COMMERCIAL CODE

of

THE

REPUBLIC

of

AFGHANISTAN

TRANSLATION
PRODUCED
by
Afghanistan
Legal Education
Project

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Acknowledgments

Stanford Law School's Afghanistan Legal Education Project (ALEP) was launched in the fall of 2007 as a student-initiated program dedicated to helping Afghan universities train the next generation of Afghan lawyers. ALEP's mandate is to research, write, and publish high-quality, original legal textbooks, and to build an equally high-quality law curriculum at the American University of Afghanistan (AUAF).

During the process of writing its sixth textbook, An Introduction to the Law of Obligations of Afghanistan, ALEP discovered the palpable need for a professional and reliable English translation of the Afghan Civil Code. ALEP mobilized its resources to create a translation of the highest quality for use by Afghan and international government officials, universities, legal organizations, private lawyers, and the public. Based on the enthusiastic reception of the Civil Code translation, ALEP committed to creating an English translation of the Afghan Commercial Code.

The ALEP team would like to acknowledge the individuals and institutions that have made this translation of the Commercial Code possible. First, ALEP is grateful to Elite Legal Services (ELS), Inc., a legal translation company based in Kabul, Afghanistan, that put the translation through several rounds of vetting and additional translation. Masoud Ahmeullah of ELS deserves special thanks for his coordinating role. The ALEP team also acknowledges the assistance of the dynamic faculty of the Law Department at AUAF, particularly Professor Nafay Choudhury and former Professor Rohullah Azizi, who taught the inaugural Law of Obligations class and identified the need for reliable English translations of key Afghan codes. Mr. Azizi reviewed ELS's early drafts of the translation and provided helpful feedback, for which ALEP is grateful.

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Erik Jensen, Faculty Advisor, ALEP

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Commercial Code of Afghanistan

BOOK ONE - GENERAL RULES

Chapter One – Introduction

Article 1:

Provisions of the Commercial Code shall apply to all commercial transactions.

Article 2:

Commercial disputes shall be settled in accordance with legally binding agreements and, in their absence, by reference to explicit or implicit meaning of commercial laws. If the dispute may not be settled in the said way, commercial customs and practices shall apply. Local and special customs and practices shall be preferred to general customs and practices. In the absence of customs and practices, provisions of other laws to which attribution is made shall apply.

Note: Preference of local and special customs and practices to general customs and practices shall mean that commercial custom and practice of each locality shall be subject to transactions of the area, not those of other areas. If local customs and practices that are effective on commercial transactions settlement do not exist, attribution shall be made to customs and practices of the nearest locality.

Article 3:

If no other explicit provision is stated in this Code, the order specified in the content of Article 2 shall be mandatory.

Chapter Two - Commerce and Commercial Capacity

Article 4:

Every individual who has attained the age of eighteen and there is no legal impediment to his legal actions in terms of personality and kind of business may engage in commercial activities.

Article 5:

If a business enterprise has been passed to a minor, in case the relevant commercial court considers continuation of the business by his guardian or executor beneficial, it may authorize the guardian or executor to continue the business. If the guardian or executer does not have legal capacity to commerce or is prohibited from conducting business, he shall not be permitted to run the business until another executor or guardian who has the capacity to commerce shall be appointed.

Article 6:

The rules of Article 5 shall apply to other persons who lack legal capacity.

Article 7:

All persons who are, under the Law of Promotion and Retirement of Civil Servants, considered as employees of the State are prohibited from engaging in direct commercial activities.

Article 8:

Any person, including individuals and corporations, who has legal commercial capacity and engages, in his own name, in one or more commercial transactions and makes this occupation as his usual profession shall be considered trader.

Article 9:

A person who has chosen and opened a center for his commercial transactions and advertised for the public through circular letters and the press shall be considered a trader even if his usual profession is not commerce.

Article 10:

A person who has randomly conducted a commercial transaction shall not be considered a trader, but the effected transaction shall be subject to rules of the Commercial Code.

Article 11:

The Government and municipalities may engage in commercial activities, but they may not be considered as traders, though their commercial transactions are subject to rules of this Code.

Article 12:

Persons whose commerce are based more on their physical endeavors than on cash capital or outcome of their business is so little that it just suffices for sustenance, whether they conduct the business at a shop or a specific place in the market or by moving around, they shall be considered as small traders.

Article 13:

Small traders shall not be bound to choose a business title and keep commercial books and register other items that have to be registered according to the Commercial Code and neither are they subject to the bankruptcy rules.

Note: Those who are included in one of the guild classes and hold a guild license shall be recognized as small traders.

Chapter Three – Commercial Transactions

Article 14:

If trader or non-trader persons purchase movable properties for sale or lease to others and sell or rent those properties in their original or altered form, this sale or rent shall be considered as a commercial transaction.

Article 15:

If trader or non-trader persons rent movable properties for the purpose of renting them, the rent of such movable properties shall be considered as a commercial transaction.

Article 16:

If trader or non-trader persons employ individuals for the purpose of hiring them out to another person, hiring out the act and work of the employee who is employed on this basis shall be considered as a commercial transaction.

Article 17:

If a landowner or farmer sells his land products or a cattle-raiser sells his animal products, this sale shall be an ordinary transaction and also if a farmer transforms the form of his land products by a machine, according to his agricultural industry, and sells them or a craftsman produces his industrial products, himself or by hiring laborer or by using a machine, and sells them or an author publishes and sells his works, all such actions shall be considered as ordinary activities. But if a person opens, with the purpose of selling or transforming the form of his agricultural and animal products, a permanent establishment that possesses qualities of an industrial commercial establishment, transactions of such an establishment shall be considered as commercial.

Article 18:

The following transactions shall be commercial:

a. Undertaking to provide any kind of movable properties and undertaking and accepting any kind of acts and speech acts
b. Establishing publishing house, photo gallery, printing journals and selling books
c. Opening theater, cinema, playhouse and opening public places such as hotel, inn, restaurant and the like and employment offices and auction centers
d. Transporting passengers, animals and goods via land, air and water
e. Distributing water, gas, electricity and establishing telephone telecommunication

Article 19:

The following transactions shall be considered commercial notwithstanding the intention of parties to the transaction:

a. Commission working
b. Brokerage
c. Transactions of bills, drafts (whether payable to a named payee or the bearer) and cheques
d. Money exchange transactions
e. Transactions by private and public banks
f. Current account transactions and their relevant agreements
g. Transactions relating to mortgaged deeds and receipts of goods existing in general commercial warehouses
h. Establishing commercial companies and sale and purchase of shares
i. Concluding any kind of insurance contract against risks whether in return for fees or on reciprocal terms

Article 20:

Any transaction of a trader shall be considered as commercial unless it is proved that it is ordinary.

Article 21:

If a contract is commercial for one of the parties, provided there is no statements to the contrary in the law, rules of the Commercial Code shall apply to obligations of the parties deriving from this contract.

Article 22:

Duties of trader and non-trader persons deriving from other transactions or from transactions comparable, by nature, to those specified in this Chapter, shall be subject to rules of the Commercial Code.

Article 23:

All transactions relating to transactions specified in this Chapter shall be considered as commercial transactions.

Chapter Four- Registration of Business

Article 24:

There shall be an Office under the title of Business Registration supervised by the courts in charge of settling commercial cases.

Article 25:

The Business Registration Office, under the supervision of the president of the relevant court, shall be vested with a responsible and authorized officer.

Article 26:

If there are several commercial courts in one locality, the Business Registration Office shall be placed, by order of the competent authority, under the supervision of one of them.

Article 27:

Items and transactions that must, according to the Commercial Code and other laws, be registered shall be registered and recorded directly or upon order of relevant authorities or on request and recourse of other concerned parties. Any changes occurring to the mentioned items and transactions shall be registered and recorded according to the rules.

Article 28:

Traders and commercial companies shall be obligated to register the following items:

a. Name (of person or company)
b. Father's name
c. Place and date of birth
d. Nationality of person or firm
e. Business title
f. Object of business
g. Kind of company and its date of establishment and principal centre of the company

h. Capital of company (individual traders shall be exempted from this item)

i. Persons authorized to sign on affairs of the firm or company

j. Any other specifications that shall be mandatory (in principle) to be registered

Article 29:

As the concerned persons may request the registration and record, registration shall also be carried out upon request of the heirs or their legal successors.

In case several persons are competent to request the record and registration, if the transaction is registered and recorded upon the request of one of them, it shall be considered as though all of them have requested it.

Article 30:

As registration and record of transactions may be carried out by personal request of the concerned parties or by request of their legal agents, it shall also be carried out by sending papers and documents formally arranged including the request of registration.

Article 31:

A request for record and registration shall have to be made within the period prescribed by the law. If no such period is explicitly specified by the law, it shall have to be carried out within one month since the date of completion of the documents. For persons who are obligated to register but they live outside the registration zone, due to the distance, one day for each 12 Mills shall be added to the mentioned period.

Article 32:

The registration that can be proclaimed shall be published, until a special gazette is established for legal proclamation, in official or private newspapers existing in the locality. In case there is no official or unofficial newspaper in the locality, it shall be proclaimed in a newspaper that is published in the closest vicinity. Except those items that may legally be published in short, the content of the registration should be published word by word.

If all the content of proclamations cannot be completely published in one day, the last date of publication shall be considered as the date of completion of proclamation.

The number and date of registration shall be recorded and maintained on all requests and declarations that constitute documents of registration and on newspapers in which proclamations are being published.

Article 33:

Subjects awaiting court decisions or those on whose final registration the registration officers have doubts shall be, upon request of the concerned parties, temporarily registered. If the concerned parties cannot prove finality of such subjects that have been temporarily registered within six months, the temporary record shall be deleted from the register. If the finality is proved, it shall be permanently recorded in accordance with registration rules.

Article 34:

If the items recorded in the register are extinguished in part or in whole, they may be, on the basis of written request of the concerned parties supported by necessary documents, deleted in whole or in part as the documents indicate. Items whose registration and record may be proclaimed, their deletion and nullification shall also be proclaimed.

Article 35:

Concerning administration of registration, record and amendment or deletion of the registration, the concerned parties may appeal to the relevant court against measures taken by registration officers. The court shall examine and settle such an appeal and if measures taken by registration officers affect third party rights, the appeal shall be scrutinized and settled by the court as a legal case in the presence of the appellant and the third party.

Article 36:

Any person may study and examine the contents of the registration of a business and all the recorded papers related thereto and request and receive a certified copy of them.

Note: In such cases, a certification fee shall be charged as follows:

a. One Afghani for each study
b. Five Afghanis for receiving a non-certified copy
c. Twenty Afghanis for receiving a certified copy

Article 37:

Those who are obligated to register an item and fail to perform their obligation within the designated time, shall be liable to compensate for the damage and loss hereby inflicted on another person. Moreover, they shall also be sentenced to a pecuniary punishment by the court relating to the Registration Office on the basis of the proposal submitted by the registration officer. Such persons may appeal to the court of appeal or the Supreme Court. Acceptance of the plead or appeal shall be subject to depositing the amount of the compensation in the court account or providing a guarantee for it.

Article 38:

Items registered and recorded with the Business Registration Office shall be effective against third parties. But if the items that are legally required to be registered but they are not registered, even if they have been proclaimed in private, they shall not be effective against third parties, however, the person who is obligated to register may claim that other persons have had knowledge of the unregistered items and prove this claim.

Article 39:

Persons who, in bad faith, register untrue items shall be sentenced to pecuniary punishment or imprisonment or both punishments shall be applied to them and they shall be deprived of the right of membership in Chambers of Commerce and Industry and that of transacting in stock exchanges. Right to claim compensation for damage and loss by persons affected by the crime shall be reserved and the Court shall deal with it on the basis of request of the harmed person.

Chapter Five - Business Title

Article 40:

Every trader shall be obligated to carry out transactions related to his business and sign papers thereto under a specific title known as the business title.

Article 41:

Every trader, whether trading alone or in a private partnership with another person, and also all commercial companies shall be obliged to register their business titles with the Business Registration Office of the district in which they trade or their business offices are located and proclaim the registration.

Article 42:

The business title shall have to be composed of name and family name of the trader and it must be clearly distinguishable from the titles already registered. A Trader may add whatever he wishes to his business title, provided that this addendum does not create any wrong impression and false opinion among third parties about his personal identity or about extent, importance or financial situation of his business or about identity of a partner among third parties.

Article 43:

The title of a (general partnership) company shall include the names of all partners or at least the name of one partner together with the word “general partnership”. Title of a limited partnership company, either ordinary or its capital is divided into shares, as stated in Article 42, shall be composed of at least the name of one of those partners with unlimited liability and the phrase “limited partnership”.

Title of a joint stock company shall consist of the object of the company and the phrase “joint stock”. As for joint stock companies, the names of partners or other persons may not be included in the title.

Article 44:

If a trader has already registered his business title in a locality, another trader, even having a name that constitutes the same title, may not, unless he adds something in order to distinguish his title from the previously registered title, adopt as his business title the title of the first trader in the locality of the first trader or use for carrying out a business purpose. Also, if a trader or a commercial company wishes to open a branch in a locality other than the one in which the business title has been registered and if there is another trader or commercial company that has been registered under the same title, founder of the new branch shall be obliged to add something to the title of the branch in such a way as to clearly distinguish it from the title previously registered therein.

Article 45:

As transfer of ownership of the business title by separating it from the firm is not permissible, similarly, in case of transfer of ownership of the firm, if the business title has not explicitly or implicitly been included, ownership of the business title shall not be transferred.

Article 46:

A person who acquires the title along with the firm in one transaction shall be responsible for those obligations that the transferor had undertaken under that title.

He shall also own all rights accruing from its business. Agreements contrary to this basis shall be valid provided that they are registered with the Business Registration Office or officially notified to the concerned persons.

The responsibility mentioned in this Article shall expire five years after the date of the transfer of the ownership.

Article 47:

If a person who acquires a firm, without the business title, has not accepted, in the transfer contract, the responsibility of prior obligations of the transferor and has not registered it, he shall not be responsible for those obligations of the transferor.

Article 48:

A person who acquires a business title according to Article 46 shall be obliged to add to the title a phrase indicating the succession. If the contrary is agreed, the transferor who has agreed to use the business title on behalf of the transferee shall be responsible for obligations that the transferee undertakes under the same title, provided that the enforcement office of the court has not, on the basis of the request of creditors regarding obligations of the transferee, already ordered recovery of their claims.

Article 49:

In case of death of a partner whose name is included in the company title, if the successor heirs accept continuation of the company, change of the company title shall not be necessary.

If the heirs are not included in the company, if they agree in writing, the same title shall be retained and also if a partner leaves the company and his written agreement is not obtained, his name may not be retained in the title of the company.

Article 50:

In case of change of the business title, provisions of Article 41 shall apply.

Article 51:

Persons who intentionally use the title of another business unlawfully on their goods, things, files, envelopes, letters and other business packages and cargos or knowingly sell or offer for sale the goods marked by the title of another business shall be sentenced, with no prejudice to the rule stated in Article 54, to pecuniary punishment or imprisonment or both.

Crimes stated in this Article shall be tried on the basis of private suit. The plaintiff may, after filing the claim, withdraw it. Withdrawal of a private suit shall also remove the public claim therein.

Article 52:

Offenders of Articles 40, 41, 42, and the last part of Article 43, and rules of Article 45 shall be sentenced to pecuniary punishment.

Article 53:

If courts, agents of Chambers of Commerce and Industry, officers of the Registration Office, and other concerned officials, in the course of implementing their duties, find out that a business title has not been registered and it has been used contrary to Articles 40, 41, 42, and 43, they shall be obliged to report the event to the relevant authorities.

Article 54:

If a business title has been used, in any way, contrary to rules specified in this Chapter, the concerned persons may request prohibition of its use or, if it was registered, request its invalidation. Moreover, persons who have suffered losses due to the mentioned (intentional or mistaken) use may claim compensation for their loss. The court may, if necessary, on the basis of consultation with the experts, scrutinize the circumstances and characteristics of the event and issue, on its discretion, a ruling. Furthermore, the court ruling may, subject to a request by the harmed person and payment of the expenses by him, be published.

Chapter Six – Illegal Competition

Article 55:

If a trader uses marks or names that are mistaken with marks and names that have been rightfully used by another trader, the use of such marks and names shall be prohibited by the first-mentioned trader. The court may, on the basis of request of the concerned person, issue an order for removal of the mistake.

Article 56:

Any deception and conspiracy in commercial affairs shall be prohibited.

Article 57:

No trader may, with the purpose of competition, publish such untrue statements that harm the interest or business of another trader.

Article 58:

Traders shall be prohibited from publishing untrue statements with regard to the origin, quality or importance of their goods, with the purpose of attracting customers of another trader who sells the same goods, and they are also prohibited from proclaiming certificates and awards which they have not held them and from using deceits and conspiracies to the mentioned purpose.

Article 59:

No trader shall be allowed to allure officers and employees of another trader or factory with the purpose of receiving information about his customers and attracting them.

Article 60:

No trader shall be allowed to give a certificate or reference letter of good services in order to deceive another trader.

Article 61:

Any trader who takes action against the provisions of the above Articles shall be obliged to compensate for the losses of the harmed persons.

Article 62:

If a commercial information agent, intentionally or by gross negligence, provides untrue information concerning moral conduct or financial strength of a trader, he shall be obliged to compensate for the

material and intellectual losses sustained, due to this, by the mentioned trader. A correction statement of that information by the mentioned agent shall not entail his acquittal. The court may, at the time of deciding on the compensation of losses, also order that the mentioned problem be published, on the account of the agent, in one or several newspapers.

Article 63:

A trader who intentionally commits the acts specified in this Chapter shall, in addition to compensation for losses, be sentenced to pecuniary punishment and imprisonment as well.

Article 64:

Punishment of the person who has repeatedly committed the act causing punishment or compensation may be doubled or more. The criminal case shall only be filed on the basis of complaint of a concerned person or the local Chamber of Commerce. Withdrawal of the private complaint shall extinguish the public rights.

Chapter Seven – Commercial Books

Article 65:

Every trader shall be obliged to keep three books – an inventory book, a ledger, and a journal. In addition to this, he shall be obliged to regularly keep a copy of all outgoing letters and telegrams and the original copy of all incoming telegrams and letters along with all confirmation papers.

Article 66:

Every trader may, if necessary and due to a need deriving from commercial transactions, keep other books in addition to the above mentioned books. But, these books shall not be subject to the requirements as specified in the following Articles.

Article 67:

A trader shall not be obligated to personally keep his books. He may employ other persons to do so, but records and information that are inserted and written in these books by the employee shall be considered as records and information inserted and written by the trader himself.

Article 68:

The books that must be kept according to Article 65 shall, before use, have to be taken personally or by an agent to the Registration Office that is located in the firm locality for marking and sealing. The Registration Office shall mark each page, with the same color of ink, with consecutive numbers and imprint the official stamp on it and write down the number of total pages of the book on the first and last pages and, after noting the date besides the stamp of the first and last pages, add its certified signature to those two pages.

Article 69:

The inventory book shall include the following items:

a. The cash on the first day as well as the approximate value of any kind of movable and immovable properties that the trader allocates for his business, and the value of all shares and bonds that he

issues based on their market price at the mentioned date, and all the obtainable credits, whether on the basis of documents or otherwise.

b. All debts obtainable from obligations and other means.

c. Upon determination of net assets, that is, assets after deduction of liabilities, the trader shall, at the end of each financial year, be obliged to prepare a balance sheet indicating assets and liabilities of his business and insert it in this book. The balance sheet shall have to be prepared at least once a year.

Article 70:

At the beginning of business, after determination of the principal capital of the trader according to Article 69, it shall be recorded in the daily journal. All large and small transactions relating to buying and selling, whether commercial or ordinary, as well as the trader's personal expenses, shall be separately inserted and recorded in a chronological order of the transactions.

Article 71:

All outgoing commercial correspondence shall have to have both original and duplicate copies and all outgoing and incoming letters and telegrams shall have to be briefly recorded and registered in the indexed book.

Article 72:

All resolutions of companies with the names of members who have been present at the debate and the date of meeting, and such other information that may give complete knowledge of the course of debate and voting shall be inserted and recorded in the resolutions book, that is designated on the basis of a debate by the General Meeting and the Board of Directors. The authorized persons shall sign the bottom of the resolutions.

Article 73:

Traders or their successors who continue their commercial transactions shall be obliged to keep the books that they are obligated to keep (from the date of the last entry mentioned in the books) and telegrams and letters since their own date for a period of fifteen years.

Article 74:

All kinds of books and commercial correspondence pertaining to inheritance, partnership, or bankruptcy may, at the time of submission, be scrutinized from all respects by both the court and the concerned persons.

Article 75:

During hearing of a case, the court may, on contentious issues, order, on its own discretion or by request of one of the parties, provision of books and commercial documents.

Article 76:

If there are problems in transferring and provision of the books and commercial letters that are ordered to be provided due to their being in the judicial jurisdiction of a court other than the court in which the case is being heard, the hearing court may officially request a certified copy of necessary parts of them from the relevant court.

Article 77:

Responsibility arising from not keeping necessary commercial books or their not being in the legal order shall be directly attributed to the owner of the firm and the trader may not pass the liability to another person acquitting himself of the liability.

Article 78:

If the necessary commercial books are destroyed, during the period in which they have to be kept, due to such events as fire or other accidents, it shall be necessary for the trader or his legal agent within a month to report the event to the relevant court. If the court is, upon investigation, convinced of authenticity of the report, it shall grant the reporting person the necessary certificate.

Article 79:

Commercial books may, subject to conditions specified in Articles 80 and 84, be accepted as evidence in dispute between traders over commercial transactions.

Article 80:

Contents of legal commercial books, whether complying with legal rules or not, may be used as evidence against their owner or their successors or successors of the successors, but the contents that are to the advantage of the trader shall only be valid if they have been arranged in accordance with the law.

Article 81:

If contents of commercial books of a trader comply with the rules but they contradict contents of books or documents of another trader, if falsity of any of them is proved, on the basis of valid documents and evidence, the proving effect of the books and documents shall be lost.

Article 82:

If the book of one of the parties is legally ordered while the book of the opposite party does not comply with the rules or this party does not have any book or if he refuses to provide his book, contents of the book of the first-mentioned trader may be used as evidence against the opposing party, but if the opposing party proves, on the basis of valid documents, the opposite of the contents claimed against him, the contents of the book of the first trader shall lose their proving effect.

Article 83:

If one of the parties accepts, before the court, contents of the books of the opposing party while the opposing party refuses to provide his books, the court may, on its discretion, settle the case to the interest of the party demanding the provision of books.

Article 84:

If the court finds contents of the commercial book in accordance with the rules and accepts it as evidence to the advantage of its owner, it may, for the sake of being convinced of authenticity of the mentioned contents and of necessity of discharge of right of the claimant by the defendant, conduct an additional investigation and settle the case, after being satisfied, in the way it sees necessary.

Chapter Eight – Business Agents

Article 85:

A person who engages in business, on behalf of a trader, in the business place of this trader or in another place related to commercial affairs of this trader, he shall be called an agent of the trader.

Article 86:

A trader shall only be liable for transactions and contracts by his agent within the ambit of the authorization granted to him. If the mentioned agent is authorized by several traders, each of the traders shall be in his own turn liable and if the agent is authorized by a commercial company, liability of the partners shall be determined on the basis of the kind of company.

Article 87:

The agency right may be granted to the agent either explicitly or implicitly. The document comprising the explicit agency shall be registered with the Registration Office of the locality in which the agent conducts business and proclaimed therein, otherwise, provisions of Article 88 shall apply.

Article 88:

Right of agency that has implicitly been granted to the agent shall be, as far as third parties are concerned, considered unlimited and shall include all transactions that are conducted under the kind of business for which the agency is granted. If the agent has concluded a transaction with third parties and the principal cannot prove that the third parties were aware of the limit of the agency right at the time of the transaction, the claim of the principal regarding the limitation of the agency of the agent shall not be valid for the third parties.

Article 89:

If an agent always concludes transaction by the name of the principal, namely, the owner of the firm, he shall, at the time of signing, have to add the name and surname of the trader or the business title to his name and surname and include the phrase “on behalf of” or its equivalent. If the agent does not comply with the provision of this Article, he shall be personally liable for transactions that he has concluded, but if other persons conclude transaction in the area that has been granted to the agent, they may, if necessary, also bring suit against the principal.

Article 90:

If a person concludes transaction as the agent of a trader without having the agency right and the trader does not authorize the transaction, he shall be obliged to compensate the inflicted loss on a third party with good faith.

Article 91:

An agent may not, without explicit consent of his principal, conclude any commercial transaction on his own or another person account, personally or jointly. An agent who takes action contrary to this rule, shall be obliged to compensate for the loss caused by his transactions, but in case of accrual of profit, the trader may take possession of the profits of the agent’s transactions.

Article 92:

Invalidating or limiting the explicit agency right shall be subject to registration and proclamation.

Article 93:

An agent may file an action in the court by the name of his principal regarding those commercial transactions delegated to him, such as debts etc., and it shall be permissible to bring a suit against the agent.

Article 94:

Rules of this Chapter shall be applicable to agents of foreign firms and companies who conclude transactions by the name and on account of them in Afghanistan.

Chapter Nine – Commercial Traveler Agents

Article 95:

Employees who are authorized to conclude commercial transactions by the trader, through letter or proclamation or circular or other similar documents, and are dispatched to other places, shall be called traveler commercial agents. Their principal shall be liable for results of commercial transactions within the limits of their authorization.

Article 96:

Rules of Article 89 shall also apply to traveler commercial agents, but when these agents intend to sign transactions they have concluded, they may not use the phrase "on behalf of" or its equivalent. Rather, they shall be obliged to write just the name of their principal.

Article 97:

Traveler agents shall not be authorized to take delivery of consideration for properties which they have not personally given delivery, neither shall they be authorized to accept defer payment or reduce the amount thereof. But they may accept offers that have been made to the name of their principals and take such measures that safeguard interests of their principals.

Chapter Ten – Salesmen

Article 98:

Persons who are authorized by firms to sell properties, whether wholesale or retail, shall be called salesmen. Salesmen shall be authorized to claim and receive the price of properties which they sell within the sales department. If authority to receive the price is not granted, salesmen shall not be authorized to claim or receive the price of properties outside the firm, unless they have certificate and formal authorization signed by principals and owners of the firm to this effect.

Chapter Eleven – Brokerage

Article 99:

Persons who are not, by agreement, special hireling of any of the parties and, in concluding current commercial agreement, they just mediate between parties thereto, in return for a fee, and by means of this they choose facilitation of conclusion of commercial transactions as their profession, shall be called brokers. Brokers shall have rights and obligations stated in this Chapter.

Article 100:

Except where the parties waive preparation of documents or, given the kind of goods, preparation of documents is not, according to the local custom, deemed necessary, a broker shall be obliged, right after conclusion of the transaction, to submit to the parties documents, signed by himself, containing names and surnames of the contracting parties as well as the object and conditions of the contract, the kind and quantity of the price, and the time of delivery of the goods.

Article 101:

Documents of those transactions that are not stipulated to be immediately executed shall have to be signed by the contracting parities and the signed copy by one of the parties be submitted to the other. If one of the parties refuses to accept or sign the documents, the broker shall have to immediately inform the event to the other party.

Article 102:

A broker shall be responsible for the authenticity of the signature of parties on the document of the transaction that is concluded through him and he shall also be responsible for the authenticity of the signature of the last endorser whom is required by any kind of written deed.

Article 103:

If the broker, through whom the transaction has been concluded, arranges the documents in such a way wherein identification of one of the parties to the other has been left to the future, in this case, if the concerned party accepts the document and the other party is later identified while no subsequent objection is made, the party who has accepted the documents shall be bound by the real contract. The necessary period for identification of the unknown party shall be determined according to the local custom and, in the absence of such a custom, it shall be determined as the circumstance requires.

If the unknown party is not identified within the designated period or once identified subsequent objections are made against him, the party who has accepted the documents shall have the right to claim implementation of the transaction against the broker himself and bring a suit against him. Nevertheless, if he does not immediately exercise the mentioned right soon after the broker's referring to him, his claim shall not be heard. If the broker personally implements that transaction, the rights accruing from the contract to the other party shall transfer to him.

Article 104:

A broker shall be obliged to keep samples of all goods being sold by him, based on a sample, until such time as transactions are completed.

If the parties explicitly waive keeping the samples or, given the kind of goods, it is not deemed necessary, according to the local custom, to keep samples, the broker may dispose of the deposited samples.

In order for brokers to be fully protected, he shall have to mark the samples.

Article 105:

A broker shall be authorized to accept the price or quality of the goods specified in the agreement.

Article 106:

A broker shall be obligated to take action as prudent and honest as a trader. He shall be liable for losses caused by his negligence to each of the parties.

Article 107:

Taking side by the broker with one of the parties to the extent of damage of the impartiality or making profit from the other side with bad faith shall extinguish the right to claim the fee and the brokerage expenses.

Article 108:

A broker shall be entitled to claim payment of his fee after the conclusion of the transaction or if the contract has been subject to a condition, after realization of the condition and submission of the contract documents. This right shall be valid since the day of conclusion of the transaction up to one year. If the transaction is not concluded or the stipulated condition has not been realized, the broker may not claim fee for actions he has taken in this regard.

Article 109:

The amount of brokerage fee shall be determined on the basis of agreement and regulations. In case no such agreement or regulation exists, it shall be determined according to the local custom.

Article 110:

If reimbursement of reasonable expenses made by broker is not subject to the completion of transaction, the broker shall be entitled to claim it.

Article 111:

If the parties have not agreed on the fee and there is no regulation determining which of the parties should pay the fee, it shall be settled in accordance with the local custom. In the absence of such a local custom, the parties shall pay in an equal manner.

Article 112:

A broker shall be obliged to record in the daily journal all transactions concluded through his intermediary on a daily basis, in chronological order, and according to Article 100. Any transaction that is inserted shall be daily signed by the broker.

Rules of Articles concerning the daily journal of traders shall apply to the journal of broker.

The broker shall be obliged, if the parties request, to sign and submit a copy of the related part of the journal that contains the transaction concluded through him.

Article 113:

The court may, in order to prove details of a case, require submission of the copy or original of contract document and other supporting papers as well as the daily journal of the broker.

Article 114:

Brokers who write and keep their daily journals contrary to the legal rules shall be sentenced to a pecuniary fine.

Article 115:

Rules concerning the document and daily journal mentioned in this Chapter shall not apply to persons conducting brokerage among petty traders.

BOOK TWO - COMMERCIAL COMPANIES

Chapter One – General Rules

Articles 116: Commercial companies are partnerships of persons which are created with the purpose of carrying out commercial transactions in one or several subjects.

Article 117:

Commercial companies shall be of the following kinds:

a. General partnership
b. Limited partnership
c. Limited liability company
d. Joint stock company
e. Cooperative company

Article 118:

Commercial companies shall have legal personality, hence, they may conclude agreements and execute contracts in their own titles, become creditor and debtor, and appear in courts as debtors or creditors, and possess movable and immovable properties.

Article 119:

Items that shall be recognized as capital in commercial firms are as follows:

a. Material movable properties such as cashes, objects, and animals
b. Non-material movable properties such as royalties, patents, trade mark licenses (commercial-industrial)
c. Any kind of immovable properties
d. Profits and rights to use movable and immovable properties
e. Effort and labor
f. Commercial credit
g. Business place

Article 120:

The right of good will, name and title, patent, trade mark and the like, such as drawings and models used for commercial industry shall be considered as elements of the business firm.

