



Extract from the Civil Code of the Azerbaijan Republic

Chapter 37. Loan

Article 739. Loan agreement

739.1. According to loan agreement one party (creditor) undertakes to transfer to possession of another party (borrower) money or other substitutive items, and borrower undertakes to return the same amount of money or similar quantity of items of the same sort and quality.

739.2. Where the subject of loan agreement is any money amount, it is called a credit agreement. Persons engaged in lending of money loan in the form of independent professional activity must follow provisions on lending loans additionally in professional manner.

Article 740. Form of loan agreement

Loan agreement is concluded verbally. Written form of agreement may also be used with consent of parties.

Article 741. Interests on loan agreement

Where the participants of agreement agree upon granting interest-bearing loan, the interest must be paid in proper manner at the end of one year, in case the loan is subject to return upon ending of one year interest payment must be accomplished at the same time with the loan returning.

Article 742. Termination of loan agreement and return of loan

742.1. In case the return time is not determined by loan agreement the loan must be returned by creditor or borrower upon termination of loan agreement.

742.2. Term of notification about termination of loan agreement for loans in amount of one hundred times more than the minimum wage, stipulated by law, consists of three months, for less amount loans it consists of one month. In case interest on loans were not agreed borrower is entitled to return the loan even without giving of termination notice.

Article 743. Right of requirement of immediate repay of loan

Where the property condition of borrower becomes worse significantly, and this causes a danger for return of loan, creditor may require its immediate return. This right is also valid if creditor's property condition becomes worse before conclusion of agreement and for

creditor it is valid only when it becomes known to creditor upon conclusion of loan agreement.

Article 744. Special right of borrower for termination of agreement

744.1. Borrower may terminate completely or partially a loan agreement with agreed constant interest for certain term in the following cases:

744.1.1. in case of complete repayment of interests before termination of the term determined for repayment of loan and if no new agreement on interest rate was approved — with coming into effect not earlier than by the end of the day of interests dependence termination, provided that one month term of termination notification is observed;

744.1.2. in case of conditionality of interest rate for certain periods of time, including year period — with coming into effect accordingly by the end of the day of termination of interests dependence, provided that one month term of termination notification is observed;

744.1.3. in case loan is given to a physical person — with coming into effect not earlier than by the end of nine months term after obtaining of loan, provided that three months term of termination notification is observed; if loan is guaranteed with right related to land ownership or is considered completely or mainly for carrying out independent craft activity in manner of mastership or professionalism;

744.1.4. in any case - ten years after obtaining of loan provided that six months term of termination notification is observed. If upon obtaining of loan the term of its recovery or interest rate is conditioned again then date of conclusion of that agreement replaces the payment term.

744.2. Borrower may terminate the agreement on changing of interest rate any time with observance of three months notification term.

744.3. If borrower by the end of completion day of the termination notification term do not repay loan to creditor then termination is considered incomplete by borrower.

744.4. Termination rights of a borrower according to this Article can not be limited or raveled. This provision does not apply to loan agreements of the Azerbaijan Republic, its state Bodies or municipalities.

Article 745. Creditor's termination rights

If during the agreement term property condition of another participant becomes worse significantly and this may lead to problems with loan's repayment then creditor may cancel loan granting notification before granting or repayment of an item promised on loan or amount.

Article 746. Promise to grant a loan

Where the promise to grant the loan is made, creditor may surrender it in case if deterioration of property condition of another party may cause danger of loan's non-repayment. Promise of loan's granting must be drawn in written.

Chapter 51. Bank deposit

Article 943. General provision on bank deposit

Provisions of this Chapter of this Code relating to banks shall also apply to other credit organizations accepting funds (deposits) from legal entities.

Article 944. Contract of bank deposit

944.1 Under the contract of bank fund (deposit), one party (bank) shall, by accepting from the other party (from depositor) or for the other party (for depositor) an incoming monetary amount (fund), undertake upon itself a return of a deposit amount to a depositor and payment of interest to him in accordance with the terms and procedure stipulated in the contract.

944.2 Provisions relating to the contract of bank account shall apply to relations between a bank and a depositor in respect of an account into which the deposit has been made, unless provided otherwise in the provisions of this Chapter of this Code or otherwise follows from the nature of the contract of bank deposit.

Article 945. Right to obtain monetary funds as deposits

945.1 Right to obtain monetary fund as deposits shall belong to banks having such right in accordance with a permit (license) issued in a special order provided by law.

