قانون تجارت ایران به زبان انگلیسی

The Iranian Commercial Code

BOOK 1.

Merchants and commercial Transactions

Article 1.

A merchant is a Person who is ordinarily engaged in commercial transactions.

Article 2.

Commercial transactions are:-

(a) Purchase or acquisition of any kind of movable property, for the purpose of sale or hire, whether in its original state or not;

(b) Transport business of any kind by land, sea or air;

(c) Every act of brokerage, commission, agency, and of engagement in any kind of establishment for the purpose of carrying on certain business, such as facilitating property transactions, engageing employees, procuring and despatching materials, etc.

(d) Establishing and operating any kind of factory, provided it is not for the personal requirements of the owner;

(e) Business connected with auctions;

(f) Management of places of public amusement;

(g) Any kind of banking and exchange business;

(h) Exchange transactions, whether between merchants or otherwise;

(i) Marine and other insurance business;

(j) Ship-building, buying and selling ships, shipping at home and abroad, and all transactions appertaining thereto.

Article 3.

The following operations are recognized as commercial in so far as one or both of the contracting parties are merchants:-

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(a) All business transactions between merchants, tradesmen, money-changers, and banks;

(b) All business transactions between a merchant and non merchant affecting his commercial requirements;

(c) All business transactions undertaken by the staff, employees or apprentices of merchants on behalf of their employers;

(d) All transaction of commercial companies;

Article 4.

Transactions affecting property, other than movable property, are no account to be classed as commercial transactions.

Article 5.

All transactions by merchants are classed as commercial transactions unless proved to be otherwise.

BOOK 2.

Commercial Books and Register of Commerce

Chapter 1.

Commercial Books

Article 6.

Except small merchants, every merchant is required to keep the following books; or other books laid down by order of the Minister of Justice.

(1) Journal;
(2) Ledger;
(3) Inventory;
(4) Copy book.

Article 7.

In the journal a merchant enters daily his credits, debits, commercial transactions, and transactions regarding commercial bills (such as purchases, safes and endorsements), and, in general, all commercial transactions of any kind whatsoever, and all disbursements for personal expenses.

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Article 8.

In the ledger a merchant must enter, at least one a week, an abstract of all operations extracted from his journal, The different Kinds of operations must be classified separately and each class entered on a different page.

Article 9.

The inventory is a book in which a merchant must enter and sign annually by the 15th Farvardine a complete and detailed statement of all his movable and immovable property, assets and liabilities for the part year.

Article 10.

In the copy book a merchant must copy in chronological order all letters, telegrams, abstracts of account, and invoices sent by him, each under its proper date.

Note: A merchant must also file, in accordance with their date of receipt, all letters, telegrams, abstracts of account and invoices received.

Article 11.

The books mentioned in Article 6, with the exception of the copy book must, before anything is entered in them, be signed by a representative of the Registry Office appointed in conformity with a decree of the Ministry of Justice.

The copy book need not be signed, but the pages must be numbered serially.

When each book is renewed annually, the clauses of the present article must be observed. The tax for the signature will be levied at the rate of two rials per each hundred or fraction of a hundred pages. Article 135 of the Registration Code will, moreover, be applied.

Article 12.

Any book thus submitted for signature must have its pages numbered serially and perforated. The signer must count the total number of pages, and write on the first and last page of each book the number of pages, the name of the owner of the book, and the date of signature. He must also attach a lead seal, which

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wil be provided by the Ministry of Justice for this purpose, to both ends of the cord. All numbers, as well as the date, must be written in words.

Article 13.

All transactions, and debit and credit entries in the above-mentioned books must be registered according to date on special pages. Erasing, obliterating, leaving blank spaces (more than is usual in book keeping) and writing in the margin or between the lines is forbidden; and the merchant must preserve all these books for a period of at least ten years from the end of the year the book was in use.

Article 14.

The books mentioned in Article 6 all other books used by merchants for their commercial transactions will serve as proof between merchants and for commercial acts, if they are kept in conformity with the present law. If incorrectly kept, they will be evidence against their owner only.

Article 15.

Breach of the regulations contained in Articles 6 and 11 are punishable by a fine of Rials 200 to Rials 10,000. This fine may be imposed by a court of law and without request from the public prosecutor.

The imposition of this fine does not prevent the further imposition of the penalities laid down in the clauses relating to a bankrupt merchant whose books have not been kept regularly.

Chapter 2.

Registers of Commerce.

Article 16.

In districts where the Ministry of Justice shall deem it necessary to establish a Register of Commerce, all merchants, whether Iranian or foreign, with the exception of small merchants, will be expected to have, in the time limit prescribed, their names registered in the said register, in default of which they will be fined from Rials 200 to Rials 2,000.

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Article 17.

The Minister of Justice will fix by decree the regulations relating to the Register of Commerce, mentioning expressly what must be inscribed therein.

Article 18.

Six months after registration in the Register of Commerce becomes obligatory, every merchant who has to register must clearly mention in his deeds, invoices and publications, printed or written, his registration number. For failure to do so, he will, in addition to the above decreed penalty, be fined from Rials 200 to Rials 2,0000.

Article 19.

Small merchants mentioned in chapters 1 and 2 will be defined in conformity with the provisions of a decree of the Ministry of Justice.

BOOK 3.

Trading Companies

Chapter 1.

Various kinds of companies and concerning them

Article 20.

There are seven kinds of trading companies:-

(a) The Joint stock Company

(b) The Limited Liability Company

(c) The General partnership

(d) The Limited partnership

(e) The Joint Stock Partnership

(f) The proportional Liability partnership

(g) The Co-operative Society for production and Consumption.

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Section 1.

Joint stock Companies

1. General.

Article 21.

A joint stock company is one formed for commercial purposes, the capital of which is divided into shares, and which the responsibility of the sharholders is limited to their shares.

Article 22.

The name of a joint stock company will not include the name of any of the shareholders In the name of the company the words "joint stock" must be mentioned.

Article 23.

The shares may or may not be registered.

Article 24.

The non-registered shares will be issued in the form of shares payable to bearer.

Their holder will be recognized as owner, in the absence of legal proof to the contrary. The transfer of this kind of share is effected by delivery.

Article 25.

The transfer of registered shares must be inscribed in the company's register.

The shareholder must, either personally or through an agent acting under power of attorney, approve and sign the trans fer in the said register.

Article 26.

Shares may be paid for in cash or otherwise. Shares not paid for in cash are shares which are paid for by other means in lieu of cash, such, as factories, concession deeds, etc.

Article 27.

The shares as well as the bonds (if any) must be of equal nominal value.

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Article 28.

When the capital of a joint stock company does not exceed two hundred thousand rials, the shares or bonds must be not less than fifty rials each, and when the capital exceeds two hundred thousand rials, the shares or bonds must be not less than one hundred rials each.

Article 29.

Until a joint stock company has been formed, no shares or provisional scrip (registered or not) can be issued. Any shares or provisional scrip delivered to a person before the formation of the company is null and void, and those who have issued it will be held jointly and severally responsible for any damage suffered by the holders of such bonds.

While fifty per cent of the nominal value of the shares remains unpaid, no shares payable to bearer, or unregistered provisional scrip can be issued.

Article 30.

Until subscribers of shares have paid fifty per cent of the nominal value of their shares, they are liable for the payment of the balance, even if they have transferred their shares, to a third party and the latter have undertaken to pay the balance.

Article 31.

Even after the payment of fifty per cent the subscriber is only freed from paying the balance if the statutes of the company permit. In this case whoever buys the shares is liable for the balance.

Article 32.

Whoever has subscribed for shares and has not paid for them within the agreed time will be liable for the payment of the shares and interest at the rate of twelve per cent for the delay.

Article 33.

The articles of the company may provide other measures in regard to persons mentioned in the preceding paragraph. They may stipulate that in the case of non-payment of the balance of

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the shares, the amount already paid will become the property of the company free of charge and that the subscriber will have no claim on the shares subscribed for by him.

In such cases, however, the amount which the subscriber has agreed to pay must be claimed from him at least three times by letter with receipt attached, and one month must have elapsed from the date of the last letter.

If the shares are payable to bearer, notification must be published in the newspapers, instead of letters being sent.

The contents of this regulations must, at the time the subscription is made, be expressly entered in the register of the company and signed by the subscriber.

Article 34.

Until the amount of the shares, registered or to bearer, has been fully paid, the amount paid up must be stated on the share itself. The company is, moreover, compelled on all deeds, bills, written, for which it is responsible, to state the amount of its capital in shares, and the amount of the said capital that has actually been paid.

Article 35.

Any joint stock company may, after a resolution of the general meeting of shareholders, called in conformity with Article 74. of the present law, issue preferential shares, enjoying certain advantages and prerogatives over and above other shares. The creation of shares of this type is only possible if the articles of the company allow it.

II. The construction of a joint stock company.

Article 36.

A joint stock company is constituted by a deed in duplicate. One of the copies will, according to the regulations of the Article 50, be added to the directors, declaration and the other deposited at the head office.

Article 37.

The articles of the company must particularly mention:-

(a) The name and the office of the company;

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(b) The object of the company;
(c) The duration, if formed for a limited period;
(d) The amount of the company's capital, and nominal value of the shares;
(e) The nature of the shares, mentioning whether payable to bearer or registered; the numbers of each kind of shares and the means whereby bearer shares can be turned into registered shares, provided usch transfers are accepted in principle;
(f) The composition of the board of directors and control;
(g) The number of shares that the directors of the company must leave on deposit with the company;
(h) Dispositions referring to the holding of a general meeting, the right of shareholders to vote, and the way in which deliberations must be carried out and decisions taken;
(i) Questions for the settlement of which there must be a special majority at the general meeting;
(j) The procedure by which the yearly accounts are to be settled and audited, as well as the mode of calculation and sharing of profits;
(k) The formalities to be followed for the modification of the articles.

Article 38.

A joint stock company is only definitely formed when the shareholders have subscribed the capital in full.

Where the shares do not exceed fifty rials, the shareholders must pay the full amount. In other cases, they must pay in cash at least one-Third of the amount of the shares. In any case the amount paid must not be less than fifty rials.

Article 39.

Any property to be delivered in exchange for non-cash shares must be delivered in full.

Article 40.

As soon as the deed evidencing the subscription of the company's capital and the actual payment of one-third of the

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capital in cash is prepard, the promoter must call a general meeting of the shareholders. This meeting appoints the first directors of the company as well as the auditors mentioned in Article 62.

Article 41.

Where a shareholder elects to receive a non-cash share or demands special privileges for himself, a general meeting of shareholders will be convened, and, in its first session, will order a valuation of such non-cash shares to be made or will consider the reasons given for the privileges demanded. Definite approval of such calculation, or of the reasons given for the privileges demanded, will not be given, and the formation of the company will not take place until a second meeting, a report on them must be published and distributed to all shareholders at least five days before the meeting.

Approval as above required sanction by a majority of two-thirds of the sharholders present, and the general meeting is only legal if half the total number of shareholders, representing half the total capital subscribed is present.

Shareholders who hold non-cash shares or who have asked for special privileges, are not entitled to vote at the meeting when their non-cash shares or privileges are the subject of discussion. That portion of non-cash shares which is the subject of deliberation will not be considered part of the company's capital.

If, at the second general meeting, one half of the total number of subscribers of shares in case, representing half the capital in cash, is not present, the meeting will pass provisional resolutions and will finally proceed in accordance with the last paragraph of Article 45.

If the non-cash contributions or the reasons for special privileges are not approved, any such subscriber can withdraw from the company.

Article 42.

The approval of the points raised in the preceding article is no bar to ultimate action being taken against shareholders on the ground of deceit or fraud.

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Article 43.

When a company consists of individuals who own jointly and exclusively the non-cash shares, the rules set out in paragraph 42 relating to the valuation of the non-cash contributions need not be observed.

Article 44.

The promoters of the company must draft a declaration which, in conformity with Article 50, must be filed at the Office of Registration.

They must submit it with documents in support to the first general meeting, in order to have it verified and approved.

Article 45.

The general meeting which considers the promoters' declaration and appoints the first directors and auditors must consist of a number of shareholders representing one half at least of the company's capital.

If the number of shareholders present at the general meeting represents less than one half of the company's capital, its decisions are provisional only. In this case, a fresh general meeting will be called and the provisional decisions taken by the first meeting will become binding subject to their being confirmed by the subsequent general meeting, and provided that one month at least before the new meeting is called these decisions are published twice at an interval of eight days in the local papers. At this new meeting the number of shareholders present must represent one-third at least of the company's capital.

Note: The papers in which the above-mentioned announcements are published will be chosen and their names notified annually by the Ministry of Justice.

Article 46.

The above-mentioned general meeting appoints the first directors and auditors of the company. The auditors are appointed for one year, and the directors for four years at most. The directors are elegible for re-election at the end of four years, unless the articles of the company provide other wise. When the articles company however, state that their reappointment need not be ratified by a general meeting, they must not be appointed for longer than two years.

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Article 47.

If the directors and auditors appointed by the general meeting agree to act, their acceptance is recorded in the minutes of that meeting and the company exists from that date.

III. Directors of a joint stock company and their duties.

Article 48.

A joint stock company is under the direction of one or more paid or unpaid representatives appointed from the shareholders as directors for a limited period and liable to dismissal.

Article 49.

When several directors are appointed they must elect one of their members as managing director. The said managing director and individual directors may if permitted by the articles appoint an outsider, but they themselves will be held responsible for the acte of this person.

Article 50.

As proof that the capital has been subscribed and cash actually paid up by the shareholders, the managing director of the company must certify a declaration to that effect, which shall be deposited and registered with the Office of Registration in the place where the head office of the company is located. To this declaration must be attached a list of shareholders, showing the amount of capital paid up, a copy of the articles, and a duplicate of the company's memorandum.

Article 51.

The responsibility of the managing director towards the shareholders is that of an attorney towards his principal.

Article 52.

Directors must hold shares to the extent laid down in the articles. These shares are a security for any damage caused to the company by acts of the directors, jointly or severally. The shares are registered shares and are not transferable. They must be deposited in the company's safe, and the fact that they are not transferable must be stamped on them.

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Article 53.

The directors of any joint stock company may not without the authority of a general meeting, participate directly or indirectly in any business transaction with the company or for its account. If authorized, they must submit a special statement of such transaction every year to the general meeting.

Article 54.

The director of each joint stock company must prepare an abstract of the company's assets and liabilities half-yearly and hand this statement to the auditors.

Article 55.

The director of each joint stock company must, in conformity with Article 9 of the present law, make an inventory of the company's property, wether movable are immovable, as well as a statement of its assets and liabilities.

The inventory, as well as the balance sheet and profit and loss account of the company, must be in the hands of the auditors at least forty days befor the general meeting for presentation to the said meeting.

Article 56.

During the fortnight preceding the holding of the general meeting, every shareholder may examine at the head office of the company the inventory and list of shareholders, and obtain a copy of the balance sheet which must include a synopsis of the inventory and the auditors' report.

Article 57.

One-twentieth at least of the company's net profit must be set aside yearly for the creation of a reserve fund.

When the reserve fund has reached one-tenth of the company's capital transfer will be optional.

Article 58.

In case of loss of half the company's capital the directors are bot to call a general meeting of all shareholders, with a view to deciding whether or not the company shall be wound up.

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The decisions of the meeting must, in every case, be made public.

Article 59.

If, contrary to the foregoing article, the company's directors have not called a general meeting, or the meeting if it is held, is not in conformity with the regulations, any interested party may apply to the competent Court of Justice for the winding up of the company.

Article 60.

If one or more shareholders, whose shares represent in all one-fifth at least of the company's capital, request in writing and give their reasons for calling an extraordinary general meeting such a meeting must be called.

Article 61.

The directors are responsible, in conformity with the rules of common law, to the company or to a third party for any infringements of the existing law, and for any errors they may have been guilty of in their management, especially where they have distributed fictitious dividends or have not prevented such distribution.

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IV. Auditors and their duties.

Article 62.

The annual general meeting will appoint one or more auditors.

The said auditors, who may be chosen from outside the shareholders, will be entrusted with the drafting of a report to be read at the next annual meeting. The report will deal with the general position of the company, as well as with the balance sheet and the accounts submitted by the directors.

In the absence of this report, any decisions relative to the passing of the balance sheet and the directors, accounts will be null and void.

Should the general meeting have failed to appoint auditors, or if one or more of the auditors appointed have been unable to submit a report or refused to give one, the president of the court of first Instance in the place where the head office of the company is situated, at the request of any interested party and after having summoned the directors to be present, will appoint fresh auditors in room of those who failed or refused to submit a report.

Article 63.

For three months prior to the date fixed by the articles for the calling of the general meeting, the auditors have the right to examine the books and to scrutinise the company's transactions.

They may, if necessary, call the general meeting immediately.

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Article 64.

The extent and scope of the auditor's responsibility is the same as that of an attorney towards his principal.

V. General meetings of joint stock companies.

Article 65.

A general meeting must be held at least once annually at the time fixed by the articles.

Article 66.

The articles will state the number of shares a shareholder must hold, either as owner or by proxy, to be admitted to the general meeting.

Article 67.

The number of votes to which each shareholder will be entitled in proportion to the number of his shares will be fixed by the articles.

Article 68.

Except for provisions to the contrary in the articles, there will be no distinctions concerning the right to vote at the general meeting between ordinary shareholders and those holding preferential shares.

Article 69.

The shareholders who do not hold sufficient number of shares to allow them to vote at the general meeting may combine, so that the number of their shares will be sufficient to assure them a vote, and they may appoint one of their number to vote at the general meeting.

Article 70.

All shareholders, irrespective of the number of their shares, may attend the general meeting called, in conformity with article

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41, to examine the subscriptions to the capital and the privileges enoyed by the shareholders. They may also attend the meetings convened in accordance with article 45, to appoint the first directors and auditors and to certify the declarations of the promoters.

Article 71.