Article 121:

Any partner shall be indebted and liable to the company for the subscription he has undertaken to pay his share of the capital.

Therefore, the partner who does not pay his subscribed share of the capital within the designated period shall be liable for compensating for losses and damages incurred by the company caused by this.

Article 122:

If the share of the capital that is paid with delay be of cash kind, the trader shall be obliged to pay the legal interest rate since the due date, in addition to the compensation for the incurred losses stated in Article 121.

Article 123:

If a partner assigns collection of his claims to the company in lieu of his subscribed share of the capital, he shall not be acquitted until such time as these claims have been collected by the company. If the mentioned claims are deferred, and there is no agreement to its contrary, they shall have to be collected at the due date, and if they are due, they shall have to be collected within one month since the establishment date of the company. If they are not collected within one month, the legal interest rate shall have to be paid for each day of delay.

If a part of the claims has been collected, this rule shall apply to the remaining part of the claims.

Article 124:

Price of objects brought in as capital shall have to be determined in the agreement. In the absence of such an agreement, the current market or the bourse price of the day that they are brought in shall be valid. If the objects do not have a current price in the market or the bourse, the price determined by the experts shall be valid for the parties.

Article 125:

Ownership of properties brought in as capital, if there is no contrary rule in the agreement, shall belong to the company.

Article 126:

Regarding claim of compensation for loss and damage, the legal interest rate that has been mentioned in Articles 121, 122, and 123 shall apply. Prior notice to the opposite party shall not be necessary. This provision shall not prevent the exercise of the revocation right of partners as stated in Article 175.

Article 127:

Each partner shall, while attending to the company affairs, be obligated to act with the same good faith, attention and foresight as he does while attending to his private affairs.

Article 128:

None of the partners shall be entitled to claim a fee for his work. But, if receiving fee is provided for in the agreement, he may claim fee.

Article 129:

Each partner shall be responsible and liable for the loss he imposes on the company by his deceit, fraud and violation of authority or negligence in his duties. This loss may not be compensated for by the benefits that have been accrued to the company by him in other affairs of the company.

Article 130:

If part or all of fees of officers and employees of company in return for their services is paid out of the profits, this shall not make them partners of the company.

Article 131:

If the method of distribution of profits and losses is not specified in the partnership agreement, profit and loss of each partner shall be determined in proportion to his share of the capital.

Article 132:

If the method of distribution of profits is specified in the partnership agreement while the method of distribution of losses is not, losses shall be distributed with the same method as that of the distribution of profits.

If distribution of losses is stated while that of profits is remained unspecified, profits shall be distributed similar to losses.

Article 133:

If, in the partnership agreement, profits or losses of the company are allocated just to one or some of the partners, such a condition shall be invalid. In such a case, the method of distribution shall be considered as unspecified and profits and losses shall be distributed among the partners in accordance with Article 131.

Only with regard to the partner who has brought in his work as his share of the capital while it is stipulated that he does not partake of losses, this condition shall be valid.

Article 134:

If a company continues to act for a period more than its designated period of activity, it shall be assumed that its period of activity has been extended for an indefinite time.

Chapter Two - General Partnership

Part One - General Rules

Article 135:

General partnership shall be a company which is established under a designated title for business affairs by two or more persons with joint liability. If the assets of the company are not sufficient for discharging all of its debts, each of the partners shall be liable for the payment of all debts of the company.

Article 136:

General partnership companies shall have to have written agreements.

Article 137:

The following items shall be included in the agreement for general partnership companies:

a. Date of agreement
b. Name, surname, domicile, and other distinguishing descriptions of partners, and in case another company is a partner, its title
c. Business center of the company
d. The kind of the company that is general partnership

e. The title of the company

f. Names of those partners who are authorized to sign in the name of the company with specifying whether they may sign jointly and/or severally

g. Subject of the company

h. The capital share subscribed by each partner and approximate value of non-cash part of the capital with the method of its value determination

i. Each partner's share of losses and profits

j. The establishment and termination dates of the company. In addition, the partners may include in the agreement such other items as they consider useful.

Article 138:

Persons who establish a general partnership company shall be obliged to register a copy of the partnership agreement with the Business Registration Office of the locality in which the company center is located within one month since the date of the establishment, and proclaim it.

Article 139:

If a general partnership company establishes a branch outside the jurisdiction of the court related to the Business Registration, it shall also have to register details of its agreement with the Business Registration Office of the locality in which the branch is established.

Article 140:

If, after registration and proclamation of a general partnership company, changes occur to its title, domicile or subject, or partners authorized to sign change, or some of the partners leave the company or some other partners join in, or the capital of the company is increased or decreased, or the partnership agreement is rescinded before the expiry of the designated period of the company, or it is extended after its expiry, or the company is joined with another company, the company shall prepare a declaration that explains these changes, enclosed with supporting documents and signed by all of the partners, and, after certification by the relevant court, register and proclaim it.

Article 141:

If the changes that must be registered and proclaimed according to Articles 138, 139 and 140 have not been registered and proclaimed by the partners, they may not be used against the third parties. If, before registration and proclamation of these, transactions are concluded under the name of the company, the company shall be liable towards third parties. If registration and proclamation have not been made by the partners and they deny the existence of the company, the third parties may prove the existence of the company by any evidence and proof.

Article 142:

If registration and proclamation of a general partnership company has not taken place during the period mentioned in Article 138, and has not taken place after that period, any of the partners shall have the right to request the relevant court to dissolve the company. The partner requesting the dissolution shall have to, first, notify the partners of his request through the Registration branch. If the court orders dissolution of the company, the dissolution order shall apply to the requesting partner since the date of proclamation.

If the company is dissolved on this basis, transactions that have been concluded under the name of company until the time of completion of registration and proclamation shall not affect rights of the third parties.

Part Two - Relationships among Partners

Article 143:

Relationships of partners of a general partnership company shall be regulated by provisions of the partnership agreement.

And provisions of this chapter shall apply to those cases on which there is no explicit or implicit provision in the agreement.

Article 144:

Administration of the company may, according to the agreement or if it is not specified in the agreement, on the basis of a majority vote of the partners, be delegated to one or several of the partners, or to one person or several persons outside the company.

If the authority of administration of the company has not been delegated, according to the mentioned method, to anyone, then each of the partners shall be considered authorized to administer the company.

Article 145:

If the authority of administration of the director is determined on the basis of the partnership agreement, the partners may not limit his authority or dismiss him.

If there are strong reasons, the authority of the director may be limited or he may be dismissed upon an order by the competent court in response to the request of one of the partners. Strong reasons shall mean gross negligence of the director in performing his duties or his incompetence in the administration.

Article 146:

The director who has been appointed by a resolution after the conclusion of the agreement may be dismissed by a majority vote of the partners. If the majority of votes for his dismissal is not achieved, any of the partners may refer to the court and request, on the basis of strong reasons, his dismissal.

Article 147:

If administration of the company has been delegated to all or some of the partners, each of them shall be authorized to individually administer the company affairs.

If some of the partners who are obligated to administer the company oppose conclusion of a transaction, the other partners who are authorized to administer the company may conclude the mentioned transaction by a majority vote.

If it is specified in the agreement that decisions of the partners who are obligated to administer the company have to be reached unanimously, unanimity shall have to be observed in all cases, except in cases that a delayed decision on them shall be harmful. If the directors cannot reach a unanimous decision, the issue shall be referred to the General Meeting of the partners. Decision of the Meeting shall be valid.

Article 148:

Affairs related to the administration of the company shall mean those ordinary matters and transactions that are required by the purpose and subject of the company. The director shall also be authorized to accept reconciliation and umpirage if he sees it to the interest of the company.

Important transaction, such as gratuitous contracts and transfer of immovable properties and guarantees which are not ordinary transactions, shall be concluded by a unanimous vote of the partners.

Article 149:

If a partner takes loan from the company or collects an amount of money in the name of the company (provided that it is not contrary to the agreement), and does not pay and deposit them in due time, he shall be obliged to pay, in addition to the principle money, the legal interest rate for the delay period.

Article 150:

None of the partners shall, without the consent of other partners, be allowed to transfer, in part or in full, his share to a person outside the company. In case of such a transfer, it shall not be effective against the partners or third parties, and liability derived from this action shall only be attributed to the transferor.

Article 151:

The partner who is authorized to administer the company may not, without the consent and agreement of other partners, bring in another person as a partner in the company or appoint this person in place of himself in the administration.

Article 152:

If, in the constituting agreement of the company, payment of the legal interest rate for the paid capital has been stipulated, this stipulation shall be valid.

Article 153:

Duration of the company shall be valid for as long as the lifetime of the partners, unless otherwise is agreed in the agreement. Nevertheless, if duration of the company is not specified and if, given the nature of the work that forms the subject of its activity, the duration may be limited, the mentioned company shall be valid up to the completion of that work.

Article 154:

A partner, even if he is not director, shall have the right to get information on the company affairs and its financial status. An agreement to the contrary shall not be valid.

Article 155:

Resolutions regarding amendments and changes of the agreement shall be made by unanimous vote of the partners and resolutions of other cases shall be valid by a majority vote of the partners, unless otherwise specified in the agreement.

Article 156:

The director shall, at the end of each financial year, prepare, on the basis of the balance of the company accounts, a list of profits and losses and determine the share of each partner according to it.

Article 157:

A partner may not, without unanimous vote of the partners, be obliged to pay his share of the capital loss, but, if there is not contrary provision in the agreement, the amount of the capital loss may be paid out of profits of the future years.

Article 158:

No partner may, without agreement of the other partners, conclude separate transactions of the kind of commercial transactions of the company in which he is a partner on his own or someone else account.

Similarly, he may not join, as a responsible member, another company that conducts that kind of transactions.

If partners of a newly established company know that one of the partners has been a responsible member of another company while joining the company, in this case, if they do not make an explicit resolution requiring his quitting the other company, it shall be considered that his partnership in the other company has been accepted.

Article 159:

If a partner takes action contrary to provisions of Article 158, the company may claim compensation against him or consider transactions he has concluded under his own or third parties name as its own transactions. The partners shall decide on taking one of the two mentioned choices.

If the partners do not object after six months since the time of becoming aware of membership of a partner in another company or conclusion of his transactions, their right to object shall be extinguished.

Exercising the mentioned right shall not exclude the right to request dissolution of the company.

Part Three - Relationships of Partners with Third Parties

Article 160:

As far as third parties are concerned, a general partnership company shall be considered existing since its date of registration and proclamation.

Article 161:

The right to represent the company against the partners and third parties belong to persons who are authorized to administer it, unless otherwise agreed in the agreement that is registered and proclaimed.

Article 162:

A person who is authorized to represent the company may conclude any kind of legal transaction and sign it in the company name. Any stipulation that limits this right shall not be valid against the third parties (with good faith). Nevertheless, if signing by several partners in the name of the company is stipulated in the partnership agreement which is registered and proclaimed, this stipulation shall be valid.

Article 163:

The company shall become creditor and debtor by transactions concluded, directly or indirectly, by directors in its name.

Article 164:

Partners shall be collectively and with all their own assets liable for the debts of the company, any stipulation to the contrary shall not be valid (against the third parties).

Article 165:

Claims concerning debts and obligations of the company shall be first made against the company itself. If the company has been winded up or no result has been achieved from legal proceedings against the company, actions may be taken against the partners. In the meantime, the creditor may request the court to detain properties of the partners.

Article 166:

Any decision issued by the special court against the company shall not apply to the partners.

Article 167:

In case of liquidation or bankruptcy of a general partnership company, creditors of the company shall have priority over personal creditors of the partners.

Article 168:

Bankruptcy of the company shall not cause bankruptcy of the partners. However, if the assets of the bankrupt company are not sufficient for its creditors claims, creditors may claim payment of the remaining part of their credits against the partners, and if their assets are not sufficient for the creditors claims, the court may rule on bankruptcy of the partners.

Among the personal creditors, those who have legal preferential rights shall also have priority in using the assets of the company.

Article 169:

Partners may not withdraw their shares of the capital from the assets of the bankrupt company. However, they may, like creditors of the company, claim their other credits.

Article 170:

A debtor person to the company may not offset his debt with his credit against one of the partners of the company. Neither may one of the partners offset his debt to the company with his credit against the debtor to the company.

However, if creditor of the company does not succeed to recover his claim form the company according to Articles (165-168), and refers to the partners, while the partner to whom the creditor has referred has a claim against the creditor, it is possible that his credit against the company is offset with his debt to the partner.

Part Four - Dissolution, Division, Expulsion of Partners and Joining another Company

Article 171:

A general partnership company shall be dissolved in the following ways:

a. Upon expiration of duration of the company
b. Upon a unanimous vote of the partners (provided that the majority vote is not specified in the agreement)
c. Upon declaration of bankruptcy by the court, or upon agreement among creditors and the partners on the bankruptcy
d. Upon decision of the court, on the basis of strong and significant reasons that have been claimed by one or several partners
e. Upon completion of subject of the company
f. Upon declaration of dissolution of the company by one of the partners, on the basis of his designated authority to this effect as specified in the agreement
g. In case of companies with indefinite duration, upon declaration of dissolution of the company by one of the partners
h. Upon loss of two-third of the capital of the company (when the partners have not completed it or not agreed on accepting the remaining part as the capital)
i. Upon joining another company

Article 172:

After dissolution of the company, directors may not conclude transactions in the name and account of the dissolved company. If they conclude transactions, the resulting liability shall unlimitedly refer to the directions.

Until such time as the dissolution is legally registered and proclaimed, all partners shall remain liable towards third parties.

Article 173:

If a provision of the company agreement declares one or some of the dissolution causes ineffective, it shall be valid, but if the provision excludes all of the causes, it shall be invalid.

Article 174:

Each partner of companies established for an indefinite period may, at least six months before the end of the transactional year, give a notification to the partners through a declaration that is issued by the Registration Office and dissolve the company.

Article 175:

Companies established for a definite or an indefinite period may be dissolved by the court on the basis of the request of one of the partners due to strong reasons.

The strong reasons resulting in dissolution of the company are as follows:

a. Impossibility of realization of the purpose of the company due to occurrence of certain causes
b. Dishonesty of one of the partners whether in administrative affairs or preparing accounts
c. Non-implementation of main duties delegated to a partner
d. Abuse of the title or properties of the company by a partner for personal interests
e. Incapability and incompetence of a partner in administering the company affairs, due to perennial illness or other reasons

Article 176:

In order for a request of dissolution due to failure of payment of the capital to be heard, it shall be necessary to send, in advance, notification to the partner who has failed to pay.

Article 177:

If duration of a company is definite or limited to the lifetime of one of the partners, and transactions continue to be concluded after the expiration of the duration or the death of the partner, the company shall be considered as formed for an indefinite period.

Article 178:

If it is stipulated in the agreement that the company shall be considered dissolved in case of the death, bankruptcy or incompetence of one of the partners, the heir of the deceased, or the legal successor of the assets of the bankrupt, or the legal agent of the incapable shall have to, without delay, notify the event to the partners.

If there is a risk in delaying the business, legal officers of the company affairs shall continue to administer affairs of the company until the partners make a unanimous decision.

Similarly, each of the partners shall be obliged to temporarily implement the works that have been entrusted to them. In such a case, as long as the temporary administration continues, the company shall be considered existing.

Article 179:

If there is no explicit provision in the agreement that in case of death of one of the partners the company shall continue with the heirs of the deceased, the partners may, together with the heirs, unanimously approve continuation of the work of the company. If the heirs do refrain from taking part in the partnership, the other partners may pay the capital share and rights of the heirs, and continue their partnership.

Article 180:

If it is explicitly stated in the agreement that the partnership shall continue with the heirs of the deceased, the heirs shall have the right to choose whether or not to stay in the company as general partnership partners. If they choose to become partners of the company the other partners shall be obliged to accept it.

Nevertheless, if the heirs of the deceased do agree to stay in the company as general partnership partners, they may request to be accepted as limited liability partners to the extent of the capital share and rights of their legator. The other partners shall have the right to accept this request.

Article 181:

The heirs of the deceased shall be obliged to declare within one month since the death whether or not they remain in the company as general partnership partners. During the mentioned period the heirs shall be recognized as limited liability partners.

If, after this period, the heirs have not been included as limited liability partners, they shall be recognized as partners.

Regarding minor heirs of the deceased, whether or not it is stipulated in the agreement, they shall not be recognized as general partnership partners, but, in case of a request by their guardian or executor and if the other partners accept, they shall be recognized as limited liability partners.

Article 182:

Rules of Articles 179 to 181 shall apply to the case of incapacity of one of the partners.

Article 183:

In case of bankruptcy of one of the partners (unless otherwise has been stated in the agreement), the bankrupt partner shall be expelled from the company. In this case, rights of the bankrupt or his legal agent shall be settled.

Article 184:

If dissolution of the company has been requested due to reasons related to the person of one of the partners, the court may, on the basis of request of other partners and upon scrutiny, rule on expulsion of the mentioned partner and continuation of the company.

Article 185:

If one of the partners requests dissolution of a company whose duration is indefinite, the other partners may disagree with the dissolution, expel that partner, and continue the partnership among themselves.

Article 186:

If one of the partners of a company with definite duration notifies other partners, on the basis of his rights prescribed in Article 175, of dissolution of the company via Registration Office, rules of Article 179 shall apply to this case as well.

Article 187:

If a company is composed of two partners and one of them withdraws from the company, the court may, based on compelling reasons, allocate all the assets and debts of the company to the other partner without ruling on dissolution or liquidation. In this case, rules of Article 190 shall apply to the partner who has withdrawn.

Article 188:

If a personal creditor of one of the partners of a company consisting of two partners exercises his dissolution right deriving from Article 195 or one of the partners bankrupts, the other partner may, within the limits of permission of Article 187, carry on affairs and transactions of the company on his own account.

Article 189:

If dissolution of a company is based on a reason other than bankruptcy, all of the partners are obligated to register and proclaim, according to Article 174, the dissolution of the company. This rule shall also apply in case of withdrawal of one of the partners from the company.

If dissolution of the company or withdrawal of partner is due to death, the mentioned formalities shall be carried out by all of the remaining partners together with the heirs of the deceased.

Article 190:

The share of the company assets of a partner who is expelled or himself withdraws from the company shall, if the contrary is not specified in the agreement, be determined as of the date of submission of the expulsion or withdrawal request.

Article 191:

In case the share of a partner is determined in accordance with Article 190, it shall be paid in cash.

Article 192:

The share of a partner who is expelled or himself has requested to withdraw shall be settled at the time designated in the agreement, if it is designated therein, otherwise, it shall be settled when the first balance sheet, after the withdrawal of the partner, is prepared.

Article 193:

A partner who is expelled or himself withdraws shall share the rights and obligations derived from transactions concluded before the expulsion or withdrawal. But, he may not prevent the conclusion of those transactions that have already been confirmed and the partners have approved their conclusion.

If the settlement is not immediately possible, he may, at the end of the financial year, request accounts of transactions that have been completed during the year. He may also request information of the current transactions at the end of the financial year.

Article 194:

Expulsion or withdrawal of a partner shall be effective with regard to third parties as of the date of registration and proclamation, and he shall be liable towards the third parties before the date of registration and proclamation.

Article 195:

If a personal creditor of a partner cannot recover his right out of personal properties of the debtor, he may, at the time of liquidation, take, through the court, the share of the debtor partner under his control and request dissolution of the company (provided that he has notified six month in advance) at the end of the financial year.

The company or the rest of partners may, before the issuance of an order on dissolution, pay the right of creditor and prevent the dissolution order.

Article 196:

If a personal creditor of a partner exercises his right to dissolution, according to Article 195, the other partners may, upon expelling the indebted partner, decide on the continuation of the company and notify it to the creditor.

In this case the indebted partner shall be expelled from the company at the end of the financial year.

Article 197:

Two or more general partnership companies may merge with each other and establish a new general partnership company, or join another existing general partnership company.

Article 198:

Merger of general partnership companies shall require each of them to make a separate resolution and register and proclaim it.

Article 199:

Each of the merged companies shall be obliged to prepare and proclaim its balance in a unified form and at the same time approve the arrangement of discharging the debts and enclose it to the balance.

Article 200:

Resolution of merger shall become effective three months after the proclamation date.

If the merged companies discharge their debts, or deposit an amount equivalent to their debts in a credible bank, or if the creditors agree with the merger, it is not necessary to wait for the three months.

The receipt obtained from the bank for the deposited money shall also be registered and proclaimed. Each of creditors of the merged companies may, within three months, submit a protest to the court against the merger. Merger shall not be carried out until the protesting creditor renounces his right to protest or the order of the court on this protest becomes final.

Article 201:

If no protest is submitted during the period designated in Article 200, the merger transaction shall become final. The remaining or the newly established company shall succeed the previous company and all rights and debts shall transfer to it.

If a new company has been established due to the merger of the companies, it shall have to be registered and proclaimed.

Part Five - Liquidation of General Partnership Companies

Article 202:

If the company agreement does not stipulate anything on liquidation, it shall be carried out in accordance with rules of this Part.

Article 203:

Liquidation of a general partnership company shall be the responsibility of liquidation officers who shall be appointed by the method stated in the following Articles.

Article 204:

Liquidation officers may have been already designated by the partners and recorded in the company agreement, or appointed afterwards by approval. They may also be appointed, after the dissolution, by a unanimous decision of the partners, otherwise, all of the partners may be appointed, otherwise, all of the partners or their legal agents shall be considered as liquidation officers. In case of dissolution

of the company, the relevant court may, on the request of any of the partners, appoint liquidation officers.

Article 205:

Liquidation officers may be appointed, whether by the partners or by the court, from among the partners or from outside them.

Article 206:

Appointment of more than one liquidation officer shall be permissible. If they are not allowed, according to the company agreement or a resolution afterwards, to act individually, they shall have to act jointly. If they are allowed to act individually, this shall have to be registered and proclaimed.

Article 207:

A liquidation officer may not assign his obligations to another liquidation officer or a third party. However, liquidation officers may authorize one or more from among themselves or a third party to carry out certain affairs of specific transactions.

Article 208:

With regard to a company whose transactions are under liquidation, it shall be sufficient for third parties to serve correspondence with and refer to one of the liquidation officer. Transactions that have been carried out by one of the liquidation officers and pose no risk to interests of the company shall be valid.

Article 209:

General partnership companies shall be recognized as existent for liquidation affairs, even after dissolution, until the liquidation transactions are complete.

Article 210:

All papers and documents prepared in the name of a general partnership company that is under liquidation shall have to bear the statement (Liquidation of the General Partnership Company ...) and signed by the authorized liquidation officer or officers, otherwise, no responsibility shall be attributed to the company.

Article 211:

The right of priority of creditors of the general partnership company to the properties of the company over personal creditors of the partners shall remain even after dissolution of the company.

Article 212:

If the assets of the company under liquidation are insufficient to settle its debts, and there are causes of bankruptcy, in such a case, the court may issue a bankruptcy order.

Article 213:

If liquidation officers have been appointed, before dissolution, according to the company agreement or a resolution by the partners from among the partners themselves, they may be dismissed by a unanimous vote of all of the partners. If a unanimous vote is not reached, they may be dismissed by the court on the basis of the request of any of the partners and acceptable reasons.

Article 214:

Liquidation officers who have been appointed, after dissolution, from among the partners may be dismissed by a unanimous vote of the other partners. If a unanimous vote is not reached, they shall be dismissed by the court, based on the request of any of the partners upon acceptable reasons.

Article 215:

Liquidation officers who are not from among the partners and have been appointed according to the company agreement or a resolution by the partners may be dismissed in any event by a unanimous vote of the partners. If a unanimous vote is not reached, they may be dismissed by the court on the basis of the request of any of the partners.

Article 216:

Liquidation officers who have been appointed by the court may only be dismissed by the court.

Article 217:

If liquidation officers have already been appointed, at the time of dissolution of the company, and if they have been appointed afterwards by the partners or the court, during dissolution, shall invite directors of the company and jointly with them, and if the directors do not accept the invitation, by themselves, prepare a book containing the assets of the company together with a balance sheet. If liquidation officers find it necessary, they may refer to experts to determine the value of the company properties. The balance sheet and the assets book prepared in such a way shall be signed by directors of the company in the presence of the liquidation officers.

Liquidation officers, after the signing of the book, shall take under their control all of the properties recorded in the mentioned book as well as other papers and books of the dissolved company.

Article 218:

Liquidation officers shall be obligated to make all necessary arrangements for the protection of all of the properties and rights of the dissolved company.

Article 219:

Liquidation officers shall complete those transactions that have been started during the life of the company but have not yet been terminated, and pay in cash, and if the creditors agree, in kind, debts and obligations of the company, and collect the company claims and convert its non-cash assets into cash, and generally carry out all affairs and transactions that are necessary for collection of the assets of the company and their distribution among the partners.

Article 220:

Liquidation officers shall have the right to represent the company under liquidation in courts and other authorities.

Article 221:

Liquidation officers may not conclude a new transaction that is not required by the liquidation.

In case they do so, they shall be liable for all responsibilities arising from the transaction.

Article 222:

Liquidation officers shall be allowed to accept compromise and appoint an arbiter in such a case that they see it to the interest of the liquidated company.

Article 223:

Liquidation officers may sell the movable properties of the dissolved company, if the interest of the company requires, by auction or otherwise, but they may only sell the real properties of the company, if the general agreement of the partners is not otherwise, by auction. Presence of minors or incapacitated persons among the partners shall not prevent the sale of the movable and real properties.

Article 224:

Liquidation officers may temporarily implement those transactions that constitute the subject of the company, according to the resolution of the partners if liquidation has been determined by them and upon a unanimous vote of the partners and approval of the court if it has been decided by the court.

Article 225:

Liquidation officers shall be obliged to discount and immediately pay the deferred debts of a general partnership company under liquidation. The creditors shall also have to accept this payment method.

Article 226:

If the assets of a general partnership company are not sufficient to settle all of the debts, liquidation officers may refer to the partners for full payment of the debts of the company.

Article 227:

If the partners do not unanimously approve, liquidation officers may not sell the properties of the company in totality.

Article 228:

Legal powers of liquidation officers may be extended or limited by a unanimous vote of the partners or order of the court (by any authority who has appointed them). In this case, the matter shall be registered and proclaimed. If the limitation of the powers has not been registered and proclaimed, it shall not be effective on bona fide third parties.

Article 229:

Liquidation officers shall be, during the liquidation, bound by resolutions unanimously made by the partners concerning the liquidation. In case of bankruptcy, death or incompetence of one of the partners, rules of Article 230 shall apply.

Article 230:

In case of bankruptcy, death or incompetence of a partner, the right to participate in resolution made on the appointment, dismissal or directing liquidation officers shall belong to the lawyer or guardian of the partner. The heirs shall unanimously appoint a lawyer, and if they cannot make a unanimous decision, the court shall appoint the lawyer.

Article 231:

Liquidation officers may keep an amount out of the cash assets of the company that suffices payment of the proved and disputable, and due and deferred debts, and distribute the rest of them among the partners.

Article 232:

In order for liquidation officers to ensure authenticity of the liquidation transactions, they shall be obligated to regularly prepare necessary books.

Article 233:

Liquidation officers shall be obliged, when requested by the partners, to report orally or in writing to them about the status of liquidation affairs.

Article 234:

Liquidation officers shall be obliged, if requested by the partners, to present to them all papers and books relating to the company and the liquidation.

Liquidation officers may not prevent the partners from copying the books and papers.

Article 235:

Liquidation officers shall be obliged to deposit in a credible bank any amount of money above one thousand Afghanis that is gained during liquidation.

Article 236:

At the end of liquidation, liquidation officers shall be obliged to account to the partners of the liquidation transactions.

Article 237:

All provisions of the company agreement relating to liquidation officers, together with the provisions made by the partners and the court concerning appointment, change and dismissal of liquidation officers shall be registered and proclaimed.

Article 238:

At the end of the liquidation, liquidation officers shall, according to the company agreement or legal provisions, prepare a balance sheet containing shares of the partners of the capital, profits, losses, and other items of the assets and debts and submit it to the partners. If the partners raise no objection, through the court, within one month, the balance sheet shall become final.

After the expiration of this period, if the partners refuse to take their designated shares, liquidation officers shall deposit the share of each of them separately under his name in a credible bank.

Article 239:

The net asset of the company shall, in accordance with the agreement or a resolution that has been made later, be distributed by liquidation officers. If there is no contrary provision in the agreement or resolution by the partners, this distribution shall have to be made in cash.

Article 240:

As liquidation officers are collectively liable to the partners and third parties for measures taken against the rules of this Law, they shall also be collectively liable to the partners and third parties for transactions of persons whom they appoint or employ, that are contrary to the designated legal rules.

Article 241:

Liquidation officers who are appointed from among the partners may not, unless stipulated in the agreement or resolution made later, receive salary and fee, but liquidation officers appointed from outside, even if no mention of fee and salary is made, shall be entitled to receive a salary and fee.

Article 242:

At the end of the liquidation, the papers and books shall be deposited in a safe place designated by the partners, and shall be kept for fifteen years. If the partners cannot reach a unanimous decision it this regard, the safe place shall be designated by the court.

Chapter Three – Limited Partnership Companies

Part One - Nature and Method of Formation of Limited Partnership Companies

Article 243:

A company established under a designated title for the purpose of conducting business in which one or more of the partners have unlimited liability to creditors and one or more of the other partners have limited liability up to a certain capital shall be called a limited partnership company.

The capital of the partners with limited liability may be divided into shares.

Article 244:

Unless otherwise stated in this Chapter, the rules of general partnership companies shall also apply to limited partnership companies. If it cannot be determined whether a company is a general partnership or a limited partnership, it shall be considered a general partnership company.

Article 245:

The limited partnership company agreement shall have to include the items stated in Article 137 as well as the names of the partners with limited liability and the capital of each of them that has been paid or subscribed to be paid, and be registered and proclaimed.

Article 246:

A partner with limited liability may not submit his work, action, reputation or profession (other than his scientific and technical invention) as capital.

Part Two - Relationships of Partners with each Other

Article 247:

The rules set forth in this Part shall apply to relationships of the partners of a limited partnership company, unless otherwise specified in the agreement.

Article 248:

The partners with limited liability shall not be qualified to administer the company affairs and may not prevent the partners who are qualified to administer from carrying out their duties, but they may vote on transactions beyond the authority of the directors.

Article 249:

Each partner with limited liability shall be allowed, at the end of the year, to scrutinize and control the assets book, balance sheet and papers of the company, either personally or by an expert. If an objection is raised against the expert introduced by the limited liability partner, the expert shall be appointed by the court.

Article 250:

The rules of Article 158 concerning prohibition of the general partners from conducting transactions that constitute the subject of the company shall not apply to partners with limited liability, but if the limited liability partners establish an institution with the same subject, or share with another person who has established such an institution, or join an existing company conducting the same kind of business, they shall not have the right to scrutiny the company papers and books.

Article 251:

The liability of a partner with limited liability shall be proportional to the capital he has paid or subscribed to pay.

