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INFORMATION REPORT ON AFGHANISTAN

(June 1960)

No. 30

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FOREWORD

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INFORMATION REPORT ON AFGHANISTAN

(June 1960)

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INTRODUCTION

This monthly report provides significant political, economic, sociological, and military information on Afghanistan as presented by the Kabul and provincial newspapers and periodicals in the Persian and Pakhtu languages, particularly the leading Kabul daily newspapers Anis and Islah. Items of purely international significance have been excluded. This report covers the sources indicated, published mainly during the month of June 1960.

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INFORMATION REPORT ON AFGHANISTAN

Comments, Trends, and Developments

The Pakhtunistan Issue and Relations with Pakistan

1. The newspapers continued reporting in the usual way the meetings of the Pakhtu communities in Pakistan protesting against the "atrocities" of the government and demanding freedom.

2. Speaking at a ceremony for laying the foundation of the new buildings for Kabul University on June 2, Premier Mohammad Daud expressed indignation at the statement by Prime Minister Harold Macmillan at the British House of Commons concerning the Durand Line (see JPRS report 3856) and the dispute between Pakistan and Afghanistan. The Afghan premier stated (Anis, 7 June) that Afghanistan had officially abolished the Durand treaty and would not be satisfied until the Pakhtuns in Pakistan are granted self-determination and freedom. He stressed that Afghanistan will morally and materially support the cause of Pakhtunistan until the end.

The newspaper Islah stated in its editorial of 7 June: If Pakistan is free, how can Britain still interfere in such affairs and grant the rights of the people of Pakhtunistan unilaterally to Pakistan? The Gardiz (Paktiya Major Province) newspaper Wranga stated in its editorial of 9 June that the British prime minister cannot prevent the people of Afghanistan to support self-determination for the Pakhtuns with such statements. The Baghlan (Qataghan Major Province) newspaper Ittehad published an editorial on the same lines on 10 June.

The Bakhtar News Agency published an English Bulletin on 8 June which recalled the Afghan-British wars and implied that the British colonial policy was not dead as exemplified by the attack on Egypt and now the statement by Macmillan concerning the Durand Line. The Bulletin further stated that the statement by Premier Mohammad Daud rejecting the Macmillan claim reflected the voice of the 12 million Afghan nationals.

3. The newspaper Anis reported on 15 June that a number of the leaders of the Urkza'i Tribe in Northern Pakhtunistan, who were visiting Kabul and had an interview with Premier Mohammad Daud, were received by King Zahir on 14 June and had lunch with the king. Director of the Independent Department of Tribes Seyyed Shams-ud-Din Majruh and Deputy Director of the Independent Department of Press Salimi accompanied the Pakhtun leaders at their meeting with the king.

4. The newspaper Islah published an article on 28 June answering the articles published in the Manchester newspaper Guardian and other British newspapers concerning Afghanistan and the Pakhtunistan issue. The article, by Chardiwal, stressed that unlike the claims by the British papers Afghanistan has normal diplomatic and friendly relations with the Communist World and has never been in any

danger of influence or interference by the USSR. On the other hand, Pakistan continues to build airfields and foreign military bases near the Afghan frontiers and is forcing Afghanistan to take measures for her defense. The article praised the New York Times and the British periodical Economist for their realistic approach to the problems of Afghanistan and reiterated the position that the Afghans will continue to fight for the freedom and independence of Pakhtunistan.

5. The Herat newspaper Ittefaq-i-Islam published a series of articles in the course of the month supporting the Afghan views for the self-determination of the Pakhtuns and condemning the government of Pakistan in the usual lines.

6. On the whole there was no significant change in the space devoted to this issue by the local press.

Relations with the Communist Bloc

1. Members of the Afghan cultural delegation, headed by Minister of Education 'Ali Ahmad Pupal, arrived in Moscow on 31 May. The delegation will inspect schools and other educational institutions in the USSR (Anis, 2 June). The newspaper Anis reported on 7 June that the members of the delegation have arrived in Stalinabad to inspect the educational institutions in the Tadzhik SSR. Further reports contained in the newspapers Anis and Islah of June 9 and 14 indicated that the delegation also visited Leningrad and that everywhere it was received with hospitality and cordiality. Members of the delegation returned to Kabul on 13 June. Dr. Pupal issued a statement at the airport saying that his trip was fruitful and thanking the Soviet authorities for their hospitality.

