

### **AZERBAIJAN JOINS CISG**

By Law No 116-VQ, dated 1 February 2016, the Republic of Azerbaijan approved joining the United Nations Convention on Contracts for the International Sale of Goods (Vienna, 1980) with the “relevant declaration”.

The text of the declaration is not publicly available and Azerbaijan’s joining the Convention is not confirmed on the Convention’s website yet:

[http://www.uncitral.org/uncitral/en/uncitral\\_texts/sale\\_goods/1980CISG\\_status.html](http://www.uncitral.org/uncitral/en/uncitral_texts/sale_goods/1980CISG_status.html)

The Law approving joining the Convention was promulgated on 19 February.

Based on the Constitution and Civil Code of the Republic of Azerbaijan, the Convention will be a part of the legal system of Azerbaijan directly applicable and prevailing (except for limited cases) over conflicting provisions of domestic law. The Convention would be applying to sales and purchases by Azerbaijani residents of goods across Azerbaijani border. According to its own language, the Convention applies to contracts (agreements) for sale of goods made between parties with a place of business in the Convention’s contracting states.

Unless parties to a contract opt for a different set of rules to govern the contract, the Convention would apply directly (avoiding recourse to the rules of private international law applicable to each party to the contract). Exporters (and importers) from Azerbaijan with no immediate access to foreign law resources can find the Convention convenient as a set of rules that a counterparty is likely accept because of the rules’ perceived neutrality.

### **CONTROL OF STATE SHAREHOLDING**

#### **SOCAR**

By Decree, dated 26 February 2016 (as published on the official website of the President of the Republic of Azerbaijan), the charter of SOCAR was amended. The amendments seek to implement Law No 1283-IVQD, dated 15 May 2015, introducing amendments to the Civil Code of the Republic of Azerbaijan for related-party transactions (see our update of June 2015: <http://www.bmlawaz.com/en/news/81/related-party-transactions-see-further-regulation>).

According to the amendments to the charter, the president of SOCAR now resolves on transactions of SOCAR with related parties, the value of which does not exceed five per cent of SOCAR’s own assets.

SOCAR’s board is now a governing body. Previously, the board did not have any governing functions (and was not seen to be serving any practical purposes). The amendments approve the competence of the board to include, among others, resolving on transactions with value exceeding 25 per cent of SOCAR’s net assets (transactions of special importance) and on transactions with value exceeding five per cent of SOCAR’s assets (in the latter case, having also received the opinion of an independent auditor).

Board members include the president and vice-presidents of SOCAR as well as other executives appointed by the president of SOCAR.

SOCAR board members, heads of committees and structures within SOCAR must report in writing to the board on a transaction, in relation to which (i) they, (ii) a legal entity, in which they directly or indirectly participate, or (iii) their relatives act as a related party disclosing also the particulars of their interest (how the transaction came about, its value, and *etc.*) in the transaction. Relatives for these purposes include a spouse, parents, parents-in-law, grandparents, children, adoptive parents and children, and siblings.

We understand the Decree is effective 26 February.

### **Other State-Owned Companies**

By a Presidential Decree, the amendment for further regulation of related-party transactions was introduced to the charters of banks and non-banking credit institutions, in which the State owns shares.

By separate Presidential Instructive Orders, amendments for further regulation of related-party transactions were introduced to the charters of each of the following:

- “Azərbaycan Damir Yolu” (Azerbaijan Railways) Closed Joint Stock Company;
- “Bakı Metropoliteni” (Baku Subway) Closed Joint Stock Company;
- “Azərbaycan Yasıllasdırma və Landsaft Quruluşu” (Azerbaijan Greenery Planting and Landscaping) Open Joint Stock Company;
- “Sahdag Turizm Markazi” (Sahdag Tourism Centre) Closed Joint Stock Company;
- “Azarisiq” (Azerbaijan Light) Open Joint Stock Company;
- Military Hunting (Hunters’) Union;
- “Azərbaycan Xəzər Dəniz Gəmiçiliyi” (Azerbaijan Caspian Shipping) Closed Joint Stock Company;
- “Azərbaycan Polad İstehsalı Kompleksi” (Azerbaijan Steel Production Complex) Closed Joint Stock Company;
- “Azərbaycan Hava Yolları” (Azerbaijan Air Lines) Closed Joint Stock Company;
- “AzerGold” Closed Joint Stock Company;
- “Azaryolservis” (Azerbaijan Road Service) Open Joint Stock Company;
- “Bakı Beynəlxalq Dəniz Ticarət Limanı” (Baku International Sea Trade Port) Closed Joint Stock Company;
- “Azarkosmos” (Azerbaijan Space) Open Joint Stock Company; and
- “Milli Nüvə Tədqiqatları Markazi” (National Nuclear Research Center) Closed Joint Stock Company.

Further amendments by Presidential Decrees were introduced to the charters of:

- Azerbaijan Amelioration and Water Industry Open Joint Stock Company; and
- “Azərbaycan Televiziya və Radio Verilisləri” (Azerbaijan TV and Radio Broadcasting) Closed Joint Stock Company.

Amendments by Presidential Instructive Orders were also introduced to the charters of:

- “Azaristilik Təchizat” (Azerbaijan Heating Supply) Open Joint Company; and
- Abseron Regional Joint Stock Water Company “Azarsu” Joint Stock Company.

## **NEW ADMINISTRATIVE VIOLATIONS CODE COMES INTO EFFECT**

By Law No 95-VQ, dated 29 December 2015, the Code of Administrative Violations of the Republic of Azerbaijan is approved and the previous Code of Administrative Violations repealed effective 1 March 2016. This is the second time (after the Customs Codes) that a Code approved following Azerbaijan's regaining independence in 1991 is replaced by a new Code. The previous Code of Administrative Violations was adopted in 2000.

The new Code did not introduce many conceptual changes and we understand the primary purpose to adopt it was a new codification, because of abundant number of amendments to the previous Code, and clarification of certain administrative violations and penalties. The general part of the Code now incorporates governance of matters of administrative procedure (whereas previously such provisions were incorporated in the special part of the Code). One of the areas where the Code is expected to have a greater impact on is the regulation of traffic rules and penalties for their violation.

**PLEASE CONTACT US FOR ANY QUESTIONS AND FURTHER  
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