Article 252:

A partner with a limited liability may, at the end of the financial year, receive his dividend or, if specified in the agreement, his interest. However, if the company has made a loss, the interest shall not be paid until the loss is recovered, but, in the next year, after completion of the capital, the interest of the previous years shall be paid out of the remaining part of the profit.

Article 253:

Partners with a limited liability shall not be obliged to return the interest and the dividend they have already received for the recovery of the losses made thereafter.

Article 254:

Partners with a limited liability who have received dividends and interests on the basis of a well ordered balance sheets shall not be obliged to return them.

Article 255:

In case of the death of a limited liability partner, his heirs shall be considered as successors of the deceased.

Article 256:

If a limited liability partner transfers wholly or partly, without the permission of the other partners, his right in the company to another person, the buyer shall not have the right to intervene in the administration and scrutinize the affairs of the company.

Part Three - The Relationships of the Partners with Third Parties

Article 257:

A limited liability partner whose name is in the title of the company shall be considered as having unlimited liability to third parties.

Article 258:

The partners with an unlimited liability shall be responsible for the administration and representation of limited partnership companies. The extent of this capacity shall be subject to the rules set forth for general partnership companies. Unless prohibited by the company agreement, a limited liability partner may be appointed, by the director or directors of the company, to conduct specific transactions. In such cases, the company shall bear the liabilities arising from transactions concluded by him. The limited liability partner shall personally bear the liabilities arising from his acts beyond his authority or measures taken without an authorization.

Article 259:

Giving advice by the limited liability partners, his exercising their right to scrutiny and surveillance of the company affairs and participating in the appointment and dismissal of employees, where legally specified, and being employed for minor works in the company shall not change their limited liability into an unlimited one.

Article 260:

The limited liability partners shall be liable to creditors of the company for that amount of the subscribed capital they are obliged to pay, but the creditors may not refer to the limited liability partners until the dissolution of the company or until such time as legal actions against it have proved unsuccessful. In the event of bankruptcy of the company, the creditors shall have the right to claim against its total assets.

Article 261:

In case of bankruptcy of a limited partnership company, the claims of creditors of the company shall be given priority over the claims of personal creditors of the partners.

Article 262:

If the assets of the company are not sufficient for the claims of creditors, they may claim against personal properties of each of unlimited liability partners for the remaining part of their claims, and in this case, creditors of the company and personal creditors of the partners shall have equal rights.

Article 263:

The limited partnership company and personal creditors shall have equal rights against personal assets of the limited liability partners who are bankrupted.

Article 264:

The rules set forth in Articles on dissolution and liquidation of general partnership companies shall also apply to limited partnership companies.

Article 265:

If a person is a creditor of the company while is indebted to a limited liability partner who has not paid in his share of the capital, he may offset his claim by the debt of the limited liability partner.

Chapter Four – Joint Stock Companies

Part One - Nature and Method of Formation of Joint Stock Companies

Article 266:

A joint stock company shall be a company that is established under a designated title for the purpose of conducting commercial transactions, with a designated capital that is divided into shares, and the liability of each partner is limited to the amount of his share.

Article 267:

Joint stock companies shall be formed immediately or gradually.

If the founders subscribe to buy or buy all the shares of the company, it shall be established immediately. If the founders do not subscribe all of the shares, the joint stock company shall be established gradually and, in this case, the remaining shares shall be offered, by proclamation, to the public.

Article 268:

In order to establish a joint stock company, there must be at least five shareholding founders.

Article 269:

Those shareholders of joint stock companies who have prepared and signed the Articles of Association of the company and pay as capital an amount in cash or otherwise shall be considered as founders.

Article 270:

The founders shall have to prepare and sign the Articles of Association. The Articles of Association shall have to include the following items:

a. The title of the company and its centre
b. The kind and nature of activities and subject of the company
c. Determination of the amount of the capital and the kind of shares, the price of each share and conditions of payment of the shares
d. Particular benefits that shall be paid, out of the profit, to the founders, members of the Board of Directors or other persons
e. The procedure of appointing the Board of Directors, the Board of Supervisors and their duties and powers of administration and signature
f. The method of convening the General Meeting, invitation of shareholders, time of assembling, conditions of conducting debates, making resolution and voting
g. The duration of the company, if it is limited to a period

Article 271:

A copy of the articles of incorporation that is prepared according to Article 270 shall be submitted to the Ministry of National Economy in order to obtain the permission for the establishment of the company.

Article 272:

Upon obtaining the permission, if the company is gradually established, the founders shall publish a proclamation containing the following items:

a. The subject and duration of the company
b. The price of each share and the amount of capital and particular interests that shall be paid, according to the Articles of Association, to the founders or other persons
c. The assets in kind that shall be contributed to the capital
d. If purchase of an institution is allowed, its price
e. The venue and method of convening of the General Meeting

Article 273:

The request to contribute to the capital of the company shall be prepared in two copies, including the following items:

a. A summary of items of Article 272
b. The name, surname and domicile of persons who subscribe to contribute
c. The number of shares subscribed to be paid, in letters, along with the date of the subscription
d. The acceptance of the contents of the Articles of Association, if the company is not established within the designated period, the subscription of the contributors shall be ineffective

The request to contribute may be accepted through dispatching a letter wherein the signature of the contributor has been certified.

Article 274:

The total shares that are issued for the capital of the company shall have to be actually and fully subscribed, and at least one-fourth of the price of each share shall have to be paid in cash.

Article 275:

The issuance of the share certificates with a value less than the designated value shall not be permissible.

Article 276:

If the payment of one-fourth of the price of shares, which has been legally required, has not been stipulated at the time of subscription, the founders may, after completion and conclusion of the subscriptions, notify the persons who have subscribed to contribute, through registered letters or newspapers, and request them to pay one-fourth of their subscribed shares within the designated period.

If those who have subscribed to contribute do not pay one-forth of the price within the mentioned period, the founders shall have the authority to disqualify them from partaking in the company or make them to discharge their subscription. If the subscribers are disqualified from partaking in the

company, those who subscribe in place of them shall be obligated to pay one-fourth of the price of shares, and the company shall not be established until one-fourth of the price of shares has been paid.

Article 277:

The one-fourth of the price of shares, that are paid by the subscribers, shall be deposited in a credible bank. If the company is established, on the basis of presentation of a document by the Board of Directors indicating the registration and proclamation of the company and the permission by the relevant authority, the deposited money shall be paid to the company.

However, if the company is not established, the money shall be returned, on basis of presentation of the receipts, to the persons who have deposited it. The one-fourth of the price of shares deposited in the bank shall never be given to the founders.

Article 278:

Upon subscription of all of the capital of the company and payment of the designated price of the shares, the founders shall have to invite, within ten days, through registered letters to the designated address of shareholders and proclamation in the newspapers, the Founding General Meeting to convene.

The dispatch of these letters and the proclamation shall have to take place at least fifteen days prior to the date of the Meeting, and include the following items:

a. The confirmation of the subscription of all of the shares and payment of one-fourth of the price
b. The appointment of experts in order to determine the price of goods contributed in place of the capital and the purchase of the institution that is allowed by the Articles of Association
c. A proposal concerning particular interests that have been stipulated for the founders
d. The appointment of members of the Board of Directors, if they are not determined in the Articles of Association
e. The appointment of the Board of Supervisors

Article 279:

The Founding General Meeting shall convene on the designated day, discuss and make resolution on issues mentioned in Article 278.

Resolutions of the Meeting shall be valid only if persons representing at least half of the capital of the company are present.

Each share shall entitle the shareholder to one vote, and resolutions shall be valid by a majority of the present votes.

Article 280:

The founders and other shareholders who pay goods in place of the capital and the founders who have designated certain interests for themselves shall not have the right to vote in the debates concerning determination of the price of the goods or approving particular interests.

Article 281:

If the first members of the Board of Directors have not been appointed by the Articles of Association, they shall be appointed by the General Meeting of the founders form among the shareholders.

Appointment of the first Board of Supervisors shall exclusively be made by the Founding General Meeting and may not be appointed by the Articles of Association.

The supervision affairs shall be delegated to two or more of the shareholders or outside them.

Article 282:

The two third of shareholders who have paid the capital in cash shall have to be present in the Founding General Meeting, convened according to Article 279, that appoints the experts in order to determine the price of the capital paid in kind and the institutions to be purchased.

The resolutions shall be made by a majority vote.

If the quorum cannot be reached, the relevant court shall appoint the experts upon the request of the founders.

Article 283:

Upon the preparation of report by the experts, the founders shall again invite the Founding General Meeting to convene in the way and at the time as stated in Article 278, and attach a copy of the experts report to each of the invitation letters. The authority of the Founding General Meeting to debate and make a resolution shall be subject to the majority quorum as specified in Article 279.

Article 284:

The Founding General Meeting shall study the reports by the experts and listen to the comments of persons who have paid in kind and to the comments of the owners who are willing to sell their institutions. The Meeting shall accordingly accept or reject the price mentioned in the experts report, or adjust it on the basis of the agreement of the owners.

Article 285:

If the quorum of the Founding General Meeting, that is invited to scrutinize the report of the experts, is not reached, the founders shall prepare a meeting minutes report and send it, by registered letters, to the shareholders and proclaim it in the newspapers. In this case, the next Meeting shall be invited to convene after one month.

Article 286:

If a unanimous vote has not been reached in the Founding General Meeting, the dissenters may write down the reasons of their different opinion.

Article 287:

The founders may not include provisions in the Articles of Association according to which free (gratuitous) shares or cash money that reduces the capital of the company shall be allocated to them.

Article 288:

Upon the implementation of provisions of Articles 279 and 284, the founders shall, within fifteen days, shall submit to the relevant commercial court a report indicating the compliance with the required conditions of establishing joint stock companies, Articles of Association, certificate by the bank of payment of the one-forth of the price of shares, minutes of the Founding General Meeting, the report by the experts on determining the price of the capital in kind and the institution to be purchased and, if the transaction relates to a concession, the concession letter or its certified copy.

The court shall scrutinize the relevant documents and, if necessary, enquire from the founders and, if the documents are not complete, asks for their completion, and shall certify the establishment of the company one month after the date of the submission of the papers.

Article 289:

Establishment of a company that has been certified according to Article 288 shall be registered with the relevant Commercial Office.

Article 290:

A company that has not been registered and proclaimed according to Article 279 shall not be considered legally established, and it may not proceed to conclude transactions before the registration and proclamation.

Article 291:

If those who have subscribed to contribute to the capital of the company transfer their shares to others before the legal establishment of the company, this transfer shall not be valid.

Article 292:

The partners of those companies that are established immediately shall prepare an Articles of Association that includes items required by Article 274 about the subscription of all of the shares, and items 4 and 5 of Article 278, and provisions of Article 270. If, as part of the capital, a property or institution has been bought, experts shall be appointed by the court for determination of their price.

Article 293:

If shareholders of joint stock companies that have been established immediately wish to offer their shares to the public for sale, they shall be obliged to comply with provisions of Articles 272 and 273.

Article 294:

The founders and those who participate in preparation of the declaration or papers mentioned in Article 288 and other documents shall be collectively liable for losses and damages caused by their incorrectness.

Article 295:

If all of the shares of a company have not been subscribed and their price has not been paid in, but it is reported, against the truth, that they have been subscribed and paid, the founders and the persons who have cooperated with them in this act shall be obliged to take these documents on their own account and pay their price.

Article 296:

If the founders or other persons cheat on determination of the price of the capital in kind or purchase of an institution for the company, they shall be obligated to collectively compensate for the losses and damages inflicted on the company in this way.

Article 297:

Members of the Board of Supervisors and the Board of Directors of the first term shall be obligated to scrutinize whether any misdeed has been committed. If they neglect in this regard and losses are

inflicted, in case the losses have not been compensated for by the founders, members of the Board and the Supervisors shall be collectively considered liable.

Article 298:

Liability of the founders, members of the Board of Directors and Supervisors may be compromised and acquitted after five years from the date of registration, on the basis of the resolution of the General Meeting of shareholders, provided that the mentioned acquittal has been approved by one-tenth of the votes representing the capital.

Article 299:

The right of the company to claim compensation against the founders, members of the Board of Directors and the Supervisors shall be extinguished after five years.

Article 300:

The founders shall be responsible to third parties for resources of transactions they have concluded for establishing the company.

If the company has been established, the founders may refer to the company for compensation for such expenses.

Payment of the mentioned expenses by the relevant company shall be subject to the approval of the Founding General Meeting. If the company has not been established for any reason, the mentioned expenses shall be borne by the founders and they shall not have the right to refer to shareholders.

Part Two - The Board of Directors

Article 301:

Joint stock companies shall have a Board of Directors that composes of at least three persons. The members of the Board of Directors shall be appointed from among shareholders by the General Meeting. Appointment of the first members of the Board of Directors may also be made by the Articles of Association of the company.

Article 302:

Each member of the Board of Directors shall be obliged to deposit in the company a part of his share whose price is equivalent to one percent of the original capital of the company. If one percent of the capital of the company exceeds two hundred thousand Afghanis, a deposit of more than this amount shall not be obligatory.

Until such time as members of the Board of Directors have been released from their liabilities by the General Meeting, certificates of their deposited shares may not be transferred to another person or taken from the company. For this purpose, the mentioned documents shall be sealed and kept as guarantees in the treasury of the company.

Article 303:

Members of the Board of Directors shall be appointed at most for three years.

If re-appointment of the members has not been prohibited in the Articles of Association of the company, they may be re-appointed.

Article 304:

Members of the Board of Directors shall appoint, each year, from among themselves a chairman and, if necessary, a vice-chairman.

Article 305:

If one of the members of the Board of Directors is dismissed for legal reasons, the Board of Directors shall appoint, temporarily, another person meeting the legal requirements, and they shall have to, at the first convening of the General Meeting, propose his appointment for an approval.

Article 306:

Even if members of the Board of Directors have been appointed by the Articles of Association, they may, if necessary, be dismissed on the basis of a resolution by the General Meeting.

In this case, they may not benefit from privileges and interests they used to have as members of the Board of Directors.

Article 307:

Administration of a joint stock company and its representation outside the company shall be borne by the Board of Directors.

Article 308:

The Board of Directors shall have the right to conclude and sign any kind of legal transaction included in the Articles of Association, in its name. The Board of Directors may accept reconciliation and mediation providing they find them to the interest of the company.

Article 309:

In order for the papers and documents prepared in the name of the company to be valid, they shall have to be signed by all members of the Board of Directors, unless the signing authority has been delegated to particular member(s).

Article 310:

Those who are authorized to sign in the name of the company shall be obliged to record the title of the company first and then sign under it.

Article 311:

Members of the Board of Directors may not partake in debates relating to their personal interest.

In such cases, the members shall be obliged to declare the interest they have in the matter to the meeting and record it in its minutes. Members of the Board of Directors who act contrary to these rules shall be obliged to compensate for losses inflicted on the company.

If the majority of members of the Board of Directors have personal interests in the subject of the debate, it shall be referred to the first General Meeting.

Article 312:

Members of the Board of Directors may not, without permission of the General Meeting, conclude a commercial transaction with the company, directly or indirectly, in their own names and on their accounts or in the name of another person and on his account.

Article 313:

No member of the Board of Directors may, without permission of the General Meeting, engage in commercial transactions of the kind of commercial transaction of his related company. They may not also personally join another company, as a responsible member, that is engaged in the same kind of transaction.

The company may demand compensation from any member of the Board of Directors who have violated this rule, or consider the transactions that he has concluded under his name, in return for compensation, as concluded under the company name and ask profits that are accrued by these transactions to be paid to the company.

Those members of the Board of Directors who have been liable for the mentioned issues may not partake in making resolution on the issues. The company may exercise the mentioned rights until one year since the date of conclusion of the transaction.

Article 314:

If the capital of the company is reduced to half, the Board of Directors shall immediately invite the General Meeting in order to decide on increasing the capital to the registered amount, or approving the remaining part as the capital, or dissolving the company. If only one-third of the capital has remained and the General Meeting does not decide on increasing the capital or approving the one-third as the capital, the company shall be considered dissolved.

If the assets of the company do not meet its debts, the Board of Directors shall be obliged to request the court to consider the matter and proclaim the bankruptcy.

Article 315:

The Board of Directors shall be obligated to prepare the necessary books and prepare, at the designated date, the balance sheet of the previous year and make them available to shareholders, at least 15 days before the assembly of the General Meeting, for their scrutiny.

Article 316:

All the expenses of establishing the administration of the company shall be recorded in the relevant annual expenditure account.

But the expenses for primary structures or establishment of a new branch or expansion of transactions mentioned in the Articles of Association, made on the basis of the resolution by the General Meeting, shall be kept, maximum up to five years, in the expenditure account.

In such a case, expenses of each year shall be recorded in the balance sheet of that year. Prices of the movable properties and buildings and machines of the company, which must be shown in the annual balance sheet, shall be the purchase price minus the depreciation.

If these properties have been insured, expenses of the insurance shall have to be shown in the balance sheet.

Article 317:

The Board of Directors shall be obliged to prepare, at the end of each financial year and in addition to the balance sheet, a report of the commercial, financial and economic status of the company, and a summary of major transactions of the year, and also submit a proposal on the percentage of profit distribution and formation of the reserve.

Article 318:

Unless otherwise specified in the Articles of Association of the company, meetings of the Board of Directors shall be considered officially convened by the presence of more than half of the members, and the resolutions shall be valid by the majority votes of the members present.

Members may not vote as agent of each other. In case of a tie vote, the matter shall be discussed at the next meeting. If there is also a tie in the next meeting, the matter shall be considered rejected. Deliberations of meetings of the Board of Directors shall be regularly recorded in a book by a secretary who has been appointed from among the members or the outside.

It is necessary for the present members to sign the resolutions and those members who disagree with the resolutions shall insert reasons for their disagreement in the resolution.

Article 319:

Unless otherwise specified in the Articles of Association, an attendance fee for each day of meeting shall be paid to those members of the Board of Directors who are not among the administrative members of the company. If the fee is not determined by the Articles of Association, it shall be determined by the General Meeting.

Article 320:

Members of the Board of Directors shall not be considered personally liable for transactions they have concluded in the name of the company, except in the following cases where they shall be liable to the shareholders and third parties:

a. Inaccuracy of certificate of payment of shareholders in return for the share document
b. Unreality of the profits that are being distributed and paid
c. Nonexistence or irregularity of the books legally required to be kept
d. Non-implementation of a resolution made by the General Meeting
e. Non-implementation of any obligation imposed on them by law or the Articles of Association of the company

If the company has delegated one of the above five responsibilities to a member of the Board of Directors, the liability shall only be attributed to that member and shall not be related to other members.

Article 321:

The newly appointed members of the Board of Directors shall be obliged to notify the Board of Supervisors of illegal transactions by previous members of the Board of Directors of which they become aware, otherwise, they shall be considered as sharing their liability.

Article 322:

Those members who, according to Article 321, have disagreed with the illegal transactions of the previous Board and recorded the reasons for their disagreement in minutes of the meeting and have also notified in writing the Board of Supervisors or have been absent from the negotiation concerning that transactions shall be free from the liability.

Article 323:

If a member of the Board of Directors, by any means or through untrue statements about the present status of the company, deceive third parties, he shall be personally liable for the loss inflicted due to this.

Article 324:

The liability for claims against the members of the Board of Directors, on the basis of Articles 320 and 321, shall be extinguished five years after the date of the conclusion of the transaction.

Article 325:

If the General Meeting makes a resolution to bring an action against members of the Board of Directors, it shall be put into effect.

If the General Meeting makes a resolution against bringing an action, but the shareholders owning ten percent of the capital of the company disagree with this resolution, the company shall be obliged, within one month since the date of the resolution and request of the disagreeing shareholders, bring the suit. The mentioned action shall be brought by the Board of Supervisors in the name of the company.

If the action is brought on the basis of the vote of those shareholders who represent ten percent of the capital, the mentioned shareholders may appoint a lawyer from outside.

Those shareholders who vote for bringing an action shall be obliged to deposit their shares, as security for the company loss, in a credible bank until the case is settled.

The mentioned shareholders shall be obligated to compensate losses of the company if the case is dismissed.

Article 326:

If administration of the company affairs is, according to the Articles of Association or the resolution of the General Meeting, delegated to a director who is not a member of the Board of Directors, in this case, the mentioned director shall be liable, like a member of the Board of Directors, to the partners and third parties for non-implementation of obligations stated in Article 320.

Stipulation of any other condition contrary to this rule in the Articles of Association or the claim that he is acting under supervision of the Board of Directors shall not free him from the liability.

Article 327:

Members of the Board Directors shall not be liable for misconduct of the director, but if members of the Board of Directors appoint an unqualified person or ignore their mismanagement and illegal transactions or authorize them to take measures for which they are not qualified, they shall be collectively liable to the partners. However, those members of the Board of Directors who, according to Article 322, prove that they have not participated in such offences shall be free from liability.

Article 328:

Unless otherwise specified in the Articles of Association, the Board of Directors may dismiss or appoint the directors. The list of dismissals and appointments shall be proclaimed.

Article 329:

Directors may delegate conclusion of certain transactions, which they are authorized to conclude, to others, but they may not delegate their directorship duty to another person.

Article 330:

Directors may not be appointed for a term longer than the term of membership of members of the Board of Directors. They may be dismissed, like members of the Board of Directors, at any time. A director who has been appointed from among shareholders and dismissed may not claim compensation.

Article 331:

The Board of Directors of a joint stock company shall be obligated to keep the following books, in addition to the commercial books that they are obliged to keep:

a. The special book of shareholders in which the name, father's name, identity, title and address of shareholders are recorded
b. The record of payments of the capital that were paid at beginning of establishment of the company or added afterwards
c. The book of the General Meetings minutes
d. The book of resolutions of the Board of Directors

Article 332:

Unless otherwise specified in the Articles of Association concerning the appointment of officers, the appointment of them shall be a duty of the Board of Directors.

Article 333:

If one of the members of the Board of Directors or Board of Supervisors becomes bankrupt or is deprived of the legal capacity or is convicted of an offence or crime, his authority of administration of the company affairs shall be terminated and another person shall be appointed in place of him.

Article 334:

The Board of Directors may, by a majority vote, delegate its authority and power to one or more of its members.

Part Three - Board of Supervisors

Article 335:

Unless otherwise specified in the Article of Association, the Board of Supervisors of joint stock companies shall consist of two members. The Board of Supervisors may be appointed, from among shareholders or outside them, for the first time by the Founding General Meeting for one year and subsequently by the General Meeting for maximum three years. The Board of Supervisors whose term has expired may be reappointed. The Board of Supervisors may not be appointed as members of the Board of Directors,

nor may they administer, as officers, transactions of the company. Members of the Board of Directors whose term has expired may not be appointed as members of the Board of Supervisors until they are released from responsibility by the General Meeting.

Article 336:

The General Meeting may appoint a separate Board of Supervisors in order to scrutinize certain designated matters.

Article 337:

The blood relatives of members of the Board of Directions, such as father, son, uncles, father in law, and son in law may not be appointed as members of the Board of Supervisors and if appointed, they shall be obliged to resign.

Article 338:

Members of the Board of Supervisors may be dismissed, at any time, by the General Meeting and replaced by other persons, and if a member is appointed from among the shareholders, he may not claim compensation for his dismissal.

Article 339:

Appointment and replacement of the Board of Supervisors shall be registered with the Commercial Registration Office and proclaimed, by the Board of Directors.

Article 340:

If one of the members of the Board of Supervisors cannot carry out his duties due to any reason, the other members shall appoint another member in order to carry out, until the next General Meeting, his duties, and if the Board of Supervisors consists of two persons, the court shall appoint a member. This member shall carry out the duties until the convening of the next General Meeting.

Article 341:

The Board of Supervisors shall be obligated to carry out the following obligations:

a. Preparation of the form of the balance sheet and determination of the method of evaluation of shares along with the Board of Directors
b. Scrutiny of the course of affairs relating to the books of the company, at least once every six months
c. Inspection of the company treasury, at least once every three months, in a sudden and unexpected manner
d. Preparation of a balance of all securities that are deposited in the company treasury as mortgage, guarantee or in trust, and checking them with the relevant books at least once every month
e. Scrutiny of observance of provisions of the Articles of Association concerning invitation and convening of the General Meeting
f. Scrutiny of the annual balance sheet
g. Supervision of the acts of members of the Board of Directors on the basis of legal rules and provisions of the Articles of Association

h. Invitation of ordinary or extraordinary General Meetings in case of negligence by the Board of Directors to this effect

i. Attendance at General Meetings

j. Supervision of the liquidation transactions

Article 342:

The Board of Supervisors shall be obligated, at the end of each financial year, to study again the report and other papers that the Board of Directors has prepared on the status of the company, the balance sheet, other accounts and distribution of profits, and submit its report to the General Meeting.

Article 343:

Those powers of the Board of Supervisors that are stated in Articles 335 and 342 may not be limited by the Articles of Association of the company.

Article 344:

In case of the emergence of important and urgent events, the Board of Supervisors shall be obliged to invite the extraordinary General Meeting to convene.

Article 345:

The Board of Supervisors shall be obligated to carry out their duties in a good manner. Otherwise, they shall be liable to the General Meeting. The right relating to the liability of the Board of Supervisors shall be extinguished after five years since the date of the emergence of the liability.

Article 346:

Each shareholder may refer to the Board of Supervisors, concerning the company affairs, against the Board of Directors and the company directors. The Board of Supervisors shall be obliged to investigate the matter referred to them.

If it is verified in consequence of the investigations, they shall record the matter in their annual report to the General Meeting.

If the referring shareholders represent ten percent of the company capital, the Board of Supervisors shall record their investigations and opinions on the event, whether or not it is verified, in their report and, if necessary, they may invite the extraordinary General Meeting to convene. Those who refer to the Board of Supervisors shall have to deposit, as guarantee, a number of shares equivalent to ten percent of the company capital in a credible bank. These shares shall be kept in the bank until the end of the next General Meeting.

Article 347:

Members of the Board of Supervisors may attend debates of the Board of Directors and submit proposals they consider appropriate to the Board of Directors or to the ordinary and extraordinary General Meetings. However, the Supervisory members shall not have the right to vote in meetings of the Board of Directors and the General Meetings.

Part Four - The General Meeting

Article 348:

The General Meeting of joint stock companies shall convene in an ordinary or extraordinary manner. The ordinary assembly shall convene after the end of each financial period within four months and at least once every year.

In this assembly, according to Article 358, deliberations and debates shall be conducted on matters that are necessary to be included in the agenda. If necessary, the General Meeting shall be invited to convene as extraordinary.

Article 349:

Invitation of the General Meeting for ordinary and extraordinary assemblies shall be made by the Board of Directors. The Board of Supervisors may, according to Article 344, invite the extraordinary General Meeting to convene.

Article 350:

Unless otherwise specified in the Articles of Association, the General Meeting shall be invite to convene in the place that is the centre of the company.

Article 351:

Unless otherwise specified in the Articles of Association, owners of the shares shall have the right to vote in proportion to their shares. Shareholders who do not own designated shares may collectively reach their shares to the quorum and introduce in writing a person from among themselves a representative in order to partake in debates of the General Meeting.

Article 352:

In order to convene General Meetings the quorum that the Articles of Association determines shall be valid (except for matters on which this Law has specified), but providing that this quorum is not less than one-fourth of the capital. If the quorum cannot be reached in the first assembly, the Meeting shall be invited again to convene after 15 days. Shareholders who attend the second Meeting shall have the right to vote on the debated matters. Resolutions shall be valid by a majority of votes (casted personally or by an agent).

Article 353:

None of the shareholders may vote on matters in which he has personal interest.

Article 354:

Shareholders owning at least twenty percent of the company shares may request the assembly of the General Meeting in writing and as documented. The Board of Directors shall be obligated, on the basis of this request, invite the General Meeting to convene an extraordinary Meeting. In this case, matters on which debate is requested shall be inserted into the agenda. The Articles of Association may stipulate that shareholders representing ten percent of the company capital may exercise this right of requesting the assembly of the General Meeting.

Article 355:

If the request of shareholders, according to Article 354, is not met by the Board of Directors, or, according to Article 346, is not met by the Board or Supervisors, the commercial court of the locality of the company may, upon the request of the mentioned shareholders, invite the General Meeting and include in the agenda the matters that they have requested. In this case, the permission of the court shall have to be stated in the assembly proclamation. The rule contained in the latter part of Article 346 shall also apply to the case of referring to the court.

Article 356:

Invitation of the General Meeting to convene shall be conducted in the manner and form that is specified in the Articles of Association, and it shall be notified to the shareholders at least one month before the date of the assembly.

Article 357:

In order for owners of the bearer shares to vote in the General Meeting, they shall have to deposit, ten days before the assembly, their shares and documents in the company.

Article 358:

Notices and invitation letters for the assembly of the General Meeting shall have to include the following agenda:

a. Reading reports prepared by the Board of Directors and the Board of Supervisors
b. Approval, adjustment or rejection of the balance sheet and the profit and loss account, and proposal of distribution of profits
c. Unless otherwise determined, determination of fees and benefits for members of the Boards of Directors and Supervisors
d. Reappointment or replacement of members of the Board of Directors and Supervisors whose terms of service have expired
e. Matters that have not been included in the agenda shall not be debated

Note: Other matters may, if necessary, be included in the agenda.

Article 359:

Any shareholder who has the right to vote may, ten days before the assembly of the Meeting, scrutinize the asset book and profit and loss book and reports by the Boards of Supervisors and directors, in the centre of the company, and obtain a copy of the reports and the balance.

Note: Reports by the Boards of Directors and Supervisors or the balance sheet and the profit and loss account may be printed and distributed among the shareholders during the assembly of the Meeting.

Article 360:

During the assembly of the General Meeting, a table shall be prepared that shows the names, domiciles and number of shares of the present shareholders or their agents. This table shall be signed by the chairman and secretary and kept as a part of the Meeting papers in a special file.

Article 361:

Chairman of the Meeting shall be appointed by the General Meeting itself.

Article 362:

The debate about the balance sheet may be postponed for 15 days upon a request by the majority of shareholders or the minority who represent one-tenth of the company capital.

Article 363:

A copy of resolutions by the ordinary and extraordinary General Meetings along with the table of names of the shareholders who have been present in accordance with Article 360, and the supporting documents, indicating that the Meeting has been convened according to the law, shall be prepared and together with the minutes of the Meeting shall be dispatched for registration with the Commercial Registration Office.

Article 364:

If the shareholders who hold one-tenth of the company capital claim that there are abuse of the company structures or its transactions, or legal rules and provisions of the Articles of Association of the company are violated, they may request the General Meeting to appoint a special Board of Supervisors.

If the General Meeting refuses this request, they may refer to the court, but, in this case, they shall have to pay in advance the necessary expenses and deposit the shares they own in a credible bank. If this request is rejected by the court, or having regarded the results, the investigations are considered as useless, the shareholders whose bad faith in this regard has been verified shall be collectively liable for the losses the company has incurred.

Article 365:

Approval of the balance sheet by the General Meeting frees members of the Boards of Directors and Supervisors from responsibility. Nevertheless, if there are intricacies and complexities in the content of the balance sheet, members of the Boards of Directors and Supervisors shall not be released from responsibility by its approval by the Meeting.

Article 366:

Resolutions made by the General Meeting shall be effective on the partners absent from the assembly or voting on the opposite.

