less than 12 months by the time of the infliction of injury, the average monthly earnings (income) shall be reckoned by dividing the total sum of earnings (income) for the actually worked number of months that preceded the impairment of his health by the number of these months.

The months during which he has worked not in full measure shall be replaced at the wish of the victim by the preceding months in which he worked in full measure or shall be excluded from the counting if it is impossible to replace them.

4. In case where the victim of injury account shall be taken at his wish of his earnings before the dismissal or of the usual amount of labour remuneration for the worker of his qualification in the given locality, but not less than the value of the subsistence level of the employable population as a whole in the Russian Federation



established in accordance with law.

5. If stable changes improving the property status of the victim (a rise in the wage according to the post held, the transfer to a high-paid job, employment after the graduation from an educational establishment with full-time instruction and in other cases when changes are stable and when it is possible to alter the payment for the victim's labour) took place before the maiming or other impairment of his health, account shall only be taken of the earnings (income) which he received or should have received after the appropriate change in case of estimating his average earnings (income).

**Article 1087.** The Redress of Injury in Case of Impairing the Health of the Person Who Has Not Reached Majority

1. In case of maiming or any other injury inflicted on the health of a minor who has not reached 14 years of age and who has not got earnings (income), the person responsible for the inflicted injury shall be obliged to reimburse the expenses incurred by the impairment of his health.

2. Upon the attainment by a minor of 14 years of age, and also in the event of the infliction of injury on a minor from 14 to 18 years of age, who has not got earnings (income), the person responsible for the inflicted injury shall be obliged to redress the injury caused by the loss of, or decreased in, capacity for work in addition to the reimbursement of the expenses incurred by the impairment of his health by proceeding from the value of the subsistence level of the employable population as a whole in the Russian Federation established in accordance with law.

3. If by the time of the impairment of his health a minor had earnings, the injury shall be redressed on the basis of their amount, but not less than the value of the subsistence level of the employable population as a whole in the Russian Federation established in accordance with law.

4. After the minor begins his labour activity after the injury was inflicted on his health, he shall have the right to demand an increased amount of compensation for the injury on the basis of his earnings, but not less than the amount of labour remuneration, fixed according to the post he occupies or the earnings of the worker of the same qualification in the place of his work.

**Article 1088.** The Redress of the Injury Inflicted on the Persons Who Have Suffered Damage as a Result of the Breadwinner's Death

1. In the event of the death of the victim (breadwinner) the right to the redress of injury shall belong to:

the non-able-bodied persons who were dependants of the deceased person or who had by time of his death the right to receive maintenance from him;

the infant of the deceased person which was born after his death;

one of the parents, the spouse or any other family member, regardless of his ability to work, who does not work and take the care for his dependent children, grandchildren, brothers and sisters who have not reached 14 years of age or although have reached the said age but are in need of care by other people because of poor health according to the finding of medical bodies;

the persons who were dependants of the deceased person and who have become non-able-bodied during five years after his death.

One of the parents, the spouse or any other family member, who does not work and takes care of the children, grandchildren, brothers and sisters of the deceased person and who has become non-able-bodied during the period of this case, shall retain the right to the referred of injury after the end of the care for these persons.

2. Injury shall be redressed for the following persons:

minors - until the attainment of 18 years of age;

students of over 18 years of age - until the graduation of educational establishments with full-time instruction and at least until 23 years of age;

women of over 55 years of age and men of over 60 years of age;

invalids - for the time of disability;

one of the parents, the spouse or another family member who take care of his dependent children, grandchildren, brothers and sisters - until the attainment by them of 14 years of age or the change in the state of their health.

#### **Article 1089.** The Amount of the Redress of Injury Sustained in Case of the Breadwinner's Death

1. Injury shall be redressed for the persons who have the right to the redress of injury in connection with the breadwinner's death in the amount of that share of the earnings (income) of the deceased person, determined according to the rules of Article 1086 of this Code, which they received or had the right to receive for his maintenance during his lifetime. In estimating compensation for the injury inflicted on these persons it is necessary to include in the incomes on the deceased person his pension, life maintenance and other such payments on a par with his earnings (income).