945.2 In the event of acceptance of deposit from physical person by a person not having such right or in violation of procedures established by law or of banking procedures adopted in accordance with *law*, a depositor may demand an immediate return of the amount of the deposit, as well as interest in its respect, and may, in addition, demand compensation for all damage caused to him. In the event of acceptance by such person of monetary funds from a legal entity on the basis of terms of the contract of bank deposit, such contract shall be invalid.

945.3 Unless provided otherwise by law, the consequences stipulated in Article 945.2 of this Code shall also apply to the following circumstances:

945.3.1. in the event of obtaining of monetary funds of physical and legal entities by sale to them of stock and other securities the issuance of which has been found illegal;

945.3.2. in the event of obtaining of monetary funds of physical persons against the drafts and other promissory notes not allowing receipt by their holders of the deposit on first demand nor the exercise by the depositor of other rights specified in this Chapter.

Article 946. Form of contract of bank deposit

946.1 The contract of bank deposit shall be concluded in a written form. The written form of the contract of bank deposit shall be considered observed in the event the making of a deposit is confirmed by a bank-book, bank or deposit certificate or other document issued by a bank to a depositor that meets the requirements provided for such documents by law, bank rules established in accordance with law or customs of trade applied in banking practice.

946.2 Non-observance of the written form of the contract of bank deposit shall result in the invalidity of this contract. Such contract shall be void.

Article 947. Types of deposits

947.1 The contract of bank deposit shall be concluded on condition of return of deposit on first demand (demand deposit) or upon expiry of a period stipulated in the contract (time deposit). The contract may contain provisions for making deposits on other return conditions not contradicting to law.

947.2 Under the contract of bank deposit of any type, the bank shall be obligated to return *not less than one-fourth part of the amount of deposit forthwith, and the rest part not later than within five banking days*, with the exception of deposits made by legal entities with differing contractually agreed terms of return. Term of a contract relating to the waiver by a physical person of his right to receive a deposit on first demand shall be void.

947.3 With the exception of a demand deposit, in the event of return of a time or other deposit to a depositor upon his demand prior to the expiry of a time period or before the occurrence of other circumstances specified in the contract of bank deposit, interest on the deposit shall be paid at the rate corresponding to the rate of interest paid by the bank on demand deposits, unless other rate of interest has been provided by the contract.

947.4 In the event a depositor has not demanded the return of the amount of a time deposit upon the expiry of time period or the amount of a deposit made on other conditions of return upon occurrence of circumstances stipulated in the contract, the contract shall be considered extended on a demand deposit terms, unless provided otherwise by the contract.

Article 948. Interest in respect of the amount of deposit

948.1 Bank shall pay a depositor interest on the amount of the deposit at the rate provided by the contract of bank deposit. In the event of absence in the contract of provisions relating to the rate of interest to be paid, the bank shall pay the interest at the rate determined in accordance with Article 449.1 of this Code.

948.2 Bank shall have the right to change the rate of interest payable on demand deposits, unless provided otherwise by the contract of bank deposit. Upon reduction by the bank of the interest rate, the new rate of interest shall apply to the deposits made to the bank prior to the notice in respect of the reduction of the rate of interest upon the expiry of 1 month from the time of respective notice, unless provided otherwise by the contract.

948.3 The rate of interest established in the contract of bank deposit in respect of a deposit made by physical person on the condition of its return upon the expiry of a time period or occurrence of a circumstance provided in the contract may not be unilaterally reduced by the bank. Where the contract does not provide otherwise, the rate of interest in respect of such contract of bank deposit between the bank and a legal entity cannot be unilaterally changed.

Article 949. Procedure for calculation and payment of interest on amount of deposit

949.1 Interest on the amount of a bank deposit shall be calculated from the day following the day of the deposit of that amount to the bank [account] until the day preceding the day of return of the deposit to the depositor or its deduction from the depositor's account due to

other grounds. This procedure shall not apply in respect of one-day deposits.

949.2 Unless provided otherwise by the contract of bank deposit, interest on the amount of bank deposit shall be paid to the depositor upon his demand at the expiry of each quarter separately from the amount of the deposit, and interest not claimed at this time shall increase the amount of the deposit on which interest is calculated. Upon return of the deposit, all interest accrued up to that time shall be paid.