Article 367:

Resolutions of the General Meeting (that contravene explicit legal rules or the Articles of Association of the company) may be protested against and referred, within three months since the date of their issuance, to the court of the company locality that is obligated to settle commercial transactions. The following parties shall have the right to protest:

a. Those shareholders who have been present but disagreed with the resolution and recorded their disagreement in the minutes, or have been illegally deprived from voting, or are not invited to attend the Meeting in a legal way

b. The Board of Directors

c. Each member of the Boards of Directors and Supervisors, when resolutions of the General Meeting bring about liability for them

If there are several protests against the General Meeting resolutions, there shall be one trial for them and, hence, the hearing of the complaints shall wait until the end of the protest period. The court may, upon a request of the interested parties, demand guarantees from the protestors for possible losses of the company.

The court shall determine the amount of the guarantee. If the protest is made by the Board of Directors, the company shall be represented by the Board of Supervisors.

Article 368:

In cases of protest, according to Article 367, against a resolution of the General Meeting, the court may, after demanding explanation from the Boards of Director and Supervisors, postpone implementation of the resolution against which the protest has been made.

Article 369:

Order of the court concerning invalidation of the protested resolution, upon becoming final, shall be effective on all shareholders. The Board of Directors shall be obliged to register and proclaim a copy of the mentioned order at once.

Article 370:

If it is proven that the protest of persons against the resolution of the General Meeting has been made in bad faith, they shall be collectively liable for losses and damages inflicted on the company due to this.

Article 371:

Unless otherwise specified in the Articles of Association, the General Meeting may amend provisions of the Articles of Association, but a unanimous vote of shareholders shall be required for the increase of the capital and change of the nationality of the company. In the debates of meetings on amendment of the Articles of Association, every owner of one share shall have the right to participate and vote, any provision of the Articles of Association contrary to this shall not be valid. Votes of persons owning more than one share shall be proportional to their shares, even if the contrary has been specified in the Articles of Association.

Article 372:

In assemblies of the General Meetings dealing with the change of the subject of business or type of the company, presence of shareholders representing at least three-fourths of the capital of the company shall be required.

In order for resolutions made by these Meetings to be valid, two-thirds of the votes cast directly or by proxy shall be necessary.

If the presence of shareholders representing three-fourths of the capital has not become possible in the first meeting, the Board of Directors may invite the General Meeting for the second time. This invitation shall be proclaimed in the newspapers within 15 days. At this time, presence of shareholders representing half of the capital shall be sufficient.

In notices and invitations of assembly prepared for shareholders with registered shares, the agenda of debates and the date of assembly and the result of the previous debates shall also be included.

If the quorum for debate is not also reached in the second assembly, the third assembly shall be invited within the period of the second Meeting.

Presence and representation of one–third of the capital shall suffice, but in order for resolutions to be valid, two-third of votes of those have been present or presented shall be necessary.

Article 373:

A resolution of the General Meeting on amendment of provisions of the Articles of Association shall not be valid until it is registered and notified to the local commercial court of the centre of the company.

Article 374:

If the General Meeting is invited to convene for the amendment of provisions of the Articles of Association, the text of amendment shall have to be also notified, according to Article 356, to the interested parties.

Article 375:

Until the initial capital of the company has been completed, the General Meeting may not decide to issue new shares or increase the capital.

Article 376:

If the General Meeting decide to increase the capital of the company by issuing new shares, the relevant documents, upon completion of the legal procedure together with a joint statement of the Boards of Directions and Supervisors, shall be submitted to the Ministry of the National Economy. The matter, upon approval by the Ministerial official, shall be registered with commercial court and proclaimed.

Article 377:

If the payment for new shares is made in kind, it shall be carried out in accordance with the provisions stipulated on this matter at the time of establishment of the company.

Article 378:

If the increase of the capital has not been carried out in accordance with the legal rules, it shall be ineffective and the Boards of Directors and Supervisors shall be collectively liable to the company and third parties for this.

Article 379:

Unless prohibited by the General Meeting resolution on the increase of the capital, each of the shareholders may, in proportion to his share of the capital of the company, obtain new shares. The Board of Directors shall proclaim the issued shares that will be allocated to shareholders and, in this proclamation, they shall determine a period of not less than four weeks for the acceptance or rejection by shareholders.

Article 380:

A resolution by the General Meeting regarding reduction of the capital shall have to also include arrangements and method of implementation of the resolution.

Article 381:

After the proclamation and registration of the resolution of the General Meeting on the reduction of the capital, the creditors shall be invited by three times of notification published in the newspapers. In addition, separate invitations shall be dispatched to those creditors known to the company.

Before the expiry of date of the mentioned notification, claims of the creditors that are proved, on their request, shall be paid. No payment shall be made to shareholders for the purpose of settling the transactions.

Article 382:

In the capital reduction, if it is seen appropriate to decrease the share by exchange or payment or any other method, this arrangement shall be proclaimed. The shares which are not brought in, in spite of the notification, may be invalidated, but the invalidation shall have to be explicitly notified in the proclamation of the return of shares.

Article 383:

Upon the completion of transactions relating to the reduction of capital, the matter shall be registered with and proclaimed to Commercial Registration Office by the Board of Directors.

Part Five - Share Certificates

Article 384:

Share certificates shall be either with names (registered) or without them (bearer).

Article 385:

Share certificates or temporary certificates in place of share certificates shall have not to be issued before the registration of the company.

Article 386:

Unless otherwise specified in the Articles of Association, share certificates shall have to bear names.

Article 387:

If there is a stipulation in the Articles of Association that prohibits conversion of the registered shares to the bear shares or vice versa, it shall be valid.

Article 388:

In order for the registered shares to be converted to the bearer ones, their total price should have not been paid and if the price of the registered shares is higher than its market price, the extra amount shall have to be received.

Article 389:

Share certificates not fully paid for and temporary certificates given to shareholders before issuance of share certificates in order to specify their subscription shall have to be registered ones.

Article 390:

Each share certificate shall be indivisible in regard to the company. If the share certificate is owned by several persons, they may establish their rights against the company only by appointing an agent.

Article 391:

Share certificates shall have to be signed by the person who is authorized to sign in the name of the company. Share certificates shall have to include the name of the company, the date of proclamation of establishment of the company, the number of shares certificates, the amount of the capital of the company and the price of shares. The signature by stamp or seal shall also be permissible.

Article 392:

Each share certificate shall have to worth at least one hundred Afghanis. Issuance of share certificates with a value less than one hundred Afghanis shall not be permissible, unless otherwise specified in the Articles of Association.

Article 393:

The name, profession and residence of owners of registered shares shall have to be recorded by the company in the special book.

Article 394:

Unless otherwise specified in the Articles of Association, registered share certificates may be transferred to another person without the consent of the company.

Article 395:

Registered share certificates may be transferred to another person by endorsement or through a separate written document. In order for this transfer to be valid in regard to the company and third parties, it shall have to be recorded in the special book by the company. The record shall be carried out on the basis of presenting the share certificate or the transfer document by the transferee of the share.

Article 396:

Acquisition and transfer of bearer share certificates in regard to the company and third parties shall be recognized as valid only by possession.

Article 397:

A shareholder who does not pay the price of the share certificate shall have to be obliged to pay, since the day it was due, the legal interest on the loss inflicted on the company due to this. If there is a stipulation in the Articles of Association concerning the payment of a designated amount as compensation for the loss caused by the delay in payment of the price of the share certificates, it shall be valid.

Article 398:

If a shareholder has not paid, in full or in part, the price of his share at the designated time, the Board of Directors may, unless otherwise specified in the Articles of Association of the company, take action as follows.

Shareholders who delay paying the price of share certificates shall be notified twice in the newspapers within one month, each notice at intervals of 15 days that is published for three successive days.

If within one month since the date of the last notice the price is not paid, two other notices shall be served to the mentioned shareholder at intervals of 10 days. In case of non-payment, he shall lose all his rights of shareholding.

Shareholders who do not pay the money within the designated time shall extinguish their right of shareholding, unless otherwise specified in the Articles of Association. This matter shall be also be separately proclaimed.

Upon implementation of this procedure, the company shall sell the relevant shares at the stock exchange price or by auction, invalidate the previous certificates and issue new ones in their place. In these certificates, the paid amounts and the remaining installments shall be recorded. If the gained amount from the sale of the share certificates sold according to this Article is less than the designated amount of the mentioned certificates, the difference shall be obtained from the initial owners.

Article 399:

During the sale of a registered share certificate whose price has not been paid in full, the initial owner and the subsequent purchaser shall be collectively liable to the company for the remaining part of the price of the mentioned certificate. Liability of the transferors shall be extinguished three years since the date of the record of the transfer in the company book. Before the payment of the remaining part of the price of the share certificate, the transferor shall have the right to refer to one of the succeeding transferors or to the last owner of the share for the amount he has paid.

Article 400:

Before the final establishment of a joint stock company, transfer of share certificates to another person shall not be permissible.

Article 401:

Transfer of share certificates issued in return for payment in kind shall be possible two years after the establishment of the company.

Article 402:

If a share certificate or a temporary certificate has been so deteriorated or rotten that it is impossible to use it, but its contents and distinguishing marks are unquestionably recognizable, its owner shall have the right, upon payment of the expenses, to request a new share certificate or temporary certificate from the company.

Part Six - Bonds

Article 403:

Joint stock companies may borrow. The borrowing shall be made by documents with equal value and identical words.

Article 404:

Until the price of all of the issued bonds have been paid, no other bonds may be issued.

Article 405:

Bonds issued by joint stock companies shall have not to exceed the paid amount of the capital and the company assets that have been approved on the basis of the last balance sheet.

Article 406:

Even if the Articles of Association of a joint stock company has authorized issuance of bonds, approval of the General Meeting shall also be required. In order for this approval to be valid, the quorum for debate and majority mentioned in the first part of Article 372, shall have to be observed.

This approval shall have to be also registered with the Commercial Registration Office and proclaimed.

Article 407:

The Board of Directors that takes measures to issue bonds shall have to publish a statement the following items:

a. The name, subject, centre and duration of the company
b. The amount of capital of the company
c. The date of the Articles of Association and if it is amended, the dates of the amendments and those of their proclamations
d. The financial status of the company according to the approved balance sheet
e. The total value of the bonds and the method of payment to the company with the price of each bond, the amount of the legal interest, the type of the bond in terms of being registered or bearer, and the method and date of the repayment of the loan by the company
f. The date of the registration and proclamation of the resolution of the General Meeting concerning the issuance of bonds
g. If the movable or immovable properties of the company have been mortgaged or deposited as guarantees either for a previous bonds issuance or any other reason, this fact shall have to be shown

This statement shall have to be proclaimed and published at least 15 days before the issuance of bonds.

Article 408:

Conditions of the statement mentioned in Article 407 shall be included in the subscription paper of bonds.

Article 409:

In addition to the content of the statement, the price and conditions of payment of the interest shall also be included. The bonds shall have to be signed by at least two members of the Board of Directors.

Article 410:

Those members of the Board of Directors who contravene rules on loans shall be collectively liable to the interested parties.

Article 411:

The Board of Directors shall have to prepare, before the General Meeting of bondholders, a list of current bonds for scrutiny by the bondholders.

Article 412:

A book for the record of registered bonds shall be prepared in joint stock companies.

Article 413:

The Boards of Directors and Supervisors may, if necessary, invite bondholders, like the General Meeting, to convene. Bondholders owning one-fifth of the value of the current bonds may request a General Meeting of bondholders. The Boards of Directors and Supervisors shall be obligated to meet this request. Invitation of bondholders shall be subject to rules of invitation for the General Meeting of shareholders.

Article 414:

The General Meeting of bondholders shall have the capacity to express its opinion and make resolution on the following items:

a. Reduction, removal or cancellation of special guarantees for bonds
b. Extension of the interest period, reduction of the amount or amendment of the terms of interest payment
c. Extension of the time and amendment of the conditions of repayment of the loan
d. Taking and accepting shares in return for bonds
e. Appointment of one or more agents to deal with the above items

Article 415:

In order for provisions of items 1, 2, 3 and 4 of Article 414 to apply to bondholders, two-thirds of bondholders shall have to approve it. As for item 5 of the mentioned Article, an approval of bondholders representing half of the bonds shall be sufficient.

Part Seven - Loss of Share Certificates and Bonds

Article 416:

Companies that have issued bearer shares and bonds may pay the value and profits only to the bearers.

Article 417:

If a bearer share certificate or bond has been lost, for any reason, while in the hands of the holder and the issuing company has been requested, in writing through the Registration Branch of the commercial court, not to pay for the certificate, while the liability of delay of payment has been accepted, the company shall refrain from the payment.

If, within twenty days since the date of notification no order is issued by the court to the company concerning withholding the payment, the mentioned request shall become ineffective.

Article 418:

The written request shall have to include the following items:

a. The value and serial number of the share and bond certificates
b. Notification of multiplicity of share and bond certificates, if they have been so
c. The circumstances of the loss and, if possible, the time and place of the receipt of interest or the profit

Article 419:

If the person who has lost, according to Article 418, a share certificate or bond refers to the commercial court of the locality of the company, the court shall investigate the reasons for authenticity of his claim.

If the evidence for this is sufficient, the court shall order the company to withhold the payment and proclaim its order in the newspapers. If, within two years, a person finds and refers to the court, the court will deal with this and issue the necessary order. If, during the mentioned period, no one makes a claim, the court shall, on the request of the person who has claimed the loss of the share certificate or bond, order payment of the interest or profit, and this person shall be recognized as the owner. This decision shall be binding after the proclamation.

Article 420:

A claim of entitlement, due to the loss of bearer share certificates and bonds, shall only be brought against the person who has found the mentioned documents or stolen them or knowingly obtained them from their illegal holder.

Article 421:

If a person has lost his registered share certificates or bonds and referred to the company and requested a duplicate, provided that the records show that he is the real owner of the share certificates or bonds, he shall be given a duplicate upon approval of the Board of Directors.

Article 422:

All expenses of the lost share certificate and bond and also costs of the issuance of a duplicate by the company shall be borne by the owner of the certificate.

Part Eight - Dissolution and Liquidation of Joint Stock Companies

Article 423:

Joint stock companies shall be dissolved due to the occurrence of any of the following causes:

a. Termination of the designated duration
b. Realization of the purpose of the company or impossibility thereof
c. Loss of two thirds of the capital of the company, in accordance with Article 314
d. Reduction of the number of shareholders to less than five
e. Emergence of a cause that is considered, according to the Articles of Association, as necessitating the dissolution

f. Merger of the company with another company

g. Bankruptcy of the company

h. Resolution by the General Meeting to dissolve the company in accordance with the first part of Article 372

Article 424:

If, after the final establishment of the company, the number of its shareholder falls under five and the company dissolution is not proclaimed, any interested party may refer to the court and request the company dissolution.

Article 425:

Creditors of a company that has lost two thirds of its capital may, by referring to the court, request its dissolution. If the company presents to the court the required guarantees for the claims of the creditors, the court may not order its dissolution.

Article 426:

If the dissolution of a company is based on a cause other than bankruptcy, the Board of Directors shall proclaim the matter for three times, once every week, so that the creditors may obtain their claims from the company.

This period shall start from the date of publication of the third proclamation.

Article 427:

If a company has been dissolved due to a cause other than bankruptcy, it shall be subsequently liquidated.

Article 428:

If liquidation officers are not appointed in the Articles of Association of the company, the General Meeting shall appoint them when dissolving the company.

Article 429:

If liquidation officers have not been appointed by the Articles of Association or the General Meeting, the Board of Directors shall carry out the duties of liquidation.

Article 430:

Liquidation officers who are appointed by the Articles of Association or the General Meeting, or the Board of Directors who are carrying out the liquidation duties according to Article 249, may be replaced or dismissed by the General Meeting.

The court may also replace or dismiss liquidation officers, upon request of the interested parties and an investigation.

Article 431:

The assets of a dissolved company shall, after settlement of the debts, be distributed among the shareholders proportional to their shares. Those persons who are considered creditors of the company,

on the basis of the records and other credible securities, shall be invited by registered letters to receive their claims.

Payments of claims of persons who do not come forward or their claims are still disputed shall be deposited in a credible bank.

Liquidation officers who contravene the above rules and make unauthorized payments shall be separately and jointly liable.

Article 432:

At the end of liquidation, papers and records of the dissolved company shall be, upon the request of liquidation officers or other interested parties, kept in a safe place by the relevant commercial court for a period of 15 years.

Article 433:

Rules of Articles 205, 206, 207, 208, 209, 210, 211, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 232, 233, 239, 240, 241 shall also apply to joint stock companies.

Article 434:

Duties delegated to directors, according to Article 217, shall be carried out, in the liquidation of joint stock companies, by the Board of Directors.

Article 435:

Joint stock companies shall be considered as existent after dissolution until the end of liquidation.

And if the Liquidation Board see it necessary, they may invite the General Meeting to convene in order to approve the relevant affairs.

Article 436:

Liquidation officers shall scrutinize the existing condition of the joint stock company and prepare the assets book and the balance sheet, and submit them for approval to the General Meeting.

Article 437:

At the end of work, liquidation officers shall be obligated to prepare an ultimate and final account and submit it to the General Meeting.

Article 438:

Liquidation officers shall be obligated to complete their duties within one year. If the completion of liquidation transactions is not possible within one year, liquidation officers shall submit, at the end of the year, results of the liquidation along with causes preventing completion of the liquidation to the General Meeting and obtain an approval for continuation of the liquidation.

Article 439:

Liquidation officers shall be obligated to obtain the approval of the General Meeting for the wholesale of the properties.

Article 440:

The net assets of the company shall be distributed among shareholders in proportion to the amount they have paid. Regarding the preference and preferred shares (if the price of preferred shares has not been paid), if no provision has been specified in the Articles of Association, they shall be treated on the basis of resolutions of the General Meeting.

Article 441:

If the dissolution of a joint stock company is carried out because of its merger with another company, the following rules shall apply:

a. Administration affairs shall be vested in the new company established due to the merger, but the assets of the dissolved company shall have to be separately administered and liquidated until the claims of creditors are settled
b. Authority of the court to which the dissolved company has been subject until the merger shall also continue until the assets of this company are separately administered
c. Members of the Board of Directors of the new company, until the implementation of the rule of the first item of this Article, shall be separately and jointly liable for the administration of the company affairs
d. Dissolution of the company shall be registered with the Commercial Registration Office and proclaimed
e. Properties of the two merging companies shall not merge together before completion of the period designated in Article 438

Part Nine - The Profit and Loss Account

Article 442:

At least five per cent of the profit shall be, at the time of its distribution, kept as the reserved capital in order to compensate for possible losses of the company. When the reserved capital accumulated in this way (if the Articles of Association has not specified anything on it) reaches one-fourth of the capital of the company, it shall no longer be increased. If the price of shares exceeds their designated price, the additional amount may also be added to the reserved capital. If the reserved capital reaches the amount designated in the Articles of Association or by the law and is reduced due to any reason, the reserving of profits shall continue again until it reaches the designated amount.

Article 443:

Until losses of the company have been recompensed and the reserved capital has been provided for, according to Article 442, profits shall not be distributed. Profits distributed contrary to this rule shall be considered illegal and rules of Article 444 shall apply to them.

Article 444:

If profits have been distributed in bad faith (such as in the absence of the balance sheet or by showing unreal profits in the balance sheet) they shall be returned. The right to claim return of unreal profits shall be extinguished five years after the period designated in the Articles of Association for the distribution of profits.

Article 445:

The interest for share certificates may not be accepted and determined by the Articles of Association or the resolution of the General Meeting, but it is permissible to pay, to shareholders of those companies whose subject is accumulation of large capital and this requires passage of time, an interest of up to five per cent for the accumulated part of the subscribed capital for a period not exceeding five years. The amounts that are paid in this way for the interest shall be treated as the expenses of primary structures in the balance sheet.

Article 446:

If the reserved capital does not suffice to meet the deficit resulting from the loss, no profit shall be distributed among shareholders until all the losses have been recovered.

Chapter Five – Joint Stock Partnership Companies

Article 447:

Joint stock partnership companies shall be those companies in which one or more partners have joint and unlimited liability for debts of the company, while a number of other partners have limited liability proportional to their shares of the company.

Article 448:

Legal relationships of joint partners with each other in general, with limited liability shareholders, and with third parties, and in particular powers of administration of the company and its representation outside the company, and withdrawal from the company shall be subject to rules on limited partnership companies. In other respects rules on joint stock companies shall apply, unless the contrary is specified in this Chapter.

Article 449:

All items mentioned in Article 270, except item 6 therein, shall be included in the Articles of Association of joint stock partnership companies. The rule of Article 271 shall not apply to joint stock partnership companies.

Article 450:

The Articles of Association of joint stock partnership companies shall have to be signed by all of the joint partners and all persons who participate in preparation of the Articles of Association shall be considered as founders. The founders may not be less than five and at least one of them shall have to be from among the joint partners. The amount of the shares of those limited liability partners who are recognized as founders shall have to be mentioned in the Articles of Association.

Article 451:

Rules on duties and liabilities of the Board of Directors of joint stock companies shall also apply to joint stock partnership companies.

Article 452:

Directors of joint stock partnership companies may be dismissed in accordance with conditions and circumstances specified for the dismissal of directors of general partnership companies.

Article 453:

As a joint partner may not engage in the type of business that is the subject of the company without the permission of the other joint partners, he may not also join another general partnership company, as a joint partner, that is conducting the same business. The provision of Article 159 shall apply to the joint partner who contravenes this rule. If the joint partners or the Board of Supervisors do not protest against the partnership of the joint partner with another company or his commercial act that violates provisions of this Article, within one year since its occurrence, the right to protest shall be extinguished.

Article 454:

The Board of Supervisors shall be responsible for the implementation of resolutions of the General Meeting, unless otherwise specified in the Articles of Association.

Article 455:

The Board of Supervisors may represent the limited liability partners in claims between the joint partners and the General Meeting of limited liability partners. However, this capacity may also be delegated to private agents upon approval of the General Meeting of the limited liability partners.

The joint partners may not be appointed to the Board of Supervisor.

Chapter Six – Limited Liability Companies

Article 456:

Commercial companies whose capital is not divided into shares and the liability of each of partners is limited to his subscribed capital of the company shall be called limited.

Article 457:

Limited liability companies may be established for any kind of business except for insurance affairs.

Article 458:

Limited liability companies shall be established upon a permission by the Ministry of National Economy. The request for permission shall have to be signed by all partners or their certified agents. All the capital of the company shall have to be subscribed and at least half of it shall have to be paid.

Article 459:

The minimum number of partners of a limited liability company shall be two and the maximum number shall be fifty. The capital of such a company shall have not to be less than one hundred thousand Afghanis.

Article 460:

The word “limited” shall have to be added after the title of the limited liability company.

Moreover, on all papers and documents, the amount of the capital shall have to be inserted under the title of the company.

Article 461:

Partnership certificates in limited liability companies shall be registered certificates. The transfer of the certificates shall be subject to the agreement of the majority of partners representing three-fourth of the capital. If the capital is paid in kind, it may not be transferred to another person during the first three years of the establishment of the company.

Article 462:

If a person who has not paid a part of his subscribed capital transfers his portion, the company may claim the remaining part of the capital either from the initial partner or the transferee.

But, after the lapse of two years since the date of transfer, it may only claim from the transferee.

Article 463:

Limited liability companies shall be administrated by one or more directors appointed from among the partners or outside. The directors shall be appointed either by the company agreement or by the subsequent approval of the partners.

Article 464:

Directors of the company shall be separately and jointly liable for actions taken contrary to the law or the Articles of Association.

Article 465:

In companies with more than twenty partners, assembly of the General Meeting shall be subject to procedures and conditions specified for joint stock companies. In companies with less than twenty partners, resolutions shall be made by the partners.

In any case, partners representing half of the capital shall have to vote in favor of the subject under debate.

Article 466:

The rule of Article 151 shall also apply to limited liability companies.

Article 467:

In making resolutions, each partner shall have a number of votes proportional to his share.

Article 468:

In limited liability companies with not more than five partners, the agreement may be amended upon approval of all of the partners. In companies with more than five partners, votes of partners representing two-thirds of the capital shall be sufficient.

Article 469:

The company shall not be dissolved by the death or bankruptcy of one of the partners. If the company consists of two partners and one of the partners dies or bankrupts, the other partner shall introduce another partner on behalf of the deceased partner, otherwise, the company shall be dissolved.

Article 470:

In limited liability companies with over twenty partners, one or more of them shall be member of the existing Supervisors who take actions according to rules relating to the Board of Supervisors of joint stock companies.

Note: There shall be a government representative, under the title of the Commissioner, in joint stock and limited liability companies in order to supervise the application of the Code. Duties of the Commissioner shall be determined in a separate By-Law.

BOOK THREE – COMMERCIAL PAPERS

Chapter One – Bill of Exchange

Part One - Creation and Format of Bill of Exchange

Article 471:

Bills of exchange shall have to include the following items:

a. The word "bill of exchange" in the text of the certificate in any language in which the bill of exchange is prepared with
b. The order of payment of the designated amount with no qualification and condition
c. The name of the addressee (the bill payer)
d. The date of the payment
e. The place of the payment
f. The name of the person to whose account or to the person he assigns the amount shall have to be paid
g. The place and date of preparation of the bill of exchange
h. The signature of the issuer of the bill of exchange

Article 472:

A document that does not include one of the items of Article 471 shall not have the nature of bills of exchange, except the cases mentioned in the following items:

a. The bill of exchange in which the date of payment is not mentioned, shall be payable on sight
b. The bill of exchange in which the place of payment is not mentioned, the place written after the name of addressee shall be recognized as the place of payment
c. The bill of exchange in which the place of issue is not mentioned, the place mentioned after the name of issuer shall be recognized as the place of issue

Article 473:

Bills of exchange may be prepared as payable by the order of issuer or to the account of issuer or to the account of a third party.

Article 474:

The payment of a bill of exchange may be restricted to the residence of a third party, whether it is at the same place of residence of the addressee or elsewhere.

Article 475:

The issuer may stipulate an interest for the amount of payment of a bill of exchange that is payable "on sight" or within a designated period after its presentation.

A stipulation for an interest shall not be valid in other bills of exchange. The amount of the interest shall have to be determined, otherwise, the interest shall not be valid. If no other date has been specified, the interest shall be counted since the date of preparation of the bill.

Article 476:

If the amount of a bill of exchange has been written both in letters and figures and the two are difference, the amount written in letters shall be valid.

If the amount of a bill of exchange has been written more than once but all in letters or all in figures and they are difference, the lesser amount shall be considered valid.

Article 477:

Signatures of persons without authority or capacity to sign a bill of exchange shall not affect signatures of persons with capacity.

Article 478:

Persons who sign a bill of exchange in the name and on account of another person whom they do not represent shall bear any liability deriving from that bill of exchange. This rule exactly applies to an agent who violates the limits of his powers.

Article 479:

The acceptance and repayment of bills of exchange shall be guaranteed by the issuers. The issuer may release himself from guaranteeing the acceptance, but any condition entailing release from guarantee of payment shall not be valid.

Part Two - Endorsement

Article 480:

Bills of exchange shall become transferable by endorsement. If the issuer of the bill adds the phrase "not transferable" or another phrase signifying the same meaning, the mentioned bill shall not become transferable by endorsement and shall be subject to rules on non-transferable claims.

Bills of exchange may be endorsed to the addressee, the issuer or other responsible persons. Upon endorsement, all rights deriving from the bill of exchange shall be transferred.

Article 481:

The endorsement shall have to be free from any qualification and condition. Any condition on which the endorsement is suspended shall be ineffective. The endorsement of a part of the amount of the bill of exchange shall be void.

Article 482:

The endorsement shall be made on the bill of exchange itself or on another paper attaching to the bill. It shall have to be signed by the endorser. If the name of bearer has not been mentioned in the endorsement or the endorser has only signed the bill or the attached paper, this endorsement shall be correct and valid. (Blank endorsement).

Article 483:

If the endorsement is of the blank endorsement kind, the bearer may:

a. Endorse it in his own name or in the name of another person

b. Transfer it as blank or re-endorse it to another person

c. Transfer the bill to another person without filling out the blank space or without endorsement

Article 484:

Unless otherwise specified, the endorser shall be obliged to accept and pay the bill of exchange. The endorser may prohibit re-endorsement. In this case, the endorser shall not be liable to the person to whom the bill has been subsequently endorsed.

Article 485:

If a full endorsement (to a designated person) follows a blank endorsement, the signing person of the second endorsement shall be considered as becoming the owner of the bill by the blank signing.

Crossed out endorsements shall not be valid. If a person has lost the bill of exchange, its bearer shall be considered as its owner if he can prove his rights.

Article 486:

If a bearer brings suit against the liable persons, the defendant may not reject the liability on the basis of transactions or previous bearers or the issuer.

Article 487:

If the endorsement includes one of the following phrases: “for collection”, “for taking delivery” or “on behalf of” or another phrase that signifies the agency, the bearer, in spite of having all rights deriving from the bill of exchange, may only endorse it as an agent. In this case, responsible persons may not claim against the bearer before claiming against the endorsing principal. The agency existing in the endorsement shall not be extinguished by the death of the principal or with the extinguishment of the legal capacity.

Article 488:

Even if there are phrases “for guarantee” or “for mortgage” or other phrases signifying a guarantee or mortgage in endorsement, the bearer may exercise all the rights resulting from this bill of exchange.

But the endorsement by him shall be the same as endorsement by the agent.

Article 489:

An endorsement that is made after the due date shall be considered as the endorsement before it.

Unless otherwise specified, an endorsement without a date shall be considered as being made before the expiration of the protest date.

Part Three - Acceptance

Article 490:

Bills of exchange may be presented for acceptance, before its designated date has become due, at the domicile of the addressee, by the bearer or by any other holder.

Article 491:

The issuer may, in the bill of exchange, stipulates the lapse of a period for the acceptance of the addressee, or writes the obligation of the bearer for obtaining the acceptance with specifying no time. The issuer may write “unacceptable” on a bill of exchange whose payment is not subject to domicile or to the lapse of a period after its presentation.

Similarly, the issuer may stipulate that the bill may not be presented for acceptance before a designated date.

If the issuer has not inserted the phrase “unacceptable”, every endorser may make the acceptance of the bill of exchange conditional, with or without specifying a period.

Article 492:

Bills of exchange whose payments have been subject to a designated time after the presentation shall have to be presented within six months since the date of the bill. The issuer may increase or decrease this period.

The endorser may only decrease the period.

Article 493:

The bearer shall not be obliged to presents the bill of exchange to the addressee for acceptance. The addressee may requests a second time presentation on the day after the day it has been presented to him.

If the bearer protests and in the reply he does not refer to the request for the second time presentation, the interested parties may not claim the rejection of the request for the second presentation.

Article 494:

Acceptance shall be made by the phrase “has been accepted” or by another phrase signifying this meaning, and shall be signed by the addressee. The mere signature of the addressee on the bill of exchange shall also be considered as acceptance. If payment of the bill is subject to a designated period after presentation or to presentation during a designated period, if the bearer does not ask insertion of the presentation date, the date of any day on which acceptance has been made shall be inserted.

If the addressee has not inserted the date while accepting, the bearer shall have to, in order to protect his rights against endorsers and issuers, prepare a protest note written in a designated time and place, and prove this neglect.