Except in cases provided for in articles 41, 45 and 74, the general meeting must be composed of a number of shareholders representing one-third at least of the company's capital. If this quorum is not present at the first meeting, a new general meeting must be called in conformity with the company's articles, and the resolutions passed by this meeting will be final, even though the above mentioned quorum is not present.

Article 72.

Resolutions at the general meeting must be passed by a majority vote.

Article 73.

Should the general meeting of shareholders pass such resolutions concerning the rights enjoyed by a special class of shares, which will modify the said rights, such a resolution will only be effective after ratification at a special meeting by the shareholders whose rights are affected. In order to make the resolutions passed by such a special meeting valid, the shareholders present must own more than half the shares under discussion.

Article 74.

At general meetings called to extend the life of the company, or to wind it up before the time appointed has expired, or to make any other alteration in the articles, a quorum of shareholders representing more than three-quarters of the company's capital must be present. If this quorum is not present a second meeting may be called. One month at least before the calling

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of this second meeting the minutes of the previous meeting and resolutions passed thereat must be published twice at an interval of eight days in one of the local papers appointed each year for this purpose by the Ministry of Justice.

There must be present at the second meeting a quorum of shareholders representing at least one half the company's capital. If this quorum is not present, a third general meeting may be summoned, provided the formalities prescribed above are complied with. The third meeting will be allowed to pass resolutions, if the number of shareholders present represents at least one-third of the company's capital.

At each of the above-mentioned meeting, resolutions will be passed by a majority of two-thirds of the voters present. All shareholders, irrespective of the number of shares they own, will have the right to be present at these meetings. They will have one vote per share, even if the articles provide otherwise.

Article 75.

A record will be kept of the names, addresses, and the number of shares held by shareholders present at each general meeting. This record, after being certified by the Board, will be kept at the head office and may be consulted by any one wishing to do so.

VI. The conversion of shares.

Article 76.

If the company wishes, in conformity with the provisions of its articles, to convert its bearer shares into registered shares, it must publish a notice to that effect and grant shareholders a respite of six months at least in which to change their shares for new ones.

Article 77.

The notification referred to in the precedding article must be published twice, at an interval if ten days, in the Gazette of

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the Ministry of Justice, and in one of the widely circulated papers appearing in the town where the company is registered. Where head office is outside Tehran, the notice must also be published in one of the Tehran daily papers appointed by the Ministry of Justice for that purpose.

The six months will run from the date of first publication in the Official Gazette.

Article 78.

Any Shareholder not having converted his shares within the time limit mentioned in Article 76 will lose the right to do so. The company will then have the right to see to third, parties, by auction, the new shares issued in lieu of the unconverted ones.

Article 79.

The price of shares sold in accordance with the preceding article will be deposited in the company's head office or in the Banque Mellie Iran. If, within a period of ten years from the date of sale, the shareholder does not return his shares and claim the amount deposited as above, his rights to claim the deposit will be barred by statute. The said deposit will be considered as unclaimed money and the managing directors must pay it over to the competent authorities. Any managing director failing to carry out this obligation will be liable to pay treble the amount mentioned above.

Article 80.

When the company wishes to convert its registered shares into bearer shares it must publish an announcement on this effect as stated above. If within the prescribed limit, which must not be less than two months, the shareholders do not convert their registered shares into bearer shares, the registered shares actually in their hands will be considered as cancelled and the new shares deposited in their name at the company's head office.

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Article 81.

When te chompany wishes to convert provisional scrip it has issued into shares, the non-registered provisional scrip will be dealt with in accordance with Articles 76, 77, 78, and 79 and the registered provisional scrip in accordance with Article 80.

VII. The invalidation of a joint stock company or its deeds and resolutions.

Article 82.

Any joint stock company failing to comply with Articles 28. 29. 36. 39. 41. 44. 45. 46. 47. and 40 of the present law will be declared null and void. The shareholders (partners) however, are not discharged from liability to third parties of reason of this annulment.

Article 83.

If in conformity with the preceding article, the Court decreas that the company, itself, or its deeds and resolutions are void, the promoters responsible for the nullity, as well as the auditors and directors who were in charge when the cause of nullity arose, or immediately thereafter, and who have failed in their duty, are jointly and severally responsible towards shareholders and third parties for the damages resulting from the invalidation.

The same responsibilty may attach to shareholders whose non-cash shares have not been valued and approved, or where they have demanded privileges which have not yet been approved.

Article 84.

The proceeding for annulment of the company or of its deeds and contracts cannot be heard by the Court, if before the lodging of the petition, the cause for invalidation has ceased to exist.

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Article 85.

Aftre the expiration of one year from the date when the invalidation ceased to exist, should any third party claim damages by reason of the invalidation, such claim will not be admitted by the Courts.

Article 86.

If, to prevent the nullity, a special general meeting is called and the shareholders (partners) are notified of the meeting in accordance with articles, nullity proceedings will not be entertained by the Courts from the date of notification, unless the meeting has failed to remove the nullity.

Article 87.

If no action is taken for invalidation and damages within ten years of the date of such invalidation, The Courts will no longer admit such action.

Article 88.

Dividends cannot be reclaimed from shareholders unless the distribution was made without the preparation of a statement of accounts, or contrary to the results shown by such a statement. In such cases, claim for refund can be made within five years only. prescription runs from the date of distribution of such dividends.

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VI. The conversion of shares.

Article 76.

If the company wishes, in conformity with the provisions of its articles, to convert its bearer shares into registered shares, it must publish a notice to that effect and grant shareholders a respite of six months at least in which to change their shares for new ones.

Article 77.

The notification referred to in the preceding article must be published twice, at an interval of ten days, in the Gazette of the Ministry of Justice, and in one of the widely circulated papers appearing in the town where the company is registered. where the head office is outside Tehran, the notice must also be published in one of the Tehran daily papers appointed by the Ministry of Justice for that purpose.

The six months will run from the date of first publication in the Official Gazette.

Article 78.

Any shareholder not having converted his shares within the time limit mentioned in Article 76 will lose the right to do so. The company will then have the right to see to third, parties, by auction, the new shares issued in lieu of the unconverted ones.

Article 79.

The price of shares sold in accordance with the preceding article will be deposited in the company's head office or in the Bank Mellie Iran. If, within a period of ten years from the date of sale, the shareholder does not return his shares and claim the amount deposited as above, his rights to claim the deposit will be barred by statute. The said deposit will be considered as unclaimed

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money, and the managing directors must pay it over to the competent authorities. Any managing director failing to carry out this obligation will be liable to pay treble the amount mentioned above.

Article 80.

When the company wishes to convert its registered shares into bearer shares it must pubish an annoucement to this effect as stated above. If, within the precribed limit, which must not be less than two months, the shareholders do not convert their registered shares into bearer shares, the registered shares actually in their hands will be considered as cancelled and the new shares deposited in their name at the company's head office.

Article 81.

When the company wishes to convert provisional scrip it has issued into shares, the non-registered provisional scrip will be dealt with tn accordance with Articles 76,77,78 and 79 and the registred provisional scrip in accordance with Article 80.

VII. The invalidation of a joint stock company or its deeds and resolutions

Article 82.

Any joint stock company failing to comply with Articles 28, 29, 36, 38, 39, 41, 44, 45, 46, 47, and 50. of the present law will be declared null void. The shareholders (partners) however, are not discharged from liability to third parties of reason of this annulment.

Article 83.

If in conformity with the preceding article, the Court decrees that the company, itself, or its deeds and resolutions are void, the promoters responsible for the nullity, as well as the auditors and directors who were in charge when the cause of nullity arose, or immediately thereafter, and who have failed in their duty, are jointly and severally responsible towards shareholders and third parties for the damages resulting from the invalidation.

The same responsibility may attach to shareholders whose

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non-cash shares have not been valued and approved, or where they have demanded privileges which have not yet been approved.

Article 84.

The proceeding for annulment of the company or of its deeds and contracts cannot be heard by the Court, if, before the lodging of the petition, the cause for invalidation has ceased to exist.

Article 85.

After the expiration of one year from the date when the invalidation ceased to exist, should any third party claim damages by reason of the invalidation, such claim will not be admitted by the Courts.

Article 86.

If, to prevent the nullity, a special general meeting is called and the shareholders (partners) are notified of the meeting in accordance with articles, nullity proceedings will not be entertained by the Courts from the date of notification, unless the meeting has failed to remove the nullity.

Article 87.

If no action is taken for invalidation and damages within ten years of the date of such invalidation, the Courts will no longer admit such action,

Article 88.

Dividends cannot be reclaimed from shareholders unless the distribution was made without preparation of a statement of accounts, or contrary to the results shown by such a statement In such cases claim for refund can be made within five years only. Prescription runs from the date of distribution of such dividends.

VIII. Penal provisions.

Article 89.

Whoever issued shares or bonds of a company formed con-

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trary to the regulations of Articles 28, 29, 36, 37, 38, 39, 44, and 50 of the present law is liable to a fine of from Rials 500. to Rials 10,000 besides having to pay damages to the company or to individuals, In cases where the act is also criminal as determined by Article 238. of the penal Code, the penalty provided in the said article will also be applied to the offender.

Article 90.

The above penalty will likewise apply to those who falsely represent themselves as holders of shares or bonds and attend the general meeting or take part in the voting, as well as to those who entrust strangers with shares for a fraudulent purpose, In cases provided for by the present article, the offender may be imprisoned for one to six months, in addition to the fine.

Article 91.

Whoever knowingly negotiated shares or part shares contrary to Article 28, 29, 38, and 39, or whoever is a party to such negotiation, or whoever issued to the public such shares or part shares, shall be liable to a fine of from Rials 500 to Rials 10,000.

In addition to the penalties provided by the present article, the offender may also be imprisoned in accordance with Article 238 of the penal Code if the offence is criminal.

Article 92.

The follwing persons are considered swindlers:-

(a) Any person who, with intent to defraud, either claims that shares have been subscribed for, or that the price of shares has been paid, or who fraudulenty advertises to that effect, or makes fraudulent statements with the object thereby of inducing others to take shares or to pay for shares. It is immaterial whether such acts have been effective or not;

(b) Persons who, whith a view to obtaining payment, or subscription for shares, falsely and fraudulently represnt others as connected with the company;

(c) Directors who, without any statements of accounts, or on the authority of a fraudulent statement, distribute fictitious profits to shareholders.

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IX. Dissolution or winding up of a joint stock company.

Article 93.

A joint stock company must be dissolved:-

(A) When the company has carried out the task for which it has been formed, or should the carrying out of such a task become impossible;

(b) When the company has been formed for a fixed period and that period has expired;

(c) In the case of bankruptcy of the company;

(d) When a general meeting passes a resolution to that effect.

Section 2.

Limited Liability Companies

Article 94.

A limited liability company is one formed by two or more persons for the purpose of trading, when the company's capial is not represented by shares or bonds, but when each of the partners is responsible for the liabilities and obligations of the company to the extent of his contributions only.

Article 95.

In the company's title the phrase "limited liability" must appears, otherwise the company will, so far as third parties are concerned, be considered as a general partnership and come under the regulations governing the same.

The name must not include the name of any partner, otherwise the partner whose name appears will, by third parties, be looked upon as a member of a general partnership.

Article 96.

A limited liability company is only definitely formed when the capital in cash has been fully paid up and when the non-cash contributions have been valued and delivered.

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Article 97.

In the company's articles mention must be especially made of the value of any non-cash contribution.

Article 98.

The partners are jointly and severally responsible towards third parties for the valuation placed on non-cash contributions when the company is formed.

Article 99.

Towards the other partners and third parties for damages resulting the above regulations is ten years from the date of the formation of the company.

Article 100.

Any limited liability company formed contrary to Articles —96 and 97 is null and void. The partners cannot, however, so far as third parties are concerned, avail themselves of this nullity,

Article 101.

If the Court declares the company to be invalid, in conformity with the preceding article, the partners responsible for the the nullity, as well as the board of directors and the manager who were in charge and neglected their duty at the time of the nullity or immediatley afterwards, are jointly and severally responsible towards the other partners and third parties for damages resulting from the invalidation.

The right to prosecute is barred after ten years from the date when the cause of nullity arose.

Article 102.

A partner's contributions cannot be represented by transferable commercial instruments whether bearer or registered. shares in the company cannot be transferred to third parties without the consent of a majority of the partners, representing at least three quarters of the company's capital.

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Article 103.

The company's shares must be transferred by official deed.

Article 104.

A limited liability company is managed by one or more directors, salaried or not, chosen from among the partners or outside, for a limited or unlimited period.

Article 105.

Unless the articles provide otherwise the directors of the company will have all the necessary powers to represent and manage the company.

Any arrangement limiting the powers of directors which is not expressly mentioned in the articles, is null and void so far as third parties are concerned.

Article 106.

Resolutions concerning the company must be passed by a majority representing at least half the company's capital.

If at a first meeting this majority has not been obtained, all partners must be called to a new meeting In this case, resolutions will be passed by a numerical. majority, even if this majority does not represent one half of the compan'ys capital.

The articles of the company may contain regulations other than those above-mentioned.

Article 107.

Unless the articles provide otherwise, each partner shall have a number of votes in proprtion of the amount of his contribution to the capital.

Article 108.

The relations of partners between themselves are governed by the articles.

Unless special provision has been made in the articles. profits and losses will be divided in proportion to the contribution of the partners to the capital.

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Article 109.

Any limited liability company with more than twelve partners must have a board of directors who will call a general meeting of the partners at least once yearly.

As soon as the board of directrs is appointed it must ascertain whether the provisions of Articles 96 and 97 have been complied with. the board may summon the members to an extraordinary general meeting.

The regulations of Articles 165, 167, 168 and 170 also apply to a limited liability company.

Article 110.

Partners cannot alter the company's nationality except by unanimous consent.

Article 111.

Any other modifications in the articles must be effected by a numerical majority, representing at the same time three quarters at least of the company's capital, unless the articles have fixed some other majority.

Article 112.

In no case a majority of partners compel a partner to increase his contributions.

Article 113.

The provisions of Article 57 relating to the formation of a reserve fund are equally applicable to a limited liability company.

Article 114.

The limited liability company shall be dissolved:-

(a) In cases provided for in paragraphs (a), (b) and (c) of Article 93;

(b) By decision of a number of partners representing more than half the company's capital;

(c) When, owing to losses, more than half the company's

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capital has disappeared or when one of the partners having asked for the dissolution of the company, the Court finds his reasons adequate, but the other members fail to agree to pay him the share which would be paid to him in the event of dissolution;

(d) In the case of death of one of the partners, if such is provided by the articles.

Article 115.

The following persons are considered swindlers:-

(a) Promoters and directors who, contrary to the truth, have stated in deeds and documents submitted for registration of the company that the entire cash and non-cash contributions have been paid in.

(b) persons who fraudulently have placed a value on the non-cash contributions in excess of their real value;

(c) Directors who, without a statement of assets or on the the basis of a fraudulent statement of assets distribute fictitious dividends among the partners.

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Section 3.

General Partnership

Article 116.

A general partnership is one formed between two or more persons with joint and several responsibility, under a common name for the purposes of trade.

When the partnership's assets are not sufficient to meet its liabilites, each of the partners is liable for the payment of all the debts of the firm.

Any stipulation among partners to the contrary is null and void so far as third parties are concerned.

Article 117.

In the firm's name the term "General partnership" must appear, as well as the name of at least one of the partners.

If the firm's name does not include the names of all partners, the names of the partner or partners mentioned must be followed by "and company", "and brothers" or a similar expression.

Article 118.

A general partnership is formed when all the capital in cash has been paid up, and when contributions other than in cash have been valued and delivered.

Article 119.

Unless provided otherwise in the articles of partnership, profits will be shared between partners in proportion to their capital.

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Article 120.

In a general partnership, the partners must appoint one person at least as director, who may be chosen from among the partners or outside the partnership.

Article 121.

The limits of the responsibility of the director or directors of the general partnership are those fixed by article 51.

Article 122.

If in a general partnership one or more partners made a contribution not in cash, the valuation of such a contribution must be made beforhand and with the consent of all the partners.

Article 123.

In a general partnership none of the partners may transfer his share to other persons without the consent of the other partners.

Article 124.

As long as a general partnership is in existence, the firm's liabilities must be claimed from the firm itself. Afer the dissolution the firm's creditors may, in order to recover their claim, sue all the partners jointly or severally.

In any case, none of the partners can, by reason of the fact that the amount of the firm's liabilities is higher than the amount of his own contribution, refuse to meet the said liabilities. Only between the partners themselves, and if the articles of the partnership so provide, will each partner be held liable to meet the firm's liabilities, in proportion to the contribution he has made.

Article 125.

Whoever enters as a general partner in an existing firm of this type is liable with the other partners for debits contracted by the firm before he joined it, whether or not the name of the firm has been changed.

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Any agreement between the partners which is contrary to the above-mentioned regulation is null and void so far as third parties are concerned.

Article 126.

In the event of dissolution of a general partnership, until the firm's liabilities have been paid out of the firm's assets, the personal creditors of the partners have no claim on the said assets.

If the firm's assets are not sufficient to meet its liabilities, the creditors have the right to claim from all partners, jointly or severally the balance of their debt. In this case they will have no priority over the personal creditors of the partners.

Article 127.

A general partnership may be declared bankrupt, even after dissolution, provided that the firm's assets have not been distributed.

Article 128.

The firm's bankruptcy does not necessarily involve the bankruptcy of the partners. Similarly, the bankruptcy of one of the partners does not necessarily involve the bankruptcy of the firm.

Article 129.

A partner's personal creditors have no right to secure or obtain payment of their claim from the assets of the firm. Nevertheless, they can, so far as the profits to which their debtor is entitled, or to that payment which would be made to him in the event of dissolution, take such legal action as they deem appropriate.

When a partner's personal creditors are unable to obtain payment from his separate estate, and when their debtor's share in the firm's profits is not sufficient to meet the debts he owes to them, they may demand the dissolution of the firm (whether the latter is formed for a limited or unlimited period) subject to the conditions, however, that they have by means of an official notice

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issued six months at least in advance, notified the firm of their intention to do so.

