



Legal updates

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Amendments to Civil Code



The President of the Republic of Azerbaijan has approved the law on “Amendments to the Civil Code of the Republic of Azerbaijan” dated 3 April 2018.

The Amendments particularly introduce provisions defining liabilities of individuals acting on behalf or represented in the governing bodies (supervisory board, executive body) of a legal entity (“Authorized Representative”).

Following the Amendments, any Authorized Representative not fulfilling or improperly fulfilling respective obligations in the interests of a legal entity shall bear responsibility for the damages inflicted to such legal entity or its shareholders in the following cases:

- provision of bonuses to the members of governing bodies of a legal entity in the amount disproportionate to the profit of a legal entity or when such legal entity is operating at loss;
- alienation or commissioning of the property of a legal entity with significantly lower terms and conditions than the market conditions;
- conclusion of contracts with the related persons to a legal entity leading to violation of the legislative requirements or damaging the interests of a legal entity;
- purchase of goods (works, services) by a legal entity on the basis of contracts significantly higher than their real value;
- acquisition or waste of a legal entity's property for gaining rights to material and non-material property benefits and to such property either for himself/herself, for related persons to a legal entity or other persons;
- conclusion of unfair deals with respect to shareholders.

The Amendments also introduce the procedures to be followed by the shareholder of a legal entity owning at least 5% of shares, in case any of the aforementioned cases occur.

Moreover, as per the Amendments, any Authorized Representative may be dismissed from his/her position based on the resolution of a general meeting, for the damages incurred to a legal entity and will not be relieved from an obligation to compensate the damages, regardless of imposition of either a criminal or administrative liability.

By virtue of the Amendments, the audit committees of a Limited Liability Company and a Joint Stock Company may now consist of the members of their supervisory boards.

Measures regarding licenses and permissions

For the purposes of implementation of the Law on "Licenses and permissions" dated 15 March 2016, the President of the Republic of Azerbaijan signed the following Decrees on 23 April 2018:

- On "Amendments to the Decree of the President of the Republic of Azerbaijan on Certain Measures with respect to the Licensing Activity ("Decree");
- On "Abolition of the Decree of the President of the Republic of Azerbaijan on Certain Issues in Regulation of Entrepreneurship Activity";



As per the Amendments, addendums to the provisions of the Decree governing issuance, suspension, restoration and annulment of the licenses, as well as certain lists outlining licensing activities and their state duties have been eradicated and are no longer applicable.

Improving administration in the areas of consumer market supervision, standardization, metrology and protection of intellectual property rights

By virtue of the Decree of the President of the Republic of Azerbaijan on "Measures regarding the improvement of administration in the areas of consumer market

supervision, standardization, metrology and protection of intellectual property rights” dated 20 April 2018, the State Committee on Standardization, Metrology and Patent (“Committee”) has been abolished and the following bodies have been established:

- State Agency for Antimonopoly and Control of Consumer Market of the Republic of Azerbaijan (“State Agency”);
- Agency on Intellectual Property (as a result of merger of Copyright Agency of the Republic of Azerbaijan and the Centre for Patent and Trademarks of the Republic of Azerbaijan) (“Intellectual Property Agency”).

Authorities of the Committee on technical regulation, standardization, metrology, conformity assessment, accreditation and quality management have been transmitted to the State Agency, while authorities on protection of industrial property objects have been allocated to the Intellectual Property Agency.



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