Article 950. Guarantee of the return of deposit

950.1 Banks shall be obligated to ensure the return of deposits of physical persons by compulsory insurance, and where provided in law — by other methods. The return of deposits to physical persons by banks, over fifty percent of the participation shares or charter capital of which belongs to the Azerbaijan Republic or municipalities, shall be guaranteed by their subsidiary liability on the claims of depositors against the bank by procedure provided in Article 453 of this Code.

950.2 Methods of return of deposits of legal entities by bank shall be determined by the contract of bank deposit.

950.3 At the time of conclusion of the contract of bank deposit, a bank shall provide a depositor with the information on ways of guarantee of return of bank deposit.

950.4 In the event of non-fulfilment by bank of obligations stipulated by the contract of bank deposit in respect of guarantee of return of deposit as well as in the case of loss of guarantee for the return of deposit or worsening of its conditions, the depositor shall have the right to demand from the bank an immediate return of the amount of deposit, payment of interest on it at the rate determined in accordance with Article 948.1 of this Code and compensation for caused damage.

Article 951. Depositing by third persons of monetary funds to depositor's account

Unless provided otherwise by the contract of bank deposit, monetary funds received by the bank to the name of a depositor from third persons with an indication of necessary information in respect of the depositor's deposit account shall be credited to the deposit account. It shall be also assumed that the depositor has expressed his consent to the receipt of monetary funds by providing these persons with necessary information in respect of a deposit account.

Article 952. Deposits in favor of third persons

952.1 A deposit can be made in the bank in the name of a specific third person. Unless a different term has been specified in the contract of bank deposit, such person shall obtain the right of a depositor from the time of his tendering to the bank of the first demand based on these rights or of expression by him to the bank in another manner of the intent to use such rights. Indication of the name of physical person or legal entity in whose favor a deposit is made shall be a material term of the contract of bank deposit. The contract of bank deposit in the name of a physical person having deceased by the time of its conclusion or a legal entity not existing at the time of its conclusion shall be void.

952.2 A person concluding the contract of bank deposit may, until expression by a third person of his intent to use the rights of a depositor, enjoy the rights of a depositor in respect of monetary funds deposited by him to the account.

952.3 Provisions relating to the third party beneficiary contracts shall apply to the contract of bank deposit for the use of third person, provided that such application does not contradict the provisions of this Article and a nature of a bank deposit.

Article 953. Bank-book

953.1 Unless provided otherwise by the agreement of parties, conclusion of the contract of bank deposit with physical person and a deposit of monetary funds to a deposit account shall be confirmed by a bank-book. The contract of bank deposit may provide for issuance of a named bank-book or a bearer bank-book. The name and location of the bank and, where a deposit has been made at a branch — also the name and location of respective branch, number of the deposit account, as well as all amounts of monetary funds deposited to the account, all amounts of monetary funds withdrawn from the account, and the balance of the monetary funds on the account at the time of presentation of the bank-book to the bank shall be indicated in the bank-book and confirmed by the bank. Unless proven otherwise, information in respect of deposit indicated in the bankbook shall be the basis for settlements in respect of deposit between the bank and the depositor.

953.2 Bank shall execute a return of a deposit, payment of interest on it and orders of a depositor in respect of transfer of monetary funds from a deposit account to other persons upon presentation of a bank-book. In the event of loss of a named bank-book or its being in a condition unsuitable for presentation, the bank shall issue a new bank-book upon a depositor's application. Restoration of rights in respect of a lost bearer bank-book shall be carried out in order stipulated for bearer securities.

953.3. If bank performs payment by bankbook to person who obtained the bankbook illegally, including the loss by someone else, it shall be released from

liability provided that it was not aware of any such circumstances. However, if bank does not have any such information as a result of significant negligence, it shall not be released from liability.

953.4. New creditor, who obtained in accordance with procedures of this Code the claim to the Bank via cession, may require the issuance of savings book to him.

Chapter 52. Bank account

Article 954. Contract of bank account

954.1 Under the contract of bank account, a bank shall undertake an obligation upon itself to accept and credit monetary funds received to the account opened for the client (accountholder), to execute client's orders relating to transfer and issuance of certain amounts from the account and on execution of other operations on the account.

954.2 Bank may, by guaranteeing the client's right of unhindered disposition of monetary fund in bank account, use these funds.

954.3 Bank may not determine or supervise the direction of use of client's monetary funds or impose other limitations on client's right to dispose of the monetary funds at his discretion not specified in the contract of bank account.