In such cases, as long as the decree of dissolution has not been made absolute, the firm or the partners may avoid dissolution by paying the said creditors what is owed to them, to the extent of the debtor's share in the firm, or by securing their consent or by any other means.

Article 130.

Neither the company's debtor can claim the benefit of any set-off against a debt that may be due to him by one of the partners, not can the partner himself exercise the right to set-off against the debt due by his creditor to the firm.

Nevertheless, whosoever is at the same time a creditor of the firm and a debtor of one of the partners and whose claim remains unsatisfied after dissolution of the firm, can exercise his right of set-off against the partner in question.

Article 131.

If a partner is declared bankrupt, or if one of the personal creditors of a partner demands the dissolution of the firm by virtue of Article 129, the other partners may expel this partner by paying him in cash his share of the assets.

Article 132.

If, in consequence of losses, the share capital of the partners is reduced, the payment of any interest or profits to partners is forbidden until the reduction in capital has been made good.

Article 133.

Except in the case provided for above, the firm cannot compel any of the partners to made good his capital reduced by losses. Neither can it compel him to subscribe capital in excess of that which is fixed by the articles of partnership.

Article 134.

No partner may, without the consent of the other partners,

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for his own account or for the account of a third party, carry on a business similar to that of the firm, or enter as general partner or limited partner, another firm engaged in a similar business.

Article 135.

Any general partnership may, be unanimous consent of the partners, be turned into a joint stock company.

In this case, all regulations relating to joint stock companies must be observed.

Article 136.

A. general partnership must be dissolved:-

(a) In cases provided for in paragraphs (a), (b) and (c) of Article 93.

(b) By unanimous consent of the partners;

(c) When for certain reasons one of the partners asks the Court for the dissolution of the firm, and the Court, judging the reasons adequate decrees the dissolution;

(d) In the case of request for dissolution by one of the partners in conformity with Article 137.

(e) In the case of bankruptcy of one of the partners in conformity with Article 138;

(f) In the case of death or incapacitation of one of the partners, in conformity with Article 139 and 140.

Note: if in the case provided for in paragraph (c) the reasons for the dissolution concern exclusively one or more partners the Court may, at the request of the other partners, decree the expulsion of the said partner or partners instead of the dissolution of the firm.

Article 137.

The dissolution of the firm may take place when the articles do not deprive the partners of the right to do so and when the dissolution is not prompted by a desire to cause damage. The request for dissolution must be notified to the partners in writing six months in advance.

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If, in conformity with the articles of partnership, the firm's accounts must be closed yearly, the dissolution will take effect at the closing of the yearly accounts.

Article 138.

In case of bankruptcy of one of the partners, the firm will be dissolved if the trustee demands it in writing, and if six months have elapsed from the date of such a request and the firm have been unable to dissuade the trustee from applying for dissolution.

Article 139.

In the case of death of one of the partners, the continuance of the firm is dependent on the sanction of the remaining partners and the successor of the deceased partner.

If the remaining partners decide continue the firm, the successor of the deceased partner must, within a month from the date of the death, state in writing whether or not he agrees to the firm being continued. When the successor of the deceased partner notifies his agreement, he shares in the profits and losses incurred during the said interval. Otherwise, he will share the profits earned during the period, but will not be liable for any losses.

If no reply is received by the end of the month, he will be considered to have consented to the continuance of the firm.

Article 140.

In the case of insanity or incapacity of one of the partners, the procedure laid down in the preceding article will be followed.

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Section 4.

Limited Partnerships

Article 141.

A limited partnership is one formed for trading (under a common name without any issue of shares) between one or more general partners and one or more partners with limited liability.

The general partners are liable for all the debts and obligations of the firm that may be incurred in excess of the assets of the firm, whereas the limited partners are only liable up to the extent of the capital they have contributed or may contribute to the partnership.

The term "limited partnership" and the name of at least one of the general partners must appear in the name of the firm,

Article 142.

The relations of partners between themselves will be governed by the articles of partnership, subject to the following regulations.

Article 143.

A limited partner whose name appears in the name of the firm is, so far as the creditors of the firm are concerned, considered to be a partner of unlimited liability.

Any agreement to the contrary between partners is null and void so far as third parties are concerned.

Article 144.

The management of a limited partnership is entrusted to the partner or partners with unlimited liability. The scope of their

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powers is the same as that defined in the case of partners in a general partnership.

Article 145.

A limited partner, as such, has neither the right as a partner, nor is he under obligation, to manage the firm.

Article 146.

If a limited partner transacts any business for the firm, he will, in relation to third parties, and so far as liability for such business is concerned, be considered as a general partner, unless he declares expressly that he acted as an agent of the firm.

Article 147.

Every limited partner has a right to supervise the firm's business; he may examine the books and documents of the firm, and prepare, for his own information, a statement of its position.

Any agreement between partners contray to this regulation is null and void.

Article 148.

No limited partner may, by the transfer of the whole or part of his capital, introduce a third party into the firm without the consent of the other partners.

Article 149.

When one or more limited partners have, without the consent of the other partners, transferred to a third party the whole or part of their shares in the firm, the said third party has no right to interfere or supervise the firm's business.

Article 150.

A limited partner is liable toward third parties in the same way as a general partner, as regards liabilities that the firm have undertaken prior to registration, unless he can prove that the third parties knew he was only a limited partner.

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Article 151.

An unlimited partner can only be sued personally for the firm's liabilities when the first has been dissolved.

Article 152.

If the firm is dissolved otherwise than in bankruptcy and if the limited partner has not paid the whole or part of his capital, or has withdrawn it after payment, the firm's creditors can sue the limited partner directly, and claim the amount of his capital which was not paid or withdrawn.

In case of bankruptcy of the firm this right devolves upon the trustee.

Article 153.

If, by agreement with the unlimited partners, or by previous withdrawls from the partnership capital, a limited partner has reduced the registered amount of the capital contributed by him so long as the reduction has not been registered or make public in conformity with the regulations relating to publication of modifications in a partnership, it is not binding on the firm's creditors. These creditors may, so far as obligations contracted by the firm prior to the registration and publication of the reduction in the firm's capital, insist on the said capital, being restored to its original figure.

Article 154.

Interest may only be paid to a limited partner so long as this payment does not involve a decrease in his share of the capital.

If, in consequence of losses, a limited partner's capital has been reduced, the payment to him, of any ay interest or profits is prohibited until the reduced capital has been restored.

If payments have been made, contrary to the above-mentioned clauses, a limited partner is responsible for the company's liabilities up to the amount of the sums withdrawn by him, unless the payments have been made to him in good faith and on the basis of a proper balance sheet.

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Article 155.

Whoever joints an already formed limited partnership as limited partner is responsible, up to the amount of his capital for all liabilities previously contracted by the firm, whether the firm's name has been changed or not. Any clause contrary to this regulations is null and void so far as third parties are concerned.

Article 156.

In the event of bankruptcy, the firm's assets are distributed among its creditors and the personal creditors and the personal creditors and the personal creditors of the partners have no claim on them. For this purpose the capital subscribed by the limited partners forms part of the firm's assets.

Article 157.

When a firm's assets are insufficient to meet its liabilites, the creditors have the right to claim payment of any balance due to them from the personal property of all the unlimited partners, jointly or severally. In such cases, there will be no difference between the creditors of the firm and the personal creditors of the general partners.

Article 158.

In case of bankruptcy of a limited partner of the firm or its creditors shall rank equally with the personal creditors of the said partner.

Article 159.

The regulations of Articles 129 and 130 shall apply equally in the case of a limited partnership.

Article 160.

When there are several unlimited partners, their responsibility towards creditors, as well as between themselves, shall be governed by the regulations concerning general partnerships.

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Article 161.

Regulations of Articles 136, 137, 138, 139, and 140 are equally applicable to limited partnerships.

Neither the death, incapacitation nor bankruptcy of a limited partner shall dissolve the partnership.

Section 5.

Joint Stock Partnerships

Article 162.

The joint stock partnership is formed under a common name, between a number of shareholding partners and one or several partners with unlimited liability.

The shareholding partners are partners whose capital is represented by shares or part shares of equal nominal value, and their responsibility is limited to the extent of the amount of capaital each has contributed to the partnership.

A general partner is a partner whose capital is not represented by shares and who is liable for all debts the firm may have incurred beyond its capital.

If there are several general partners, their responsibility to creditors as will as their relations inter se, is governed by the regulations concerning general partnerships.

Article 163.

In the naming of the firm the term "joint stock partnership" must appear, as well as the name of at least one of the general partners.

Article 164.

The mangement of a joint stock partnership is exclusively in the hands of the partner or partners which unlimited liability.

Article 165.

Every joint stock partnership is subject to the control of a board of directors composed of three partners at least. This board is elected by the general meeting of partners immediately after

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the firm has been definitely formed and before any business is undertaken by the firm.

The board of directors is eligible for re-election in accordance with the regulations of the articles of partnership.

In any case the first board is elected for one year only.

Article 166.

The first board must, immediately it is appointed, satisfy themselves that all the provisions of Articles 28, 28, 38, 39, 41 and 50 of the present law have been adhered to.

Article 167.

Members of the board of directors incur no responsibility for management and the results thereof, but each member if responsible for personal acts and errors in the performance of his duty, in conformity with the rules of common law.

Article 168.

Members of the board of directors must audit the books, check the cash and verify the securities of the firm, and submit a report each year to the general meeting in which they must state any irregularities or discrepancies they may have found in the inventories. They must also state therein any reasons they may have for opposing any distribution of dividends proposed by the managing director.

Article 169.

The board of directors may summon partners to a general meeting, and if a resolution to that effect is passed by the said meeting, dissolve the firm in conformity with paragraph (b) of Article 181.

Article 170.

Up to fifteen days before the general meeting, every shareholder may personally (or by proxy) examine, at the head office, the balance sheet, inventories and the report of the board of directors.

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Article 171.

The bankruptcy of a general partner does not result in the bankruptcy of the firm, except as provided by Article 138.

Article 172.

Regulations of Articles 124. and 134. are equally applicable to joint stock partnerships and a general partners therein.

Article 173.

When a joint stock partnership is declared bankrupt and when the limited partners have not paid the value of their shares in full, the trustee will recover any amount owed by them.

Article 174.

In case of dissolution of the firm (otherwise than by bankruptcy) each of the creditors of the shareholding partners who has failed to pay his debt to the firm in respect of the value of the shares held by him, and demand his claim to the extent of the partner's liability. Until dissolution, creditors have no right of recourse against shareholding partners for such debts.

Article 175.

When a joint stock partnership is declared bankrupt, the personal creditors of general partners have no claim on the firm's assets until the firm's liabilities have been paid from the said assets.

Article 176.

Regulations of Articles 28, 29, 38, 39, 41, and 50 are equally applicable to joint stock partnerships.

Article 177.

Any joint stock partnership formed contrary to regulations of Article 28, 29, 39, and 50 is void. However, partners cannot avail themselves of this nullity as far third parties are concerned.

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Article 178.

When a firm has been declared invalid according to the terms of the preceding article, the procedure laid down in Article 101. will be followed:

Article 179.

Regulations of Articles 84, 85, 86, 87 and of the present law are equally applicable to joint stock partnership.

Article 180.

Regulations of Articles 89, 90, and 93 of the present law are applicable to joint stock partnerships.

Article 181.

A joint stock partnership must be dissolved:-

(a) In cases provided for in paragraph (a), (b) and (c) of Article 93;

(b) By decision of a general meeting if, in the articles of partnership, this right is conferred on such a meeting.

(c) By decision of a general meeting and with the consent of the general partners;

(d) In case of death or incapacitation of one of the general partners, provided that the dissolution of the firm in such cases is expressly sanctioned by the articles of partnership.

The regulations of Article 27 apply to cases provided by (b) and (c).

Article 182.

When the right of general meeting to dissolve the firm has not been provided for by the articles of partnership, and when an agreement cannot be reached between the said general meeting and the general partners as regards dissolution, if the Court regards the application to dissolve the firm as reasonable, it shall decree dissolution.

These regulations will apply equally when one of the general partenrs brings an action for dissolution on grounds which the Court considers reasonable.

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Section 6.

Proportional Liability partnerships (Sherkat Nesbi)

Article 183.

A proportional liability partnership is one formed for trading purposes, under a common name by two or more porsons, the liabilty or each partner being in proprtional to the amount of capital subscribed by him.

Article 184.

In the names of such firms the phrase "proprtional liability partnership" and the name of at least one of the partners must appear.

If the name does not include the names of all partners, the name of the partner or partners mentioned must be followed by such phrases as "and company" or "brothers".

Article 185.

The regulations of Articles 118, 119, 120, 121, 122 and 123 must also be observed by proprtional liability partnerhips.

Article 186.

If the asset sof a proportional liability partnership are not sufficient to meet its liabilities, each of the partners is responsible for the firm's liabilities in proportion to the capital he has subscribed.

Article 187.

Until a proportional liability partnership is dissolved, liabili-

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ties must be claimed for the firm itself; after the dissolution, creditors may, in accordance with the preceding article, sue each partner individually.

Article 188.

Whoever enters as a general partner in a proportional liability partnership already in existence becomes responsible in proportion to the capital he subscribes, for the debts contracted by the firm previous to his joining it, whether the firm's name has been changed or not. Any agreement between the partners to the contrary is null and void so far as third parties are concerned.

Article 189.

The regulations of Article 126 (except for the liabilities of the partners, which are in proportion to the capital they have subscribed) as well as those of Articles 129 to 136, are equally applicable to proportional liability partnerships.

Section 7.

Co - operative societies for production and Consumption (Sherkat Taavoni Towlid va Masraf)

Article 190.

A co - operative society for production is one formed between artisans for the production and sale of goods whch they produce in common.

Article 191.

If in a co-operative society for production there are members who are not in the permanent service of the society, or not engaged with the society's operations, two-thirds at least of the members of the administrative board, must be chosen from among the members engaged in trade connected with the society's operations,

Article 192.

A co-operative society for consumption is one formed for the following purposes:-

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(a) Sale of articles necessary to life, either produced by the members or purchased by them;

(b) Distribution of profits and losses between members in proportion to the purchases made by each of them.

Article 193.

CO-operative societies for production or consumption may be formed in accordance with the general principles governing joint stock companies, or in conformity with special regulations drawn up with the consent of the members. Regulations of Articles 32 and 34, however, must in any case be complied with.

Article 194.

If the society, whether for production or consumption, is formed in conformity with the general rules governingg joint stock companies the minimum value of shares or part shares will be ten rials, and no member will be entitled to more than one vote at the general meeting.

Chapter II

Regulations relating to the registration of companies and to the publication of the memorandum and articles of partnership

Article 195.

The registration of all companies and or partnerships mentioned in the present law is compulsory, in accordance with the law of company registration.

Article 196.

Statements and documents needed for the registration of companies will be determined by regulations issued by the Ministry of Justice.

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Article 197.

In the first month of formation of every company or partnership, an abstract of its memorandum and supplements will be published in conformity with a regulation of the Ministry of Justice.

Article 198.

If, for neglect to carry out the regulations in the two proceding articles, a company is declared invalid, none of the shareholders can take advantage of this invalidity as far as third parties, with whom they were dealing, are concerned.

Article 199.

If the company has branches in several places, the regulations of Articles 195 and 197 must, in conformity with regulations of the Ministry of Justice be carried out separately in each of the places.

Article 200.

Whenever resolutions are passed modifying the articles of association, extending the life of the company, dissolving the company (even if where this dissolution takes place by reason of the expiration of the term of the company), ascertaining the manner in which the accounts must be settled, change of partners and the change of the firm's name, the regulations of Articles 195 and 197 must be complied with.

Article 201.

In all deeds, invoices, announcements, publications and other documents (printed or written) issued by the companies mentioned in the present law, with the exception of co-operative societies, the amount of the company's capital must be expressly stated. Where the company's capital is not fully paid, the amount paid must be expressly stated. Any company not complying with the present regulation will be fined from Rials 200 to Rials 3,000.

Note: Foreign companies trading in Iran through a branch or by means of a representative will also be, so far as their deeds, invoices, annuncements and publications are concerned, bound by the regulations of the present article.

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KANOON VOKALA DADGOSTARI

No. 91 August - September 1964 Vol. 16

ترجمه اسمعیل شایگان

قانون تجارت ایران به‌انگلیسی(۸)

(8) Commercial Code of Iran

Chapter III

The liquidation of companies

Article 202.

Except in bankruptcy, which is covered by the regulations relating thereto, the liquidation of companies, after their dissolution, will take place in comformity with the following articles.

Article 203.

In the case of general partnerships, proportional liability partnerships, simple partnerships and joint stock companies, the director or directors will carry out liquidation unless the general partners appoint other persons for this purpose chosen either from among themselves or outside the company or partnership.

Article 204.

When one or more general partners ask for the appointment of special persons to carry out the liquidation, and when the other general partners do not agree to this request, the Court of First Instance will appoint the liquidators.

Article 205.

Whenever persons other than the directors of a company

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are appointed to carry out the liquidation, their names must be registered at the Registration Office and published.

Article 206.

In simple partnerships or joint stock partnerships limited partners have a right to appoint one or two persons to control the liquidation.

Article 207.

The liquidator's duty is to wind up the affairs of the company, to carry out the obligations, to collect its debts and to distribute the assets in the manner provided for by Articles 208, 209, 210, 211, and 212.

Article 208.

If, in order to fulfil existing contracts, it is necessary to undertake fresh business, the liquidator will be empowered to do so.

Article 209.

Liquidators have the right to bring or defend actions in the company's name, either in person or by attorney.

Article 210.

Except when arbitration is compulsory by law, liquidators have only the right to compromise and to appoint arbitrators, if the responsible partners authorize them to do so.

Article 211.