Article 495:

Acceptance shall have to be with no qualification and condition. However, the addressee may refuse to accept a part of the amount contained on the bill of exchange. Any other qualification, added to the acceptance, that modifies the contents of the bill shall be considered as non-acceptance.

Nevertheless, the acceptor shall be liable within the limits of the conditions he has added.

Article 496:

If the bill of exchange has been issued in such a way that is payable at a place other than the domicile of the addressee while the name of the person to whom the payment will be made has not been written on it, it shall be considered that the acceptor has undertaken to personally pay the amount of the bill at the payment place.

Article 497:

The person who accepts the bill of exchange shall be responsible for its payment. In case of refusal, if the bearer is also the issuer of the bill, he may claim all the claimable rights, according to Articles 518 and 519.

Article 498:

If the acceptor writes the acceptance on the bill of exchange and, before surrendering the bill to the bearer, crosses it out, it is considered that he has refused to accept. But if the addressee has informed in writing the bearer or one of the signatories of the bill of this acceptance and after that has crossed his acceptance out, he shall be liable within the limits of his acceptance.

Part Four - Guarantee

Article 499:

Payment of the bill of exchange may, in part or in full, be warranted by guarantee. The guarantee may be made by a third party or by one of the signatories.

Article 500:

The guarantee shall be inserted on the bill of exchange or on an attached paper.

The guarantee shall be made by the phrase “it is for guarantee” or a phrase similar to it, and it is singed by the guarantor. Signature of other persons than the issuer and addressee on the bill of exchange shall mean a guarantee.

It shall have to be specified on the account of which person the guarantee has been made, and if it is not specified, it shall be considered as it has been made on the account of the issuer.

Article 501:

The guarantor shall be liable to the extent of the liability of the guaranteed person. If the bill of exchange has not been prepared in the legal form, the guarantor shall be released from his guarantee.

If the guarantor pays the amount of the bill, he shall have the right to refer to the guaranteed person or to other persons who are liable to the guaranteed person.

Part Five - Expiration

Article 502:

Bills of exchange may be issued on the following conditions:

a. A designated period after presentation
b. A designated period after the date of the bill

c. On a designated date

Note: Bills of exchange with other expiration dates than the above mentioned dates or the bills whose payments are in installment shall be void.

Article 503:

Bills of exchanges whose payments are subject to presentation shall have to be paid when presented, and the bills whose payments are to be made during a designated period after the presentation shall have to be presented during the period designated for presentation for acceptance.

Article 504:

Bills of exchange whose payment dates are to be made during a designated period after presentation, its payment date shall be determined by the date of acceptance or the date of protest. If no protest is made, regarding the person accepting the bill of exchange whose acceptance has no date, the last day of the period specified, by the law or the agreement, for the presentation shall be considered as the date of acceptance.

Article 505:

The date of payment of a bill of exchange that is payable one or several months after the date of issue or after the presentation shall be the day of the month in which the payment will be made. If the day of the month cannot be determined, the last day of the payment month shall be considered as the due date.

If the bill has been issued to be paid in one or several and a half months, the whole months shall have to be counted first. If the payment date has been specified for the beginning and end of the month, then these phrases shall mean the fifteenth day and the last day of the month.

If eight or fifteen days are mentioned, it shall not mean one week or two weeks, but it shall mean eight or fifteen real days.

The phrase “half a month” shall be considered as 15 days.

Article 506:

If, regarding the date of payment, the calendar of the place of issue differs from the calendar of the place of payment, the calendar of the place of payment shall be valid. If the payment date coincides with a holiday, the payment shall have to be made the day after. This rule shall also apply to other commercial papers.

Part Six - Payment

Article 507:

The bearer shall be obliged to refer to the addressee on the date the bill of exchange is payable or at most after two working days thereafter.

Article 508:

The addressee shall, while paying the amount of the bill of exchange, request the bearer to write and sign a receipt and submit it. Partial payment shall not mean that the payment of the bill has been refused, but the addressee may request for a receipt for the paid part.

Article 509:

The bearer of a bill of exchange shall not be obliged to take delivery of the amount before the due date.

The addressee who pays the bill before the due date shall himself bear the loss of this payment. The person who pays the bill on the due date shall be acquitted, provided that no cheating or gross negligence has been committed in the payment.

The paying person shall be obliged to scrutinize the order and sequence of the endorsement, but he shall not be obligated to scrutinize the authenticity of signatures of the endorsers.

Article 510:

If a bill of exchange has been issued to be paid in a currency that is not valid in the place of payment and the issuer has not required the payment in the currency mentioned on the bill, the addressee may pay in the currency that is valid in the place of payment at the exchange rate of the payment day.

If the type of the amount of the bill has been designated and the debtor of the bill is unable to pay, the bearer may request the payment of the amount of the bill in the currency of the place of payment at the rate of the day of the due date.

Article 511:

Rates used in the payment place shall be considered as the basis for the value of the foreign currency. The issuer or one of the endorsers may convert the payable amount on the basis of the determined value and insert it on the bill of exchange.

If the amount of the bill is determined in a currency that has the same name but different values in the countries of issue and payment, in this case, the currency of the payment country shall be considered valid.

Article 512:

If a bill of exchange is not presented for the payment during the period designated in Article 507, each of the debtors of the bill may, at the expense and liability of compensation of the bearer, deposit the amount of the bill to the competent authority.

Part Seven - Recourse Due to Non-Acceptance and Non-Payment

Article 513:

The bearer may exercise the right to recourse against the issuer and the endorser and other responsible persons in the following cases:

a. If on the due date of the bill of exchange the payment has not been made
b. If all or part of the payment has been refused
c. In case of bankruptcy of the addressee, whether or not the bill has been accepted, or in case of delay in the payment by the addressee, whether or not by the court order, or in case the bearer has referred to the court and properties of the addressee equivalent to the amount of the bill have been under control but no result has been achieved
d. In case of bankruptcy of the issuer of the unacceptable bill

Article 514:

The refusal to accept or pay shall have to be proved with a formal paper called "Protest of Non-acceptance or Nonpayment". The protest of non-payment shall have to be made on the date of the payment or during the subsequent two working days, and the protest of non-acceptance shall have to be made during the period designated for the presentation of the bill for acceptance.

As regards the second part of Article 493, if the first presentation of the bill has been made on the last day of the period, the protest may also be made on the following day.

The non-acceptance protest invalidates the non-payment and non-presentation protest. In case of Item 3 of Article 513, the bearer may, without presenting the bill to the addressee or protesting, exercise his right to recourse against the responsible persons. Regarding Item 4 of the mentioned Article, the bearer may make the recourse if he holds the reason of bankruptcy of the issuer.

Article 515:

The bearer shall be obliged, within four working days after the date of protest or if there is the condition of expense free return on the bill, during four working days after the day of presentation, to notify the non-acceptance or non-payment to the endorser and the issuer. Any endorser who has been notified shall be obliged to notify the notification he has received, within two working days, to his endorser together with the name and address of those who have notified him. This process shall be continued until the issuer is notified. The mentioned periods shall start from the date of receiving the notification.

If one of the endorsers has not inserted his address or has inserted it but in an illegible way, a notification to the endorser before him shall be sufficient. The person who has to notify shall have to formally serve the notification through the relevant office.

Rights of the person who does not notify during the designated period shall not be extinguished, and if any loss is inflicted due to his neglect, this shall be borne by himself. The amount of this loss shall not exceed the amount of the bill.

Article 516:

If the issuer or the endorser or the guarantor insert on the bill of exchange the phrase "return without expense" or "without protest" or other phrases signifying this meaning, the bearer of this bill shall be considered exempted from recourse to non-acceptance or non-payment protest, but the bearer of the bill shall be obligated, during the designated period, to notify the endorsers and the issuer.

Proof of non-observance of the periods shall be borne by the person who claims against the bearer. The condition stipulated by the issuer shall apply to all those who have signed the bill.

If such a condition has been stipulated by an endorser or a guarantor, it shall only apply to the endorser or the guarantor.

If, in spite of the condition inserted by the issuer, the bearer protests, the expenses shall be borne by himself.

Article 517:

Persons who issue or accept or guarantee a bill of exchange shall be individually and collectively liable to the bearer. The bearer of the bill shall, without observing the order, have the right to bring a suit against each or all of them.

Any signatory who pays the amount of the bill shall have exactly the same right. Bringing a suit against one of them in the first place shall not prevent bringing a suit against the others. If the bearer refers to one of the endorsers whose date of signature is after the others, the bearer shall not be prevented to claim against the others.

Article 518:

The bearer may demand the following from the person who has sought recourse against him:

a. The amount of the refused bill of exchange or that of the bill that has been accepted but has not been paid, together with its interest, if this is stipulated
b. Six per cent interest of the amount of the balance due from the due date
c. Expenses of the protest and notifications made by the bearer to the endorsers and the issuer, together with other expenses inflicted due to this matter

If the right to recourse has been exercised before the due date, the bill shall be discounted.

The discount shall be calculated on the basis of the official rate of discount (the bank rate) or the rate of the free market existing at the time of the recourse in the domicile of the bearer.

Note: The six per cent interest specified in Item 2 shall apply to all cases on which no agreement exists.

Article 519:

The person who pays the amount of the bill of exchange may make the following claims against the persons liable to him:

a. The total amount he has paid
b. The interest of the mentioned amount since the date of payment
c. Any expense he has incurred

Article 520:

Any responsible person against whom the recourse has been exercised may, upon payment of the amount of the bill of exchange, request a receipt for the bill on the paper of protest.

Any endorser who pays the amount of the bill may cross out his endorsement or those of the subsequent endorsers.

Article 521:

In case of exercise of the right to recourse after the partial acceptance, the person who pays the refused part of the bill may request that the mentioned payment be recorded on the bill and its receipt be given to him. The bearer of the bill shall have to give him a certified copy of the bill together with the protest so that the right to recourse may be subsequently exercised.

Article 522:

A person with the right to recourse may, unless otherwise specified on the bill of exchange, receive the amount of the bill form one of the persons liable to him by a new bill of exchange that is called the return bill of exchange. It is necessary for the return bill to be payable at the place of residence and at sight.

The return bill shall have to, in addition to amounts shown in Articles 518 and 519, also include the amounts of brokerage, bonds and money transfer.

Article 523:

The right to recourse of the bearer against the issuer, endorsers and other persons responsible for the bill of exchange (except the right to recourse against the acceptor) shall be extinguished in the following cases:

a. When the legally designated periods of the bills, that are payable on presentation or after a period after presentation, have expired
b. If the protest against non-acceptance or non-payment has been made after the legally designated period
c. If a bill of exchange with the condition of "without expense" has been presented after the designated period, or if it is inserted by the issuer that the bill be presented for acceptance during the designated period and this is not observed. This condition shall be valid if it is not understood that the issuer has intended to discharge the responsible person.

If an endorser has specified in his endorsement a period for presentation, only he may take advantage of this period.

Article 524:

If, during the legally designated periods, presentation of the bill of exchange and the protest is not possible due to causes beyond control (force majeure), the mentioned periods shall be extended.

The bearer of the bill shall be obliged to notify, without delay, his endorser of the force majeure and this notification shall have to be inserted on the bill or on an attached paper which is dated and signed.

After the removal of force majeure, the bearer shall be obliged to present, without delay, the bill for acceptance or payment, and, if necessary, issue the protest letter.

If the force majeure lasts for more than thirty days after the due date, the right to recourse may be exercised with no need for presentation of the bill and writing the protest.

Concerning the bills that are payable on presentation or during a designated period after the presentation, the period of thirty days shall be counted since the date on which the bearer has notified his endorser of the force majeure, even if this date has been before the end of the presentation period.

In cases where the protest shall have to be made only by the bearer or the person who is obliged to present the bill, this shall not be considered as a force majeure.

Part Eight - Intermediate

Article 525:

The issuer or the endorser may introduce another person so that in case of dishonor by the addressee, acceptance or payment is referred to him. The third person and the addressee or anyone who is responsible due to signing the bill of exchange (except the person who accepts the bill) may act as intermediary. The person who mediates for one of the signatories shall be obliged to notify the person for whom he is mediating within two working days.

Acceptance by Intermediation

Article 526:

If the date of the bill of exchange has become due and the bearer has the power to make recourse, the acceptance may be made by intermediation.

The bearer shall have the option to accept mediation, but if the bearer accepts the offer of mediation, he shall lose the right to recourse, before the due date, against the responsible persons for the bill.

Article 527:

Acceptance by intermediation shall be inserted on the bill of exchange and signed by the intermediate. Acceptance by intermediation, on account of any one that is made, shall be specified. In case of non-specification, it shall be considered as to be on the account of the issuer.

Article 528:

The acceptor through intermediation shall be liable to the bearer, and if this acceptance by intermediation is on the account of the addressee, he shall be liable to the subsequent endorsers, the same as the addressee.

In spite of the acceptance by intermediation, the person for whom the mediation has been made, or his legal bondsman may, according to Article 518, pay the amount and claim the bill or, if necessary, the protest paper.

Payment by Intermediation

Article 529:

In all cases where the bearer has the right to recourse, whether on the due date or before it, payment by intermediation shall be possible. Payment by intermediation shall have to include all the payable amount and shall have to be made latest on the day following the last day designated for the protest of non-payment.

Article 530:

If the bill of exchange has been accepted by intermediation and the payment has not been made, the bearer shall write the protest of non-payment on the day following the last date designated for the protest. If the protest is not made within the mentioned period, the person on whose account the bill has been accepted and also the subsequent endorsers shall be released from the responsibility.

Article 531:

The bearer who does not accept the payment by intermediation, according to Article 518, shall lose his right to recourse against those persons who will be discharged by the payment.

Article 532:

Payment by intermediation, for whomever it is made, shall be proved by insertion and signature on the bill of exchange.

If it is not shown on the bill that for whom the payment has been made, it shall be presumed that it is the issuer bill. The bill and the protest paper, if prepared, shall be submitted to the person who pays the bill by intermediation.

Article 533:

Payment by intermediation, no matter for whom it has been made, shall transfer rights of the bearer against all responsible persons to him to the paying person. But this person may not frequently re-endorse the bill of exchange. Payment by intermediation (no matter for whom it has been made) shall discharge the subsequent endorsers. If there are several intermediaries for the payment by intermediation, the intermediation by any of them that entails discharge of more persons shall be preferred.

Part Nine - Number of Copies of Bills of Exchange

Article 534:

Bills of exchange may be issued in several copies that are not different from each other.

Each of the copies shall have to contain a serial number.

Any copy of the bill that does not include a serial number shall be considered as a separate bill.

If the text of the bill does not include the phrase “only one copy”, the bearer may, by bearing the expenses, request several copies.

If the bill is of one copy and an endorsement has been made on it and then afterwards the bearer obtains several copies, he shall have to refer to the latest endorser and this endorser shall be obligated to refer to the endorser before him in favor of the bearer, and this shall be carried out to the last endorsement.

The endorsers shall be obliged to insert their endorsements on the new copies of the bill.

Article 535:

If the payment has been made against one copy of a bill of exchange with several copies, the other copies shall become ineffective.

Nevertheless, the addressee shall be responsible for any accepted copy that has not been returned. The endorser who submits several copies to various persons and also the subsequent endorsers shall be responsible for all unreturned copies that include their signatures.

Part Ten - Forgery - Alteration

Article 536:

Forgery of signature in bills of exchange, signature of issuer or acceptor, shall not affect other signatures existing on the bill.

Article 537:

If an alteration is made in the text of a bill of exchange, persons who have signed after the alteration shall be liable for the amount after alteration, and those who have signed before the alteration shall be liable on the basis of the original text of the bill.

Part Eleven - Lapse of Time

Article 538:

All cases brought against the acceptor deriving from the bill of exchange shall be extinguished three years after the due date of the bill.

Cases brought against the endorsers and the issuer by the bearer shall be extinguished one year after the date of the protest which has been made during the designated period thereof (and, if the bill includes the condition of "return without expense", since the date of expiration).

Cases brought by endorsers against each other or against the issuer shall be extinguished six months after the date of payment by the endorser, or after the date on which cases have been brought against them.

Article 539:

Transactions that require stoppage of time limitation shall be valid only in relation to the person who exercises it.

Part Twelve - General Rules

Article 540:

If the due date of bills of exchange coincide with holidays, their payment shall be demanded on the first working day following the holiday, and also all transactions relating to the bill, in particular presentation for acceptance and preparation of the protest, shall be made on a working day.

If the last day of the period of one of the mentioned transactions is legally considered a holiday, this period shall be extended until the first working day following the expiration day of the mentioned period. Holidays that occur in the middle shall be counted as days of the period.

Article 541:

The first day of periods designated by the law or the agreement shall not be included in these periods.

Article 542:

Capacity of persons in undertaking obligations of bills of exchange shall be established according to the laws of the respective state of the undertaking persons.

Article 543:

Implementation of any obligation in transactions relating to bills of exchange shall be subject to laws of the country in which the obligation has been undertaken.

Article 544:

Protest or any action taken in order to protect the rights deriving from bills of exchange and their exercise shall be subject to laws of the country in which the actions are taken.

Chapter Two - Promissory Notes

Article 545:

A commercial promissory note shall have to contain the following contents:

a. The expression “promissory note” on the document in whatever language the note has been written
b. The unconditional payment of the designated amount
c. The date of payment
d. The place of payment
e. The name of the person on whose account or by whose order the payment shall be made
f. The place and date of writing the promissory note
g. Signature of the person issuing the promissory note

Article 546:

A document that does not contain one of the mentioned contents in the above Article (except the following cases) shall not be recognized as a promissory note.

A promissory note without a due date shall be payable on demand.

If the place of payment of a promissory note has not been specified, the place of issue and at the same time the domicile of the issuer shall be considered as the place of payment.

If the place of issue has not been inserted in the text of the promissory note, the place of issue shall be considered the same place as the one written beside the name of the signatory.

Article 547:

The following provisions on bills of exchange shall also apply to the promissory note:

Concerning endorsement, Articles 480, 510

Concerning guarantee, Articles 499, 501

Concerning expirations, Articles 502, 506

Concerning payment, Articles 507, 512

Concerning the right to recourse due to non-payment, Articles 513, 520, 522, 523

Concerning intermediation, payment by intermediation, Articles 525, 529, 523

Concerning forgery and alteration, Articles 536, 537

Concerning lapse of time, Articles 538, 539

Concerning statement of official days, Articles 540, 541

Similarly, concerning payment in the domicile of another person, rules of Articles 474, 496 and regarding agreement on the interest Article 475, and concerning difference statements on amounts to be paid Article 476, concerning results of signature of the competent person Article 477 and concerning signature of a person who is not an agent or violates limits of his agency, the rule of Article 478 shall also apply to the promissory note.

Article 548:

The person who signs a promissory note shall have the same responsibility as the person who accepts a bill. When the payment is accepted after a period since seeing the note (provided that the phrase "seen" has been inserted on it by the signatory) it shall have to be presented within the designated periods in Article 492. If the signatory refuses to insert the phrase "seen" and its date, the refusal shall have to be proved, according to Article 494, by a protest paper. The date of this protest paper shall be considered as the beginning of the due date after the presentation of the document.

Chapter Three

Part One - Cheques

Article 549:

Cheques shall have to contain the following contents:

a. The word "cheque" in the text of the document
b. An unqualified and unconditional order to pay the amount
c. The name of the person who pays (addressee)
d. The place of payment
e. The place and date of issue of the cheque
f. The signature of the person who issues the cheque (issuer)

Article 550:

A document that does not contain any of the contents mentioned in Article 549 shall not be considered as a cheque, except in the following two cases.

If the place of payment has not been mentioned in the cheque, the place that has been written beside the name of the addressee and at the same time the domicile of the addressee shall be considered as the place of payment.

If the place of issue of the cheque has not been mentioned, the place mentioned after the name of the issuer shall be considered as the place of issue.

Article 551:

Cheques shall have to be issued when the issuer has funds with the addressee and the addressee is obligated to pay it on the basis of an explicit or implicit agreement.

Article 552:

Cheques shall be considered as payable in the following manners:

a. To a designated person or his order
b. To the bearer

A cheque whose payee is not designated shall be considered payable to the bearer.

Article 553:

The issuer may issue the cheque to his own name.

Article 554:

If a cheque has been issued subject to an interest, such a condition shall not be valid.

Article 555:

In case there is a difference between the figures and letters of the amount inserted on the cheque, the letters shall be valid.

Article 556:

If the cheque includes, in addition to the signature of the competent person, signatures of persons who are not competent to underwrite, or forged signatures and signature of unreal persons, obligation of the competent persons, who have signed the cheque, shall still be valid.

Article 557:

Persons who issue a cheque in the name or account of a person whom they do not represent shall be liable for the consequences.

Article 558:

The issuer shall be the guarantor of the payment and any condition that discharges the payment guarantee shall not be valid, and the issuer shall be discharged from the guarantee after the payment of the amount.

Part Two - Endorsement

Article 559:

Any cheque, except cheques written to the bearer, shall be transferable by endorsement.

If the issuer has inserted the phrase “not transferable” or another phrase signifying the same meaning, this check may not be transferred by endorsement. Cheques may be endorsed to the addressee, the issuer and other responsible persons.

These persons may in their own turn re-endorse the cheque to others. All rights resulting from the cheque shall be transferred by endorsement.

Article 560:

Endorsement shall have to be unconditional. Stipulation of a condition in endorsement shall not be valid. Similarly, endorsement of part of the amount of the cheque shall not be valid.

Endorsement by the addressee shall be void. Endorsement in the name of the addressee shall be considered as the receipt.

Article 561:

Endorsement shall be made on the cheque or on an attached paper to the cheque. Endorsement shall have to be signed by the endorser. If the endorser just signs, without mentioning the bearer, the

endorsement shall be valid (blank endorsement). Concerning endorsement of cheques, provisions of Articles 483 to 488 shall be applicable.

Part Three - Guarantee

Article 562:

Provisions of Article 499 to 501, Part Four, concerning guarantee of bills of exchange shall also apply to the guarantee of cheques.

Part Four - Presentation and Payment

Article 563:

Cheques shall be payable at sight. Any condition to the contrary shall be invalid.

Article 564:

If a cheque is payable in the same place as it has been issued, the owner shall be obligated to claim its amount within fifteen days since the date of issue, and if it is issued from one part of the country to anther, it shall have to be claimed within two months of the date of issue.

Regarding cheques issued abroad which have to be paid in Afghanistan, provisions on cheques issued in Afghanistan shall be observed, but the period within which the owner of such cheques may claim their amounts shall be four months since the date of issue.

Article 565:

If places of issue and payment of a cheque have different calendars, the date of issue shall be considered as the same as the date that coincides with the day of the calendar of the place of payment.

Article 566:

If the owner of a cheque does not claim payment of its amount during the legal periods, his case against the endorser shall not be heard and if the amount of the cheque is taken away due to a reason related to the addressee, the case of the owner against the issuer shall not also be heard, but the addressee may pay even after the expiration of the period.

Article 567:

If the issuer of a cheque dies after its issuance or becomes incompetent and incapacitated, this shall not affect the validity of the cheque.

Article 568:

A person who receives the amount of the cheque shall have to signs its back as the receipt. The owner may accept partial payment, in this case he shall sign the back as the receipt for the amount received.

Article 569:

If a cheque has been prepared in a currency that is not the currency of the country of payment, the payable amount may be (on the request of the bearer) paid in the currency of the country according to the rate of the day of payment.

If the payment has not been made at the time of presentation, the owner of the cheque may, of his own free will, request that the payment be made in the currency of that country on the basis of the rate of the day of presentation. The value of the foreign currency shall be determined on the basis of the local custom.

However, the issuer may stipulate that the amount of payment be calculated on the basis of the rate mentioned on the cheque.

Part Five - Crossed Cheques and Cheques Transferable to Accounts

Article 570:

Issuer or owner of a cheque may cross it. Crossing shall mean drawing two parallel lines on the cheque that is general or particular.

If nothing has been inserted between the line or the word (banker) or its equivalent has been inserted, this shall be general crossing. If the name of (banker) has been inserted between the lines, this shall mean particular crossing. General crossing may be changed to the particular one, but the opposite is not allowed, neither shall erasing the lines and the word banker or the name of the banker be permissible.

Article 571:

An addressee may transfer a generally crossed cheque to his (banker) or customer. He may transfer a particularly crossed cheque only to a named banker, or if the banker is the addressee, it may transfer it only to its customer. The banker whose name has been mentioned may submit the cheque to another banker for collection. The banker may only cash the crossed checks in the accounts of its own customers or another banker. The addressee or the banker who does not observe the above provisions shall be liable for the loss caused to the extent of the amount of the cheque.

Article 572:

An issuer or owner of the cheque may prevent its cash payment by inserting the phrase “payable into the account” on the cheque. Erasing the phrase “payable into the account” from the cheque shall not be permissible.

Part Six - Recourse due to Non-Payment

Article 573:

In case of a refusal to pay, the owner of the cheque may make recourse against the endorsers and other responsible persons. The owner may prove the refusal to pay by one of the following reasons:

a. Protest by a formal paper
b. Writing on the back of the cheque by the addressee together with inserting the date
c. Certification of the commercial court to the effect of presentation of the cheque with mentioning the date

Article 574:

A protest shall have to be made before expiration of the designated period of presentation.

If the cheque is presented on the last designated day, the protest may be made on the following working day.

Article 575:

In case of refusal to pay after the protest, the owner of the check may notify his own endorser or the issuer within four working days following writing the protest. Upon being notified, each endorser shall have to notify his previous endorser of non-payment within four working days and mention in this notification the names and addresses of persons who have previously notified, and in this way notification shall have to be sequentially made up to the issuer.

If the cheque has been guaranteed, the guarantor shall have to be notified during the same period.

The notification may be made by returning the cheque or by a post registered letter.

Date of the post shall be taken into account in determining the period of notification.

A person who does not notify within the designated period shall not lose his rights, but he shall be liable for compensation of any loss caused by his neglect.

Nevertheless, his liability shall not exceed the cheque amount.

Article 576:

A bearer of a cheque may bring an action against all persons responsible for the cheque, individually or collectively, and in doing so he shall not be obligated to observe the order of arrangement and every other paying person shall have this right. Bringing a suit against one of the responsible persons shall not prevent bringing an action against other persons.

Article 577:

The bearer of a cheque or the payer may claim the following amounts against the responsible person:

a. The unpaid amount of the check
b. The interest
c. Expenses of the protest etc. that he has incurred

Article 578:

Any responsible person against whom a recourse has been made may demand, in return for the payment, the cheque with the protest and receipt. The endorser who has received the cheque and paid for it may cancel his own endorsement and those of the subsequent endorsers.

Part Seven - Multiplicity of Copies of a Cheque

Article 579:

Issuance of a cheque in multiple copies shall be possible.

In this case, each copy shall have to have the same number and the numbers of copies be stated on it, and the amount shall be payable on the basis of the first copy.

Article 580:

As soon as the payment, on the basis of the first copy, has been made, the other copies shall become invalid.

Part Eight - Forgery and Alterations

Article 581:

Rules of Articles 536 and 537 relating to forgery and alterations shall have to also be applied to cheques.

Part Nine - Lapse of Time

Article 582:

Suits brought by the bearer against endorsers and the issuer shall be extinguished six months after expiration of the presentation period. Similarly, the suit of each of responsible persons shall be extinguished six months after the date of payment. The rule of Article 539 shall also apply to cheques.

Article 583:

General rules of Articles 540 and 541 concerning bills of exchange and promissory notes shall also apply to cheques.

Chapter Four – Loss of Commercial Papers

Article 584:

If the bearer of a commercial paper proves his ownership by discontinued endorsements, he shall not be obliged to return the amount he has received, unless it is proved that he had received it by illegal means.

Article 585:

The bearer who has lost a commercial paper may request its invalidation from the relevant court that is obligated to hear commercial cases.

The paper and manner of acquisition and loss shall have to be explained as much as possible.

In case the court considers the evidence sufficient, it shall order, in writing, the acceptor (if the lost paper has been an accepted bill of exchange), the issuer and addressee (if the paper has been a cheque or an unaccepted bill of exchange), and the addressee (if the paper has been to the bearer) not to pay the amount.

Contents of the paper and necessity of its presentation shall be proclaimed three time within two months in official and unofficial newspapers.

At the end of this period, a necessary decision on invalidation of the paper shall be made.

This period shall be valid since the date of proclamation in the official paper (concerning the paper whose date has become due), since the due date (concerning the paper whose date becomes due after the third proclamation), and since the last day of presentation period (concerning the paper whose payment has been subject to presentation and its date of presentation has not yet become due on the date of the third proclamation).

Article 586:

A person who requests invalidation of a paper may prepare a statement as to the basic contents of the paper and dispatch it to the addressee within the period and at the place legally designated. This same statement concerning payment and non-payment and seeing shall be considered as a protest.

Article 587:

If the paper has not been presented by the end of the designated period, the court may, on the request of the claimant, issue an order on invalidation of the paper and serve it to persons mentioned in Article 585.

On the basis of the invalidation order, the claimant shall claim, the same as if he is the owner of the original copy of the paper, his rights against the acceptor of the bill of exchange, and if the bill is not accepted or it is a promissory note or a cheque, against the issuer.

The person against whom a suit has been brought shall have the right to refer to the court and prove non-entitlement of the successful party within one month since the date of issuance of the order.

Article 588:

If the paper is presented to the designated court before the expiration of the proclamation period, the court shall implement the directives of Article 585 concerning the notification and deal with the case in accordance with the law, and issue the order.

BOOK FOUR – COMMERCIAL OBLIGATIONS

Chapter One – General Rules

Article 590:

If two or more persons commonly undertake an obligation, as a part of a transaction which may be of commercial nature for one or all of them, to a third party, unless otherwise specified in the agreement, they shall be considered as collectively liable. This same rule shall apply to persons who guarantee debts.

Article 590:

If an amount of money has become payable, due to any commercial contract, while it is not legally current in the country, its conversion to Afghani money, on the rate of the day, at the expiration of the due period, shall be permissible.

But if the contract specifies payment of a foreign currency that is not legally exchanged or another phrase is used to this meaning, the stipulation of payment in the foreign currency shall be valid.

Article 591:

A person who does not meet his commercial obligation by cheating or fault, or delays meeting it, he shall be obliged to compensate for damages the obligee has incurred and profits he has lost, after he has been, officially or by registered post, notified.

Force majeure shall be exempted from this rule.

Article 592:

If the obligor breaks his obligation or does not fulfill an obligation that ought to be met in an absolute way or on a designated time or during a designated period, or object of the obligation is an omission and he performs it, a suit may be brought for compensation without serving a notice.

Article 593:

If the amount that is designated for compensation is more than the benefit the obligee will gain in case of fulfillment of the obligation, the court may not reduce it.

Unless otherwise specified in the contract, the obligee shall not be obliged to take the amount of compensation in place of fulfillment of the obligation.

If the loss that the obligee incurs exceeds the amount designated as compensation, the obligor shall be obliged to pay the extra amount, unless otherwise specified in the contract.

Article 594:

If non-fulfillment of the obligation is due to a cause that has not been foreseeable, or is caused by a fault of the creditor, or is due to the exercise of a waiver clause that is accepted by the obligee, the obligor may not be obligated to pay any kind of compensation.

Article 595:

Payment of a deposit shall not be an evidence for contract. The deposit shall be taken into account in the fulfillment of obligation of the parties. If the contract is terminated by mutual consent or due to a reason that does not entail compensation, the deposit shall be returned to its owner.