954.4 Provisions of this Chapter relating to banks shall also apply to other credit organizations entering into contract[s] of bank account and managing bank accounts in accordance with a special permit (license).

Article 955. Form of the contract of bank account

955.1 The contract of bank account shall be concluded in a written form.

955.2 Non-compliance with the written form of the contract of bank account shall result in invalidity of the contract. Such contract shall be void.

Article 956. Conclusion of the contract of bank account

956.1 Upon conclusion of the contract of bank account, a bank account shall be opened for client or a person designated by client on terms agreed upon between the parties.

956.2 The bank shall conclude the contract of bank account with a client making a proposal to open an account on terms expressed by the bank for the opening of accounts of the given type, corresponding to the requirements set forth by law and banking rules established in accordance with the law.

956.3 The bank shall not have the right to refuse to open an account where carrying out of certain operations in respect of the account has been provided for by law, the charter of bank and a special permit (license) issued to it, except where such refusal is caused by the bank's incapability to accept for banking services or is allowed by law or other legal act.

956.4 In the event of bank's ungrounded evasion of conclusion of the contract of bank account, client shall have the right to apply to court with a claim of forceful conclusion of the contract.

Article 957. Confirmation of the right to dispose of monetary funds in account

957.1 The rights of persons giving in the name of a client orders in respect of transfer and release of funds from the account shall be confirmed by presentation by the client to the bank of the documents specified in law, banking rules established in accordance with the law and the contract of bank account.

957.2 A client may give an order to a bank on writing-off of monetary funds from the account on demand of third persons, including a demand relating to performance by the client of his obligations to these persons. The bank shall accept such orders only on the condition of indication in them in a written form of necessary information allowing identification, upon presentation of a corresponding demand, of person having the right to present it.

957.3 The contract may provide for the verification of the rights to dispose of monetary funds in a bank account by electronic means of payment and other documents with use in them of analogues of handwritten signature, codes, passwords and other means confirming that an order has been given by an authorized person.

957.4. If bank writes-off monetary means on the basis of instructions that do not reflect the actual will of the account owner, it shall bear liability provided that he cannot prove the issuance of such instruction at the fault of account holder.

Article 958. Operations with account carried out by bank

The bank shall be obligated to carry out for the client the operations provided for the same type accounts by law, banking rules established in accordance with the law and by customs of trade applied in banking practice, unless provided otherwise in the contract of bank account.

Article 959. Time periods for account operations

959.1 The bank shall deposit monetary funds received to the account of client not later than the day following the day of receipt by the bank of respective payment document, provided that the law or the contract of bank account do not provide a for shorter period.

959.2 The bank shall, upon client's order, issue or transfer the from the account monetary funds of the client not later than the day following the day of receipt by the bank of payment document, provided that the law, banking rules established in accordance with the law or the contract of bank account do not provide otherwise.

Article 960. Giving credit to account

960.1 In the event where, in accordance with the contract of bank account, the bank makes payments from the account (giving credit to the account) despite the absence in it of monetary funds, the bank shall be considered to have granted the client a credit in the relevant amount from the day of making of such payment.

960.2 The rights and obligations of parties relating to giving credit to an account shall be determined by the rules applicable to debt and credit, provided that the contract of bank account does not provide otherwise.

Article 961. Payment of service fees by bank in respect of operations with account

961.1 The client shall pay for the services of the bank for performing operations with monetary funds in the account

961.2 Payment for services of the bank provided in Article 961.1 of this Code may be deducted by the bank from the account of a client upon completion of each transaction, unless provided otherwise by the contract of bank account.

Article 962. Interest for the use by the bank of monetary funds

962.1 Unless provided otherwise in the contract of bank account, the bank shall pay interest for the use of monetary funds in the client's account and the amount of such interest shall be deposited into account.

962.2 The interest specified in Article 962.1 of this Code shall be paid by the bank at the rate determined in the contract of bank account, and where the relevant term is missing in the contract — it shall be paid at the rate set in respect of the bank's demand deposit.

962.3 The amount of interest shall be deposited to the account within periods specified in the contract, and where such periods have not been provided for — at the end of each quarter.

Article 963. Setoff of mutual claims of bank and client in respect of account

963.1 Monetary claims of bank against client connected with giving credit to the account and payment of fees for bank services shall be terminated through setoff of claims of the client against the bank in respect of payment of interest for the use of monetary funds, unless provided otherwise by the contract of bank account. The said claims shall be setoff by the bank.