Any of the company's assets not required for the liquidation will be temporarily divided between the partners (shareholders), but the liquidators must deduct therefrom liabilities not yet due or amounts in dispute between the partners.

Article 212.

The liquidators shall settle the accounts between the partners and divide the profits and losses.

In case of dispute as to distribution, the Court of First Instance will decide.

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Article 213.

In joint stock companies, limited liability companies and co-operative societies, the responsibility for liquidation is borne by the directors, unless the articles provided otherwise, or unless a majority at the general meeting decides to the contrary.

Article 214.

In joint stock companies, limited liability companies and co-operative societies, the rights and duties of liquidators are determined by Article 207, but with this difference, that (except in cases of compulsory arbitration) liquidators have the right to compromise and to appoint arbitrators only when the articles or the general meeting have conferred that right upon them.

Article 215.

In companies referred to in the preceding article, the distribution of the company's assets between the shareholders (partners) can only be made either during liquidation or after, when three announcements to that effect have previously appeared in the Official Gazette and in another paper, and when one year has elapsed since the publication of the first announcement in the Official Gazette.

Article 216.

For breach of the regulations of the preceding article, the liquidators will be liable for any losses suffered by the creditors who have not been paid.

Article 217.

The books of every dissolved company will be kept for ten years dating from the completion of the liquidation in a place specified by the Director of the Office of Registration.

Article 218.

Every company is free to fix by its articles other means of liquidation; these means, however, not in any case be contrary to the regulations of Article 207, 208, 209, 210, 215, 216 or 217 or the latter part of Article 211.

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Chapter IV

Miscellaneous regulations

Article 219.

In cases where the partners or their heirs are legally answerable to third parties, the right of the latter to bring an action against the former, arising out of the transactions of the partnership is barred after the expiration of five years.

Note: Any claim which is particularly liable to a shorter period of prescription or to a longer period of prescription according to the present law is not subject to the disposition of this article.

Article 220.

Every present or future Iranian company or partnership engaged in commercial transactions which does not bring itself into line with one of the companies or partnerships mentioned in the present law, and does not comply with the regulations relating to such company, will be recognized as a general partnership and be subjected to the regulations relating thereto.

Every Iranian company mentioned in the present law, and every foreign company bound to register by the Companies Registration Act ratified in Khordad-mah 1310, must, in all its deeds, invoices, announcements and publications, printed or written in Iran, state the number under which they have registered in Iran, otherwise they will be liable to a fine of from Rials 200 to Rials 2,000. This fine is in addition to the penalty provided for non-registration by the law governing the registration of companies.

Article 221.

If a company has issued debentures or bounds which, in accordance with the articles or by resolution of a general meeting, must be redeemed by drawings and if the dividends or interests due thereon have been paid before the debenture or bond has been redeemed, the company cannot, when the value is redeemed, withdraw the dividends or interests already paid.

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Article 222.

Every trading company may provide in its articles that the original capital may be increased by further subscriptions or contributions from the original shareholders (Partners) or by the admission of new shareholders (Partners or decreased) by return of capital. The articles will state expressly the minimum below which the capital cannot be decreased.

This minimum must not be fixed at below one-tenth of the original capital of the company.

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IRANIAN BAR ASSOCIATION.

KANOON VOKALA DADGOSTARI

No. 92 *October - November 1964* *Vol. 16*

قانون تجارت انگلیسی (۹)

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BOOK 4.

Bill of exchange, promissory note and cheque.

Chapter 1.

Bill of exchange

Section 1.

From of a bill of exchange.

Article 223

Besides bearing the signature or seal of the drawer, a bill of exchange must contain:-

(a) The words "bill of exchange";

(b) The date when drawn (day, month and year)

(c) The name of the drawee;

(d) The amount of the bill;

(e) The date of payment (due date);

(f) The place where payment is to be made, whether it be the domicile of the drawee or other place;

(g) The name of the person to whom or to whose order the bill of exchange is to be paid;

(h) An indication whether it is the first, second, third, etc. of exchange.

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Article 224

A bill of exchange can be drawn to the order of a third party, or to the order of the drawer himself.

Article 225

The date on which a bill of exchange is issued as well as the amount should be written in words. If the amount is written more than once in words and there is a difference, then the smaller amount will be the amount. If the amount is written in words and in figures and there is a difference, then the amount written in words is the amount of the bill.

Article 226

In cases where a bill of exchange does not conform to essential conditions in paragraphs (b), (c), (d), (e), (f), (g), and (h), of article 223, it will not be amenable to the law relating to bills of exchange.

Article 227

A bill of exchange can be drawn "by order" or for the account of a third party.

Section 2.

Acceptance and refusal of acceptance.

Article 228

The acceptance of a bill of exchange will be effected by writing on the bill of exchange itself; the acceptance must be dated and signed or sealed. If the bill of exchange is payable after sight, the date of acceptance must be written in words. If the acceptance is not dated, the date of the bill will be that of the sighting.

Article 229

Everything which the drawee writes on the bill of exchange and signs or seals has the value of acceptance, unless he has specially indicated a refusal of acceptance.

If the acceptance indicates a refusal of part of the amount of the bill of exchange, the balance is accepted.

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When the drawee signs or seals the bill of exchange without writing anything else, the bill is considered to be accepted.

Article 230

The person accepting the bill of exchange is bound to pay the amount on due date.

Article 231

The acceptor has no right to refuse payment.

Article 232

The acceptance of a bill of exchange can be limited to part only of the amount. In that case the holder must protest the bill for the balance.

Article 233

When acceptance is conditional, the bill of exchange is considered "non accepted" notwithstanding, the acceptor is liable to pay the bill according to the tenor of his acceptance.

Article 234

In the acceptance of a bill of exchange payable elsewhere than at the domicile of the acceptor, the place where payment is to be made must be specified clearly.

Article 235

A bill of exchange is to be accepted or refused on presentation, or at the latest, within 24 hours of presentation.

Article 236

Refusal to accept must be evidenced by a certificate in legal form. This certificate is called the protest for nonacceptance.

Article 237

After the protest for non-acceptance, the endorsers and the drawer must, on demand of the holder, give a guarantee for the payment of the bill of exchange on due date, or make immediate payment together with the costs of the protest and re-exchange (if any)

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Article 238

When a person accept a bill of exchange, but has allowed it to be protested for non-payment, the holders of another bill accepted by the same person, but not yet due can demand of the acceptor a guarantee or other form of security for the payment of his bill.

Section 3.

Third party acceptance.

Article 239

If a bill of exchange has been dishonoured by nonacceptance, and if it has been protested, a third party can accept the bill supra protest for the honor of the drawer or one of the endorsers. The third party's acceptance must be signed by him and mentioned in the note of protest.

Article 240

After the third party's acceptance, all the rights acquired by the holder against the drawer and the endorsers, by reason of non-acceptance, will be maintained as long as the bill of exchange has not been paid.

Section 4.

Due Date

Article 241

A bill of exchange can be drawn at sight, or at one or several days, or one or several months after sight, or at one or several days, or one of several months from date.

Payment can be fixed for a certain day.

Article 242

If a bill of exchange, payable at sight, is accepted, it must be paid immediately.

Article 243

The due date of a bill of exchange at one or more days or

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one or more months after sight, is fixed by the date of acceptance or by that of the protest for non-acceptance.

Article 244

If a bill of exchange falls due on a holiday, it shall be paid on the first working day following. Note: This rule will be observed for all commercial documents.

Section 5.

Endorsements.

Article 245

Transfer of a bill of exchange is effected by endorsement.

Article 246

The endorsement must be signed by the endorser. The date of endorsement and the name of the person to whom the bill is transferred may be mentioned in the endorsement.

Article 247

The endorsement presumes transfer, the endorser specifies that the endorsee is acting as his agent for collection. In the latter case, the bill will not be transferred, but the holder will have the right to collect the amount, to protest it if necessary, and to take legal action for recovery, unless otherwise expressly stated on the bill itself.

Article 248

If the endorser antedates the endorsement, he will be considered guilty of fraud.

Section 6.

Liability

Article 249

The drawer, acceptor and the endorsers of a bill of exchange are jointly and severally responsible to the holder. The latter, may,

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in case of protest for non-payment, take action against drawer, acceptor or endorsers, whom so ever chooses severally or against all of them jointly.

The same right exists for each of the endorsers with regard to the drawer and prior endorsers.

The filing of a suit against one or more parties who are liable for payment does not involve loss of recourse against the others.

The plaintiff is not obliged to follow the chronological order of endorsements.

Whoever has given security for the drawee, drawer, or endorser is only jointly and serverally responsible with that party for whom he stands surety.

Article 250

All persons liable for the payment of a bill can make payment dependent upon the delivery of the bill, protest note and the account of interest and other legal charges which ought to be paid by him.

Article 251

In the case of the bankryptcy of more than one person liable on a bill, the holder thereof can rank as creditor in the bankruptcy's estates for the recovery of the whole of his claim. The trustee of one estate who pays such a holder a dividend has no recourse against the trustees of the other estates, unless the total dividend paid to the holder of the bill out of all the estates exceeds the amount thereof. In that case the surplus amount will, following the chronological order of the liabilities, devolve upon the bankrupts having right of recourse against others.

Note: The provisions contained in this Article will be enforced in all cases where several persons, being jointly and severally responsible for the payment of a debt, are declared bankrupt.

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Section 7.

Payment.

Article 252.

A bill of exchange must be paid in the currency specified therein.

Article 253.

If the holder of a bill has paid the drawer or whoever has transferred the bill to him, currency other than that stated in the bill, and if the bill should be protested for non-acceptance or non-payment, the said holder may claim from the drawer or from whoever transferred the bill to him, payment either in the currency which he himself paid or in the currency specified in the bill.

However, he cannot claim from other responsible parties the amount of the bill in currency other than that specified in the bill.

Article 254.

A usance bill must be paid on due date.

Article 255.

The date of sighting in bills payable after sight and the date of drawing in those which are payable after date is excluded when calculating the d

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Article 256.

Whoever pays a bill of exchange before due date remain liable to the persons who have a right to the amount of the bil.

Article 257.

If the holder of the bill gives an extension of time to the acceptor, he loses his right of recourse against those preceding endorsers and the drawer who have not consented to this extension.

Article 258.

Whoever pays a bill on due date is presumed validly discharged, unless the amount of the bill has been legally attached with him.

Article 259.

Payment of a bill of exchange can be made on a 2nd, 3rd, 4th, etc. Copy of exchange, on condition that this 2nd, 3rd, 4th, etc. of exchange bear a statement that this payment makes void payment of the others.

Article 260.

Whoever pays a bill of exchange on a copy which is not accepted is responsible for the amount to a third party who holds the accepted copy.

Article 261.

In case of the loss of a bill of exchange not yet accepted, payment can be demanded on a 2nd, 3rd, 4th, etc. copy of exchange.

Article 262.

If the lost copy is one which has been accepted, payment cannot be claimed on the other copies except by order of the Court and production of a surety.

Article 263.

If the holder of a lost bill, whether accepted or not, cannot procure a 2nd, 3rd, 4th, etc. Copy of exchange he can obtain payment by order of the Court, provided that he proves that he is the lawful holder of the bill, and that he produces a surety.

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Article 264.

In case of refusal to pay in spite of the demand formulated in Articles 261. 262 and 263, the owner of the lost bill may preserve all his rights by an act of protest.

Article 265.

The act of protest mentioned in Article 264 must be made within 24 hours from the due date of the bill, and must be served on the drawer and the endorsers, in the manner and within the time prescribed by the present law for the notification of protest.

Article 266.

The owner of a lost bill must, in order to obtain a second copy, apply to the previous endorser for a second of exchange. The said endorser shall authorize and direct the owner of the bill to the endorser immediately proceding him, and so on from one endorser to another, until the drawer is reached.

The expenses of these proceedings shall be paid by the owner of the lost bill.

The endorser who refuses to give such authority is responsible for the payment of the lost bill and the costs incurred by the lost bill.

Article 267.

If the guarantor of a lost bill (see Articles 262 and 263) has not limited the duration of his guarantee, the time limit will be three years, and if no claim has been lawfully made in the said three years, no further claim can be made against him in Court.

Article 268.

In case of part payment of a bill the liablility of the drawer and endoresrs will be decreased proportionately, and the holder can protest for the outstanding amount only.

Article 269.

The Courts cannot, without the consent of the owner, extend the time of payment of a bill of exchange.

Section 8.

Payment of a bill of exchange by a third party.

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Article 270.

Any third party can pay for the drawer or for one of the endorsers of a bill of exchange which has been protested. The fact of such intervention and the payment must be stated in the act of protest or at the foot thereof.

Article 271.

The third party who pays the amount of the bill by way of intervention is subrogated to the holder in his rights and liabiliites.

Article 272.

If the third party pays the amount of the bill for the account of the drawer, all the endorsers are freed, and if payment is made by an endorser all subsequent endorsers are freed.

Article 273.

If two persons intervene simultanesouly for the payment of a bill, but not for the same party, the payment of the one who liberates the greater number of other partie sliable on the bill will be accepted.

If, after protest, the drawee himself tenders payment he will be preferred to any third party intervening.

Section 9.

Rights and duties of the holder of a bill of exchange.

Article 274.

With regard to bills of exchange payable in Iran, sight or otherwise, whether drawn in Iran or abroad, the holder must obtain acceptance within one year from date, under penalty of losing his recourse against the endorsers, as well as the drawer who provided for the bill.

Article 275.

If in a bill of exchange, whether drawn in Iran or abroad, a longer or shorter time for presentation for acceptance is stipulated, the holder must demand acceptance within the said time, under penalty of losing his recourse against the endorsers and against the drawer who provided for the bill.

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Article 276.

If an endorser of a bill has fixed a time for presentations, the holder thereof must demand acceptance within the said time, otherwise he will be undable to take advantage of the regulations relative to bills of exchange as far as the said endorser is concerned.

Article 277.

If the holder of a bill, sight or otherwise, drawn in Iran and payable abroad, does not demand payment or acceptance within the time limit prescribed by the above articles, he will forfeit his right in conformity with the prescriptions of the said articles.

Article 278.

The aforesaid articles do not preclude other stipulations being made between the holder, the drawer and the endorsers.

Article 279.

The holder of a bill of exchange must demand payment on due date.

Article 280.

Non - payment must be proved within ten days of due date by an act which is called protest for non-payment.

Article 281.

If the tenth days is a general holiday, then the protest must be made on the following day.

Article 282.

The holder of a bill of exchange is not absolved from protest for non-payment by the death of the drawee, nither by his bankruptcy, nor by protest for non-acceptance.

Article 283.

In the case of the bankruptcy of the acceptor before the date, the holder retains the right to protest.

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Article 284.

The holder of a bill of exchange protested for nonpayment must, within ten days from the date of protest notify, by an official act or by registered letter with receipt attached, the fact of nonpayment to the person who transferred the bill to him.

Article 285.

Each endorser must also, within ten days of the date of receiving the above-mentioned notice, in his turn notify the preceding endorers.

Article 286.

If the holder of a bill payable in Iran and protested for nonpayment, desires to benefit by Article 249, he must file a suit within three months of the date of protest.

Note: In cases where the domicile of the defended is situated els-where than at the place where the bill of exchange is payable, the time limit will be augmened by one days for each six farsakhs.

Article 287.

So far as bills of exchange payable abroad are concerned, procedings against the drawer and endorsers, resident in Iran, must be lodged within six months from the date of protest.

Article 288.

Each endorser who wished to benefit by the right which is his under the terms of Article 249, must exercise recourse within the period prescribed by Article 286 and 287. In his case, the period commences from the day following the issue of a summons in a Court of law.

If the endorser pays without an action having been taken against him, the time will count from the day following that one which. payment was made.

Article 289.

On the expiration of the time limiits prescribed in the foregoing articles, recourse of the holder against the endorsers, as well as that of an endorser against a prior endorser, will be no longer valid.

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Article 290.

Upon the expiration of the above-mentioned periods, the recourse of the holder and endorsers of a bill against the drawer els-where han at the place where the bill of exchange is payable, the time limit will be augmened by one days for each six farsakhs. himself will no longer exist, provided the drawer can prove that he has paid the amount thereof on due date to the drawee.

In this case, the holder will be able to exercise recourse against the drawee only.

Article 291.

If upon the expiration of the time prescribed for protest, for the notification of the act of protest, or for the filing of a suit, the drawer or one of the endorsers recovers by account or otherwise the funds which he has entrusted to the drawee for payment of the bill of exchange, the holder, contrary to the regulations of the two preceding articles, has the right to sue whoever has received the funds.

Article 292.

After the filing of a suit, the Court is bound to order immediately, on application of the holder of a bill protested for non-payment, attachement of the defendant's property equal to the value of the bill.

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KANOON VOKALA DADGOSTARI

No. 95 *April-May 1965* *Vol. 17*

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SECTION 10

PROTESTS

Article 293.

Protest must be made:-

(a). Where acceptance is refused;

(b). Where the drawee himself neither accepts nor refuses;

(c). Where payment is refused.

The protest is drafted in original and by order of the Court Of First Instance is served by an executive official on the domiciles of the following people:-

(a). The drawee;

(b). Those indicated in the bill for payment in case of need;

(c). Third party acceptor.

If in the first district where the protest is madde, there is no Court Of First Instance, the duties will be performed by a justice of the peace, and in his absence by the Chief of the Registration Department, and failing him, the Governor.

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Article 294.

The act of protest must contain:-

(a). A complete copy of the bill of exchange with all entries, such as acceptance, endorsements, etc.

(b). The order for payment of the amount of the bill. The executive officer must acknowledge and at the foot of the protest, the presence or absence of the payer, his reasons for refusing payment or acceptance, and the causes of his inability or refusal to sign.

Article 295.

No act on the part of the holder of the bill can take the place of the protest, except in cases detailed in Articles 261, 262 and 263, relative to the loss of the bill.

Article 296.

The executive official must deliver act exact copy of the act of protest to the domicile of the persons mentionhed in article 29.

Article 297.