Article 596:

Unless otherwise specified in the contract or in the commercial custom, the party who does not fulfill his obligation due to his own fault shall not have the right to claim the deposit, if he has paid one, and if he does not fulfill the obligation due to the fault of the obligee, the receiver of the deposit shall be obliged to return it an well as an equivalent amount to the other party.

In any case, the party who does not fulfill his obligation shall be obliged to compensate for the loss of the other party, even if it is more than the amount of the deposit.

Article 597:

If one of the parties has stipulated for himself a right to withdraw from the contract in return for a payment or a promise of payment of a designated amount, proceeding to fulfill the obligation or accepting to fulfill the obligation shall prevent the exercise of the right to withdraw.

Article 598:

An interest on commercial debts shall be calculated after expiration of the designated days, or if a period is designated, since the date of the notice.

Article 599:

A person who has commercial qualities and performs an action for another person, whether trader or non-trader, that is required by his business or has made benefits in other ways, he shall have the right to demand its consideration and take it.

He shall also have the right to demand the amount he has paid in advance for fulfilling the work or gaining benefits and the expenses he has paid along with the interest, since the date of payment.

Article 600:

The parties may freely determine an interest in commercial affairs on the basis of mutual consent.

Article 601:

Commercial undertakings shall have to be fulfilled at the place designated in the contract and if it is not designated therein, they shall have to be fulfilled at the place that can be implicitly determined on the basis of nature and purpose of the business. If the implementation place has not been specified in the contract and it cannot also be implicitly determined, the obligor shall be obliged to implement his obligations at his place of business or, if he does not have a place of business, at his domicile.

Article 602:

Undertaking to settle an amount shall, unless otherwise explicitly or implicitly stated in the contract, be fulfilled at the place of business of the creditor, and if he does not have such a place, it shall be fulfilled at his domicile, and the debtor shall not have the right to claim expenses and losses incurred due to the settlement.

Article 603:

A request to fulfill an obligation whose time of implementation has not been specified in the agreement may be made at any time, but if implementation of an obligation, given the custom or the circumstances of the transaction, is possible after the passage of a designated period, the obligor may not be obliged to implement it before the expiration of the mentioned period.

Article 604:

If it is stipulated that the obligation be fulfilled during a period explicitly or implicitly designated, it shall have to be fulfilled before the end of that period.

If the end the period coincides with a public holiday, it shall have to be implemented at least one day before the end of the period. If the debtor has the permission to pay before the end of the period, it shall not be permissible to discount the debt without the consent of the creditor, unless there is a custom or usage to the contrary.

Article 605:

If the kind and quality of the objects that are promised to be delivered have not been specified in the agreement, the obligor may deliver goods of the average kind and quality, but as he is not obliged to deliver the best of the goods, he is not also allowed to deliver the worst.

Article 606:

A contract that binds the parties in this way that none of them is obliged to fulfill his obligation until the other does so, but if one party is obligated, due to the explicitness of the contract or the nature of transaction or the current custom, to fulfill his obligation prior to the other party, even if the other party has not yet fulfilled his obligation, this party shall be obligated to fulfill the mentioned obligation.

Article 607:

If one of the parties fulfills his obligation while the other does not, the fulfilling person may send a notice to the effect that if the other party does not fulfill his obligation within an appropriate period of time, the contact will be terminated, and after that, the fulfilling party may refer to the court and request termination of the contact. The party who refers to the court for the termination may not request fulfillment of the obligation. As soon as the termination suit has been brought, just as the court may not grant a time to the defendant to fulfill his obligation, it may not accept a proposal by the defendant to fulfill his obligation. If termination of the contact is subject to a condition, or a period has been explicitly or implicitly designated for its implementation, after realization of the condition or passage of the period, the other party shall not be obliged to accept the request of the obligor to fulfill his obligation.

Chapter Two – Commercial Contracts

Part One - Formation of Contracts

Article 608:

Consent and agreement of the parties shall be sufficient for commercial contracts. Preparation of a contract or fulfilling other procedures shall not be required.

Article 609:

If observation of a certain written form is legally required, or if the parties have required meeting certain procedures, such as preparation of an agreement, the contract shall not be formed until the mentioned form is provided for or the designated procedure is met. If the parties have agreed on preparation of a contract, it is considered that they have subjected the conclusion of the contract to preparation of an agreement.

If the agreement has not been prepared, but it is proved that the parties have considered the contract as concluded, non-preparation of the agreement shall not be considered as non-conclusion of the contract.

Article 610:

If the offer has been made with designating a period for acceptance, even if the parties are present, the offeror may not withdraw his offer before the expiration of the designated period. If the offer has been made without designating a period, its validity shall not last, provided that, if the parties are present, the acceptance has not been immediately occurred. A contract that has been concluded by telecommunication means, such as telephone, shall be considered as concluded in the presence of the parties.

Article 611:

If no period is designated for a written offer, the offeror may not withdraw his offer before expiration of the period that is customarily necessary for thinking and accepting by the acceptor.

Article 612:

It shall have to be possible to send the acceptance of the offer over the designated period during which it has reached the acceptor.

If the acceptance reaches after this period, the contract may not be concluded, unless it is found that the acceptance has been sent during the designated period. The offeror shall be obliged to immediately notify the other party of non-conclusion of the contract due to the delay of acceptance, otherwise, the contract shall be concluded.

Article 613:

Complete silence of the other party shall not be called acceptance, but if two traders have permanent commercial relations or one of them has referred to the other party and granted him agency to conclude certain transactions for him, the other party shall have to immediately respond to the offer made, otherwise, his silence shall be considered as an acceptance. The party who rejects the offer shall be obligated to take measures specified in Articles 762 and 763 on the properties that have been sent to him by the offer.

Article 614:

If the acceptance does not coincide with the offer, the contract shall not be concluded. In this case, an acceptance requires a new offer.

Article 615:

In order for a telegram of offer or acceptance be valid, it ought to be proved that they contain the signature of the sender or the telegram has been sent upon his permission.

Article 616:

If the offer is made in writing, the contract shall be concluded since the date of arrival of the acceptance, but if the offeror is informed of withdrawal by the acceptor before the arrival of the acceptance or simultaneous with the arrival, the offer shall become ineffective.

Article 617:

A contract that is occurred by telecommunication shall be concluded and valid since the date of sending of the acceptance. As specified in Article 613, if an explicit acceptance is not required, the contract shall be valid since the date at which the offer has reached the addressee.

Article 618:

The death or disqualification of a trader from making offer or acceptance shall not make his commercial transactions void, unless the contrary has been specified or the nature of the transaction requires.

Part Two - Interpretation of Commercial Contracts

Article 619:

If the meaning of a statement included in a commercial contract is explicit and logical, the apparent meaning shall be valid. If a statement clearly contradicts an obvious purpose, in this case, the purpose shall be valid.

Article 620:

If a statement has several interpretations, the common purpose of the parties shall be determined on the basis of other contents of the agreement and the custom and usage and transactions and circumstances prevailing at the time of preparation of the contract, or according to the records of previous applications.

Article 621:

If a statement has several and common meanings, it shall be interpreted as having the meaning that is implied by indications.

Article 622:

If a statement of the contract is interpreted with several meanings while the real purpose of the parties cannot be determined according to the rule of Article 620, the contract shall be interpreted for the obligor and against the obligee.

Article 623:

Commercial customs and legal rules shall be valid in commercial transaction, unless otherwise has been explicitly agreed to by the parties.

Part Three - Means of Proving Commercial Contracts

Article 624:

The court rules on the proof of contract on the basis of commercial documents and agreements, and unless otherwise stated in this Law, it shall use testimony of witnesses, evidence and indications. The amount of the claim shall not have any bearing on this rule for the court.

Article 625:

Return of a document to the debtor shall be considered as an evidence of payment of the consideration, unless its contrary is proved.

Article 626:

If a document or agreement of a commercial transactions, that its proof does not require evidence, is ambiguous, the court may issue an order on the basis of indications and circumstantial evidence.

Article 627:

A confession shall not be divisible. Therefore, it is necessary that the statement by the defendant be totally rejected or accepted.

Article 628:

If there is no written agreement and a person explicitly or implicitly accepts a bill, it shall be considered that he has also accepted the contents therein. If a person receives a bill and does not protest its contents, it shall be considered that he has accepted the contents therein.

Chapter Three – Commercial Sale

Part One - General Rules

Article 629:

The consent of the parties on the object of sale and the price shall form the sale. Giving current price information and sending catalog or offer of sale without specifying the nature, quantity and price of the goods shall not be considered as an offer.

Article 630:

If a seller has sold the property of another person, the buyer may not become its owner, but the seller shall be obligated to either buy the property and deliver it to the buyer or, if additional losses have been inflicted, compensate for them.

Article 631:

If a trader sells movable properties of another person, in case the buyer does not know it, he shall be considered as the owner of the object of sale.

If it is proved that the object of sale has been a lost or stolen property, the buyer shall be divested of the ownership.

Article 632:

Sale of commercial goods which do not exist at the time of contract but may be provided at the time of delivery shall be valid.

Article 633:

If, during a contract, destruction of goods has been considered by the parties, the sale shall be permissible. In case of destruction, the buyer shall not have the right to refund of the price.

Article 634:

All expenses of delivery of the object of sale, such as weighing and measuring, shall be borne by the seller and all expenses of taking delivery, such as expenses of boarding and transportation shall be borne by the buyer, unless the contrary is accepted in the contract or is common in the commercial custom.

Article 635:

If the object of sale has to be consigned to the buyer from another place and no condition on the method of delivery has been stipulated by the buyer, in this case, the seller shall choose the property transportation means and their protection on behalf of the buyer.

Article 636:

Consignment of the object of sale by the seller to the domicile of the buyer by or to another place specified in the contract shall be considered as delivery, but if the seller has dispatched the object of sale and has ordered him not to give delivery until the buyer pays the price or gives necessary guarantees, the mere dispatch shall not be considered as delivery.

Article 637:

Consignment of the object of sale or placing the mark of the buyer on the object of sale while the goods are being transported by land, ocean, or river shall be considered as delivery.

Article 638:

The buyer who has purchased properties the quantity of which is totally definite, may not oblige partial delivery. But if the buyer has accepted partial shipment, he may oblige the seller to deliver the balance due, or terminate the contract due to non-delivery of the balance and claim compensation for the losses incurred.

Article 639:

The buyer may request an invoice for the object of sale and, if the price has been paid, inclusion of the price in the invoice.

Article 640:

After the completion of contract, any damage to the object of sale, even accidental, shall be borne by the buyer. If the damage is due to fault or deceit of the seller, or to the defect of the object of sale, it shall be borne by the seller.

Article 641:

In the following cases, a damage to the object of sale after the completion of contract shall be borne by the seller:

First, if the object of sale is not specified and there are not distinguishing marks to differentiate if from other properties of the same kind.

Secondly, if weighing, enumerating and measuring the object of sale is necessary for its delivery and before weighing a number of it has changed or destroyed (but if the buyer, in spite of notice, has not attended weighing, enumerating and measuring or has not sent someone representing him, the damage shall be borne by the buyer).

Thirdly, if delivery of the object of sale is stipulated to be made in future.

Fourthly, in case the buyer is ready to take delivery of the object of sale, but the seller, in spite of the notice, has not given delivery of the object of sale.

Article 642:

Damages inflicted on the object of sale by the transportation agent or commissioner or the transporter since the date of delivery to them by the seller shall be borne by the buyer. If there is a condition on the method of transportation of the object of sale, the seller shall be obligated to observe it.

In case of non-observance without a reasonable and documented excuse, he shall be liable for the loss inflicted on the buyer.

If the place of consignment of goods, given destinations of the parties, has been considered as the place of delivery, in this case, the damage inflicted during the transportation shall be borne by the seller.

If the seller undertakes to pay only the expenses of transportation, the place whereto the object of sale will be transferred shall be considered as the place of delivery.

Article 643:

The price shall have to be designated or its determination method shall have to be definite. If it is not designated in this way and the object of sale has not been delivered, the current rate at the place and time of contract shall be taken as the basis. If the current rate at the place and time of contract is varied, the buyer shall be obliged to pay the average rate.

Article 644:

Granting the right to determine the price, by the contract, to a third party shall be permissible. If the third party does not determine the price for any reason, the buyer shall be obliged to pay the current rate of the day of sale or, if the rate of that day is varied, the average rate. If there is not current rate, the price shall be determined by the court.

Article 645:

If the buyer has not paid the price and bankrupts between the date of contract and the delivery, even if the seller has deferred the payment (but has not taken credible guarantees), he has the right not to deliver the object of sale.

Article 646:

If determination of the price is subject to weighing the object of sale (unless the contrary does not exist in the contract or the custom and usage), the weight of the container shall be deducted from it.

Fixing the weight of container on the basis of the real weight of the object of sale or of a designated scale and quantity, or deduction of a part of the weight of the object of sale as the weight of container, or deduction of the price of the destroyed and useless part of the delivered object of sale shall be designated by the contract, or, if a contract does not exist, by the current local custom of the place of delivery.

Article 647:

The stipulation that ownership of the object of sale does not transfer until its full price is paid shall be valid.

Damages inflicted on the object of sale that is delivered by this stipulation, since the date of delivery, shall be borne by the buyer.

Article 648:

If the price of the object of sale is subject to the rate of the bourse or market, unless there is a contract to its contrary, the average rate of the place and time of fulfillment of the obligation shall be taken as the basis. If determination of this rate is not possible, the average rate of similar sales at the time and place of fulfillment of the obligation shall be accepted.

Article 649:

An interest on the price of the object of sale, in the name of compensation for losses, may be claimed since the date of delivery, if the object of sale has been delivered, and since the date of notification, if taking delivery has been refused.

Article 650:

If, given the nature of contract or purposes of the parties or substance of the object of sale, implementation of the contract can be divided into various parts, and if one of the parties has not implemented a part of the contract, the other party may terminate the contract.

Article 651:

In sales by sample, the seller shall have to prove the conformity of the object of sale with the sample, but if the sample, while in the hands of the buyer, has become faulty or been destroyed, then the buyer shall have to prove non-conformity of the object of sale with the sample.

Article 652:

The buyer may subject the purchase to an examination, experimentation and approval.

Article 653:

If the object of sale has been given to the buyer for an examination and experimentation, the buyer shall be obliged, on the basis of the contract or if no contract exists, during a period customarily designated, to express his acceptance or rejection of the object of sale.

If no period is specified in the contract or by custom, the seller specifies an appropriate period and invites the buyer to accept or reject the object of sale.

If the buyer does not respond during the mentioned period, it shall be so considered that he has accepted the object of sale.

If the buyer has not explicitly protected his right of option and paid all or part of the price or used the object of sale in a way different from that is necessary for experimentation, the sale shall be completed.

Article 654:

In a sale occurring in accordance with Article 652, if the buyer has not accepted or rejected during the designated period by the contract or custom, the sale shall be considered unconcluded.

If no period is designated by the contract or custom, the seller shall specify an appropriate period and invites the buyer to exercise his right of option. If the buyer keeps silent during this period, the sale shall be considered unconcluded.

Article 655:

If the sale agrees with conditions set forth by the contract and law, the buyer shall be obliged to take delivery of the object of sale during the period designated by the contract or custom.

If the buyer has not fulfilled this obligation but paid the price, the seller may, after giving notice to the buyer, request the court to appoint a trustee to preserve the object of sale. On the basis of this request, the court at once appoints a trustee without calling the buyer.

And if the appointment of a trustee or delay in delivery causes expenses or damages, the buyer shall compensate for them. If the object of sale may not be deposited due to its nature or is quickly perishable or its preservation requires extravagant expenses, compared with the price, or renting a storage place, the seller may, after informing the buyer, if possible, on the basis of court permission, sell the object of sale by public auction.

If the object of sale has a current rate in the bourse or market, the seller shall have the right to sell, by the court permission, without public auction on the mentioned rate.

Proceedings of the price of the object of sale, sold in this way, after deduction of the sales expenses, shall be deposited in a bank in the name of the buyer and if there is no bank, in another safe place with the court permission.

Upon depositing the object of sale to the trustee or its price in a safe place, the seller shall have to immediately notify the buyer of the matter.

Article 656:

If the buyer does not pay the price during the designated period by the contract or custom, as the seller may claim the price, he shall also have the right to determine an appropriate period by notice or registered letter and invite the buyer to fulfill the obligation. If the buyer does not pay the price during this period, the seller may sell the object of sale, according to Article 655, and take the price from the money obtained and demand the difference between this sale price and the price of the object of sale from the buyer.

If the object of sale has a current rate in the bourse or market, the seller may, without being obliged to sell the object of sale, demand from the buyer the difference between the sale price and the price existing at the end of the period in the bourse or market.

Article 657:

If the seller does not give delivery of the object of sale during the period designated by the contract or custom, the buyer shall invite the seller, by a notice or registered letter, to give delivery of the object of sale during an appropriate period.

If at the expiration of this period the seller does not give delivery of the goods, the buyer may refer to the court and request termination of the contract and claim against the buyer for the compensation for losses he has incurred and profits he has been deprived of. If the buyer wishes, he may buy, directly or through the court, the goods from a third party and if the price he has paid exceeds the price of the object of sale, claims the extra price against the first seller.

If the object of sale has a current rate in the bourse or market, the buyer may, without buying the goods from a third party, request from the seller the difference between the current rates and the price of the object of sale.

In this case, as well as in the case of buying from a third party, the right to claim the losses incurred by the buyer, according to Article 591, shall be reserved.

Article 658:

If in a sale, given the explicitness of the contract or the kind and nature of the object of sale and the purpose of sale, the buyer and seller are obliged to fulfill the obligation during a designated period and if they have not fulfilled the obligation at the end of this period, the other party may, due to non-fulfillment of the obligation, terminate the contract without notice, according to Articles 656 and 657, and claim compensation. But if the party authorized to terminate the contract wants the obligation to be exactly fulfilled, he shall be obligated to request its fulfillment during or at the expiration of the designated period.

Article 659:

In commercial sales, if any fault or defect of the object of sale or its non-conformity with the contractual terms or the sample or the law appears at the time of delivery, the buyer shall be obligated, within four days, to notify the seller. Otherwise, the buyer, himself or his agent, after taking delivery of the object of sale, shall be obligated to examine it.

If, upon this examination, a defect or non-conformity with the law or the contractual terms or the sample appears, the buyer shall be obligated, in order to protect his right to recourse, to notify the seller of the matter within two weeks, and immediately, if a hidden fault is discovered, otherwise, it shall be so inferred that he has accepted the object of sale as it is.

Article 660:

The buyer shall have the right to claim against the seller due to defect in the object of sale or non-conformity with the contract or legally designated conditions or the sample. This right shall be valid for six months since the date of delivery of the object of sale. Increase or decrease of this period by the contract shall be permissible.

Article 661:

If non-conformity of the object of sale with conditions designated by the law or contract or the sample due to deceit of the seller can be found, rules of Articles 659 and 660 shall not apply to it.

Article 662:

If the buyer discovers, according to Article 659, a fault in the object of sale or does not find it conforming, due to a reason, to the designated contractual terms or the law or the sample, he may first refer to the seller and invite him for an examination and if the seller does not attend during a reasonable period,

refer to the local commercial court and request it to appoint experts and the examination. The court shall issue the necessary order on this basis.

Article 663:

If the object of sale has been sent to another place for the buyer, even if he has referred, according to Article 659, to the seller, he shall be obliged to preserve the object of sale, at the expense of the seller, or deposit it to a trustee according to Article 655.

If the object of sale may not be deposited due to its nature or is quickly perishable or its preservation requires extravagant expenses, compared with its price, or renting a storage place, the buyer may sell the object of sale according to Article 655.

Article 664:

If the object of sale does not conform to the designated contractual terms or the law, the buyer shall have the option to terminate the contract or request the court to issue an order for the payment of the difference of the price and compensation.

Part Two - Certain Particular Commercial Sales

CIF Sales

Article 665:

If a sale has taken place on the basis of designating the ship by which the object of sale shall be transported, in this case the sale shall be subject to the arrival of the mentioned ship to the destination.

If the seller has not specified the shipment period in the contract or by commercial custom, the buyer may request the specification of the period or termination of the contract together with compensation for losses.

If there is no provision or precedent in the contract or custom, the buyer may refer to the court and request the determination of this period, and the court shall have to speedily take action. If the shipment period is designated at the place of contract or afterwards or a period has been designated for the arrival to the destination and the ship has not departed on the designated time or has not arrived at the destination within the designated period, the buyer may request and claim the termination of the contract.

The buyer may extend, once or for several times, the designated arrival period.

Article 666:

If the object of sale, while in transportation, is transshipped from the designated carrying ship, due to force majeure, the contract shall not be terminated and the second ship shall be accepted in place of the first.

Article 667:

If the contract is subject to arrival of the goods and the object of sale is so damaged, while in transportation, that the intended interest of it has been lost, the contract shall be terminated. Otherwise, the buyer shall be obliged to accept the object of sale in the condition it arrives and the loss he incurs by this, upon approval of the experts, shall be compensated from the price.

Article 668:

A sale concluded subject to the delivery of goods to the ship, in addition to fees of the insurance and freight shall be called a CIF sale. Expenses of transportation shall include fees of transportation of goods up to delivery to the harbor cranes.

Damages to the goods sold on CIF, since the date of their loading on the ship, shall be borne by the buyer.

Article 669:

Goods sold on CIF shall have to be loaded on the ship by the seller on the basis of the contractual terms and, in the absence of them, on the basis of the current local custom. If the seller is allowed to fulfill his obligation part by part, each part of the goods that has been transported shall be so considered that it has been sold separately.

Article 670:

If the seller has not transported the goods that he has sold, during the designated period or according to the local custom (without referring to force majeure), the buyer may terminate the contract. In this case, the buyer shall be obligated to immediately notify the seller of his decision.

Article 671:

The seller may prove transportation of each part of the goods, according to the designated terms, on the basis of a consignment sea bill of lading prepared for each part of the goods bearing the phrase "transported".

If the transportation bill of lading contains the phrase "delivered for transportation", the buyer may claim that the transportation of the goods has not been occurred on the date of the transportation bill, unless the captain of the ship certifies transportation of the property on the date of the ship bill.

Article 672:

If the goods sold on CIF have been transported from an internal city or from a port by one bill of lading, the date on which the mentioned goods have been transported by the first goods vehicles shall be considered as the date of transportation.

Article 673:

Inclusion of usual terms of consignment transportation agreements to the effect that the ship may stop at certain ports or change the route or transship the consignment, shall also be valid in relation to the buyer.

Therefore, if the mentioned changes are required by transportation of goods, the damages inflicted on the goods shall be borne by the buyer, but if the damages have been caused by a fault of seller, the buyer may terminate the sale and claim the losses inflicted.

If the goods have been dispatched, according to Article 672, by consignment, it shall have to be prepared in such a way as to include all stages of transportation.

Article 674:

The CIF seller shall be obligated to insure the transported goods against ocean risks (according to ordinary terms usually included in the insurance contract).

The price of insurance shall have to be equal to the final rate of the place to which the goods are shipped. If the goods have been shipped in part, each part shall have to be separately insured. The seller may not personally fulfill obligations of the insurer in relation to the buyer.

Article 675:

If an ordinary insurance certificate does not include particular conditions of the insurance and its terms have not been prepared in accordance with one of the sample insurance policies, it may not replace the insurance policy.

Article 676:

Unless the contrary is specified in the contract, the risks covered by the insurance shall be ordinary risks excluding the war risk. The local current custom and the kind and nature of the goods shall be taken into account in the exemption terms and the payment of insurance compensation.

If the CIF seller has insured the goods with a well known and credible company and afterwards the insurance company is unable to pay the claims, the seller shall have no liability.

Article 677:

If, in a CIF sale, the parties agree that the buyer examines the weight and quality of the goods at the loading time on the ship, this shall be valid. If a defect is discovered, the buyer may refer to the court and request appointment and approval of experts.

Article 678:

After shipment of the goods, the seller shall be obligated to endorse the consignment bill of lading and send it, attached with the insurance policy and the original invoice and, if necessary, the certificate of the quality and weight of the goods and the cheque to the buyer.

If the ship transporting the goods arrives and the relevant papers have not reached yet or have arrived but incomplete, in case the buyer refers to the seller, the seller shall be obliged to prepare and send the buyer the right documents upon which the goods may be delivered to the buyer. Expenses inflicted by the delay in submission of the mentioned papers shall be borne by the seller.

Article 679:

The seller shall be obliged to immediately inform the buyer of the information he obtains concerning the date of shipment of the goods, marks and the ship transporting the goods.

Article 680:

Papers sent to the buyer shall have to be complete and in order. If their contents do not comply with the CIF contractual terms, the buyer may terminate the contract and claim losses.

Article 681:

The buyer shall be obliged, within four working days after the papers mentioned in Article 680 have been delivered to him, to accept or reject them.

In case of rejection, if it is proved that the rejection has been baseless, the buyer shall be obliged to compensate for losses of the seller.

Inversely, the buyer shall have the right to terminate the contract and claim losses.

The buyer who has accepted the papers may not terminate the contract unless the deceit of the seller has been proved, or non-conformity of the goods with the contents of documents has appeared.

If the buyer has accepted the papers, by mentioning specific reasons of doubt or subject to protest, he may not make other protests than those made for the reasons already specified.

Article 682:

The CIF buyer, after taking delivery and acceptance of the papers mentioned in Article 672, shall be obliged (unless the contrary specified in the contract) to immediately pay the consideration of the documents for the price.

Article 683:

On arrival of the ship, the goods shall be unloaded according to the terms of the consignment and contract and, if nothing is specified in the contract, according to the local custom.

The buyer shall be obligated to examine conformity of the goods with the number, mark and countermark and packing conditions as mentioned in the papers. If determination and distinguishing the goods are not possible due to the seller mistake, the buyer may terminate the contract.

Article 684:

If the difference of the shipped goods and the contract goods, in terms of quality, is not more than the usual, the buyer shall be obligated to accept them, but he may request, on the basis of the expert opinion, a reduction of a part of the price. The amount of reduction of the price, unless the contrary is specified, shall be determined on the basis of the custom of the unloading port.

Article 685:

It shall be possible to stipulate that the price of goods be paid according to the weight at the time of unloading. In this case, given the contents of the contract, a temporary bill shall be prepared which is sent to the buyer after the transportation of the goods, and between seventy five to ninety five percent of the price of the object of sale shall be shown on the papers sent to the buyer.

The final (real) bill shall be prepared when the weight of the goods has been determined at the destination port in the presence of both parties or their representatives.

The difference between the two bills shall be paid by the buyer or returned by the seller, within eight days since the date of acceptance of the goods.

Article 686:

If the term “approximate” exists in the contract, in case the object of sale includes all the goods loaded on the ship, ten percent more or less, and if it includes part of them, five percent more or less of the contract amount shall be payable. In case of determination of the definite quantity, the buyer shall have the right to demand all of the amount designated in the contract, but the seller shall not be liable for natural and ocean damages inflicted on the object of sale during the transportation. The price of the shortage of or extra quantity, that appears in both cases, shall be determined and settled on the basis of the prevailing price of the day and place of unloading.

If determination of the real weight of goods is not possible, due to sinking of a part of them or becoming wet, a temporary bill shall be valid.

Article 687:

If it is stipulated in the contract that damages inflicted after transportation be borne only by the seller, or the contract be conditional to safe arrival of the ship to the destination, or the buyer have the option of approval or rejection of the sample during the contract, in this case, the nature of the CIF contract has been changed and it shall be a sale conditional to delivery of goods to the unloading place.

Chapter Four – Commercial Loan

Article 688:

In order for a loan to be considered commercial, it shall have to be borrowed for the purpose of spending on commercial affairs.

Article 689:

To borrow "in kind", like cash, as commercial loan shall be permissible.

Article 690:

The borrower shall be obliged to return what he has borrowed at the designated time with the same kind and quality.

Article 691:

If a person is obliged to pay, due to other reasons, money or goods, in addition to loan, he may settle them with the creditor as a commercial loan.

Article 692:

Commercial loans shall always be subject to an interest, unless the contrary has been agreed between the parties.

Article 693:

If the amount of interest has not been designated in the contract, it shall be so understood that they have agreed to pay the legal interest.

Article 694:

If the term of loan is less than one year, the interest shall be paid on the day of repayment, but if the term is more than one year, the interest shall have to be paid at the end of the year, unless the contrary has been decided by the parties.

Article 695:

If the period of repayment has been determined by the parties, the creditor may not oblige the debtor to pay before the due date.

Article 696:

The quantity and price of objects borrowed for commercial affairs shall be proved by the evidence of Article 609 of this Law.

Chapter Five – Commercial Mortgage

Article 697:

In order for a mortgage to be considered commercial, it shall have to be made for commercial purposes.

Article 698:

Contracting parties may unanimously agree that the mortgaged property be deposited to a third person.

Article 699:

A commercial mortgage shall be proved according to Article 624 of this Law.

If the mortgage loan exceeds five hundred Afghanis, it shall have to be registered and certified by the Commercial Registration Office.

Article 700:

Mortgage of bills of exchange, promissory notes and other commercial papers shall be permissible. Mortgage of registered documents shall be registered and recorded in the books of the relevant company.

Article 701:

The creditor shall have priority in vindicating his rights out of the mortgaged property over other creditors.

The priority right of the creditor to the mortgage property shall only be valid if the mortgaged property is in the hands of the creditor or, upon agreement of the parties, in the hands of a third party.

If the mortgaged properties are in the business place the creditor or commissioner or the storage rooms of the customhouse, it shall be so considered that it is in possession of the creditor. Also, if, before the arrival of the mortgage properties, it is inserted on a bill of lading which is given to the creditor or in a transportation contract that "it has been given as guarantee", the mortgaged properties shall be considered as in possession of the creditor.

Article 702:

The creditor shall be obliged to take necessary measures in order to preserve the mortgaged property well. The creditor shall be obligated, on the due date, to take legal steps to vindicate his rights.

The debtor shall be obligated to pay, in addition to his debt, all expenses incurred by the creditor for preservation of the mortgaged property.

The creditor shall have to also give an account of all expenses he has incurred to the debtor.

Article 703:

Unless the contrary has bee specified, the creditor shall have to protect all rights of the debtor over the mortgaged property, bonds and loan documents.

Article 704:

If the price of the mortgaged property, bonds and loan document decreases more than ten percent, the creditor may request the difference from the debtor, unless the contrary has been agreed by the parties.

If the debtor does not accept this request or delays in accepting it, the creditor may sell the mortgaged property according to Article 655.

Article 705:

In mortgaging fungible objects or shares and bonds, if their similar have been given, the mortgage rules shall also apply to this case.

Article 706:

If the debtor does not pay, on the due date, all of the loan he has obtained by mortgage, the creditor may take action to sell the mortgaged property.

To this purpose, he shall refer to the relevant commercial court and request a permission to sell the mortgaged property.

On the basis of this request, the court shall immediately notify the debtor or, if the mortgage has taken place in the name of the debtor by a third party, the third party that if they have any objection, they shall have to make it within three days.

Upon passage of three days, if no objection has been made by the debtor or the third party, the commercial court shall issue an order on the sale of the mortgaged property. If the sale has been specified in the contract, it shall be conducted in accordance with it, otherwise, it the property shall be sold according to Article 655.