963.2 The bank shall inform the client of the carried out setoff in order and within the time periods established by the contract, and where the parties have not agreed the relevant terms — in order and within the time periods customary in the banking practice for providing clients with the information on the status of monetary funds in relevant account.

Article 964. Grounds for writing off of monetary funds from account

964.1 The bank shall carry out the writing off of monetary funds from the account on the basis of the client's instruction.

964.2 The writing off of monetary funds from the account without the client's instruction shall be allowed through the court decision, as well as in circumstances specified by law or contract between the bank and the client.

Article 965. Priority of writing-off of monetary funds from account

965.1 In the event of sufficiency in the account of monetary funds for the payment of all claims brought against the account, the writing off of these funds from the account shall be carried out in order of receipt of the client's instructions and other documents relating to the writing off (calendar order), provided that the law does not provide otherwise.

965.2 In the event of insufficiency in the account of monetary funds for the payment on the client's instructions and for the satisfaction of all claims brought against it, the monetary funds from the account shall be written off in the following order:

965.2.1. in the first place, the writing off shall be carried out in respect of the execution document providing for the transfer or issuance of monetary funds for the satisfaction of claims in respect of compensation for harm caused to life and health, as well as for satisfaction of claims in respect of withholding of alimonies;

965.2.2. in the second place, the writing off shall be carried out in respect of the execution document providing for the transfer or issuance of monetary funds for the payment of severance payments and salaries under employment contract, and for the payment of authorship royalties under the contract of authorship, including carrying out of the writing off of bank credits from the account issued for these purposes;

965.2.3. in the third place, the writing off shall be carried out in respect of payment documents providing for the payments to the state budget, *off-budget state fund for obligatory social insurance payments* and the municipal budgets;

965.2.4. in the fourth place, the writing off shall be carried out in respect of payment documents providing for the satisfaction of claims of the bank in respect of the issued credits;

965.2.5. in the fifth place, the writing off shall be carried out in respect of execution document providing for the satisfaction of other monetary claims;

965.2.6. in the sixth place, the writing off shall be carried out in respect of other payment documents in calendar [chronological] order.

965.3. The writing off of funds from the account on claims relating to the same order shall be carried out in calendar [chronological] order of receipt of documents.

Article 966. Liability of bank for improper conduct of operations on account

In the event of untimely depositing into the account of monetary funds arriving for the client or of ungrounded writing off by the bank from the account, as well as in the case of improper execution of the client's instructions in respect of transfers and payment of monetary funds from the account, the bank shall be obliged to pay interest on that amount in order and amount provided in Article 449 of the is Code.

Article 967. Bank secret

967.1 The bank shall guarantee the secrecy of bank account and bank deposit, operations on the account and information about the client.

967.2 Information constituting a bank secret may only be given to the clients or their representatives. Such information may be provided to the state bodies and their officials only in cases and procedure provided in law.

967.3 In the event of disclosure by the bank of information constituting a bank secret, the client whose rights have been violated may demand from the bank compensation for the caused damage.

Article 968. Limitation of disposition in respect of account

Limitation of the client's rights to dispose of the monetary funds in the account shall not be prohibited, however, the circumstances of imposition through the court decision of an arrest on the monetary funds and suspension of operations on account in cases specified in law shall constitute the exception.

Article 969. Termination of the contract of bank account

969.1 The contract of bank account may be terminated at any time upon the client's application.

969.2 Unless provided otherwise in the contract of bank account, the contract of bank account may be terminated by court upon the demand of the bank in the following circumstances:

969.2.1 where the amount of the monetary funds held by the client on the account is below the minimum amount established by the banking rules or the contract, provided that such amount has not been reinstated within one month of the day of the issuance of warning by the bank;

969.2.2 where no operations have been carried out in respect of that account in the course of one, provided that the contract does not provide otherwise.

969.2.3. *In the event of strong reasons, in particular if bank will prove the use by account holder of his account for illegal purposes.*

969.3 The remainder of the monetary funds on the account shall be given to the client or transferred to another account within 7 days of the receipt of a relevant written application from the client.

969.4 Termination of the contract of bank account shall serve as the basis for closure of the client's account.

Article 970. Accounts of banks

Unless provided otherwise in law, other legal acts or banking rules established in accordance with the law, procedures of this Chapter of this Code shall apply to the correspondent accounts, correspondent sub-accounts and other accounts of banks.