The office of he court, or of the authority acting in its place, must enter in a special register from day to day in chrononlogical and numerical order, the contents of any protests made. The pages of the register must be numbered and signed by the president of the Court or his deputy.

When the domicile of the drawer of the bill of exchange or the first endorser is indicated on the bill, the office of the Court must inform them by registered letter of the reasons for the refusal to pay.

SECTION 11
Re- DRAFTS

Article 298.

A re-draft is one drawn, after protest, on the drawer or on one of the endorsers, by the holder of the original bill in order to

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reimburse himself for the Payment of the bill, with costs of the protest and any difference in exchange.

Article 299.

When the re-draft is drawn on the original drawer, the difference of rate of exchange between the place where the original bill was payable and that of the place where it was drawn should be charged to the original drrawer.

Should the return bill be drawn on a endorser thereof, the latter will bear the difference between the rate of exchange of the place where the bill was negotiated and that of the place where the bill was drawn.

Article 300.

To the return bill will be attached a statement called "Return Account" This statement includes:-

(a). The name of the person on whom the return bill is drawn;

(b). The original amount of the bill protested;

(c). The cost of protest, and other ordinary costs, such as bank commission, brokerage, stamps and postal fees, etc;.

(d). The amount of any difference in rate as mentioned in Article 299.

Article 301.

The statement of account in the previous article must be certified by two merchaants.

The protested bill of exchange and one certified copy of the act of protest must also be attached.

Article 302.

Where the return bill is drawn on one of the endorsers, it must be accompanies, in addition to the documents laid down by articles 300 and 301, by a certificate which gives the difference in the rate of exchange betwween the place where the bill is payable and the of the place where it is drrawn.

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Article 303.

There cannot be more than one statement of return eccount for each bill. If the return bill is made on one of the endorsers the return account is paid by endorser to endorser respectively and finally paid by the drawer.

Full costs cannot be cumulative.

Each of the endorsers as well as the original drawer will be liable for one payment only.

Article 304.

Damages for the delay in payment of the amount of the original bill protested for non-payment will be calculated from the date of protest, and that of costs of protest and the return bill count only from the date of filling a suit.

SECTION 12
FOREIGEN LAWS

Article 305.

Essential conditions of bill of exchange drawn outside Iran are determined by the laws of the country in which the bills are drawn.

Similarly, liabilities for bills (resulting from endorsement, from guarantee, from acceptance, etc,), which are drawn abroad, are subject to the laws of the country where they have been issued.

If, however, the essential conditions of a bill of exchange conform to Iranian law, or if the liabilities are valid according to the said law, persons who in Iran have undertaken subsequent liabilities cannot plead that the liabilities and engagements undertaken by prior parties are irregular according to foreign law.

Article 306.

The protest and other measures taken abroad to exercise and protect the rights attached to a bill of exchange are subject to the laws of the country where the proceedings are taken.

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CHAPTER 2

PROMISSORY NOTES

Article 307.

A promissory note is an act by which the maker promises to pay, on demand or at a fixed date, a sum to the holder, or a particular person or to the order of such a person.

Article 308.

Besides the signature or seal of the signatory, the promissory note must be dated and contain the following:-

(a). The sum to be paid written in words;

(b). Name of beneficiary;

(c). Date of payment.

Article 309.

All regulations concerning bills of exchange contained in book 4 chapter 1, section 12, and the following are equally applicable to promissory notes. In book 4, chapter 1, section 12, and the following are equally applicable to promissory notes.

CHAPTER 3

CHEQUES

Article 310.

A cheque is a written document by which the drawer effects the withdrawal of his funds, or transfers to a third parrty, the whole or part of the funds which the has with the drawee.

Article 311.

A cheque must bear the place and date for issue. It must be signed by the drawer. It can only be drawn at sight.

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Article 312.

A cheque may be made, drawn payable to bearer, or to a particular person or to order, It can be transferred by endorsement in blank.

Article 313.

A cheque must be paid on presentation.

Article 314.

The issue of a cheque, even when drawn from one place on another, does not constitute a commercial transaction.

However, the provisions of the present law in the matters of bills of exchange, and relative to the responsibility of drawers and endorsers, of protest, enforcement of a guarantee, and of loss, are equally applicable to cheques.

Article 315.

If a cheque is payable in the place where it is drawn, the bearer must claim payment within fifteen days of the date of issue.

If a cheque is drawn from one place on another place in Iran, payment must be claimed within 45 days of the date of issue. If the holder of a cheque does not demand payment in the time mentioned in the present article, he loses recourse against the endorsers and where the amount of cheque.

Through the fault of the drawee is not forthcoming in circumstances for which the drawee is responsible, the holder will have no legal claim against the drawer.

Article 316.

The person receiving payment of a cheque must sign or seal on the back of the cheque, even if the cheque is a bearer one.

Article 317.

All regulations relative to cheques issued in Iran are equally applicable to cheques issued abroad and payable in Iran.

However, the period within wich the holder of such a cheque can claim payment is four months from the date of issue.

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No. 95 April-May 1965 Vol. 17

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CHAPTER 4
PRESCRIPTION

Article 318.

Action relative to bills of exchange, promissory notes and cheques issued to merchants for commercial purposes, will not be accepted by the courts, after the expiration of five years from the date of the act of protest or the last legal action, unless there has been legal recognition of the debt, in which case prescription will run from the date of such acknowledgement.

If there has been no protest, the proceedings will commence to run from the date of the expiration of the time for protest.

Note :

The dispositions of the present article are not applicable to bills of exchange, promissory notes and cheques issued before the date of the enforcement of the commercial code approved the 25th Dalve 1303, the 12th Farvardine and the 12th Khordad 1304.

These bills are, so far as prescription is concerned, liable to concerned, liable to the dispositions relative to the prescription in matters of moveable property.

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Article 319.

If, as the result of the fulfilment of the five year prescription, the holder of a bill of exchange or a promissory note or a cheque can no longer demand the amount, he can, as long as the prescriptions relating to movable property have not been fulfilled, recover the amount from the person who has enriched himself at his expense.

Note :

The above mentioned dispositions are equally applicable to bills of exchange, promissory notes or cheques which do not fulfil one of the essential conditions prescribed by the present law.

BOOK 5

BEARER BONDS

Article 320.

The holder of any bearer bond is deemed to be owner and has the right to demand payment of it, unless the contrary is proved.

Nevertheless when the competent judicial authorities or the police have forbidden payment of the amount, payment to bearer does not discharge the debtor so far as a third party to whom the bond may rightly belong is concerned.

Article 321.

Whoever is liable for payment of a bearer bond is only bound to pay on delivery of the bond itself, unless it has been already cancelled.

Article 322.

In case of loss of bearer bonds with coupons or with voucher for renewal of coupons attached, or in case of loss of bearer bonds which entitle the holder to interest or dividends at regular intervals, cancellation of such bonds will be decreed in conformity with the following regulations.

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Article 323.

The plaintiff must prove to the court of first instance of the place of residence of the debtor that he ownes the bond and that he has lost it for the time being.

When only the couponsheet or the voucher of renewal of coupons has been lost by the plaintiff the production of the bear bond itself will be sufficient.

Article 324.

If, in the circumstances, the court considers the plaintf's explanations satisfactory, it must, by means of a notice published in the newspapers, notify the unknown holder that if the bond is not prooduced within three years from the publication of the first notice, it will be cancelled.

The Court may, if necessary, grant an extension of this period.

Article 325.

On the request of the plaintiff, the Court may forbid the maker to pay the bearer bond except against guarantee or other security approved by the Court.

Article 326.

In the case of loss of coupons, so far as coupons falling due during the course of the proceedings are concerned, the regulations of Articles 332 and 333 will be applied.

Article 327.

The summons mentioned in Article 324 must be published three times in the Officical Gazette. The Court may, moreover order publication in the newspapars.

Article 328.

If, as a result of the above-mentioned notices, the lost bond is found the Court will grant the plaintiff a reasonable time and inform him that if at the expiration of that time he has not filed a suit or substantiated his claim judgment will be given against him, and the bond delivered to whoever produced it.

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Article 329.

If, after the period fixed and notice published in conformity with article 324, the bond is not produced, the Court shall decree its cancellation.

Article 330.

The cancellation of a bond should be immediately notified in the Official Gazette or by such other means as the court thinks fit.

Article 331.

After decree of cancellation has been issued, the plantiff has the right to demand that a new bond or coupons should be issued to him at his expense.

He has the right to demand payment, if the bond has fallen due.

Article 332.

When the lost bonds are not bearer bonds as mentioned in Article 322, the procedure will be as follows:-

If the Court considers the statement of a claimant to a lost bnond trustworthy, it shall order the debtor to pay the amount into the Cour at once if the bond is overdue, or at maturity if it is not yet due for payment.

Article 333.

If the bond is produced before the expiration of the period after which it be considered cancelled, procedure will be in accordance with article 328, 0therwise the amount paid into court shall be the plaintiff.

Article 334.

The regulations of the present book are not applicable to

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BOOK 6.

BROKERAGE.

CHAPTER I.

GENERAL

Article 335.

A broker is a paid agent employed to made contracts in matters of business between other parties, or who is employed by parties to buy or sell goods or merchandise for them.

The law relating to agents is in principle applicable to brokers.

Article 336.

The broker may undertake brokerage in various kinds of business, He may even trade on his own account.

Article 337.

The broker must inform both parties fully and accurately of all the details relating to the transactions, even though he is employed by one of them only.

He is responsible to each of the parties, for fraud or shortcomings.

Article 338.

In the absence of written authority, a broker may neither accept nor make payments in the names of contracting parties, not fulfil obligations on their behalf.

Article 339.

The broker is liable for the loss of articles and documents entrusted to him in the course of business, unless he can prove that the loss of damage of the articles or documents is due to no fault of his.

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Article 340.

When the sale takes place by sample, the sample must be kept by the broker until the deal is concluded, unless he is exempted from doing so by contracting parties.

Article 341.

The broker may at the same time work for several principals and in trades of different nature, but in such cases he must inform his principals of the fact and of any other conditions likely to influence their decisions.

Article 342.

When a deal has been concluded by a broker and when deeds and documents relating to it have been exchanged by him between the contracting parties, the broker guarantees the accurancy and genuineness of the signatures affixed to the said deeds and documents, when the signatures are those of persons who have transacted business through him.

Article 343.

The broker is answerable neither for the solvency of his principals nor for the fulfilment of contracts entered into through his agency.

Article 344.

The broker is not responsible for the value or quality of the goods which are the subject of a contract, unless it be proved that he is personally to blame.

Article 345.

When the contracting parties or one of them has transacted business of the personal undertaking of the broker, stands as guatantor for such business.

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Article 346.

When the broker has either a personal share or interest in in the business, he is obliged to inform any party who is unaware of the fact. For failure to do so he shall be responsible for any damage incurred by the said party and liable in addition to pay a fine of from rials 500 to rials 3,000.

Article 347.

The principal and the broker are jointly and severally responsible for performance of a contract when the broker is personally interested in the business.

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No. 97 August - September 1965 Vol. 17

قانون تجارت ایران بانگلیسی (۱۳)

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CHAPTER 2.

BROKERAGE AND EXPENSES.

Article 348.

The broker is only entitled to brokerage when business has been done through his agency or under his direction.

Article 349.

If the broker, contrary to the interests of his principal, acts in the interest of the other contracting party, or if contrary to local trade customs and usage he received from the said party any sum or promise of any sum, he shall lose his rights to brokerage and reimbursement for his expenses.

He shall moreover be liable to the penalty enjoined for breach of trust.

Article 350.

When business has been undertaken forward, brokerage is due only after fulfilment of the contract.

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Article 351.

If it has been agreed that the broker's expenses shall be paid to him, he must be paid in full even if the business has fallen through.

This regulation also applies when it is the local commercial practice to pay expenses incurred by the broker.

Article 352.

If the contract is cancelled, either by the mutual consent of them or for a legal cause, the broker does not lose his right to brokerage, provided that he is not responsible for cancellation.

Article 353.

No brokerage is payable on transactions which are prohibited.

Article 354.

Except when otherwise agreed, brokerage is to be charged to the principal.

Article 355.

Brokerage shall be fixed by special agreement. In the absence of an agreement, the court shall fix it, consulting experts and considering the exigencies of the place, time, and the nature of the transaction.

CHAPTER 3.

REGISTER.

Article 356.

Every broker is obliged to keep a register and to enter therein all transactions entered into by his agency, with the following:

(a). The name of the contracting parties;

(b). The subject matter of the transaction;

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(c). The nature of the transaction;

(d). The conditions of the transaction, mentioning whether the goods are to be delivered immediately, or within a given time.

(e). The price to be paid for the goods, stating whether it is to be paid immediately or within a given time, if payment is to be in cash or in goods or by a bill of exchange, and if by bill then whether the bill is to be drawn at sight or as usance;

(f). The signature of both the contracting parties in conformity with the provisions contained in regulations of the ministry of justice.

The broker's register is subject to all the regulations prescribed for commercial books.

BOOK 7.

COMMISSION AGENT (FACTOR)

Article 357.

A commission agent is one who undertakes business in his own name, on behalf of a principal, for a commission.

Article 358.

Except as provided otherwise in the following articles, the law of agency will apply to such contracts.

Article 356.

A commission agent must keep his principal informed of the progress of the business, and particularly inform him without delay of the execution of the commission.

Article 360.

A commission agent must insure the good relating to the contract only if the principal has instructed him to do so.

Article 361.

When the goods sent on commission to be sold have suffered

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obvious damage the commission agent must, in order to retain the right of recourse, against the carrier, have the damage. Surveyed by the proper authorities, see that the goods are suitably stored and take the necessary steps to inform his principal without delay.

He will be answerable for any damage arising from his neglect to do so.

Article 362.

When it is likely that goods sent to be sold on commission may deteriorate quickly a commission agent is bound to offer them for sale immediatley if his principals interests demand it, on informing the public prosecutor or his substitute in the town where the goods are stored.

Article 363.

If a commission agent sells goods at a figure lower than the minimum fixed by the principal he is liable for the balance, unless he prove that by so doing he has avoided further loss and that he was unable to obtain the principal's authority in time.

Article 364.

If a commission agent is at fault, he must indemnify his principal for all damage resulting from the disregard of his principal's orders.

Article 365.

If a commission agent buys goods at a lower price, or sells them at a higher price than fixed the principal, he cannot profit by the difference but must put it into the latter's credit.

Article 366.

A commission agent acts at his own risk if he sells on credit or pays any cash in advance.

However, if the sale on credit is customary in accordance with the commercial practice of the place concerned, it will be considered valid in the absence of instructions to the contrary from the principal. http://www.dad-ava.ir

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Article 367.

A commission agent is not answerable for payment, or for the execution of other contracts by third parties, unless he has personally guaranteed them, or has granted them credit without being authorized to do so, or unless he is considered liable by commercial practice.

Article 368.

Necessary expenses incurred by a commission agent, for the conclusion of a contract in the interest of the principal, as well as advances made in the latter's interest, must be repaid, both capital and interest.

A commission agent can also charge his principal with the cost of warehousing and freight.

Article 369.

A commission agent is only entitled to commission when the contract is executed or when non-execution of the contrat is due to the principal.

In respect of business not completed for other causes, a commission agent will be entitled to commission for his service, in accordance with the commercial practice of particular market.

Article 370.

A commission agent has no right to commission if he has acted in bad faith, particularly if he has charged a higher price than at which he bough, or a lower one. than that at which he actually sold the goods.

In addition, the principal can hold the commission agent himself liable as buyer or seller.

NOTE: The above regulations will not prevent the inflection of the penalties prescribed for abuse of confidence.

Article 371.

For sums due to him by his principal, a commission agent

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has a lien on his principal, a commission agent has a lien on his principal's goods, or the amount realized therefrom.

Article 372.

If it is not possible to sell the goods, or if the principal has cancelled the ordre to sell, or the goods have been left an unreasonable time with the commission agent, the latter may sell them at auction under the authority of the local public prosecutor or his representative. When the principal is neither present nor represented in the place, the sale takes place in his absence or in the absence of his representative.

However, an official notice of the sale shall previously be served on him, unless the goods are of a perishable nature.

Article 373.

If a commission agent is empowered to buy or sell goods, bonds or other securities quoted on the stock exchange or the market, he may, unless ordered to the contrary by his principal, himself deliver as esller the goods he was powered to sell.

Article 374.

In the cases provided for by the preceding article, the the stock exchange or in the market on the day he executes the contract and he has the right to charge his usual expenses and commissions

Article 375.

In cases wherea commission agent may himself contract as buyer or seller, he is considered to be the other contracting party should he inform his principal of the contract without disclosing the other party.

Article 376.

A commission agent can no longer act as a buyer or seller, if the principal has cancelled his order, and if the cancellation has reached the commission agent before the latter has sent notice of the completion of the order.

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No. 98 October - November 1965 Vol. 17

قانون تجارت ایران بانگلیسی (۱٤)

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BOOK 8.

CARRIAGE.

Article 377.

A carrier is a person who undertakes as his particular business the carriage of goods for hire.

Article 378.

A contract of carriage is subject to the law of agency except for cases mentioned hereafter.

Article 379.

The consignor must give the carrier the following particulars:-

The exact address of the consignee, the place where the goods are to be delivered, the number of bales or packages and kind of packing, their weight and contents, the time limit for delivery, the route by which the goods are to be despatched, and the value

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of any precious articles. The consigner will be liable for any damage resulting from failure to give the above particulars or from giving inaccurate particulars.

Article 380.

The consignor must see that the goods are packed properly and he is liable for any damage resulting from faulty packing.

Article 381.

The carrier is answerable for damaged if the packing is obviously defective and he accepted the good without reservation.

Article 382.

The consignor may retake the goods as long as they are in the hands of the carrier, by paying the latter's expenses and any loss he has suffered.

Article 383.