2. In estimating the amount of compensation for injury the pensions awarded to the persons in connection with the breadwinner's death, and also other pensions awarded both before and after the breadwinner's death and the earnings (income) and the scholarship received by these persons shall not be counted towards the compensation for their injury.

3. The amount of compensation fixed for each person who is entitled to the redress of injury in connection with the breadwinner's death shall not be subject to further recalculation, except for the cases of:

the birth of a baby after the breadwinner's death;

the awarding of compensation payments to the persons who take care of the children, grandchildren, brothers and sisters of the deceased breadwinner or their discontinuance.

The law or the agreement may increase the amount of compensation.

#### **Article 1090.** Subsequent Changes in the Amount of Compensation for Injury

1. The victim who has lost his capacity for work partially shall have the right to demand at any time that the person entrusted with the duty of redressing injury that he should increase the amount of compensation accordingly, if the victim's ability to work has decreased afterwards due to the impairment of his health as compared with his ability to work by the time of awarding to him the compensation for the injury.

2. A person who is entrusted with the duty of redressing the injury inflicted on the victim's health shall have the right to demand a corresponding reduction of the amount of compensation, if the victim's ability to work has arisen as compared with that he had by the time of awarding to him the compensation for the injury.

3. The victim shall have the right to demand an increased amount of the redress of injury, if the person charged with the duty of redressing injury has improved his property standing, while the amount of compensation has been reduced in accordance with Item 3 of Article 1083 of this Code.

4. The court of law may on the demand of the person who has inflicted injury reduce the amount of compensation for the injury, if his property standing has deteriorated in connection of disability or the attainment of the pensionable age as compared with his standing at the time of awarding compensation for the injury, except for the cases where injury was inflicted by deliberate actions.

#### **Article 1091.** Increase of Amount of Compensation of Harm in Connection with Increased Cost of Living

Amounts to be paid to citizens for compensation of harm caused to the life or health of a victim shall be subject, in the event of an increase in the cost of living, to indexation in the procedure established by law (Article 318).

**Article 1092.** Payments for the Redress of Injury

1. The redress of the injury caused by the decrease in the capacity for work or by the victim's death shall be effected by monthly payments.

In the presence of valid reasons the court of law may, with due account of the possibilities of the inflictor of injury and on the demand of the individual who has the right to the redress of injury, adjudge to him the due payments in the lump, but for not more than three years.

2. Sums of money intended for the reimbursement of additional expenses (Item 1 of Article 1085) may be adjudged for the future within the time-limits, defined on the basis of a medical expert examination, and also in case of necessity for the preliminary payment for the appropriate service and property, including for the acquisition of a pass to a sanatorium or holding home, the payment of fare, the payment for special transport vehicles.

**Article 1093.** The Redress of Injury in Case of the Termination of a Legal Entity

1. In the event of the reorganization of the legal entity recognized in the statutory manner as responsible for the injury inflicted on human life or health, the obligation to make appropriate payment shall be borne by its legal successor. Claims for the redress of injury shall be made to this successor.

2. In the event of the liquidation of the legal entity, recognized in the statutory manner as responsible for the injury inflicted on human life or health, the appropriate payments shall be capitalized for their payment to the victim according to the rules, established by the law or other legal acts.

The law or other legal acts may also provide for other cases in which payments may be capitalized.

**Article 1094.** The Reimbursement of Expenses on Burial

Persons responsible for the injury caused by the death of the victim shall be obliged to reimburse the necessary expenses on burial to the person who incurred these expenses.

The burial benefit received by private persons who incurred these expenses shall not be counted towards

the compensation for the injury.