This order may not be implemented until it is served to the debtor or to the third party who has mortgaged the property in the name of the debtor.

In the notice, the place, hour and day of sale (and that if within three days no objection is made by the creditor against the order of the court, it shall become final) shall be mentioned.

If an objection is made, the court shall be obligated to deal with the issue and issue its order within eight days since the date of arrival of the objection.

Article 707:

If the debtor or the person who has mortgaged in the name of the debtor has no domicile in the district or has not designated a domicile, the proclamation shall be published in the newspaper of the court locality.

If there is no newspaper in the locality of the court, the proclamation shall be publicized in a suitable place of the court. The period designated by Article 706 concerning the objection may not be extended due to the length of distance.

Article 708:

Rights granted to the creditor according to the preceding Articles shall not be extinguished due to the death or bankruptcy of the debtor or the person who has mortgaged on the account of the debtor.

Article 709:

Stipulation of such conditions that deprive the creditor of recovering the debt from the mortgaged property or of the legal procedure in selling (in case of non-payment of the debt by the debtor) shall be void.

Article 710:

Mortgage transactions of the goods that are deposited in a public storehouse shall be subject to the rules of the special Chapter of this Law dealing with public storehouses.

Chapter Six - Assignment of Claims

Article 711:

A creditor may, without agreement of the debtor, assign his claim to another person, unless it is prohibited due to the nature of the transaction or the contractual terms.

The person to whom the claim has been assigned shall legally hold, since the date of the assignment, the status of the assignor. If there is no provision in the text of the document concerning non-assignment of the claim and a third party accepts the assignment, he may not claim against the assignee that he had stipulated with his first creditor not to assign the claim.

Article 712:

Assignment of a claim whose cause is presently existent but will be realized in the future shall be permissible.

Article 713:

If assignment of a claim is not made in writing, it shall not be valid.

Article 714:

If, before the assignment of the claim is notified by the creditor to the debtor, the debtor pays the debt to the first creditor, he shall be clear in relation to the assignee.

Article 715:

If there is a dispute over who owns the claim, the debtor may pay, the amount he is indebted, to the one who is proved to be the real creditor, or deposit it to the trustee appointed by the court.

If the debtor, despite his knowledge of the mentioned dispute, pays his debt to a person other than the real owner, he shall not be acquitted in relation to the assignee.

If a suit has been brought concerning the owners of the debt and the due date has expired, each of the parties may oblige the debtor to formally deposit the amount of the debt.

Article 716:

If the debtor is informed of the assignment, he may exercise the same right to recourse as he has against the first creditor against the assignee.

If the debtor has a claim against the creditor whose date has not yet become due, he may calculate this claim against the assignee.

Article 717:

Assignment of a right shall include the priority right and other derivative rights deriving from the claim. However, if these rights exclusively belong to the person of creditor, the assignment shall not include them.

The creditor shall be obligated to prepare and submit the document of the claim and other probative instruments to assignee, and grant him necessary information so that he may collect the debt.

The legal interests payable in relation to the assignment shall be payable for the principal of the debt.

Article 718:

If the assignment of a claim has been made in return for a consideration, the person who has assigned it shall have to guarantee its existence.

But, if the assignor has not explicitly guaranteed it, he shall not be liable for financial insolvency of the debtor.

If a person assigns gratuitously his claim against another person, he shall not be liable for its existence or recovery.

Article 719:

If a person assigns his claim against another person with the purpose of paying a debt to his creditor and has not specified the amount that should be deducted from his debt, the assignee shall be obligated to consider the amount he has really received from the debtor as the settlement of his debt.

Article 720:

If a person who assigns a claim is a guarantor of the assignee, he shall have to return the consideration of the claim and the interest he has received in return for the assignment together with the expenses of assignment and the suit (if a suit has been brought against the debtor and no result has been gained).

Chapter Seven - Current Account

Article 721:

A current account shall mean a contract on the basis of which the contracting parties agree not to make individual claims, whether cash claims or claims on properties whose ownership may be transferred, against each other. Rather, they settle their account item by item as debit and credit and request the balance from each other.

Article 722:

Rules concerning the current account contract shall be as follows:

a. Ownership of the properties inserted in the debit column of the current account shall be transferred to the receiver.

b. If, before the contract of current account by the parties, a transaction has been allocated to the current account, unless the contrary has been stipulated, the transaction shall be considered as renewed.

c. A commercial paper may only be included in the current account if its payment is conclusive.

d. All the debits and credits that are settled by each other shall be obligatorily payable.

e. The amount that is recorded in the credit column of a person shall be considered to the interest of the creditor and to the loss of the debtor since the date of record.

Article 723:

If the consideration of the commercial paper mentioned in Item 3 of Article 722 is not realized, it shall be returned to the owner and erased from the account.

Article 724:

Existence of a current account between the parties shall not prevent the request for commission and the related expenses.

Article 725:

A current account shall be closed on the designated date by the contract or the custom and the difference between the debit and credit shall be settled.

If there is no contract or custom in this regard, the end of the Hoot (20th of March) shall be considered as the date of closing the current account.

Article 726:

The date of interest shall be the date of settlement of the balance of the account as a result of the debits and credits.

Article 727:

The parties may agree on conversion of the interest to capital and determination of the time of the current account balance and the interest and the amount of commission.

Article 728:

The cash and properties that are given in order to be spent for a specific or separate purpose shall not be included in the current account.

Article 729:

None of the items of debit and credit included in the current account shall be divisible.

Before the close of the account, none of the parties shall be considered creditor or debtor.

The legal status of the parties shall only be determined by the close of the account.

Article 730:

Detention of cash and properties included in the current account shall be valid if the balance of the account at the time of close has been in favor of the incapacitated.

Article 731:

Current account contracts shall be legally terminated due to the following reasons:

a. Termination of the designated duration of the contract

b. Agreement of the parties

c. Termination of the contract by one of the parties provided that it is not prohibited in the contract

d. Bankruptcy of one of the parties.

Article 732:

In case of the death or incapacity of one of the parties, the other party shall have the right to refer to the court to request termination of the current account contract.

Article 733:

A contact of current account shall only be proved by commercial documents.

Article 734:

Inclusion of debits and credits in the current account shall not extinguish the right to the contract that creates debits and credits or the rights which the parties have over the case and plea of this transaction.

If the contract or transaction is revoked, items relating to it shall be erased from the account. If the contrary is stipulated in the contract, the stipulation shall be followed.

Article 735:

Cases related to the settlement of the current account and the remaining parts of the interest determined by the parties consent or the law, or related to the mistake and repetition and inclusion of incorrect items shall be extinguished after five years.

Chapter Eight – Deposit in Public Warehouses

Article 736:

Places wherein stocks and goods of people accepted as a deposit or mortgage and legal receipts are given in return for them to their customers shall be called public warehouses.

Article 737:

Rules of public warehouses shall not apply to places that are opened only for accepting deposit of properties without giving a receipt.

Article 738:

A document of taking delivery (receipt) that is given for deposited goods and stocks in public warehouses shall have to include the following details:

1. The name, occupation and domicile of the depositor
2. The name of the warehouse wherein properties are deposited
3. Necessary details for identifying the kind, quantity and value of the deposited objects
4. Payment or non-payment of taxes and customs duties and tariffs of the deposited objects and explanation to the effect that whether or not the objects have been insured. If insured, details of the insurance shall have to be mentioned.

Article 739:

The mortgage document (warrant) shall also include the details stated in Article 738 and shall be attached to the receipt document.

Article 740:

Copies of the transactions documents shall be included and kept in the public warehouses papers, according to the regulations.

Article 741:

The receipt document and the warrant shall be prepared in the name of the depositor or the third party appointed by the depositor.

Article 742:

The holder of the receipt document and the warrant may claim the deposited objects by separate receipts or by a general receipt but designating separate items. In this case, expenses of preparation of the documents shall be borne by the requester and the general receipt that is previously given shall be invalidated.

Article 743:

The receipt document and the warrant may be, separately or collectively, transferred by endorsement. The endorsement shall have bear the same date as that of the day on which it was made.

Article 744:

An endorsement shall entail the following rules:

a. A joint endorsement of the receipt document and the warrant shall transfer ownership of the properties
b. Only endorsement of the warrant shall pledge the properties to the person to whom the warrant is transferred
c. Only endorsement of the receipt document transfers ownership of the deposited goods and stocks (provided that the right of the bearer of the warrant is preserved)

Article 745:

An endorsement of the warrant shall have to include the amount of the debt, interest and due date.

Article 746:

Details of the endorsement of the warrant shall exactly be included in the receipt document and signed by the endorser.

Article 747:

The warrant and the receipt document may be endorsed jointly in a blank endorsement.

This kind of endorsement shall transfer rights of the endorser to the bearer.

Article 748:

Control, seizure or mortgage of the properties and stocks deposited in public warehouses shall not be permissible, unless in case of destruction of the warrant and the receipt document, or dispute due to inheritance and bankruptcy, when action shall be taken on the basis of the court order and ruling.

Article 749:

The bearer of a receipt document separated from the warrant may, before the due date, deposit the debt which is guaranteed by the warrant with its interests in the public warehouse, and, before the due date, take the objects out of the warehouse.

The amount deposited shall be returned to the bearer in exchange for the warrant.

Article 750:

In case a receipt document is separated from the warrant, its bearer may, if he wishes, withdraw part of the properties and stocks deposited in the public warehouse by depositing an amount of money proportional to the debts provided for that part of properties at the first stage by the warehouse.

Article 751:

If the claim of a bearer of the warrant has not been settled at the due date, may, like the bearer of a bill of exchange, sell the mortgaged property, according to rules of commercial mortgage, ten days after the protest.

Article 752:

The cases stated in Article 748 shall not prevent the sale, but the price shall remain in the warehouse, as a deposit, until the final ruling.

Article 753:

Warehouse fees and other expenses for the payment of customs duties or other charges paid for properties and stocks by public warehouses shall have priority in collecting the debts from the mortgaged property.

Article 754:

The money gained from the mortgaged property, after deduction of the expense and fees mentioned in Article 753, shall be kept in the warehouse for the settlement of the transaction with the bearer of the document.

Article 755:

A bearer of the warrant may refer to the debtor or its endorsers only when the sale of the mortgaged properly is not sufficient for this claim.

Article 756:

The receipt and warrant documents shall be subject to the time limitation specified for bills of exchange. Beginning of the time limitation, for making recourse to endorsers, shall be counted since the day of the sale of goods and stocks.

Article 757:

The bearer of a warrant who has not made a protest or has not sold the mortgaged properties within the legal period shall lose all his rights against the endorsers, but his right to bring a suit against the debtor shall remain in effect.

Article 758:

A bearer who loses the receipt documents or the warrant may request a duplicate, subject to proving the ownership, providing guarantee and upon permission of the competent commercial court and after proclamation in local newspapers and passage of the period designated for the protest. If the date of the lost warrant has become due, the court may, on the basis of the request of the bearer, authorize settlement of the debt. If the authorization relates to warehousing and the warrant, the matter shall be notified to the warehouse and also to the first debtor. The owner of the warehouse and the debtor may protest against the permission of the court.

In this case, the court shall immediately issue a ruling on the protest. If the ruling is in favor of the creditor, it shall be temporarily enforced, but until such time as the ruling becomes final the money earned by the sale of the mortgage property shall be deposited, by order of the court, in a safe place.

Article 759:

Regulations and conditions of establishing public warehouses and acceptable properties for deposit shall be set forth by guidelines or special directives.

Chapter Nine – Commercial Agency

Article 760:

The subject of commercial agency shall be implementation of commercial transactions, in the name and on the account of the client. Commercial agency may not be implemented without compensation.

Article 761:

A commercial agency, even if comprises general words and phrases, may include non-commercial transactions, unless there exists special specification.

If the agent has received instructions form his client on certain affairs related to a work, agency on the remaining parts of that work shall remain in effect.

An agency that is granted for a specific work shall include, without notification, all transactions necessary for the implementation of this work.

Article 762:

A trader may accept or reject the agency granted to him, but in case of rejection he shall be obliged to:

First, immediately notify the matter.

Secondly, take necessary measures, until the notice of rejection reaches the client, in order to safeguard the properties and protect the client against losses, otherwise, he shall be obliged to compensate for the inflicted losses.

Article 763:

If, after receiving the notice of rejection, the client does not appoint, within an appropriate time, another person, the agent may, according to Article 655, refer to the court and request appointment of a trustee for protection of the properties. Moreover, he may request permission to sell as much of the properties as necessary to compensate for the expenses.

Article 764:

If the agent notices clear signs that the properties are damaged during transportation, he shall be obliged, in order for securing the client suit against the transporter of the goods, to discover the damages and take as much necessary measures as possible to safeguard the properties, in case of possibility of risk of total destruction of the objects, sell, according to Article 655, them and immediately notify the client of the matter, otherwise, he shall be liable for the losses caused by his negligence.

Article 765:

If properties that are sent to the agent for sale are quickly perishable or prone to changes that cause risk of decrease of the price and there is not enough time to get the permission of the client or the client delays in giving it, the agent shall take the action to sell the properties, according to Article 655, by the order of the competent court.

Article 766:

The agent shall be obliged to notify the client of all circumstances causing modification or removal of the agency.

Article 767:

The agent shall not be liable for damages inflicted on the objects with him on the account of the client if the damages have been inflicted due to extraordinary circumstances or force majeure or defects already existing in the properties.

Article 768:

The agent shall be obligated, at a reasonable and appropriate time, to submit and send the client money, and if he does not fulfill this duty, he shall be obliged, since the same date, to pay the interest and, if necessary, compensate for the losses separately.

Article 769:

The agent may not oppose explicit and decisive instructions of the client, otherwise, he shall be obliged to compensate for the losses inflicted due to this, but if the implementation of agency, on the basis of the instruction of the client, imposes general loss on the agent, he may postpone the transaction by the permission of the client.

Article 770:

The agent may postpone transactions on which there are not explicit instructions of the client until he receive the client instruction, but if emergency of the transaction does not allow the agent to obtain the client permission or if the agent has a permission to take action within beneficial limits, in this case, he may implement the transaction with care.

Article 771:

The agent shall be obliged, after implementing the agency, to inform the client at once of the matter. If he has exceeded the limits of his agency, in case the client, after being informed of the transaction, has not replied in the necessary time, it shall be as if the client has agreed.

Article 772:

If the agent does not spend the amount he has received on the account of the client for the designated purposes, he shall be obliged to pay the interest since the date of receiving the money. He shall also be liable to compensate for losses inflicted by non-fulfilling the agency. If he has committed deceit and fraud he shall be criminally prosecuted.

Article 773:

If third parties who have entered into contract with the agent request his power of attorney, the agent shall be obliged to present it, otherwise, the third parties may rescind the contract. However, if the agent can prove that the third parties have been aware of instructions of the client to the agent, they may not rescind the contract.

Article 774:

If the agency of a person who acts as an agent or representative of another person is not established, or a transaction that is concluded outside the limits the agent authority is not authorized by the client, the agent shall be personally liable for that transaction.

Article 775:

The client shall be obligated to provide the agent with the necessary means of implementation of the agency, unless the contrary has been accepted in the contract.

Article 776:

The agency fee, in case of the lack of contract, shall be determined by the court according to the custom, circumstances and the conditions of the agency.

Article 777:

Claims of the agent against the client, during the implementation of the agency, shall be preferred if they are created due to advance the payment, loan and bill of exchange that has been issued for the property under the agency, or due to the agency fee or other amounts that are borrowed in other forms with regard to the subject of agency. If the objects belonging to the client have been sold by the agent, he may preferably reduce the relevant expenses from the price of the objects.

Article 778:

In order to make the preference mentioned in Article 777, it shall be necessary for the agent to notify the client, through the court, of his claims and include in his notification that if the client does not settle his debts within five days, he will take action to sell the properties with priority rights. The client shall have the right to protest against this notification and invite the agent to the court. The client shall be obliged to notify this protest, through the court, to the agent within three days.

If the client has not a place of residence in the domicile of the agent, the period of the protest shall be extended as follows.

If the domicile of the client is in the area of the court, the protest period shall be twenty days, and if he lives in one of the provinces, it shall be forty days.

If the client resides in a foreign country, the protest period shall be the periods specified in the Civil Procedure Code.

In case of expiration of the period or withdrawal of the protest, the agent may sell the concerned properties according to Article 655.

Article 779:

If several agents are appointed for a particular transaction, in case their joint action has not been explicitly stated, each of them shall, in the absence of the others, be authorized to implement the transaction. If their joint action is stated while some of them do not accept the agency, the majority of agents may accept the agency and implement the transaction.

Article 780:

If the client dismisses the agent without a reasonable reason, or if the transaction that has been undertaken by the agent is not completed due to the relinquishment and its registration by the agent, the party causing this situation shall be liable to compensate for the losses incurred by the other party.

Article 781:

If the agency is terminated due to the bankruptcy, death or fault of the agent or the client, the fee shall be paid to the agent or his successor in proportion to the completion of the work.

Chapter Ten – Commission Agency

Article 782:

A person who concludes commercial transactions in his own name and on the account of the owner of the transaction (principal) in exchange for a fee, as his usual profession, shall be called a commission agent, and the contract concluded between the principal and the commission agent shall be called a commission contract.

Article 783:

If the principal has explicitly stipulated that the transaction be concluded in his own name, this contract shall be subject to the rules of commercial agencies.

Article 784:

In case there is no special rule in this Chapter concerning the rights and obligations of the principal and the commission agent, the rules of agency shall apply.

Article 785:

Rights and obligations resulting from the commission transaction shall solely belong to the commission agent, not to the principal and third parties.

Article 786:

The commission agent shall be obligated to implement and complete the affairs he has explicitly or implicitly accepted. The commission agent who does not implement the delegated affairs, without referring to the legal reasons mentioned in Articles 789 and 790, shall be obliged to compensate for losses incurred by the principal.

Article 787:

the death of the principal shall not terminate the commission contract. The rights and obligations shall transfer to the heirs.

Article 788:

The principal may not revoke the contract that has been accepted by the commission agent.

Article 789:

If it is definitive that the subject of the commission cannot be implemented by any other person, or if it is implemented by another person, it will create difficulties and losses for the principal, the commission agent may not revoke the contract.

Article 790:

If implementation of provisions of the commission contract depends on money and the principal has not sent sufficient money, or he has said that the money be paid by the commission agent but he has not specified the method of its repayment, the commission agent may always revoke the commission contract or delay implementation of the contract.

Article 791:

If the approximate price of properties of the commission contract is so low that it is not adequate to cover the transportation expenses, the commission agent shall be obliged to immediately notify the principal of the matter. Moreover, he may request the court to appoint a trustee, according to Article 655, for the delivery of the mentioned properties.

Article 792:

The commission agent shall be obligated to exercise such attention and care that a good trader exercises in his personal affairs in the implementation of transactions he undertakes to conclude. Duties of the commission agent shall, among other things, include protection of interests of the client, implementation of the instructions, notifying the principal of necessary matters of the transaction at a time and period appropriate for decision making, and in particular notification of the commission and sending the account documented by the submitted papers, and sending without delay the resulted profits.

Article 793:

If the commission agent concludes a transaction, by exceeding or abusing his authority, that is detrimental to the client, this transaction shall be valid in relation to the commission agent himself, but shall not oblige the principal to accept the transaction, on the basis of terms mentioned in Articles 796 and 797, on his account.

Article 794:

The claim of invalidity of the contract due to violation of orders and directives of the client by the commission agent shall solely be the right of the principal, and does not belong to the commission agent and third parties.

Article 795:

The commission agent shall not be obliged to insure the properties of the commission contract until the principal issues an order.

Article 796:

If the commission agent deviates from instructions of the principal concerning the designated kind and quality of the purchased properties, the principal shall not be obliged to accept them.

If the deviation in the purchase by the commission agent is more than what the principal has designated, the client may leave the extra amount to the commission agent and accept the designated amount.

Article 797:

If the commission agent sells the commission properties at a price lower than the designated one or buys them at a price higher than it and the principal does not wish to accept them, he shall be obligated, upon receiving the news, to notify the commission agent of his acceptance or non-acceptance. If he does not so, it shall be so considered that he has accepted the transaction. Nevertheless, if the commission agent states, during the implementation of the transaction, that he pays the difference of the price separately, the principal shall be obligated to accept the concluded transaction.

If the commission agent has deviated from the designated price and the principal has incurred losses, he may claim compensation.

Article 798:

If the commission agent has concluded the transaction with better terms than those designated by the principal, the extra profits shall belong to the principal.

Article 799:

The accounts submitted by the commission agent shall have to conform to the contents of the books. A commission agent who has submitted his principal incorrect account statements or has changed the goods rate and terms of the contracts or enters fictitious expenses or expenses larger than the real ones, his right to claim the fee shall be extinguished and he shall be personally liable for the consequences of the implemented transactions.

Article 800:

The commission agent who grants third parties, without the permission of the principal, an advance payment or a credit, it shall be so considered that he has accepted that the losses and profits of the transaction will be borne by him.

If it is required by the custom of the place of implementation of the transaction that a delay in payment of the price be granted to the buyer, provided the contrary has not been instructed by the principal, the commission agent may personally grant the delay.

Article 801:

Even if the commission agent is authorized to make a credit sale, he may not sell the property of the principal to persons with financial incapability or bad business reputation.

Articles 802:

The commission agent who sells properties of the principal, upon his permission, shall be obligated, on the conclusion of the transactions, to notify the principal of the names of customers, otherwise the sale shall be considered a cash sale.

Article 803:

A commission agent who has undertaken to buy a bill of exchange shall have to transfer it to the principal by an unqualified and unconditional endorsing.

Article 804:

The commission agent shall not be liable to the principal for the debts of third persons with whom he has concluded transactions, but if there is a contract or commercial custom contrary to this, the commission agent shall be liable as much as the third parties. In this case, the commission agent shall be entitled to a separate fee for this liability.

Article 805:

The commission agent shall have the right to claim the fee after completion of the undertaken transaction. He shall also have the right to claim a fee for the transaction that is conducted by him but has not succeeded due to causes related to the principal. As for transactions that do not succeed due to other causes, the commission agent may request a fee for the efforts he has made, according to the local custom.

Article 806:

The commission agent may, before completion of the commission duties, claim the advance payment money and expenses with the interest. In this case, he shall be obliged to give an account supported by documents.

Expenses of transportation and warehousing shall be considered as expenses of the commission agent, but fees of his employees may not be included therein.

Article 807:

A commission agent who has undertaken to buy and sell securities or goods with specific rates in the bourse or market, unless the contrary instructed by the principal, may purchase or sell the object as the buyer or seller and pay or receive the price on his own account. In this case, the commission agent shall be obliged to submit an account on the basis of the specific rates of the bourse or market. The date of the notification to the principal by the agent of implementation of the commission agent duties in this way shall be considered as the date of the implementation of transaction. On the other aspect, the rules of commercial sales shall apply.

The rule of this Article may not be modified against the principal by contract.

Article 808:

If the commission transaction is implemented according to Article 807, the commission agent shall be entitled to receive the commission and ordinary expenses.

Article 809:

The commission agent may collect his claim, according to Article 777, preferably (against the principal and his creditor) from the amounts he receive as the result of implementing transactions on the account of the principal.

Article 810:

If the commission agent notifies the principal of the commission transaction, he has implemented according to Article 807, without specifying the contracting party, the principal shall have the right to consider this transaction of purchase and sale as concluded on the account of the commission agent.

Article 811:

Unless explicitly authorized, the commission agent may not change the marking on the properties of his principal.

Article 812:

If a transaction has been concluded on properties of several principals, the commission agent shall be obligated to explicitly record the owners of the properties in his books.

Chapter Eleven - Transportation Commission Agency

Article 813:

A person whose profession is transportation of merchandise goods in his own name and on the account of a principal, shall be called a transportation commission agent.

Provisions relating to the commission contract, in particular provisions on receiving and protection and properties insurance, shall apply to those cases of transportation commission agency that have not been specified in this Chapter.

Article 814:

A transportation commission agent may not record in the account of the principal more than the fee he has contracted with the transporter.

Article 815:

The transportation commission agent shall have the right to claim the fee only when he has given delivery of the properties to the transporter.

Article 816:

Presentation of the transportation document or the waybill substituting for the transportation document, the receipt of depositing the properties in warehouses and stores shall be the evidence of the goods being in the hands of the commission agent. As far as transportation expenses, commission fees and advance payment are concerned, these properties shall be considered as a mortgage with the commission agent.

Article 817:

If several commission agents have consecutively mediated in the transportation of properties, those commission agents who have mediated later shall be obliged to provide for the rights of their preceding commission agents, in particular their mortgage rights on the transported properties.

If the claim of a commission agent has been provided for by a later commission agent, the mortgage rights of the first commission agent shall be transferred to the subsequent commission agent.

Article 818:

If a transportation commission agent pays the fee of the transporter, the transporter rights shall transfer to himself.

Article 819:

Unless the contrary is specified by the contract, a transportation commission agent may transport the goods by his own means of transport.

If the transportation commission agent has prepared and issued a waybill, on the request of the principal, in the name of the principal, or has agreed on a fixed amount for the transportation fee and expenses, in this case, he shall legally have the status of a transporter.

Article 820:

Liability of the transportation commission agent shall be extinguished one year since the date the goods have been taken delivery by the consignee.

If the properties that are undertaken to be transported have been totally destroyed, the time limitation shall starts since the date the properties have been given delivery.

If the properties have been shown lost by deceit of the commission agent or are damaged and faulty or are given delivery untimely, the liability of the commission agent shall not be extinguished within the above designated periods.

Chapter Twelve – Transportation

Part One - General Rules

Article 821:

An undertaking by the transporter to transport properties or persons by land, ocean and air, in exchange for a fee, shall be called transportation contract.

Article 822:

Provisions of this Chapter shall also apply to those persons whose profession is not transportation transactions but they occasionally undertake obligations of transportation of properties and persons.

Article 823:

All legal cases deriving from transportation contracts, including the case for recovery of unreal transportation fees, shall be extinguished after one year.

This period shall start from the date of delivery, in transportation of goods, and from the date of arrival at the destination, in transportation of persons. If the properties have been totally destroyed or the persons have not arrived, the time limit period shall be calculated since the date that the properties would have been delivered and the persons would have arrived.

If it is proved that the properties have been lost or damaged or delivered untimely due to the deceit of the transporter, the liability of the transporter shall not be extinguished within the above periods.

Part Two - Transportation of Properties

Article 824:

If the transporter has requested, the consignor shall be obligated to issue two copies of the transportation document. The transportation agreement may be made, by consent of the parties, by delivering properties to the transporter, without transportation documents.

Article 825:

The transportation document shall have to include the following items:

a. The address of the consignee, the place whereto goods are consigned, a statement regarding delivery of the property on the basis of order or, if necessary, to the bearer
b. The record of the weight, size and number of properties, and if properties are packaged, numbers of the packages with the marks and quality of the packaging
c. The identity and domicile of the consignor
d. The identity and domicile of the transporter
e. The amount of the transportation fee and an indication of payment, if paid
f. The duration of the transport
g. Other details agreed by the parties
h. The loss and liability deriving from not inserting any of these items or unintentional non-insertion of any of them or a false insertion shall be borne by the consignor

If the transported properties are dangerous, such as gunpowder and explosive materials, the consignor who does not notify this information shall be obliged to compensate for losses inflicted du to this.

Article 826:

The consignor shall be obliged to hand in to the transporter the customs papers and other documents used for transportation of properties. If these papers and documents are not in order and are incorrect and incomplete, the consignor shall be liable.

Article 827:

If the transportation document has not been prepared, the transporter shall be obligated, on the request of the consignor, to prepare a waybill containing the details of the transportation document, sign and submit it to the consignor.

Article 828:

One copy of the transportation document, after it has been signed by the consignor, shall be given to the transporter and shall be dispatched along with the goods. The other copy, after is has been signed by the transporter, shall be returned to the consignor.

If the transportation document is marked "to the order" or "to the bearer", its endorsement or delivery shall be considered as the transfer of ownership of the properties.

The form and consequences of the endorsement shall be subject to the same rules as enacted for commercial papers.

Article 829:

If a transporter has not recorded a statement concerning the conditions of properties and the delivery of the objects in the transportation document or in a separate paper by which he has accepted the objects, it shall be so considered that he has approved the absence of apparent defects in the properties.

Nevertheless, even if the transporter has accepted the properties without a protest, he may claim and prove that there have been unapparent and undetectable defects in them.

Article 830:

The transporter shall be obliged to act according to the instruction on consigning the properties delivered to him, except extraordinary circumstances and the force majeure where he shall take action as required by the circumstances.

Article 831:

If transportation of the objects shall become impossible or delayed due to extraordinary conditions or force majeure unrelated to the parties, the transporter shall be obliged to immediately notify the consignor of the matter.

In this case, the consignor may return the copy of the transportation document that has been signed by the transporter and make the settlement anticipated in Article 834 and terminate the contract.

Article 832:

As the consignor has (according to Articles 834 and 835) the right to delay the transportation and withdraw the objects by paying compensation, he shall also have the power to deliver the objects to another person or take other actions on them. But, the transporter shall not be obligated to implement instructions of the consignor since the date on which the objects have arrived at the desired destination and the consignee has requested their delivery or since the date the transportation document has been delivered to the consignee or the sender has informed the consignee.

If the transportation document is "to the bearer" or "to the order", the transporter shall be only obligated to implement instructions of the person who presents and submits the transportation document signed by the transporter.

Article 833:

If the distance or duration of transportation are extended, on the basis of new instructions by the consignor or the consignee, the transporter shall have the right to request a transportation fee and the relevant expenses in proportion to the extended distance and duration.

Article 834:

If the transportation is stopped due to extraordinary circumstances or force majeure unrelated to any of the parties, the transporter shall have the right to claim the fare in proportion to the distance covered and compensation for the expenses he has incurred.

If the transportation has not started due to extraordinary circumstances and force majeure, the transporter shall not be entitled to the fee, but he shall have the right to request the transportation expenses and other necessary expenses he has incurred.

Article 835:

If the transportation has been stopped on the basis of the request of consignee, the following provisions shall apply:

a. If the transportation vehicle has been seized before the departure, the consignor shall bear half of the agreed fees and the expenses of loading and unloading and other necessary expenses incurred by the transporter

b. If the transportation vehicle has been stopped after departure, the consignor shall be obligated to bear all the transportation fee and the expenses of unloading together with the expenses incurred for returning the properties to him

Article 836:

The transporter shall be obligated to transport the properties within the period designated by the contract or the commercial custom, and if there is no such designation, within a reasonable period.

Article 837:

If the properties arrive after the designated period, the relevant party may claim a reduction of the transportation fee in proportion to the delayed period.

If the delay period exceeds twice the designated period, the right to the transportation fee shall be entirely extinguished and the transporter shall be liable for losses that are proved to have been inflicted due to this. Provisions of the contract concerning non-liability of the transporter shall be nullified. If the transporter proves that the delay has been caused by the consignor or the consignee or by extraordinary force majeure, he shall not be liable for the delay of arrival of the properties.

A claim of the lack or inadequacy of the transportation vehicles shall not be considered as an acceptable reason.

Article 838:

The transporter shall be liable for any incurred loss or damage from the date of taking delivery of the properties to the date of giving delivery of them to the consignee.