2. Following the reports on the U-2 incident (see JPRS report 3856) the newspaper Anis published an editorial on 7 June stating that the proposal of the Soviet Union for a "complete and general disarmament" has relieved the world of its anxiety after the break down of the Paris conference. The editorial described the details of the three-stage disarmament proposed by Khrushchev and stated that this call for peace has kindled fresh hopes in the hearts of the small nations for peace and prosperity.

3. The newspaper Anis reported on 14 June that the president of the Mortgage and Constructional Bank gave a party at Hotel Kabul in honor of the Soviet constructional delegation visiting Afghanistan. After discussing the constructional problems in Afghanistan with the authorities concerned, members of the delegation left Kabul for Moscow on 13 June.

4. The delegation of Afghan performers scheduled to tour the USSR (see JPRS report 3856) left Kabul for the Soviet Union on 13 June (Anis, 14 June). After a two-week successful tour of Tadzhikistan and Uzbekistan, the delegation returned to Kabul on 27 June (Anis, 28 June). The newspaper Anis published an interview

with the head of the delegation, Rashid Latifi, on 30 June. Latifi said in his statement that because of the popular demand the delegation stayed in the two Soviet republics during the two weeks and did not visit any other centers in the Union. The delegation gave six concerts in Tadzhikistan, one of which was a combined concert of the Afghan and Tadzhik performers. The concerts were broadcast and televised throughout the Tadzhik republic and the combined concert was also broadcast by Radio Kabul. The one week in Uzbekistan was equally successful, and the activities included several combined concerts. The people regularly listen to Kabul Radio and know many Afghan tunes and songs. Members of the delegation further inspected the cultural centers in the two republics and were highly impressed with the cultural and educational advancements in the USSR.

5. The newspaper Anis reported on 28 June that the USSR minister of roads and transportation arrived in Afghanistan on 27 June at the invitation of the Afghan minister of mines and industries, Dr. Mohammad Yusef, to participate in the ceremony for the opening of the Jangalak Plant near Kabul which has been constructed with the Soviet aid. Dr. Yusef, Director of the Jangalak Plant Dr. 'Abd-al-Malek, and the Soviet ambassador and his staff received the Soviet official at the Bagram Airport in Kabul. On the following day the Soviet minister paid a courtesy call on the Afghan minister of mines and industries and then inspected the various sections of the Jangalak Plant. On 29 June the Soviet minister called on the Afghan minister of public works, Engineer Mohammad Kabir, and discussed problems of interest to both the countries. He then, accompanied by the Afghan minister of public works and the commander of the Labor Units, Col. Mohammad 'Azim, inspected the Kabul Airport. In the afternoon of the same day the Soviet official inspected the Kabul silo (also constructed with the Soviet aid).

6. The newspaper Anis reported on 19 June that the deputy director of the Soviet civil aviation authority, Viyachislav Filippovich Bashkirov, arrived in Kabul on 18 June at the head of a Soviet delegation in an "Ilyushin 18" aircraft which is "one of the world's most modern turbo-jet aircrafts", to negotiate with Afghanistan concerning the regular flight of the "Ilyushin 18" jet planes between Moscow and Kabul and inspect the construction of the Kabul airport, the training centers, and other institutions of the Afghan Civil Aviation Authority.

7. The deputy director of the Soviet Sufrakht organization, Ismailov, and the commercial counselor of the Soviet embassy, Inotin, conferred with the acting deputy minister of commerce in Afghanistan, Mohammad Sarwar 'Omar, on 11 June concerning the problems of receiving and delivering of goods exchanged between the two countries (Anis, 12 June).

8. The Soviet embassy in Kabul gave a dinner party on 11 June in honor of the departing Soviet ambassador Daktiyar. Premier

Mohammad Daud and other officials attended. On 13 June Foreign Minister Mohammad Na'im gave a dinner party in honor of Daktiyar. On 29 June the departing Soviet ambassador called on the officials of the Independent Department of Press, Chairman of the National Assembly Mohammad Nowruz, and Director of the Pakhtu Academy Rashid Olfat to say farewell. The Afghan minister of commerce, Shirzad, gave a farewell party in honor of the departing commercial counselor of the Soviet embassy in Kabul, Inotin, on 28 June.