### **§ 3. The Redress of the Injury Inflicted by Defects in Goods, Works or Services**

#### **Article 1095.** The Grounds for the Redress of Injury Inflicted by Defects in Goods, Works and Services

Injury inflicted on the life, health or assets of an individual or damage done to the property of a legal entity in consequence of constructive, recipe or other defects of goods, works or services, and also in consequence of untrustworthy or insufficient information about goods (works, services) shall be subject to redress by the seller or the manufacturer of goods, by the person who has fulfilled the work or rendered the service (executor), regardless of their fault and of the fact whether the victim has been in contractual relations with them or not.

The rules, provided for by this Article, shall be applied only in cases of the acquisition of goods (performance of works or rendering of services) for purposes of consumption and not for use in business activity.

#### **Article 1096.** Persons Responsible for the Injury Inflicted Owing to Defects in Goods, Works and Services

1. Injury inflicted owing to defects in goods shall be subject to redress at the option of the victim by the seller or the manufacturer of goods.

2. Injury inflicted owing to defects in works and services shall be subject to redress by the person who has performed the work or rendered the service (executor).

3. Injury Inflicted owing to the non-submission of full and trustworthy information about goods (works, services) shall be subject to redress by the persons, referred to in Items 1 and 2 of this Article.

#### **Article 1097.** The Time-limits of the Redress of the Injury Inflicted as a Result of Defects in Goods, Works or Services

1. Injury inflicted owing to defects in goods, works or services shall be subject to redress, if it has appeared during the established period of suitability or service time of goods (works, services), and if the working life has not been established, during 10 years since the production of goods (works, services).

2. Regardless of the time of infliction, harm shall be subject to compensation if:

in violation of the requirements of a law, a period of suitability or a service time was not established;

the person to whom the goods were sold, for whom the work was done, or to whom the services were rendered was not warned of the necessary actions upon the expiration of the period of suitability or the service time and the possibility consequences in case of failure to take these actions or who was not provided with the full and veracious information about the goods (or work or service).

**Article 1098.** The Grounds for the Release from Liability for the Injury Inflicted Owing to Defects in Goods,  
Works or Services

A seller or a manufactures of goods, an executor of a work or service shall be absolved from liability in case if he proves that injury took place owing to force majeure or the contravention by the consumer of the rules for using goods and by the results of the work, service or of their storage.

**§ 4. Compensation for the Moral Damage**

**Article 1099.** General Provisions

1. The grounds and the amount of compensation for the moral damage done to an individual shall be determined by the rules, provided for by this Chapter and Article 151 of this Code.

2. The moral damage inflicted by actions (inaction) that infringe the property rights of an individual shall be subject to compensation in cases, provided for by the law.

3. The moral damage shall be compensated regardless of the property damage subject to compensation.

**Article 1100.** The Grounds for the Compensation of the Moral Damage

The moral damage shall be compensated regardless of the guilt of the inflictor of damage in cases where:  
injury has been inflicted the life or health of an individual by a source of special danger;

damage has been done to an individual as a result of his illegal conviction, the illegal institution of proceedings against him, the illegal application of remand in custody as a measure of suppression or of a written understanding not to leave his place of residence, the illegal imposition of the administrative penalty in the form of arrest or corrective labour;

damage has been inflicted by the spread of information denigrating the honour, dignity and business standing;

in other cases provided for by the law.

**Article 1101.** The Method and Amount of the Compensation for the Moral Damage

1. The moral damage shall be compensated in monetary form.

2. The amount of the compensation for the moral damage shall be determined by a court of law depending on the nature of physical and moral suffering caused to the victim, and also on the degree of guilt of the inflictor of damage in cases when guilt is a ground for the redress of injury. In estimating the amount of the compensation it is necessary to take into account the requirements of reasonable and justice.

The nature of physical and moral suffering shall be assessed by the court with due account of the actual circumstances under which the moral damage was inflicted and of the victim's individual features.