In the following cases, the consignor cannot avail himself of the right mentioned in Article 382 to retake the goods:-

(a) When a way bill has been prepared by the consignor, and delivered to the consignee by the carrier;

(b) When the consignor cannot return the receipt he has received from the carrier;

(c) When the carrier has informed the consignee that the goods have reached their destination and that he must take delivery of them;

(d) When the consignee, after the goods have reached their destination, has asked for delivery.

In the foregoing cases the carrier must carry out the consignee's instructions. However, when the carrier has given a receipt to the consignor he is not bound to follow the instructions of the consignee as long as the goods have not reached their destination, save. when a notice of arrival has been delivered to the consignee.

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Article 384.

When the goods are refused by the consignee, or when the expenses and charges incurred no them are unpaid, or when the consignee is absent. the carrier must notify the consignor and keept the goods temporarily in a warehouse or store them with a third party. In any case, the consignor will be liable for all charges and the goods will be held at his own risk. If the consignor or the consignee does not take delivery of the goods within a reasonable time, the carrier may sell them in conformity with Article 362.

Article 385.

If the goods are liable to debteriorate rapidly or if their estimated value does not cover the charges to which they are liable, the carrier must without delay bring the fact to the knowledge of the public prosecutor of the place or his representative, and proceed under his control with the sale of the goods.

The consignor and the consignee, shall, as far as possible, be informed that the goods are to be sold.

Article 386.

If the goods have perished or are lost, the carrier is responsible for their value, unless he can prove that the loss or destruction resulted either from inherent vice in the goods, or from a mistake of the consignor or consignee, or from instruction given by one of them, or from an act of God.

By agreement the parties may fix the amount of damages at a higher or lower figure than the actual value of the goods.

Article 387.

The carrier also remains responsible, within the limitations of the preceding article, for all damages resulting from delivery, deterioration, or damage to the goods.

Except by agreement of the parties, the said damages cannot exceed the indemnity to he paid in the event of total loss of the goods.

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Article 388.

The carrier is liable for all loss or damage during carriage whether incurred by him personally or by another carrier employed by him.

It is obvious, nevertheless, that in this last case, the right of the carrier to sue whoever he has entrusted with the carriage of the goods is unaffected.

Article 389.

The carrier is obligated to inform the consignee as soon as the goods have arrived.

Article 390.

When the consignee queries the amount of expenses and other sums claimed by carrier, he may insist on delivery of the goods only if he deposits with the court the amount in dispute, pending the hearing of the case.

Article 391.

When goods are accepted without reservation and the cost of carriage is paid, no proceedings may be started against the carrier, except for fraud or serious error. But the carrier remain liable for non-apparent damage if the consignee gives notice of damage within the time limit allowed for examination of the goods as laid down in the contract of carriage and if he informs the carrier as soon as he has ascertained the damage.

This information must, in any case, be given at the latest within eight days following delivery of the goods.

Article 392.

Every time there is litigation between the carrier and the consignee, the competent Court of the district may, if requested to do so by one of the parties, or sold if needs be.

In the latter case the sale must only take place when a pro per survey of the goods has been made.

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The sale may be prevented by payment of all expenses and sums claimed for the goods or if this sum be deposited with the Court.

Article 393.

Proceedings for damages against the carrier are barred after one year. The period of limitation begins to run in cases of destruction, loss or delayed delivery from the day when delivery should have been made, and in case of damage, from the day goods have been delivered to the consignee.

Article 394.

Carriage by post is not subjected to the present regulations.

BOOK 9.

ATTORNEYS AND OTHER COMMERCIAL REPRESENTATIVES.

Article 395.

A commercial representative is a person appointed by the head of a business finm as his substitute to transact all business on behalf of the firm or one of its branches and whose signature binds the firm.

The appointment may be made in writing or implied.

Article 396.

Any limitation of the powers of a commercial representative is null and void as regards third parties who were unaware of it.

Article 397.

A commercial procuration may given to several persons jointly, mentioning the fact that the firm shall only be bound by their joint signature. However, this limitation is void against third parties who are unaware of it unless it has been registered and Published in accordance with the regulations of the Ministry of Justice.

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Article 398.

A commercial representative cannot without the authority of the firm appoint a substitute to manage the business of the firm.

Article 399.

The dismissal of a commercial representative whose authority has been registered and published, must also be registered and published according to the regulations of the Minstry of Justice, otherwise the power of attorney is still in force so far as third parties are concerned who are unaware of its cancellation.

Article 400.

The authourity of a commercial agent is not revoked by the death, or insanity, or incapacitation of the head of the firm.

The dissolution of a firm, however, involved the revocation of the powers granted to a commercial agent.

Article 401.

The procuration of other persons representing a firm or a branch of the firm is subject to the general low governing agency.

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No. 99 December 1965 January 1966 Vol. 17

قانون تجارت ایران بانگلیسی (۱۰)

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BOOK 10

GUARANTEES

Article 402.

Except by agreement between the parties (either under a special contract or by the terms of the guarantee itself) the guarantor cannot demand that creditor first exercise recourse against the principal debtor before demanding payment under the guarantee, if the principal debtor fails to pay.

Article 403.

In all cases where according to law or by private agreement, the guarantee is joint and several, the creditor may sue the guarantor and principal debtor jointly, or take action indiviolually against one of them for the total amount of the balance of his, debt, and then sue the other for any sums still owing.

Article 404.

The above regulations apply equally when several person are, according to an agreement or by law, jointly and severally responsible for the fulfilment of the guarantee.

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Article 405.

A guarantor is not liable for payment untill the principle debt falls due, even though payment of the debt may be exacted owing to the failure or death of the principal debtor.

Article 406.

The above regulations do es not apply to a guarantee for the immediate payment of the debt.

Article 407.

If the right to demand payment of the principal debt is subiect to previous notice must also be given to the guarantor.

Article 408.

A guarantor is freed from liability as soon as the principal debt is extinguished for any reson whatsoever.

Article 409.

As soon as payment of the debt falls due the guarantor may compel the creditor to accept payment or to release him, even though a delay has been mentioned in the guarantee.

Article 410.

The refusal of the creditor to accept payment of the debt or his refusal to deliver up securities where the debt is secured, immediately and automatically discharges the guarantor.

Article 411.

When the guarantor has paid the principal debt, this creditor is bound to deliver to him all the deeds and documents he required to take proceding against the principal debtor. If the principal deot is otherwise secured. he must also deliver up the securities.

In cases where the principal debt is secured by a morgage or real property, the creditor is bound to complete the necessary formalities for transferring the property to the guarantor.

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BOOK II.

BANKRUPTCY.

CHAPTER I.

GENERAL.

Article 412.

The bankruptcy of a merchant or of a commercial company arises upon suspension of payment of sums due by them. Judgment declaring a merchant bankrupt, who died in a state of insolvency, may be given within one year after his death.

CHAPTER 2

DECLARATION OF BANKRUPTCY AND ITS EFFECTS

Article 413.

Within three days from his ceasing payment of his debts or other liabilities, every merchant must declare his insolvency to the court of first instance in the place where he resides and deliver to them his balance sheet and all his books.

Article 414.

The balance sheet mentioned in the preceding article must be dated, signed by the merchant and must contain the following particulars:-

(a). A detailed statement giving the value of all movable and immovable property.

(b). A statement of all his assets and liabilities.

(c). A profit and loss account and a statement of personal expenses.

In the event of the failure of a general partnership company (serkat tazamoni) a joint stock partnership company (sherkat makhtalt sahami), or a proportional liabilty company (sherkat nesbi) the names and addresses of all the general partners must also be given.

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Article 415.

A merchant is declared issolvent by the court of first instance in the following cases;-

(a). Upon the declaration of the merchant himself;

(b). Upon the request of one or more creditors:

(c). Upon the request of the public prosecutor of the court of first instance.

Article 416.

The court must by its ordre fix the date of the cessation of payment. Otherwise the date of the cessation of payment will be considered to be that of the ordre.

Article 417.

An ordre of bankruptcy is to be executed provisonally.

Article 418.

Dating from the ordre of bankruptcy, the bankrupt is deprived of all his property and of any property which devolved upon him as long as he is in a state of bankruptcy The trustee in bankruptcy is vested with the rights and powers of the bankrupt and can excercise them in his name and place particularly for the payment of his debt.

Article 419.

Any person contemplationg proceding in respect of movable or immovable property against the bankrupt, after declaration of bankruptcy, must notify the trustee, or bring his action against him.

The same rule applies to the execution of a judgment.

Article 420.

If it sees fit the court may allow the bankrupt to intervene as a third party in act action brought against him.

Article 421.

As soon as a person is adjudged bankrupt, debts due by him which have not yet matured become payable, but an allowance by way of discount will be made for the period the debt has to mature.

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Article 422.

If a bankrupt has endorsed a promissory note, or if he has drawn a bill of exchange which has drawn on him, this persons responsible for the payment of the said promissory note or bills must pay them in cash, but an allowance by way of discount will be made for the period in which the promissory note or bill has notes or bills when they fall due.

Article 423.

The following are null and void, if effected by the bankrupt after cessation of payment:-

(a). Any voluntary settlement, any gift inter vivos, and in general any transfer of movable or immovable property, except for valuable consideration;

(b). Any payment, by whatever means, of debts due or not due;

(c). Any transaction relating to movable or immovable Property prejudicial to the interests of the creditors.

Article 424.

If, following an action by the trustee in bankruptcy, or by a creditor against those who had have transactions with the bankrupt or their nominees, it is established that the bankrupt, prior to the cessation of payment, in ordre to avoid his liabilities ordefraud his creditors, has made a contact involving a loss of more than one quarter of the value of the goods at the time the contract was signed, and said contract may be annulated, unless the other party to the contract pays the difference prior to delivery of judgment by the court.

Proceedings for annulment may be started at any time within two years from the date of the contract.

Article 425.

If, in accordance with the preceding article, the court declares the contract void, the defendant, after final judgment has been given, must deliver to the trustee the goods which formed the consideration for the contract, andrecevie from him their price as evidenced by the contract, and this must be done before the bankrupt's assets are distributed among the creditors.

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If the goods themselves are no longer in the hands of the defendant, he must pay the difference in price.

Article 426.

If it is proved in court that the contract was prompted by a desire to defrand or has been due to a collusion the contract becomes automatically null and void.

The property forming the consideration for the contract and the profits shall be returned, and the contracting party will rank with the ordinary creditors.

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No. 101 March - April 1966 Vol. 18

قانون تجارت ایران بانگلیسی (۱۰)

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CHAPTER 3

APPOINTMENT OF OFFICIAL RECEIVER

Article 427.

In the order declaring a merchant bankrupt the Court will appoint a person in the capacity of official receiver.

Article 428.

The official receiver is bound to supervise and expedite the settlemnt of the affair of the bankrupt.

Article 429.

The official receiver shall report to the Court and disputes arising from the bankruptcy which are within the Jurisdiction of the Court to settle.

Article 430.

Appeal against the decision of an official receiver is only possible in cases provided for by the present law.

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Article 431.

The Cour that appointed the official receiver shall deal with such appeal.

Article 432.

The Court can always change the official receive en and have him replaced by another.

CHAPTER 4

AFFIXING SEALS AND THE FIRST STEPS IN RELATION TO BANKRUPTCY.

Article 433.

In its order adjudging a person bankrupt, the Cour shall order the affixing the seals.

Article 434.

The seals shall be immediately affixed by the official receiver unless the latter considcrs that the bankrupt's assets can be scheduled withing ane day, in which case he must proceed without delay to make an inventory.

Article 435.

If a bankrupt has failed to act in accordance with the provisions of Articles 415 and 414, the Court shall order his arrest declaring him bankrupt.

Article 436.

The arrest of a bankrupt may also be ordered, if it is established that he intends by his own acts to prevent the liquidation and administration of the affairs in bankruptcy.

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Article 437.

When a debtor merchant absents himself of conceals the whole or part of his assets, a justice of the peace may, on being requested to do so by one of more creditors, proceed immediately with the affixing of seals. He must without delay inform the public prosecutor that he is taking such steps.

Article 438.

The seals shall be affixed on shops, business premisees, cash-boxes, bill-cases, papers, books, effects and furniture of the bunkrupt both in his business premises and in his private dwelling.

Article 439.

In cases of failure of General partnerships (Sherkat Tazamoni), joint stock partnership (Sherkat Mokhtalet) or proportional liability partnership (Sherkat Nesbi) the seals shall ont be affixed to the personal property of general partners, partners, unless the said partners have also been declared bankrupts, either by the order hich declares the company bankrupt or by special order.

Note: In cases provided for by the present and the preceding article, the property and articles not liable to distraint for debit are exepted from sealing.

CHAPTER 5

TRUSTEES

Article 440.

In the order of bankruptcy, or at latest, within five days from this order, the court shall appoint a person to act in the capacity of trustee.

Article 441.

The steps to be taken by the trustee, either with a view to preparing the statement of creditors or to informing the latter and fixing the period withing which they must appear, and the general powers of the trustee in excess of those provided for by the present law, shall be fixed by a regulation of the Ministry of Justice.

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Article 442.

The amount of the trustee's salary shall be fixed by the Limitations of the regulations established by the Ministry of Justice.

CHAPTER 6

POWERS AND DUTIES OF A TRUSTEE

SECTION 1.

GENERAL RULES.

Article 443.

If the seals have not been affixed before the appointment of the trustee, he shall request that this formality be compteted.

Article 444.

On a request from the trustee, the official receiver will allow the following articles to he exempted from sealing, or remove seals the following articles to be exempted from sealing, or remove seals which have been already affixed thereon:-

(a) Clothing, furniture and effects necessary for the bankrupt and his family;

(b) Perishable articles or those likely to depreciate in value rapidly.

(c) Articles required for the working of the bankrupt's business, when the affixing of seals to such articles would be prejudicial to the creditors.

Article 445.

Articles in paragraphs (b) and (c) shall be valued at once and listed.

The sale of perishable articles or those likely to depreciate in value, as well as those which can only be kept at great expense, shall be carried out by the trustee on being authorized by the official receiver. The continuation of the bankrupt's business must be similarly authorized.

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Article 446.

The clerk of the court with the assistance of the official receiver or a justice of the peace shall remove the scals affixed to the bankrupt's books and had them to the trustee after having ruled them off. He shall state briefly in an official report the condition in which he found them.

The seals shall also be removed from short usance bills or bills likely to be accepted, or from bills which must be protested.

These will be listed in an official statement an handed to the trustee for collection.

The official statement prepared by the trustee shall be delivered to the official receiver

The other debts shall be collected by the trustes against his receipts. The letters addressed to the bankrupt shall be handed to the trustee and opened by him.

The bankrupt shall be allowed, if present, to take part in the opening of said letters.

Article 447.

When the bankrupt has no other means of existence, he may claim for himself and for his family an allowance to be paid from the assets. In such cases, the allowance shall be fixed by the official receiver with the approval of the court.

Article 448.

The trustee shall summon the bankrupt to close his accounts and rule off the books.

A maximum delay of 48 hours shall be granted to his within to appear.

If the bankrupt fails to appear, the liquidation shall proceed in the presence of the official receiver.

The bankrupt may be present at all bankruptcy proceedings and particularly when measures are taken with a view to safeguarding the interests of the bankrupt.

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Article 449.

If the bankrupt has not delivered his balance sheet, the trustee shall immediatly draw up a balance sheet from the books and papers of the bankrupt, and from any other information he may procure.

Article 450.

The trustee is authorized to interrogate and to hear the bankrupt, his clerks and empoloyees and all other persons on all matters concerned with the drawing up of the balance sheet and with the circumstances of the bankruptcy.
He must prepare a report thereon.

SECTION 2

REMOVAL OF SEAL AND DRAWING UP OF THE INVENTORY

Article 451.

After having requested the removal of seals, the trustee shall proceed to draw up the inventory of the bankrupt's property.

The latter shall be summoned by the trustee but the work can be proceeded with in his absence.

Article 452.

The trustee shall prepare the inventory in duplicate, as soon as the seals are removed. One of the copies shall be deposited with the office of the court, and the other will remain in the hands of the trustee.

Article 453.

The trustee may obtain help for the drafting of the inventory and the valuation of the property from whoever he thinks fit.

The statement of goods, which in conformity with Article 444 have not been sealed but have previously been valued, shall be annexed to the inventory.

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Article 454.

Within fifteen days of his appointement, the trustee is bound to deliver the official receiver a brief memorandum of the of the apparent state of the bankruptcy, of its causes and circums tances.

The official receiver shall immediately forward the memorandum to the public prosecutor of the local of First Instance.

Article 455.

The officiers of the Court may, but only in the capacity of supervisors, go to the bankrupt and be present when the inventory in drawn up. They shall have at all times the right to inspect books, documents and papers relating to the bankruptcy. Their intervention however must not hinder the bankruptcy proceedings.

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IRANIAN BAR ASSOCIATION.

KANOON VOKALA DADGOSTARI

No. 102 *June - July 1966* *Vol. 18*

قانون تجارت ایران بانگلیسی (۱۷)

(17)Commercial Code of Iran

SECTION 3

SALE OF PSOFESTY AND COLLECTION OF DEBTS.

Article 456.

When the inventory is completed the goods, cash, bonds, and papers, furniture and effects of the bankrupt (except property and articl es not liable to distrain for debt) shall be handed over to the trustee.

Article 457.

The trustee shall proceed under the control of the offical reciver to recover outstanding debts. He may also, with the authority of the public prosecutor and under the control of the official receiver, proceed with the sale of furniture and goods after notifying the bankrupt to attend. The procedure as to the sale shall be fixed by a regulation of the Ministry of Justice.

Article 458.

The trustee may, with the permission of the official reciver, after notifying the bankrupt to attend, amicahle sutemnts all points

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at issue as claims by the creditors, even though the claims relating to immovable property.

Article 459.

If the matter, with Regard to whic ha settlement is made of uncertain value, or if its value exceeds five thousand rials, such settlement becomes binding only when the Court has approved of it, the bankrupt having been summoned to attend.