9. In its issues of June 8-12 the newspaper Anis published the text of a lecture given at a conference called by the director of the Afghan-Soviet Friendship Society, Gol-Pacha Olfat, on 30 May after the return of the Afghan good-will mission from the USSR (see JPRS report 3856). The lecture published was given by the deputy director of the Independent Department of Press, Salimi, who is a founding member of the Afghan-Soviet Society and was a member of the delegation visiting the USSR. The following is a brief summary of the text of the lecture published by Anis.

We spent eight days in Moscow, three days in Leningrad, three days in Stalinabad, and three days in Tashkent. This was the first trip for me outside Afghanistan and I was highly impressed with the great achievements made by our great and beloved neighbor. The people were very kind and friendly toward us and showed everywhere that they have genuine regards and good will toward the Afghan people. We were in Moscow during the May Day parade and celebrations, and I can only say that I have never seen any thing so grand. In Moscow I was particularly impressed with the Lenin Library and with its administration. Among other things, I believe that the buildings of the Moscow University are unique (here Salimi gave some statistical reports on the size of the main building, number of rooms, laboratories, library, students, etc). We also met the scholars of the Pakhtu section of the Academy of Sciences of Moscow and the Pakhtu scholar, Aslanov, informed us that he has prepared a Pakhtu-Russian dictionary which is to be published shortly. The dictionary contains 45,000 Pakhtu words. At Moscow Radio station we were informed that efforts were being made to increase the time of the Pakhtu program which is now one and one-half hours each day. They told us that there are enough men and women in Moscow who can translate Pakhtu but they are short of announcers -- the two announcers who came from Afghanistan are not sufficient for the expanded program.

In Leningrad we noticed that a number of boys and girls were studying the Pakhtu language at the Oriental Academy there. The teachers who were natives of Leningrad had learned the language at the same institution.

When we arrived at the airport in Stalinabad by a turbo-jet plane, the deputy minister of culture of Tadzhikistan, Nazarov; the chairman of the Tadzhik friendship societies with foreign countries, Ulagzada, the popular Tadzhik poet, Mirshekar; and a

large number of other dignitaries as well as the youth and children were at hand with flowers to receive us. One day we were the guests of the leader of Zhdanov Kolkhoz in the Vakhsh Valley on the Oxus River. Most of the lands in this kolkhoz were newly cultivated. Another day we were invited at a meeting to celebrate the formation of the Tadjik-Afghan Friendship Society. Several hundred persons attended this meeting, and all the speakers stressed the desire to expand the cultural and literary relations with Afghanistan.

At the Pakhtu Language institute in Tashkent 18 girls and a number of boys are studying the Pakhtu language and they welcomed us in fluent and well spoken Pakhtu. Among the students were a number from Baku and other Soviet republics. They told us that as soon as they have sufficient speakers, they will start a Pakhtu language program from Radio Tashkent for Afghanistan and Pakhtunistan.

After thanking the various hosts, Salimi concluded his speech with following slogans: "Long life the sincere and selfless friendship between Afghanistan and the Soviet Union; long live peace and social security in the world".

10. The Herat newspaper Ittefaq-i-Islam published a short biography of Leonid Brezhnev, who replaced Marshal Voroshilov, on 7 June.

11. The newspaper Anis published the text of the press statement by Nikita Khrushchev on June 3 concerning the Soviet proposals for disarmament in its issues of June 11 to 13.

12. Director of the Afghan Olympics Mohammad Faraq Saraj and Vice President of Kabul University Mohammad 'Omar Verdak will shortly visit Prague at the invitation of the Czech Sports Union to participate in the Czech national and sports celebrations commemorating the fifteenth anniversary of the liberation of Czechoslovakia (Anis, 14 June).

13. The director of broadcasting of Radio Kabul, 'Abd-al-Ra'uf Binawa, left for Prague on 27 June at the invitation of Radio Prague to inspect the broadcasting facilities in Czechoslovakia for a period of ten days (Anis, 28 June).

14. The acting minister of agriculture, Gholam Heydar 'Adalat, accompanied the members of the agricultural delegation of the Communist China in their inspection of the agricultural activities at Tang-i-Ghar (Herat, Ittefaq-i-Islam, June 1). On 10 June 'Adalat gave a party in honor of the delegation of the ministry of forestry of Communist China. The Soviet ambassador, the Czech minister, the charge d'Affaires of Poland and China, and certain other members of the diplomatic missions in Kabul were present at the party (Anis, 11 June).