## **Chapter 60. Obligations Due to Unjust Enrichment**

**Article 1102.** The Obligation to Return Unjust Enrichment

1. A person who has acquired or saved property (purchaser) without the grounds, established by the law, other legal acts or the transaction, at the expense of another person (victim) shall be obliged to return to the latter the property acquired or saved unjustly (unjust enrichment), except for the cases, provided for by Article 1109 of this Code.

2. The rules, provided for by this Chapter, shall be applicable regardless of the fact whether unjust enrichment resulted from the behaviour of the purchaser of property, the victim himself, third persons or took place regardless of their will.

**Article 1103.** The Correlation of Claims for the Return of Unjust Enrichment With Other Claims for the Protection of Civil Rights

Inasmuch as the contrary is not established by this Code, other laws or other legal acts and does not follow from the essence of corresponding relations, the rules, envisaged by this Chapter, shall be applied to the following claims:

- 1) for the return of the executed in an invalid transaction;
- 2) for the reclamation of property by its owner from the illegal possession of other people;
- 3) of one party in the obligation to the other party for the return of the executed in connection with this

circumstance;

- 4) for the redress of injury, including that inflicted by the dishonest behaviour of the enriched person.

**Article 1104.** The Return of Unjust Enrichment in Kind

1. Assets comprising the unjust enrichment of the purchaser shall be returned to the victim in kind.
2. The purchaser shall be liable to the victim for any fortuitous shortage or deterioration of the groundlessly acquired or saved property, which have taken place after he knew or should have known about unjust enrichment. Until this time he shall be answerable for intent or gross negligence.

**Article 1105.** Compensation for the Value of Unjust Enrichment

1. If it is impossible to return the groundlessly acquired or saved property in kind, the purchaser shall compensate to the victim for the actual value of this property at the time of its acquisition, and also for the losses, caused by the subsequent change in the value of property, if the purchaser has not reimbursed its value at once after he has known about unjust enrichment.
2. A person who groundlessly used the property of other people for the time being without his intention to acquire it or used the services of other people shall recompense to the victim all that he has saved owing to such use at the price existing at the time when this use ended and in the place where the use took place.

**Article 1106.** The Consequences of the Groundless Transfer of the Right to Another Person

A person who has transferred claims by way of cession or the right belonging to him in other way to another person on the basis of a non-existent or invalid obligation shall have the right to demand the restoration of the former position, including the return to him of the documents certifying the transferred right.

**Article 1107.** The Reimbursement of Non-received Income to the Victim

1. A person who has received or saved property ungroundlessly shall be obliged to return to the victim or to reimburse all his incomes which he derived or should have derived from this property since the time when he knew or should have known about unjust enrichment.
2. Interest for the use of pecuniary means of other people (Article 395) shall be subject to addition for the sum of unjust pecuniary enrichment since the time when the purchaser knew or should have known about the groundless receipt or saving of monetary means.



**Article 1108.** The Reimbursement of Expenses on Property Subject to Return

In case of the return of the property groundlessly received or saved (Article 1104) or in case of the reimbursement of its value (Article 1105) the purchaser shall have the right to demand that the victim should compensate for the necessary expenses on the maintenance and upkeep of property since the time from which he is bound to receive income (Article 1106) with the offset of the received benefits. The right to compensation shall be lost in case when the purchaser deliberately retained property subject to return.

**Article 1109.** Unjust Enrichment Not Subject to Return

The following property shall not be subject to return as unjust enrichment:

- 1) property transferred for the execution of the obligation before the onset of the time for execution, unless the obligation provides for otherwise;
- 2) property transferred for the execution of the obligation upon the expiry of the period of limitation;
- 3) wages and salaries and payment equated therewith, pensions, benefits, scholarships, the redress of injury inflicted on human life or health, alimony and other pecuniary sums given to an individual as means of subsistence in the absence of dishonesty on his part and of calculation error;
- 4) pecuniary sums and other property given for the execution of a non-existent obligation, if the purchaser proves that the person who demands the return of property knew about the absence of the obligation or granted property for charity purposes.

President of the Russian  
Federation

Boris Yeltsin