The bankrupt shall in every case have the right to oppose the settlement, If the settlement concerns real property, the bankrupts' opposition shall be sufficient to provent a settlement, until such time as the Court decides what course shall be taken.

Article 460.

Monies received by the trustee shall be deposited immediately with the district Court.

The Court shall open a special account for the assets and liabilities of the bankrupt. Monies paid in may be with drawn only on the order of the official reciver which must be approved by the trustee.

SECTION 4

SAFEGUARDING THE RIGHTS OF THE BANKRUPT

Article 461.

From the date of his appointment as such, the trustee must take all the necessary steps to safeguard the rights of the bankrupt against his debtors.

SECTION 4

VERIFICATION OF DEBTS

Article 462.

After the order in bankruptcy has been made, the creditors must deliver (within the time fixed by the trustee in accordance

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with a regulation by the Ministery of Justice) to the clerk of the Court against receipt, the original documents evidencing their debts, or certified copies, together with a statement showing the whole amounts claimed by them.

Article 463.

The verification of claims shall start within three days from the expiration of the time laid down in the preceding article. It shall be continud without interruption in the place, and the time fixed by the official receiver, and the manner prescribed by a regulation of the Ministry of Justice.

Article 464.

Every creditor whose claim has been verified, or whose name appears in the statement of accounts of the bankrupt to present at the examination of the claims of other creditors and lodge objections to debts already proved, or debts in course of examination. The bankrupt has the same rights.

Article 465.

The domicile of creditors or their representatives shall be given in the report on the verification of the debts of the bankrupt.

This report shall contain a brief description of the documents as well as a note of any additions, erasures of all kinds, interlineations, and a formal statement as to whether the debt is admitted or disputed.

Article 466.

The official receiver may, exofficio, order the books of the creditors to be brought before him, or ask the local court to prepare extracts from them for him.

Article 467.

If a debt is admitted, the trustee must write on the document evidencing the debt the following formula which must be signed by him and countre-signed by the official receiver:-

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"admitted as a liability in the bankruptcy of
for the amount of .... the ...."

Each creditor must, within the time fixed and in the manner laid down by a regulation of the Ministry of Justice, guarantee that the debt claimed by him is genuins and that he has no intertion of making any illicit profit.

Article 468.

If a debt is contesed, the official receiver may submit the dispute to the court.

On receiving the report of the official receiver the Court must examine the matter immediately.

The Court may order that an inquiry is made in the presence of the official receiver, who can ordre any persons who can provide information relating to the contested debt to be summoned to appear before him or to be asked by him to furnish such information.

Article 469.

When a dispute as to the admissio nof a debt is brought before the court and if a diseussion regarding it cannot be given withing fifteen days, the Court shall order, in the circumstances, either a postponement of the summoning of the meeting to consider a cmprosition or a scheme of arrangement, or shall ask that the meeting be called without waiting for the findings of the Court.

Article 470.

If the court decides that the meeting is to be summoned, it may order that the creditor whose claim is disputed shall be recognized temporarily as such to the extent of the sum referred to in the decision of the court, and he shall take part in the discussion concerning the bankruptcy.

Article 471.

When a debt is the subject of criminal proceedings, the court may order an adjournment. But it if orders the meeting to

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be called, the debt cannot be admitted provisionally, and the creditor in question can take no part in the bankruptcy proceedings pending the decision of the competent criminal court.

Article 472.

Upon the Rfpiration of the periods fixed by Articles 462 and 467 the arrangement of a composition and other matters relating to the bankruptcy shall be proceeded with.

Article 473.

The creditors who have failed to appear within the prescribed period and have not complied with the provisions of Article 462, have no right to object to the accounts and the proofs which have been accepted, or the decisions made relating to the distribution of dividends, prior to their appearance.

However, they have a right to rank as creditors and to share in dividens subsequent distributed without, however, haveing the right to demand their share due to them under previous allotments from the assets which have not yet been distributed.

Article 474.

Those who have any claim for damages on property actually in the hands of the bankrupt and have not given up their claim must, while the bankruptcy proceedings are in progress, prove and enforce their claim.

Article 475.

The terms of the preceding article apply equally to the right of revocation he may have over property actually in his possession, provided, however, that the exercise of such right shall not be prejudicial to the interests of the creditors.

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CHAPTER 7

COMPOSITION AND THE LIQUIDATION OF THE BANKRUPTCY

SECTION I

THE CREDITORS' MEETING

Article 476.

Within eight days from the time laid down in Article 467, the official receiver shall invite (throught the clerk of the court) all creditors whose claims have been verified or provisionally accepted to attend a meeting for the purpose of discussing the acceptance of a composition or a scheme of arrangement. The objects of such a meeting shall be advertised in the newpapers as well as communicated in the summons to creditors.

Article 477.

The meeting shall be presided over by the official receiver at a place, day and hour to be fixed by him. Creditors whose claims have been verified and admitted or provisionally admitted shall appear in person or by proxy appinted by power of a ttorney.

The hankrupt shall also attend this meeting and he must be present in person.

He may appear by proxy only for valid reasons which must be approved by the official receiver.

Article 478.

The trustee shall read at the meetting of creditors a report on the state of the bankruptcy, on the formalities which have been complied with, and on the transactions carried out with, the knowledge of the bankrupt. This report signed by the trustee, shall be handed to the official receiver who shall prepare a statement containing all the matters discussed and all decisions taken by the meeting.

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IRANIAN BAR ASSOCIATION.

KANOON VOKALA DADGOSTARI

No. 103 *August - September 1966* *Vol. 18*

قانون تجارت ایران بانگلیسی (۱۸)

[18]Commercial Code of Iran

SECTION 2

COMPOSITIONS

PART 1. FORMALITIES FOR A COMPOSITION

Article 479.

A composition or arrangement can only be arrived at between a bankrupt and his creditors when the formalities referred to above have been complied with.

Article 480.

A composition or scheme of arrangement must be agreed to by at least one half of the creditors plus one, representing at least three-quarters in value of the total amount of debts. Verified and admitted, or admitted provisionally, in conformity with Section 5 of Chapter 6, under penalty of annulment.

Article 481.

If, at the meeting called to approve a composition, the creditors present represent a numerical majority of the creditors

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but not three-quarters in value, of if they form a majorityof three-quarters in value but not a majority in numbers, the scheme shall be provisional only and a new meeting must be called within a week.

Article 482.

Te creditors present or legally represented at the first meeting and who have signed the minutes are not bound to be present at the second meeting unless they wish to modify their decision, If they are absent, the decisions already made by them remain valid and the bankrupt's composition shall be definitely accepted, if the majority in number and value prescribed by Article 480 is present at the second meeting.

Article 483.

No composition can be concluded, if a bankrupt has been found guilty of fraudulent bankruptcy.

When a merchant is prosecuted for fraudulent bankraptcy and the circumstanses indicate that he will be acquitted and composition will be made with him, the creditors shall be summoned to decide whether they will adjourn their meeting until after the result of the enquiry in regard to the fraudulent bankruptcy has been made known, or take an immeditate decision.

Article 484.

If a merchant has been found guilty of culpable bankruptcy, a proposal for a composition may be entertained. However, then bankruptcy proceedingshave already started, the creditors may defer their decisions as to acceptance of a composition until the result of such proceedings has beem made known, in conformity with the provisions of the preceding article.

Article 485.

All the creditors who have had the right to agree to composition may unite to oppose it. The grounds for such opposition, must be well-founded and shall be notified to the trustee and to bankrupt within a week of the agreement to a composition. Failing this the opposition shall be considered null and void, and the trustee

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as well as the bankrupt shall be summoned to appear at the first hearing in the bankruptcy court.

Article 486.

The composition must be confirmed by the court. Each of the parties may ask for confirmation. However, the tribunal may give a decssion only after the expiration of one week fixed by the preceding article.

If any opposition is made of the composition shall be dealt with in one judgment.

If the objection is admitted, the composition shall be null and void for all parties interested.

Article 487.

Before the court has deliverd judgment regarding the confirmation, the official receiver shall submit a report to the court with regard to the nature of the bankruptcy and the admissibility of the composition.

Article 488.

In case of non-observance of the prescribed regulations, the court shall refuse to confirm the composition.

PART 2. EFECTS OF A COMPOSITION

Article 489.

As soon as it has been confirmed, the composition becomes binding on the creditors who have formed part of the majority or have agreed to the composition within ten days dating for confirmation.

The creditors who have neither formed part of the majority, nor agreed to the composition may receive from the estate of the hankrupt their share prorate of their debts; but they may, in future, claim from the bankrupt the balance of their debts only when creditors who have agreed to accept a composition, or have signed such agreement within the prescribed period, have been paid in full.

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Article 490.

Proceedings to nullify a composition will only be heard if it is discovered after confirmation that threre has been fraudulent concealment and under evaluation of the assets and inflation of liabilities.

Article 491.

As soon as the judgment confirming the composition has been finally issued, the trustee shall hand to the bankrupt in the presence of the official receiver a detailed account which shall be considered final unless it is contested.

He shall deliver against receipt to the bankrupt all his books, documents and papers, as well as all his property, except that which must be delivered to the creditors who did not agree to the composition.

The trustee's functions shall cease as soon as he has made an arrangement for the payment of the share of the said creditors.

The official receiver shall then draft a statement relating to the whole of the proceedings, after which his duties shall cometo an end.

In case of dispute, the court shall make an order.

PART 3. THE ANNULMENT OF A COMPOSITION

Article 492.

A composition is null and void:-

(a). If the bankrupt is found guilty of fraudulent bankruptcy;

(b). In the case provided for by Article 490.

Article 493.

When the court has decreed the annulment of a composition the guarantor or guarantors if there are any, are freed from their obligations.

Article 494.

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In case of non-fulfilment by the bankrupt of the terms of

the composition, proceeding may be brought against him for the cancellation of the composition.

Article 495.

If the total or partial fulfilment of the composition has been guaranteed by one or several guarantors, the creditors may ask for the fulfilment of the gurantees, In the latter case that part of the composition which has not been guaranteed shall be cancelled. If there are several guarantors, they shall be jointly and severally responsible.

Article 496.

When, after confirmation of the composition, the bankrupt is prosecuted for fraudulent bankruptcy and placed under arrest or is imprisoned, the court may take all such protective measures as it deems necessary, But such measures shall cease immediately following a verdict for staying the procedings, or for acquital or discharge has been given.

Article 497.

Upon the issue of a judgment for fraudulent bankruptcy or candellation of the composition, an official receiver and a trustee shall be nominated by the court.

Article 498.

The trustee may affix the seals to the property of the bankrupt.

He shall proceed immediately with the examination of deeds and documents and shall compare them with the former inventory. He shall prepare, if necessary, a supplementary inventory.

He shall summon immediately, by means of advertisements in the newspapers, the new creditors, if there are any, to produce proof of their claims for verification, within one month.

In the foregoing advertiisments reference shall be made to the findings of the judgment nominating the trustee.

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Article 499.

The examination of proofs produced in virtue of the preceeding article shall proceed without delay.

There shall be no need for fresh proof of debts previously admitted or confirmed, but debts paid in whole or in part since then must be deducted.

Article 500.

Transactions by the bankrupt after the confirmation and prior to the annulment or acceptance of the composition shall be annulled only when it is established that they have been made with the intertion of injuring the creditors and injury has been effected.

Article 501.

In case of cancellation or annulment of the compositionthe assets of the bankrupt shall be divided pro rata among the creditors named in the composition, and among persons who have become creditors after the composition has been agreed to.

Article 502.

When the creditors named in the composition have received a part of their claims after the debtor is declared bankrupt and prior to cancellation or annulment of the composition, the dividend they have received shall be deducted from the amount when the distribution takes place.

Article 503.

The regulations of the two preceding articles shall apply equally when a bankrupt, without any previous annulment or cancellation of the composition having taken place.

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IRANIAN BAR ASSOCIATION.

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No. 104 March — June 1967 Vol. 19

قانون تجارت ایران بانگلیسی

(19) Commercial Code of Iran

SECTION 3

CLOSING OF ACCOUNTS AND TERMINATION OF THE BANKRUPTCY PROCEEDINGS.

Article 504. Failing a composition ,the trustee shall immediately proceed with the closing of the accounts and the liquidation of the bankruptcy.

Article 505. In case the majority mentioned in Article 498 agree, the Court shall fix, within the limits of Article 447, the allowance for maintenance to be made to the bankrupt.

Article 506. When a general partnership company (Sherkat Tazamoni) simple partnership company (Sherkat Mokhtalet Ghair Sahami) Joint Stock Partnership Company (Sherkat

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Mokhtalet Sahami) and proportional liability company (Sherkat Nesbi) is declared bankrupt, the criditors may agree to a composition with the firm itself, or exclusivly with one or more of the general partners, In the latter case, the firm's assets shall be subject to the regulations of the present section and shared between the creditors; the personal property of partners with whom the composition has been concluded will be excluded from the distribution.

The general partner or partners with whom a private composition has been concluded shall undertake to pay a divided out of their personal estate only.

The partner with whom a special composition has been concluded shall be discharged from all joint and several liability, if such exists.

Article 507. If the creditors wish to continue the business of the bankrupt, they must choose for this purpose an agent or attorney, unless they prefer to entrust the business to the trustee himself.

Article 508. The decision conferring the authority mentioned in the preceding article shall also fix the extent and duration thereof, as well as the amount of money that the party authorized may keep in his hands in order to provide the necessary expenses.

This decision may be taken only in the presence of the official receiver and by a majority of three-quarters of the creditors in number and value. The bankrupt and dissentient creditors may, without prejudice to the provisions of Article 473, oppose this decision in court. This opposition shall not suspend the exedution of the decision.

Article 509. Should the transactions of the attorney or of the agent entrusted with continuing the business result in liabilities which are greater than the assets of the bankrupt, the creditors

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who authorize such transactions shall be held personally liable for any amount in excess of their share of the assets, within the limits of the powers they have granted.

Article 510. In the event of liquidation of the affairs of the bankrupt the trustee shall proceed with the sale of the immovable and movable property of the bankrupt, and to recover his assets and settle his liabilities, if necessary by compromise, subject to the supervison of the trustee and in the presence of the bankrupt.

Should the bankrupt decline to appear, it will be sufficient if the public prosecutor is kept advised of the transactions being carried out. The sale of property shall take place according to a regulation of the Ministry of Justice.

Article 511. As soon as the settlement of the assets of the bankrupt is compete, the official receiver shall summon the bankrupt and his creditors, and at this meeting the trustee will present his account.

Article 512. If the bankrupt is found to be lessee of certain property, the trustee shall decide whether it is in the interests of the creditors to surrender or to retain the lease.

In case of surrender, the lessor shall rank as criditor to the extent of the amount of rent due up to the date of sureneder.

In the event of a lease not being surrendared, if securities have already been given by deed to the lessor, he shall retain such securities, otherwise sufficient securities shall be given after the declaration of bankruptcy, If the trustee decided to surrender the lease and the lessor refuses to accept, he shall forfeit his right to the security.

Article 513. The trustee may, with, the authority of the official receiver, assing a lease for the remaining period on

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condition that the assignment is not prohibited by the lease.

In case of assignment, the tenant must provide suffici - ent security for the payment of the rent. He must also fulfil all convenants a nd agreements contained in the lease.

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IRANIAN BAR ASSOCIATION.

KANOON VOKALA DADGOSTARI

No. 105 July — September 1967 Vol. 19

قانون تجارت ایران بانگلیسی

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Chapter 8

Different types of creditors and their rights in BANKRUPTCY.

SECTION I.

Creditors secured by pledges.

Article 514. Creditors secured by pledges shall be entered in the list of creditors by way of record only.

Article 515. The trustee may at any time, with the authority of the official receiver, redeem the security for the benefit of the bankrupt party by paying the amount due to the secured creditor.

Article 516. If the pledge has not been redeemed, the trustee must sell it under the control of the public prosecutor,

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the secured creditor (Mortgagee) being july summoned to attend.

If, after deduction of expenses, the proceeds of the sale are more than the debt, the balance shall be paid to the trustee; if the proceeds of the sale are less than the debt, the secured creditor (mortgagee) shall rank for payment of the balance like an orinary creditor.

Article 517. The trustee shall provide the official received with a list of creditors claiming to be secured by pledges. The official receiver shall, if needs be, authorize the payment of such creditors out of the first moneys received.

If such privilege is contested, the matter shall be referred to the Court for settlement.

TECTION 2.

THE RIGHTS OF CREDITORS WHOSE CLAIMS ARE SECURED BY A MORTAGE OR CHARGE UPON IMMOVABLE PROPERTY.

Article 518. When the distribution of the sums relaized from the sale of immovable property is made prior to, or simultaneously with, the division of moneys realized from the sale of movable property, the creditors who have a mortgage or charge over the immovable property and whose claims have not been entirely satisfied out of the amount realized by the immovable property, shall rank in respect of the balance due to them with ordinary creditors (who have no mortgage or charge) provided their claims have been proved according to the regulations mentioned above.

Article 519. If prior to the distribution of moneys which are realized by the sale of immovable property, any dividend should have been paid out of the proceeds of movable property, the creditors who have a vharge

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over the immovable property, and whose claims have been proved and admitted, shal rank for distribution in proportion to their total clalms and shall receive their share of such moneys, but any divident thus received must be deducted when the moneys realized from the sale of immovable property are being distribited.

Article 520. The following procedure shall be obsereved as regards creditors who have a charge over immovable property, but owing to the precedence of other creditors have not been able to obtain their claim in full at the time of distribution of the moneys realized from the sale of immovable property.

If the said creditor, prior to the distribution of the sum realized by the sale of immovable property, should have received any divident on account of their claim. this divident should be deducted from the dividend to be paid to them on account of the immovable property, and will be added to the estate available for distribution smong the ordinary creditors. The remaining creditors who have a charge over the immovable yroperty will, for any balance that may be due to them, share proprate in any sums available for distribution from the proceeds of such property.