15. The newspaper Anis reported on 16 June that since the opening of the Afghan pavilion at the Poznan international fair the Polish leaders, such as Gomulka, Sirankovich, and others, have visited and praised the Afghan exhibits. Daily 1,000 visitors have called at the Afghan pavilion.

16. The government of Poland has agreed to the appointment of the Afghan minister plenipotentiary in Prague, Seyyed Qasem Rashtiya, to be minister in Warsaw at the same time (Anis, 28 June).

Treatment of the International Topics

1. The accent in the international scene continued to be on the African problems. The newspaper Anis hailed General de Gaulle in its editorial of 16 June as the old and wise soldier and savior of France. This was in connection with de Gaulle's agreement to confer with the Algerian nationalist leaders.

2. The newspaper Islah closely followed the disarmament talks and its editorial of 29 June called the breakdown of the disarmament conference a great tragedy for the world.

SELECTED ITEMS

Political

AGRICULTURAL COOPERATION WITH BELGIUM ENVISAGED — Kabul, Anis,
1 June 60

The Belgium minister plenipotentiary called on the acting minister of agriculture, Adalat, on 31 May and discussed the problems concerning a program of agricultural cooperation between Belgium and Afghanistan.

NEW REGIME IN TURKEY RECOGNIZED — Kabul, Anis, 1 June 60

Afghanistan has instructed its ambassador in Ankara to render an official recognition of the new regime in Turkey.

AFGHAN PRESS CHIEF IN GERMANY — Kabul, Anis, 11-18 June 60

The director of the independent department of press, Dr. Soheyl, who is visiting West Germany at the invitation of the Federal German Government continued his tour of inspection of the country. In his tours Dr. Soheyl is giving lectures on Afghanistan and on the development of relations between Afghanistan and the Federal German Republic.

PRISONERS AMNESTIED — Herat, Ittefaq-i-Islam, 9 June 60

On the occasion of the Moslem festival of Azha King Zahir has granted amnesty to 313 men and women prisoners in the country.

MOSLEM FESTIVAL CELEBRATED — Kabul, Anis, 7 June 60

Afghanistan celebrated the Moslem festival of Azha on 4 June. King Zahir lead a prayer at the Arg Mosque and then received the officials and the representatives of the Moslem countries.

In the communique issued on this occasion, King Zahir expressed hopes that contacts between nations will be strengthened in the future. Premier Mohammad Daud and Chairman of the National Assembly Mohammad Nowruz read speeches on this occasion. Mohammad Nowruz expressed hopes in his speech that "our Pakhtu brother will soon be free to celebrate such occasions with happiness.

US THANKED FOR SUPPORT IN UNIVERSITY CONSTRUCTIONS — Kabul, Anis,
7 June 60

Premier Mohammad Daud laid the foundation of the new buildings for Kabul University in a ceremony on 2 June. In his opening speech

the premier reminded the students of their heavy responsibilities and duties, thanked the United States for its support and aid for the construction of the new buildings, and attached Prime Minister Harold Macmillan for his statement concerning the Durand Line (see above). The president of the university, Mohammad Asghar, also thanked the United States for its role in the development of the university.

INCREASE IN BROADCASTING TIME OF RADIO KABUL REPORTED — Kabul, Anis, 9 June 60

In pursuance of the plan of the Independent Department of Press for the development of Radio Kabul, it was decided to increase the broadcasting time of Radio Kabul for one-half hour. As of 8 June the third program will begin at 16 and will conclude at 22:30 hours local time.

NEW SESSION OF THE PARLIAMENT OPENED — Kabul, Anis, 15 and 28 June 60

The first meeting of the third year of the tenth session of the Afghan National Assembly was opened in Kabul on 14 June with 124 representatives attending. After some recitations from the Koran and the opening speech by Chairman Mohammad Nowruz, the assembly conducted the following business:

A. The assembly was divided into the following seven committees:

1. the justice committee;
2. the financial affairs, budget, and commerce committee;
3. the national defense committee;
4. the foreign affairs committee;
5. the committee for enactment, interpretation, and amendment of laws, affairs of the Ministry of Interior, complaints and appeals, and the affairs of the tribes;
6. the education, health, and press committee;
7. the communications, agriculture, public works, and mines and industries committee.