But if the transporter proves that the loss or damage has been caused by any of the following reasons, he shall be acquitted from the liability:

a. Extraordinary circumstance and force majeure

b. A proof of defects in the goods and their packaging

c. A proof of the loss and damage that have been caused by actions and instructions of the consignor or the consignee

Only in case of loss and damage of the third Item, if the property has been completely destroyed, the transporter shall be entitled to the full fee. In cases of Items (a) and (b), if part of the properties has been destroyed, the transporter shall be entitled to receive the fee for the remaining part.

Article 839:

The liability of transporter in transporting properties shall begins since the date of delivery of the properties for that purpose.

Article 840:

Concerning the object whose volume and weight are reduced during the transportation, the transporter may determine percentage of the reduction beforehand and obtain the written agreement of the party to the transaction.

If the properties are divided in packages, this liability shall be separately limited to each package.

If the consignor or the consignee proves that the reduction has not been resulted from the nature of the objects, rather it has been caused by another reason, or the reduction is less than the designated amount, then, the matter of limitation of liability shall become ineffective.

Article 841:

A transporter shall be liable for the acts and errors of all other transporters succeeding him or partaking with him or those to whom he has delegated transportation of the properties until the delivery of objects to the consignee.

Article 842:

Compensation for the loss of the objects shall be determined on the basis of the price mentioned in the transportation document and if the price has not been mentioned in the transportation document, it shall be determined on the basis of the current price of the property at the place of delivery.

Damages to the objects shall be determined on the basis of difference between the first price before the property was delivered at that delivery place and the current price after the properties are damaged at the delivery place.

Article 843:

In case of losses and damages inflicted on the objects, the transporter shall guarantee the prices he has accepted. Damages to properties of passengers which have been deposited to the transporter without declaration of their nature and price, shall be determined and confirmed on the basis of the special circumstances of each accident and person.

The transporter shall not be liable for losses of and damages to valuable objects such as cash, promissory notes, shares, bonds and other papers and documents which have not been declared while deposited with him.

Nevertheless, if it is proved that the loss and damage have been caused by deceit or neglect of the transporter, he shall be obligated to pay the full compensation.

Article 844:

Transporters who transport objects subsequent to the first transporter shall succeed the first transporter for all debts arising after the delivery of movable properties and the transportation document, and they may

insert and record on the transportation document or another paper the condition of the objects of which delivery have been given, otherwise, the rule of Article 829 shall apply.

Article 845:

The transporter shall be obliged to notify the consignee of the arrival of objects that have been transported.

Article 846:

The transporter shall be obliged to implement the instructions, on the protection of objects, that are issued to him by the consignee before the arrival of the objects.
The consignee may, after the arrival of the objects, or if he is the bearer of the transportation document or a waybill that substitutes the document, after the passage of the arrival date, claim against the transporter all its rights including the claim of compensation, whether for himself or for third parties.
Bearer of a transportation document marked "to the bearer" or "to the order" shall be considered as the consignee.

Article 847:

Unless the contrary is specified in the contract, the transportation fee together with other expenses shall be paid by the consignee, after the delivery of objects at the place of destination on the basis of the transportation document.

Article 848:

If the person who refers to take delivery of the transported objects is unable to pay his debt, the transporter shall not be obliged to deliver the objects. If a dispute over the amount of the debt occurs, the consignee shall settle the amount that he accepts to be obliged to pay as his debt and regarding the remaining part, if he deposits it in a credible bank or to a trustee person, in this case, the transporter shall be obliged to deliver the objects.
The transporter shall not be obliged to deliver the objects before receiving the second signed copy of the transportation document, whether marked with the name or "to the bearer" or "to the order".

Article 849:

The transporter may retain the properties in order to recover all of his claims deriving from the transportation contract. If there are several transporters, the last transporter shall protect rights of the previous ones. The amount deposited by the consignee, according to Article 848, shall be considered as objects from the perspective of the transporter right to retention.

Article 850:

If the last transporter delivers the objects without requesting the depositing of the claims and collecting his right and that of his preceding transporters or the consignor, he shall be liable for the amounts spent or debts of the consignor or the preceding transporters.
But his own right to make recourse to the consignee shall be reserved.

Article 851:

Even if, at the time of the delivery of objects, there is no external sign of damage, the consignee shall have the right to examine the condition and quality of them in the presence of the transporter or through the commercial court of the delivery place. The transporter shall also have this right.
Expenses of this examination shall be borne by the party who has requested it, but if the expenses that are settled by the consignee would have originally been borne by the transporter and have been caused by the transportation loss and damage, they may be reimbursable by the transporter.

Article 852:

Compensation cases brought against the transporter may also be brought against the initial or final transporters. If it is proved that the damage and loss have been inflicted while the property has been in the hands of another transporter, the case shall be directed against him in the chain of transportation of the properties.
If the transporter has compensated for the losses due to acts for which he has not been liable or for which he has been requested and claimed, his right to recourse to his preceding transporter or other transporters who are liable in this chain shall be reserved.
If the transporter who has to be held liable may not be determined, the inflicted loss shall be distributed among all the transporters in proportion to their share of the fee.
Nevertheless, if the transporter proves that the loss has not been inflicted during the transportation by him, he shall be exempted from participating in the compensation.

Article 853:

If the transporter does not find the consignee or the consignee refuses to accept the objects or delays in accepting the property or another cause that prevents the delivery occurs, the transporter shall be obligated to immediately notify the consignor of the matter and await his answer. If it is not possible to notify the consignor or if the consignor delays in answering or makes an instruction that is impossible to implement, the transporter may refer to the local commercial court and deliver the objects, on the basis of the court discretion, to a trustee. The risk and loss which this kind of objects face shall be borne by the consignor. If the objects are quickly perishable and infliction of loss on the consignor, during the notification time, is definitive, the transporter shall take action according to Article 655 and deduct the transportation fees and actual expenses from the proceeds. The transporter shall be obligated to notify the consignor and consignee of the matter as soon as possible, otherwise, a request of compensation for losses may be made against him.

Article 854:

If the circumstances mentioned in Article 853 occurs, the transporter shall be obliged to act wisely and quickly in transporting and protecting interests of the owner thereof, otherwise, he shall be obligated to compensate for the losses inflicted on the owner due to this.

Article 855:

Settlement of transportation fees and unconditional acceptance of the objects shall extinguish the right to bring a case against the transporter.
However, if the damage to the objects has been established, before the acceptance, by the experts appointed by the court, the right of the consignor to bring a suit against the transporter shall not be extinguished. If, at the time of the acceptance of objects, it is not impossible to detect losses to and defects in the objects, the right to bring an action against the transporter, according to the following provisions, shall be preserved even after the acceptance and settlement of the transportation fees:

a. If it is proved that losses and damages have been caused within the period between the receipt of the objects by the transporter and their delivery to the consignee.
b. If examination and scrutiny of the objects have been made eight days after the detection of damages and the acceptance, by the experts. If the damage and loss are caused by deceit or gross negligence of the transporter, he may not claim the extinguishment of the right to bring a suit.

Part Three - Transport of persons

Article 856:

Passengers shall be obligated to follow regulations set forth by the transporter for regulating transportation services.

Article 857:

If the journey is cancelled after the contract and before the departure, the following rules shall apply:

a. If the passenger has not been able to be present on time at the departure place, he shall have the right to travel by the next transporting vehicles.
b. If the passenger refrain from traveling, he shall not be entitled to refund.
c. If the journey has been cancelled due to death, illness or force majeure, the fare shall be refunded.
d. If the journey is cancelled due to force majeure related to the means of transportation or with no fault of the parties, the contract shall be terminated (and the parties shall not be obligated to pay compensation), but if the transporter has already received the fare, in this case, he shall be obliged to return it.
e. If the journey has been cancelled due to acts and faults of the transporter, the traveler may recover the paid fare and claim compensation.

Article 858:

If the journey is interrupted after the contract and the departure, unless the contrary is agreed, the following rules shall apply:

a. If the passenger has refrains, en route, from travelling, he shall be obliged to pay the full fare.
b. If the transporter refrains from continuing the journey or if the passenger has been forced to stop on the midway due to the transporter fault, he shall not be obliged to pay the fare.

   And if the passenger has already paid the fare, he may recover the full fare and claim compensation.
c. If the journey is interrupted due to personal cause of the passenger or force majeure related to the means of transportation, the fare shall be paid in proportion to the distance travelled. In this case, neither of the parties shall be obliged to compensate for the loss inflicted on the other.

Article 859:

If the transporter stops, during the journey, at a place that is not mentioned in his scheduled course or deviates from the designated route and takes another path or delays the arrival at the destination in another form, the passenger shall have the right to terminate the contract and claim compensation.
If the transporter is transporting other objects and goods in addition to the passengers, he may delay as long as required for unloading of the goods and objects. The rule of this Article shall only apply if there exists no contract to the contrary.

Article 860:

If the journey is delayed due to the government order or necessary repairs of the transporting means or risks preventing continuation of the journey, the following rules shall apply (unless no private contract exists between the parties):

a. If the passenger does not want to wait for the removal of the impediment or completion of the repair, he may terminate the contract by paying the fare proportional to the distance traveled.
b. If the passenger wants to wait, he shall pay just the designated fare, but if the fare also includes foods, the passenger shall bear the expenses of his food during the stop.

Article 861:

The passenger shall not be obliged to pay a separate fee for his personal luggage and objects (unless the contrary is agreed).
The transporter shall be liable for the loss of and damage to the objects of the passenger according to rules mentioned in Articles 838 to 843.
The transporter shall not be liable for the loss of objects carried by passengers themselves.

Article 862:

The transporter shall have the right to retain the luggage of the passenger in order to recover the fare and the food expenses.

Article 863:

The transporter shall not be liable for accidents occurring to passengers while in transit (provided that it is not proved that the accident has been caused by the act and neglect of the transporter or persons directly related to him).

Article 864:

If the passenger dies during the journey, the transporter shall be obligated, for the protection of interests of the heirs, to safeguard his luggage and objects until the time of their delivery to the competent persons.
If one of the relatives of the deceased is present there, he may intervene in the process of implementation of this transaction and request a declaration on the list of the deceased belongings.

Article 865:

The transporter shall bear the duty of disciplining the inside of the vehicle. He shall be obligated to make sure that passengers do not carry such objects that cause trouble and damage to others, otherwise, the transporter shall be obliged to compensate for losses inflicted on passengers.

Chapter Thirteen - Insurance

Part One - Insurance General Rules

Article 866:

Insurance shall be a contract by which an insurance company undertakes to compensate (by paying a certain amount of money) for losses and damages incurred by persons due to designated accidents and force majeure in exchange for an amount of money.

Article 867:

The rules of this Law shall apply to insurance disputes (unless the contrary is specified in the insurance policy).

Part Two - Property Insurance

Article 868:

Properties may be insured by the owners, creditors, mortgagees, tenants and all persons really benefiting from the protection of properties or their agents or representatives.

Article 869:

A person may sign an insurance policy in the name and on the account of another person, but if he has not been authorized to represent the person on behalf of whom he has taken action, he shall be personally liable for the insurance premium.
If the person, under whose name and account the insurance policy is signed, has accepted the insurance, before or after the occurrence of the risk, he may use the insurance.

Article 870:

If an insurance that is concluded by agency is accepted by the client, it shall be such considered that the agent has acted in accordance with the agency terms.
If the client has not instructed on the insurance terms, the agent shall be obligated to sign an insurance policy on the basis of the customarily current terms at its implementation place. If it cannot be understood, from the terms of the insurance policy, that it is signed in the name and on the account of another person, it shall such be considered that the policy has been signed in the name and on the account of the signing person.

Article 871:

A creditor may insure his debt against the risk of inability of the debtor to repay.
In this case (unless no contract exists to the contrary), the insurance company may request that the creditor makes a recourse, in the first instance, against the debtor properties and recover his debt by their sale.

Article 872:

If creditors have taken the real and movable properties of the debtor under their control to whom they are mortgaged or have a preferential claim over these properties in case of making a recourse on them, in case these properties are insured, the indemnity that is paid for the damages inflicted shall be considered as a substitute for the insured properties relating to the creditors claims.

Article 873:

If preferential claims of creditors over the insured property are different, in case of insufficiency of the price of the property to cover the claims, the creditor whose preferential right is subsequent may not take action to insure that property.

Article 874:

Losses deriving from illegal acts or acts against the common morals and public morality may not be insured.

Article 875:

An insurance policy shall be considered void if those who are insured or conditionally benefit from the insurance have been aware of the occurrence of the risk or the insurance company has been aware of the impossibility of occurrence of the risk. In the first case, the insurance company may claim the insurance premiums.

Article 876:

The insurance company shall be obligated to compensate only those damages that have been actually inflicted on the insured. Therefore, if the insurance indemnity exceeds the property price, the insured may not utilize the extra price.
If the insurance indemnity, given the mentioned method, is less than the property price, the insurance premiums shall also be reduced and the excess payment for the premiums shall be returned, but if the insurance premium has been initially determined by the experts (appointed by the parties) and the parties have accepted it, the insurance company may not object to this premium.

Article 877:

The insurance company may, at any time, examine the insured property to establish the premium.

Article 878:

A property whose total price has been paid by an insurance company may not be reinsured by the same company against the same risks. If the total price of the insured property cannot be established in the previous contract, insuring the remaining part of the property for the second or more times shall be permissible. In this case, the insurance companies who have subsequently insured the property shall be liable for the price of the remaining part since the date of the insurance policy.
Policies that have been signed on the same day shall be such considered that they have been signed at the same time.

Article 879:

If a property is insured by several companies at the same time against the same risks, the signed policies shall be valid up to the price of the insured property. In this case, each of the insurance companies shall be considered liable for the premium in proportion to the total price.

Article 880:

If a property has been insured for only a part of its price, in case of partial damage (unless the contrary is agreed), the insurance company shall be liable to compensate for the price of that part of the property that has been insured.

Article 881:

A property that is insured for its total price, its reinsurance against the same risks shall be permissible in the following cases:

a. If the consent of the relevant insurance companies have been obtained, in this case, it shall be considered that all the insurance policies have been executed signed at the same time and in case of occurrence of loss, it shall be compensated by the insurance companies according to the proportion mentioned in Article 879.
b. If the insurer has transferred rights of the antecedent insurance company to the subsequent one or has waived them, this method of transferring shall have to be explicitly stated in the subsequent insurance policy, otherwise, this policy shall be ineffective.
c. If it is stipulated that the subsequent insurance company is liable to compensate for what has not been compensated by the antecedent insurance company, in this case also, the matter shall have to be specified in the subsequent insurance policy in accordance with the antecedent one.

Article 882:

The insured shall be obliged, at the time of signing the insurance policy, to inform the insurance company of all details that may fall outside the policy or increase the premium. Silence or incomplete and unreal answer by the insured, despite the insurance company question, and non-awareness of the insurance company of the reality shall terminate the policy. But, if the insurance company does not exercise its right to termination within three months since the date of being informed of the reality, this right shall be extinguished. If the bad faith of the insured is proved, the insurance company shall be entitled to receive the premium.

Except for items mentioned in the relevant list of the insurance policy that have been ticked to have been answered and confirmed, no other liability shall be attributed to the insured.

Article 883:

If the possibility of occurrence of a risk, before the emergence of liability of the insurance company without interference and influence of the insured or the person who is stipulated to benefit from the insurance, is extinguished, the insurance company shall not be entitled to the premium.

Article 884:

The insured may, before occurrence of liability of the insurance company, terminate the insurance policy partly or wholly. In this case, the insurance company shall be entitled to half of the premium.

Article 885:

Unless the contrary is stipulated, the insurance company shall be liable to compensate for damages inflicted due to involuntary acts of the insured or the person who conditionally benefits from the insurance or those persons for whose acts the insurance company is legally liable.

But, in no case shall the insurance company be obliged to compensate for losses caused by the fraud of the insured or the person who conditionally benefits from the insurance.

Also, unless the contrary is specified in the policy, the insurance company shall not be obliged to compensate for defects occurring in the insured property.

Article 886:

The insured shall be obliged, within five days since the date of becoming aware of the insured risk, to notify the insurance company. In addition, the insured shall be obligated to take necessary measures to prevent the occurrence of the loss or reduce and lessen it.

Conditions stipulated to the contrary in the policy, in favor of the insured, shall be void. The insurance company shall be obligated to compensate for the expenses of the measures taken, even if they have been ineffective. But if the insurance does not cover the total price of the property, the expenses shall be reimbursed on the basis of the proportion between the insurance money and the total price of the property.

Article 887:

If the insured does not fulfill the duties mentioned in Article 886 by a fraud or gross negligence, he shall lose his insurance rights.

Article 888:

If a property has been insured, according to Article 879, by several insurance companies, the insured shall be obliged, when the risk has occurred, to notify each of the insurance companies, within the designated period of Article 886, of the loss and the policies he has signed on this property.

Article 889:

Unless the contrary is stipulated, each insurance company shall be liable to compensate for losses inflicted on the insured objects, in terms of destruction and change, except in case of war and rebellion.

Article 890:

If one of the risks for which the insurance company is liable, according to Article 889, is excepted from the insurance policy and a loss is inflicted due to that, the insurance company shall bear the burden to prove that the inflicted loss has been of the excepted ones.

Article 891:

Unless the contrary is stipulated, the insurance company shall be liable for the risks occurred since the date of the insurance contract. If the duration of this liability is not specified in the policy, it shall be determined by the court on the basis of the local custom.

Article 892:

The insurance company shall be entitled to the premium when the insurance liability commences.

Article 893:

The premium may be paid in cash or in a kind that is convertible to cash, all in one cash payment or by monthly or yearly installments. But, if the contrary is not agreed, the premium shall be payable, in cash, when the insurance liability starts.

Article 894:

If the insurance premium and the payment method have not been specified, they shall be determined by the court on the basis of the local custom.

Article 895:

The insurance money shall be determined on the basis of the price of the insured property. If the price of the property exceeds the insurance money, the money shall only be paid when the insured property has been totally destroyed. In case of partial loss of the property (unless the contrary is agreed), the insurance money shall be determined in proportion to the total price of the property.

Article 896:

If the price of the insured property has not been recorded in the contract, the insurer shall be obliged to prove its price at the time of occurrence of the risk. If the court requires, it may, for its own convincement, request the insurer to take an oath. If the insurer claims that the price of the insured property is less than what is inserted on the insurance policy, it shall be obliged to prove it.

But if the price of the insured property has been estimated, before the occurrence of the risk, by the experts (who are appointed by the parties) and no fraud by the insurer is proved, the insurance company may not protest against this price.

Article 897:

The insurance company shall become the legal successor of the policy holder after the payment of the insurance money. Therefore, if the policy holder has the right to claim compensation against third parties, this right shall be transferred to the insurance company in proportion to the amount the company undertakes to pay.

If the policy holder disturbs his rights which are transferred, according to the first part of this Article, to the insurance company or creates causes of the disturbance, he shall be liable to the insurance company.

Article 898:

The insurance contract shall be established by the insurance policy or another text that substitutes the contract. The contract shall be prepared in two copies and it shall, in addition to the date and signature of the parties, include the following items:

a. The name and domicile of the insurance company and the insured
b. The subject of the insurance
c. The risks that the insurance company has undertaken to compensate with the beginning and end dates
d. The insurance money
e. The amount, time and place of payment of the insurance premium
f. All circumstances and factors that may determine the nature of the insured risks

Note: The insurance policy shall be prepared in the name or order of the insured or for the bearer.

Article 899:

Unless the contrary is stipulated, the insurance company shall be obliged to conclude the insurance contract directly between the insured or his agent and authorize it to the insured within twenty four hours since the contract date or, if the contract has been concluded by the broker, within ten days since the date of the contract, otherwise, the insured may claim the incurred losses against the insurance company and the insurance broker.

Article 900:

The insurance company may reinsure the property it insures, with any stipulation. The insurer may also insure the insurance premium.

Article 901:

The insurance premium shall be paid at the domicile of the insured, but if it is stipulated in the contract that the premium be paid at the domicile of the insurance company or that of its agency, the stipulation shall be valid.

However, despite this stipulation, if the insurance premium has been in fact paid at the domicile of the insured, the stipulation of the payment of insurance premium at the domicile of the insurance company shall be ineffective.

Article 902:

If the insured has not paid the insurance premium at the time of conclusion of the contract or a fee is added to it or it is divided into installments, and if the insured has not paid the fee or the installment at the expiration of the payment period, the insurance company shall send him a formal notice through a registered letter. In case of non-payment of the fee or the installments, the insurance policy shall be considered terminated within one month.

Any contrary condition stipulated in the contract shall be void.

Article 903:

If, in the insurance contracts concluded for several years, particular factors that increase seriousness of the risk have been taken into account in determining the amount of insurance premium, and if these factors have been distinguished later on, the insured may claim a premium discount for the relevant years.

Article 904:

If the insurance company is bankrupted before the expiration of the insurance policy, or, if the insurance premium has not been paid yet, the insured bankrupts or becomes unable to pay, the other party may make a recourse against all his assets and request guarantees for the fulfillment of the undertaking. If guarantees are not granted within three days, the party who has made a recourse against all of the assets of the other party may terminate the contract.

Article 905:

If, during the period of contract, the person whose property has been insured is replaced due to a reason, unless the contrary is stipulated in the contract, all rights and obligations deriving from the insurance shall be transferred to the new owner since the date of the new ownership, but the insurance company may refer to the first owner for the insurance premium.

Article 906:

If the insured, without the agreement of insurance company, changes the risks location or the condition of the property from those at the time of contract and these changes are of such nature that if they existed at the time of conclusion of the contract, they would prevent its implementation or required strict terms, the insurance company may terminate the contract. If the person who makes these changes notifies the insurance company of the matter within eight days and the insurance company does not exercise his right of termination, the insurance shall continue.

Article 907:

If the insurance premium has not been paid for two years, it shall be preferably recovered from the insured property. The preference claim shall have priority over other preferential debts.

Part Three - Fire Insurance

Article 908:

The insurance company shall be liable to compensate for all losses inflicted on insured movable and immovable properties by fire.
The insurance company shall not be liable to compensate for losses inflicted by intentional fire in which the insured party is primarily or secondarily involved.

Article 909:

The following losses, unless the contrary is agreed, shall be considered as losses caused by the fire:

a. Damages caused by any instrument used with the purpose of putting out the fire, such as damages inflicted due to prevention of heat, smoke, steam or other actions taken to salvage, such as moving the insured objects from one place to another or the partial or complete destruction of the insured building which is made, if necessary, with the purpose of preventing the expansion of the fire
b. Losses deriving from fire, lightning, explosion and the like, even if they have not caused fire

Article 910:

A contract concluded for the insurance of movable and immovable properties against fire shall have to include, in addition to specifications of Article 898, the following information:

a. The location and type of building and the method of utilization of the insured building
b. If the subject of insurance is goods, the location of the building in which they are located with the method of their assembly and use

Article 911:

Partial damage inflicted on an insured building caused by fire shall be established by comparing the value of the building before and after the fire.
Damages inflicted on an insured building by fire shall be compensated in the same way as its price is paid. If construction or repair of a building that is partially or completely damaged by fire has been contractually specified, it shall be made during a period agreed by the parties. In case of disagreement of the parties, the period shall be determined by the court. If the expenses have been paid by the insurance company, the insured shall be obligated to make the repair and construction, and the insurance company shall have the right to supervise the expenses which it is obliged to pay.

Article 912:

A person who has the right to take action on a property, on the account of another person, may insure it against the partial or complete fire risks. Also, a person who possesses a property, under any title, he may insure it against fire resulting from his negligence and makes him legally liable to another person.

Article 913:

In case of realization of Article 912, concerning the capacity of recovering the insurance compensation, the insurance company shall be obliged to pay it only to those persons to whom the insured is liable. Creditors of the insured may not take advantage of this insurance compensation.

Article 914:

Unless the contrary is agreed, the insured shall have the right to deliver the damaged objects to the insurance company and claim their price.

Part Four - Transportation Insurance

Article 915:

Unless the contrary is agreed, as for the insurance of objects being transported by land or on the waters other than the ocean, the insurance company shall be liable for damages inflicted by any cause since the date on which the objects have been given delivery to the transporter until the date on which they are

delivered to the consignee by the transporter.

Article 916:

The insurance money shall, in addition to the local price of the insured property at the price of the time of the delivery to transporter, include transportation fees and other expenses necessary for the arrival of property to the designated place.
The insurance money may include a fair and customary profit of the arrival of property at the designated place, provided that it is separately inserted in the insurance contract.

Article 917:

The transportation insurance contract shall, in addition to the specifications of Article 898, include the following items:

a. Transportation means by which the property is transported and the route followed in the transportation
b. The name and commercial title of the transporter
c. The period of transportation, if a period is determined for the transportation by the consignee and the transporter
d. The place of delivery of objects to the transporter and the place of delivery to the consignee

Article 918:

The insurance company shall be liable to compensate for damages caused by fraud and fault of the transporter employees.

Article 919:

If transportation is temporarily interrupted or if the route and transportation means are changed, the insurance contract shall not be terminated.

Part Five - Life Insurance

Article 920:

The life of a person may be insured either by himself or by a third party, but in order for the insurance contract to be valid, it is necessary that the third party has an interest in the life of the insured person. A contract for the health insurance of an incompetent or insane person shall be permissible, but signing an insurance subject to their death shall be void. In both cases, if the death occurs, half of the contract premium that has been received from the insured up to the death date shall be returned.

Article 921:

The insurance company may insure the probability of death of a person over a designated period, or, in circumstances specified in the contract, insure him for an additional time to the designated period.

Article 922:

In the life insurance contract, in addition to the specifications mentioned in Article 898, the name, age, profession and health condition of the person who is life insured shall be inserted. This contract may be made in the name of the insured or "to the order", but it may not be made to the bearer.

Article 923:

If the person whose life is insured dies at the time of conclusion of the contract, the insurance shall not be valid.

Article 924:

In case of non-payment of the insurance premium, the rule of Article 902 shall apply and the insurance company does not need to bring a suit in this regard.

If, before completion of three years, the insured withdraws from the insurance, stops paying the premium, he may not claim refund of the fee or consideration he has paid against the insurance company.

If the insured withdraws after the completion of three years, he may, after a one percent discount of the total premium, claim two thirds of the remainder.

Article 925:

Suicide by the person who has insured his life against the risk of death shall not oblige the insurance company to make a payment, but if the suicide has been occurred under circumstances that hampers volition and cognition shall not affect the validity of the insurance.

If a person, whose benefiting from the insurance is conditional, has been convicted of being directly or indirectly involved in the murder of the insured, he may not take advantage of the insurance and the object of judgment shall be paid to the heirs of the murdered person.

Article 926:

As a person may insure his life for any amount he wishes, he may also insure with several insurance companies without limiting himself with the amount of the insurance money.

Article 927:

The capacity to claim and recover the rights and benefits resulting from a life insurance contract concluded for a third party, against the insurance company, belongs directly to this third party.

If the inheritance relationship of the third party is also mentioned in the insurance policy, like the first mentioned case, the mentioned person shall have directly the rights and benefits against the insurance company. Husband and wife may, in one policy, conclude two insurances for each other life.

Article 928:

As the insured may designated a beneficiary at the time of conclusion of the insurance policy, he may also designate him after the conclusion.

The insured may, after designating a conditional beneficiary, change him, but if he has undertaken in the policy that he does not have the right to change the beneficiary and has submitted the policy to the conditional beneficiary, he may not change that person.

Article 929:

In case of bankruptcy or liquidation of the insurance company transactions, the right to claim of those who are beneficiaries on the basis of valid contracts shall exclusively be subject to the return of the premium, without interest, that has been paid for the policy until the day of issuance of the bankruptcy or liquidation order.

Article 930:

The insured may, without previous notice, travel in Afghanistan or abroad by land, sea or air.

A life insurance contract in the time of peace shall be valid during journeys including armed mobilization or during rebellion, turbulence, civil wars and political crises. Only during the occurrence of war with a foreign government (unless the contrary is stipulated) the policy shall be cancelled. In this case, the premium received for anticipation of death shall be returned, without interest.

Article 931:

An insurance contract on the basis of tontine shall mean payment by designated installments by partners with this aim that the annuity be divided among those who are alive on a designated date.

Part Six - Accident Insurance

Article 932:

Accident insurance shall mean a contract upon which the insurance company undertakes to pay, in return for a specific fee, a designated capital or income in case of occurrence of an incidence, such as illness or an event affecting material interests and working and action or death of the insured due to an accident whose nature and kind have been defined or temporary or permanent disability of the insured. This payment shall be made to the insured or to his heirs or several other specified person or persons who have legally been succeed him.

As the insurance contract may be directly concluded by the insured, third parties may also conclude it in favor of one or several persons. Accident insurance by a group or population shall also be possible. In this case, it is not necessary to mention the names of the insured. Mention of the profession or occupation shall be sufficient.

Article 933:

As insurance contracts may be concluded to compensate for losses incurred by the insured due to accidents, they may also be entered into with the purpose of compensating for damages which the insured has been obliged to settle with another person.

Article 934:

In respect of accident insurances, the company shall be obliged to pay compensations specified in the policy for the following accidents:

a. In case the accident results in death, whether immediate death or within one year since the date of the accident
b. In case the accident causes permanent disability
c. In case the accident causes temporary disability to work, compensation shall be paid to the insured on a daily basis as long as the disability lasts

Article 935:

Unless the contrary is stipulated, the insurance company shall be obliged to pay, in addition to the compensation included in the contract, the expenses of medical treatment which the insured has actually spent.

Article 936:

If the insured receives insurance money on the basis of the loss he has incurred due to the fault of a third party, his right to make a recourse against the third party shall not be extinguished by this. The third party shall be obliged, regardless of the insurance, to compensate for the losses of the damaged person.

In other cases relating to accident insurance, rules of life insurance shall apply.

Part Seven - Agricultural Insurance

Article 937:

Any kind of crops, harvested or not may be insured at any time of the year.

Article 938:

Agricultural insurances shall be valid for the period they have been contracted, and after the payment of compensation, the insurances shall continue to exist against a second damage.

Losses shall be determined and established by a surveyor appointed by the parties.

Article 939:

The duration of insurance in agricultural insurance companies established on mutual trust shall be the duration of the company, but, both the company and the shareholders may, at the end of each year, terminate the contract. Any stipulation to the contrary shall be void.

Article 940:

Insure of all agricultural and domestic animals against any kind of contagious disease and accident shall be permissible.

Part Eight - Theft Insurance

Article 941:

In order to protect persons against theft or persons who have incurred losses and borne financial liability due to theft, it is possible to conclude an insurance contract against theft.

Part Nine - Lapse of Time

Article 942:

Any case deriving from the insurance contract shall be extinguished after two years since the date of the dispute occurrence.

Article 943:

Upon promulgation of this Law, the following Laws shall be repealed and this Law shall replace them:

a. The Commercial Books Law
b. The Brokerage Law
c. The Commercial Law
d. The Commercial Registration Law

Article 944:

This Law shall be binding two months after the date of promulgation.

Article 945:

The National Economy Ministry shall be responsible for the implementation and application of this Law.

We order and ordain the enactment and implementation of this Law among other laws of the country. Dated 21 Qaus 1334 H. Shamsi coinciding to 20 Rabi' Al-Thani 1375 H. Qamari (12 December 1955).