Article 521. If the creditors having a charge over immovaale property have not received a divident owing to priority for other creditors, they will be regarded as ordinary creditors and will be treated as such so far as a composition and other operations are concerned.

CHAPTER 9.

DISTRIBUTION OF MOVABLE PROPERTY AMONG THE CREDITORS.

Article 522. The total amount reaized from the movable property after deduction of costs and expenses connected with and incidental to bankruptcy, of any allowance granted

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to the bankrupt, and of the amounts paid to preferential creditors, shall be divided among all creditors pro rata to their debts previously proved and admitted.

Article 523. With a view to enforcing the provisions of the preceding article, the trustee shall deliver each month to the official receiver a statement of the position of the bankruptcy and the moneys available for distribution. The official receiver may, if he thinks that a distribution of the sums available can be made to the credirors, fix the amount thereof and see that all the creditors are notified.

Article 524. When the dividend is paid, the creditors residing abroad will be deducted in proporation to their claims set forth in the statement of affairs.

If the debts are not correctly entered in the statement of affair the official receiver may order that the amount set aside for their benefit shall be increased.

A sum shall also be set aside for the debts regarding the admission of which nothing has been defintely settled.

Article 525. The amount set aside for the benefit of creditors resident abroad shall be kept on deposit until the expiration of the period fixed by the law. This sum shall be divided between the admitted creditors, if the creditors residing abroad have not proved their debts in accordance with the provisions of the present law.

The same procedure shall be adopted concerning the amount set aside for debts not yet proved, if they happen subsequently to be rejected.

Article 526. No debt shall be paid by the trustee except the document evidencing it has been seen and admitted by him.

The trustee shall state on the document the amount paid by him.

However, in cases where the production of such a

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document is not possible, the official receiver may authorize payment by virtue of a formal proving the debt.

In any case, the creditor shall give a formal receipt for the payment at the foot of the list of the payment made.

Article 527. The Creditors may, with the knowlege of the bankrupt, obtain permission of the Court to take over whole or part of the rights and claims of the bankrupt not yet recovered, and to deal with them in the best interests of the bankrupt; in such a case, the trustee shall take over all the necessary steps.

For this purpose any creditor may ask the offtcial receiver to summon the other creditors, with a view to discussing the matter.

CHAPTER IO.

CLAIMS FOR RESTITUTION.

Article 528. If before declaration of bankruptcy commercial instruments have been remitted to the bankrupt with an instruction to collect and hold the proceeds in the owner's account or to untilize them for specific payments, they may be reclamined by their owner.

The claim for restitution can be made only when such instruments have not been paid and where, at the time the bankruptcy was declared, they were still in the possession of the bankrupt.

Article 529. Goods consigned to the bankrupt on deposit, or remitted to him to be sold for the account of the owner, may also be reclimed, as long as the exist in kind (Wholly or in part) in the hands of the bankrupt, or in the hands of a third party who has received them him on deposit or for sale.

Article 530. If still in their original state, the goods bought by the bankrupt for account of other parties may be rec-

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laimed. The return of such goods may be claimed by the seller, if they have not yet been paid for. Otherwise the claim shall be lodged by the third party for whose account they have been bought.

Article 531. When goods consigned to the bankrupt to be sold have been wholly or partly sold, without any part of the price having been settled in any way between the bankrupt and the buyer, they may be reclaimed by the owner, whether they are in the possession of the bankrupt or in the hands of the buyer. Generally, all goods belonging to other parties and still in kind in the hands of the bankrupt may be claimed.

Article 532. If goods forwarded to the bankrupt, for sale have been sold genuively by the bankrupt but before he actually received them, and if the sale is evidenced by bills, bills of lading of waybills signed by the consignor, a claim for restitution is not admissible.

If such is not the case, a claim shall be admissible in conformity with ragulations of Article 539, but the claimant for restitution is bound to reimburse the creditors for any instellments received by him on account as well as all partial payment made in advance for carriage, commission, insurance or other expenses, or to pay the sums due for such expenses.

Article 533. When goods have been sold to a bankrupt trades, but have not yet been delivered either to the bankrupt in person or to a third party on his account, the seller may refuse delivery of the said goods to the extent of the amount which remains unpaid.

Article 534. In cases provided for by the two preceding articles and subject to the authority of the official receiver, the trustee may demand the delivery of the goods by paying to the seller the price agreed upon between the seller and the bankrupt.

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Article 535. The trustee may, with the approval of the official receiver, admit claims for restitution. In the event of disputes arising the Court shall make an order after having heard the official receiver.

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IRANIAN BAR ASSOCIATION.

KANOON VOKALA DADGOSTARI

No. 106 Oct. - Nov. - Dec. Vol. 19

قانون تجارت ایران بانگلیسی

(21) Commercial Code of Iran

Chapter II

Appeale Against Judgment delivered in Cases of Bankruptcy

Article 536. A judgment declaring a state of Bankruptcy to exist and fixing the date of bankruptcy prior to the time when payment was actually suspended may be appealed a gainst.

Article 537. Appeal must be ledged by the bankrupt within ten days, and by other interested party within one month, if the party resides in Iran, or within two months, if residing abroad. These period will begin to run from the date of publication of judgment.

Article 538. No appeal from creditors with the object of fixing the date of suspension of payment at any other date than that stated in the declaration of bankruptcy, or by any other judgment given to this effect, shall be accepted after the period fixed for admission and proving of debts has expired. The said periods having expired so far as suspension of payment is irrevocably determined so far as creditors are concerned.

Article 539. The period allowed for appeal against any judgment declaring a state of bankruptcy to exist shall be ten days to count from notice to this effect.

This delay shall be increased at the nate of one

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day per six farakhs, for parties residing at a distance in excess of six farsakhs, from the place or seat of the Court.

Article 540. No opposition, or appeal, to the supreme court of Justice is allowed in the following cases:-

(a). Jadgments relating to the appointment or replacement of the official receiver or the trustee;

(b). Judgments granting an allowance to the bankrupt or his kin;

(c). Judgments which authoize the sale of effects or goods belonging to the bankrupt.

(d) Judgments ordering postonement of a composition or provisional admission of the debts of creditors which are contested;

(e). Judgments passed following petitions lodged against orders passed by the official received within the limits of his power.

BOOK 12

Culpable bankruptcy and fraudulent bankruptcy

Chapther I.

Article 541. In the following cases every bankrupt shall be declared as culpable bankrupt:-

(a). If his personal expenses or his family expenses in normal times have been excessive, as compares with his income;

(b). If it is established that in proportion to his capital the bankrvpt has used large sums either in transactions considered to be fictitious by commercial practice, or in more change speculations;

(c). If, with the object of delaying his failure, the bankrupt has effected purchases above or sales below current prices, or if with the same purpose he has indulged in ruinous practices to procure funds, either by borrowing or by issuing bills of exchang or by other means;

(d). If after stopping payment the bankrupt has given an undue preference to one of the creditors.

Article 542. In the following cases any marchant who has failed is guilty of culpable bankruptcy:—

(a). If he has while acting for other parties, and without receiving adequate consideration, undertaken obligations which were considered to be beyond his resource when he undertook the said transactions:

(b). If he has stopped payment and has not acted in conformity with the provisions of Article 413 of the present law;

(c). If since the enforcement of the Commercial Gode, approved the 25th Dalve 1303, the 12th farvardin and the 12th Khordad 1304, he has kept no books, or if his books are incomplete or irregularly kept, os if he does not show in his inventory his tru assets or liabilites, provided however that in such cases he has not been guilty of fraud.

Article 543. Culpable bankruptcy is a misdemeanour and shall be punished with reformatory imprisonment from six month to three years.

Article 544. This misdemeanour shall be dealt with at the request of the trustee, any criditor, or on proceedings by the public prosecutor.

Artiele 545. The cost of culpable bankruptcy proceedings lodged by the public prosecutor may in no case be charged against the ciditors.

In case of a composition, the executive bailiffs shall be unable to claim payment of their costs, untill after the expiratiou of the period stated in the composition.

Article 546. The cost of proceedings lodged by the trustee in the name of the creditors shall be paid for, in the event of a verdict of not fuilty, by the creditors, and if a verdict of guilty is returned by the state, except when proceedings are lodged against the bankrupt in comformity with the preceeding article.

Article 547. The trustee may only undertake a prosecution for culpable bankruptcy or take action on behalf of creditors after having obtained sanction of the majority of the credjtors present.

Article 548. If a verdict of guilty is returned, the cost of proceedings lodged by a creditor shall be paid for by the State. if the verdict is not fuilty then plaintiff cre— ditor is liable for costs.

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قانون تجارت ایران بانگلیسی

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Chapter 2

Fraudulent Bankruptcy

Article 549. Any bankrupt merchant shall be declared a fraudulent bankrupt, and punished with the penalties laid down in the Penal Code, who has lost his books, or concealed part of his assets, or has embezzled the same by means of an agreement with an accomplice or by fictitious transaction, as well as any bankpurt merchant who, either by means of documents or through his balance sheet, Shall have declared him-self to be indebted for sums he does not actually owe.

Article 550. In cases provided for by the preceding article, the terms of articles 545 to 548 shall be applicable as to proceedings and their costs.

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Chapter 3.

Crimes and misdemeanours committed in bankruptcy by persons other than bankrupt.

Article 551. The following persons shall be declared guilty and subjected, in conformity with the Penal Code, to the penalties prescribed for fraudulent bankruptcy : —

(a). Persons convicted of having knowingly in the interest of the bankrupt received, or conceald the whole or part of his movable or immovable property.

(b). Persons who have fraudulently submitted fictitious demands, either in their own name or through some other person, and who have given the undertaking provided for by Article 467.

Article 552. Persons carrying on trade under the name of another person or under a fictitious name who have been guilty of the practices laid down in Article 542 shall be liable to the penalties for fraudulent bankruptcy.

Article 553. The relations of the bankrupt who, without the complicity of the bankrupt, have removed, concealed, or hidden property belonging to him shall be liable to the penalties for theft.

Article 554. In cases provided for by the preceding articles the Court which is trying the case shall make an order on the following even though a verdict of not guilty or discharge has been pronounced:-

(a). The return to the creditors of all the property and rights fraudulently obtained, even when there is no private prosecutor involved;

(b). The payment of damages claimed.

Article 555. The trustee who has been guilty of misappropriation during the liquidation shall be liable to the penalties prescribed for breach of trust.

Article 556. The trustee, whether a creditor or not, who during the proceedings in bankruptcy shall have made a collusive agreement or made a special contract, either

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with the bankrupt or with any other person, with the object of obtaining an advantage to the detriment of some or all of the creditors shall be punished with reformatory imprisonment of from six months to two years.

Article 557. All agreements entered into from the time payment ceases shall be declared null and void, with regard to all persons including the bankrupt.

The contracting parties shall restore to whom it may concern any sums or property they have received by virtue of the cancelled agreements.

Article 558. Any award or judgment rendered, in relation to the present chapter or to the preceding chapters shall be published at the cost of the guilty parties.

Chapter 4

The administration of the bankrupt's property in the case of culpable or fraudulent bankruptcy.

Article 559. In all proceedings for culpable or fraudulent bankruptcy, all civil actions, other than those mentioned in Article 554, will be outside the jurisdiction of the Criminal Court.

Article 560. At the request of the public prosecutor, the trustee is obliged to deliver to him all deeds, statements, papers and necessary information.

Book 13

Discharge of bankrupt

Article 561 Any bankrupt merchant who has paid his debts in full, including interest and expenses connected therewith, is discharged by law.

Article 562. Creditors may not claim for the delay in payment of debts due to them any interest or damages for more than 5 years;

and in all cases interest and expenses must not exceed for each year more than 7 per cent of the amount due.

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Article 563. In order that the general partner in a firm which has been adjudicated bankrupt may obtain his discharge he must prove that he has, according to the regulations mentioned above, paid all the firm's liabilities, although a composition has been agreed to by his personal creditors.

Article 564. In the event of disappearance, or absence of, or refusal to receive payment by one or several creditors, the bankrupt may. deposit the sums due to them with the Court, the public prosecutor being duly advised. As soon as the merchant has proved that he has made deposit, he shall be declared discharged.

Article 565. In the following cases, bankrupt merchants who have proved their honesty for five years dating from the declaration of failure may obtain their discharge.

(a). When a bankrupt who has entered into a composition has paid in full all the sums he promised to pay according to the comosition. This provision is applicable to a partner of a bankrupt firm who has entered into a special composition with the creditors;

(b). When a bankrupt can prove that his creditors have entirely released him from his debt, or have unanimously consented to his discharge.

Article 566. The request for discharge shall be adressed, together with the necessary supporting documents, to the public prosecutor at the Court of First Instance which made the order of bankruptcy.

Article 567. A copy of this request shall be posted up for one month in the Court and in the Public Prosecutor's office in the Court of First Instance.

The clerk of the Court must also notify such request by registered letter to each of the creditors who has proved his debt during the bankruptcy proceedings, or whose debt has since been admitted and who has not been paid in full, according to the provisions of Articles 561 and 562.

Article 568. Any creditor who has not been paid in full according to the provisions of Articles 561 and 562 may,.

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within one month from the date of the notice mentioned in the preceding article, object to the discharge.

Article 569. The objection shall be made by a notification delivered to the office of the Court of the First Instance and supported by the relative documents. The opposing creditor may, by request, intervene in the proceedings for discharge.

Article 570 At the expiration of one month, the result of the enquiries made by the public prosecutor, as well as the objections, shall be forwarded to the president of the Court.

If necessary, the latter shall summon the plaintiff and the respondent to private session of the Court.

Article 571. In the case of Article 561, the Court shall only investigate the accuracy of the documents produced, and if they are in conformity with the law shall make an order of discharge.

In dealing with Article 565, it shall weigh the circumstances and make an order based on justice and equity.

In all cases, the verdict shall be delivered at a public sitting of the Court.

Article 572. The applicant for discharge, the public prosecutor and the opposing creditors may, within ten days of their receiving notice by registered letter of the order of discharge, lodge an appeal against the decisions.

After investigation, the Court of Appeal shall make an order in conformity with the provisions of Article 571.

Article 573. If the application for discharge is rejected, it may be lodged again after six months have expired.

Article 574. If the application is allowed, the judgment or order shall be entered in a register kept for this purpose in the record office of the Court of First Instance in the place where the merchant is domiciled.

If the merchant is not domiciled in the place where the Court has given the decree, the judgment shall be entered in red ink in the Remarks column opposite the name of the bankrupt in the register kept for

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registering the names of bankrupts in the local Registry Office.

Article 575. The following are barred from obtaining a discharge:— fraudulent bankrupts, persons convicted of theft, swindling or breach of confidence as long as they have not been discharged according to the Penal Code.

BOOK 14

Business Names

Article 576. The registration of the name of a firm is optional except where it is obligatory by order of the Ministry of Justice.

Article 577. The owner of a business in which there is no partner may not use a business name which implies the existence of a partner.

Article 578. In the same district no one may use as a business name a name already registered even though the name submitted for registration is the applicant's surname.

Article 579. The name of a business is transferable.

Article 580. The registration of the name is valid for five years only.

Article 581. Where the registration of the name of a business is obligatory and the name has not been registered within the prescribed period the Registry Office shall proceed with the registration and shall charge treble the fees.

Article 582. The Ministry of Justice shall lay down the formalities for registration of business names and for their publication, as well as the procedure to be adopted in suits relating to such names.

BOOK 15

Juridical Personality

Chapter I

Juridical Porsons

Article 583. All trading companies mentioned in the present law have judicial standing.

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Article 584. Concerns and establishments which have been or shall be created for commercial purposes acquire juridical personality from the day they are registered in a special Register established by the Ministry of Justice.

Article 585. The conditions of registration for establishments and concerns mentioned in the above article shall be fixed by a regulation of the Ministry of Justice.

The registration fees for such establishments and concerns shall be fixed by a regulation at a sum varying from 5 Gold Rials to 5 Pahlavis. They shall besides be subject to the provisions of Article 135 of the Registration Code for deeds and land registration.

Article 586. Establishments and concerns formed for unlawful purposes or purposes contrary to public order cannot be registered.

Article 587. Government or municipal establishments or concerns acquire juridical personality, as soon as they are formed and without any need for registration.

Chapter 2

Rights, duties, domicile and nationality of juridical persons.

Article 588. A juridical person may have all the rights and assume all the obligations granted by law to physical persons, except rights and obligations peculiar to man by his very nature, such as rights an obligations resulting from paternity, affiliation and other similar rights or obligations.

Article 589. Juridical persons take decisions by means of such authorities as are competent, in comformity with the law or statutes, to do so.

Article 590. The domicile of a juridical person is the place where the head office is established.

Article 591. Juridical persons have the nationality of the country in which their domicile is situated.

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BOOk 16

Final Regulations

Article 592. In transactions that merchants, or companies, or commercial establishments have heretofore effected on the strength of more than one signature (whether or not some of the signatories have signed in the capacity of a guarantor or in any other capacity) a creditor may file suit, either jointly against all signatories or individually against one of them.

Article 593. In the case provided for by the foregoing article, a claim made on one of the persons against whom the creditor has a right of action, is a bar to proceedings against the remainder.

Article 594. A delay extended to the lst Tir 1311 is granted to all Iranian commercial companies already in existence, except joint stock companies and joint stock partnership Companies, to enable them to register as a company in accordance with the regulations relating to companies mentioned in the present law. For failure to do so the provisions of Article 2 of the law of Registration of Companies approved in the month of Khordad 1310 shall be applied to the infringing company.

Article 595. When the period mentioned in the above article is not sufficient to take the preliminary steps for registration, an additional delay of six months may be granted by the competent Court, on condition that half the registration fees are paid at the time of the request of the extension.

Article 596. The date of enforcement of Article 15 of the present law, as far as the article applies to the fine referred to in Article 201, and the note thereof, and that of the last paragraph of Article 220, is fixed at the 1st Farvardin 1312.

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