B. Members, chairmen, deputy chairmen, and secretaries of the above committees were elected the same as the previous year (see JPRS report 906-D, 7 Sept 1959, pp 7-10).

C. It was decided that the assembly will hold general meetings on Sunday, Monday, and Tuesday each week.

D. It was decided that the committees shall meet on Saturday and Wednesday each week. When there is no work for a general meeting, the assembly shall hold committee meetings on the days set aside for the general meetings as well.

E. Mohammad Kabir 'Ebrat, the deputy from Khilm, and Haji Gholam Nabi, the deputy from Lugar, were elected to supervise the circulation of the paper currency by the Afghanistan Bank this year.

In his opening speech Chairman Mohammad Nowruz made the following statements: I am happy to see you all back from your vacation healthy and happy. Two years has passed since our election, and we have one more year to serve. But we have much to do during this year. We have to progress with the rest of the civilized world. The way that the people of Afghanistan have received and welcomed the new laws encourages us to continue with our efforts.

At the request of the foreign affairs committee, Deputy Minister of Commerce Mohammad Sarwar called at the National Assembly on 26 June and answered questions concerning the trade agreement with the United Arab Republic.

COURSES AND LECTURES FOR CIVIL AVIATION EMPLOYEES — Kabul, Anis, 29 June 60

The Civil Aviation Authority has decided to conduct a bi-weekly program of lectures for its employees on the pertinent scientific and administrative affairs.

ACTIVITIES OF AFGHAN OFFICIALS REPORTED — Kabul, Anis, 7-19; Herat, Ittefaq-i-Islam, 7-11 June 60

The director of the Independent Department of Press, Dr. Soheyl, visited Teheran, Iran, on his way to West Germany (see above) and inspected press and radio facilities in Iran.

The governor and the judge of Anjil, Herat, Khakhi and Moqbel respectively, inspected the local school on 6 June and gave prizes to the deserving pupils and teachers.

Madam Nazifa Mahmud Ghazi, the director of Zizhentun Hospital, has returned from Switzerland after completing a one-year course of scholarship in nursing.

The following officials have returned from the United States after completing their studies: Mohammad Anwar Afghan of the department of animal breeding of the Ministry of Agriculture, Shamsud-Din of the education institute of Kabul University, Madam Hamida Sadiq of the Malali School, and Mohammad Sarwar Nikbin of the Aryana Afghan Airline.

The acting governor of Herat, Wahed, left at the head of a delegation on 14 June to make an inspection tour of the Baghdasiyat District.

The deputy minister of public health, Dr. 'Abd-al-Rahim, accompanied by Governor of Girshk Rowshandel Werdak, inspected the health organizations and the campaign against malaria in Girshk. The deputy minister then went to Qandahar and inspected the health organizations with the help of the director of health in the province, Dr. Hasan 'Ali.

Fazl-al-Haq Khaleqyar, the acting director of research, and 'Aziz-Allah Amini, the acting director of analysis of the census department of the Ministry of Planning, have left for Bombay to participate in a UN seminar for census techniques.

King Zahir received the following officials in the course of the month: Minister of Education Dr. 'Ali Ahmad Pupal, Director of the Independent Department of Press Dr. Mohammad Aasef Soheyl, Governor of Nangerhar Gholam Faruq 'Osman, Governor and Military Commander of Paktiya Major General Feyz Mohammad, Deputy Minister of Planning 'Abd-al-Hay 'Aziz, Deputy Financial Minister of the Ministry of Finance 'Abd-al-Karim Hakimi, Acting Deputy Minister of Public Works and Commander of the Labor Units Colonel Mohammad 'Azin, President of the Pakhtu Commercial Bank Jannat Khan Gharwal, Director of the Bakhtar News Agency Mohammad Khaled Rowshan, and Acting Director of Publications of the Independent Department of Press Dr. Hafiz-Allah Naseri.

The ambassador of France accompanied by the director of the French excavation group in Afghanistan were also received by King Zahir in the course of the month.

PUBLIC APPOINTMENTS, REWARDS, AND PUNISHMENTS REPORTED — Kabul, Anis, 1-18 June; Herat, Ittefaq-i-Islam, 7-11 June; Feyzabad, Badakhshan, 1 June 60

The director of communications, Shams-al-Haq Shamsi, and the director of public works, 'Abd-al-Razzaq Rufe, of Badakhshan province have received one month's pay as reward for their efforts in the construction and repair of 107 kilometers of the road between Feyzabad and Kishm.

Mohammad Ebrahim, the former first secretary of the Afghan embassy in Ankara, has been appointed director of the consular branch of the Ministry of Foreign Affairs. Seyyed Wasil, the former first secretary of the Afghan embassy in Cairo, has been appointed the deputy chief of protocol at the Ministry of Foreign Affairs.

'Abd-al-Hamid Mobarez Yusef-Zi, the former deputy director of the Bakhtar News Agency, has been appointed acting director of the cultural relations division of the Independent Department of Press. Rustam 'Ali Soltan, former deputy administrative director of Radio Kabul, has been appointed an official of the publications division of the Independent Department of Press.

Mirza 'Abd-al-'Aziz, the secretary of the census department of Herat Major Province, has been expelled from the civil service for forgery in the census books.

'Abd-al-Rashid Jaliya, the former director of the Kabul Municipal Academy, has been appointed the director of inspections at the Ministry of Public Health.

Gholam 'Ali Ommid, a former official of the art division of Radio Kabul, has been appointed the director of arts and advertisements of the newspaper Islah.

The Afghan minister plenipotentiary in Rome, Mohammad Sha'ib Meskin-Yar, presented his credentials to the president of Italy on 11 June.

Engineer Me'raj-ud-Din has been appointed acting director of communications of the Highway between Kabul and Spin Buldak.

Taj Mohammad, the director of administration of the premier's office, will be in charge of the court of civil service during the absence of the director of the court who is going abroad for medical treatment.

Economic

CARTOGRAPHY MISSION COMPLETED WORK — Kabul, Anis, 1 June 60

The cartography mission, attached to the premier's office, has completed the cartography of the city of Jalalabad in three months and has now returned to Kabul.

GOLBAHAR TEXTILE FACTORY COMPLETING — Kabul, Islah, 7 June 60

The correspondent of Islah has obtained the following information concerning the latest developments in the Golbahar Textile Factory from the technical director of the plant, Engineer Mir Amanud-Din Amin. The factory is scheduled to start full production in this month. Full production was delayed so far because the dyeing section was not completed. Now the following divisions of this section are ready and the other divisions will be completed shortly. In the bleaching division machines have been installed for bleaching and polishing textiles at the rate of 100-120 meters of cloth per minute. The dyeing division contains two types of machinery. The smaller machines can dye 1,000 meters of cloth at a time and the larger machines can dye up to 200,000 meters non-stop. In the printing division there are a base preparing machine, machinery for printing six-colored prints, and machinery for printing four-colored prints. The division also has a laboratory and machinery for preparing dyes. The printing machinery can process 60 meters of cloth per minute. In each working shift the printing division can process 70,000 meters of cloth. The division for processing flannel and felt cloths can produce 120 meters per minute. The "meter division" contains six control machines, nine measuring machines, and one press machine for packing and weighing each bale. In addition to the above, a steam boiler, which works with coal, with its turbine and generator have been installed and are ready for use. When the factory works for 24 hours a day it can produce 50 million meters of cloth. If this is added to the 30 million meters produced by the Pul-i-Khumri and Jabol-as-Siraj plants, the greater part of the local consumption in Afghanistan would be produced locally.

INDUSTRIAL DEVELOPMENTS IN QUNDUZ REPORTED — Kabul, Islah, 8 June 60

Qunduz is an industrial town within the Qataghan Major Province. Twenty years ago the Ettehadia Cotton Company was established in this town which has since become the core of all industrial developments in this area. This company has constructed soap, chinaware, oil extracting, and other factories in the town. The machinery for the oil extracting factory was purchased from Germany for \$600,000. It has modern machinery and can extract oil from cotton seeds at the rate of 120 tons of cotton seeds per 24 hours producing 19 to 21 tons

of oil. Of this oil, ten tons is in the form of solidified cooking oil, six tons in the form of liquid cooking oil, and the rest in the form of industrial oil for use in the soap factory. The soap factory was also purchased from West Germany and its installation was completed in May. This factory consumes up to six tons of oil per day and produces 7,500 kilograms of soaps. Of these soaps, 5 to 6 tons are washing soaps making some 18 to 20 thousand cakes, 1,800 kilograms of toilet soaps making about 15 to 20 thousand cakes, and other soaps for washing and industrial purposes. The soap factory has 96 workers, 22 of which work in each shift of eight hours. The Cotton Company has purchased a boiler from Germany for producing steam for the running of the above factories. This boiler is now being installed in Qunduz. The boiler can produce steam at 16 atmosphere pressure at the rate of 3,600 to 4,500 kilograms per hour at the temperature of 270 degrees Celsius. The boiler can use cotton refuse, oil, and coal for fuel.

The main activity of the Cotton Company is the cultivation and processing of cotton. The company aids the cotton farmers with loans and pedigree cotton seeds. It has imported modern machinery for processing and packing of cotton. At present the company has 30 cotton gins and four packing plants in Qataghan Major Province. The new ginning and packing machines have the capacity of processing 500 kilograms of raw cotton. The packing machines for export can make 180 to 200 bales per 24 hours.

The chinaware factory is one of the young industrial undertakings of the company; it started production last year and it was established with the help of foreign capital investments. This plant can produce 1,050,000 pieces of chinaware per year. All the raw materials required by the plant are available locally.

DEVELOPMENT OF THE JANGALAK PLANT REPORTED -- Kabul, Islah, 12 and 13 June 60

[The Jangalak project is under construction by Soviet technicians and with the Soviet aid at Jangalak near Kabul. It consists of a mechanized industrial workshop mainly for the maintenance and repair of motor vehicles. At the time this survey was published by the newspaper Islah the Soviet minister of roads and transportation was in Kabul to participate in the opening ceremony of the plant -- see above]

The following information was obtained in an interview with Wali Ahmad 'Ata'i, the engineer of the engine repair section of the plant. The plant has two major sections: welding and machine works. The welding section is equipped with the most modern equipment ever imported into Afghanistan. It has gas generators and other equipment for the repair and construction of machine parts for the factories in Jangalak and other parts of the country. Persons working in this section are fully trained and can be completely

trusted. In the machine works section all the parts used in a motor vehicle can be repaired or completely reconstructed. For example, it is possible to construct new carburetors, gear box, and other parts of a car engine in this section. So far it was not possible to make any major repairs in motor vehicles in Afghanistan. All electrical parts of vehicles can also now be checked, repaired, or reconstructed. The plant is further equipped with facilities for cleaning, washing, painting, body work, making coaches, drying rooms, etc. The plant is also equipped with a section for repair and retreading of tires.

The deputy engineer of the plant, 'Abd-al-'Ali Gheya'i gave the following additional information. The blast furnace of the plant has one ton capacity and generates 200 kilowatts of power per hour. In addition there is furnace for melting soft non-ferrous metals with the capacity of one-half ton which can produce 100 kilowatts power. Each furnace has a transformer which can be used independently. The casting section can make parts required by the plant or ordered by other enterprises in the country. This section is equipped with machinery for making casings and moulds for casting. The special sand required for this work is obtainable from the Sefidkuh hills in Afghanistan and the clay is available at Chaman Bagrami. This section has a machine for casting cylinders. The steam generating plant is one of the best and most modern of its type. This plant has three sections each one of which has a steam storage tank. This section produces fuel for the whole plant as well as producing the heating and lighting facilities. The storage tanks can preserve the heat of the steam in 24 hours. Coal or wood can be used in this section for fuel. The locomobile section uses wood shavings from the carpentry section for fuel and produces additional steam and electric power.

The iron works section has several charcoal and oil furnaces and other machinery such as lathes, hydrolic and other presses, welding machines, and so forth. The quenching section has eight heaters and quenching basins with ventilation and other facilities to make the work tolerable for the workers.

The welding section has its own electric generators and transformers. The cleaning section is unique in Afghanistan and can clean and polish machinery and parts with modern equipment and under modern conditions. Six Afghan skilled laborers work in this section.

The machinery in the carpentry section is of German make and is of the most modern type. The machine for making wood piles is of particular interest.

Another engineer of the plant, Ahmad Hoseyn, stated that the section for tool manufacturing has a very important role in the plant as it makes tools and parts for other parts of the plant. This section which is fully automatic also manufactures standard equipment for distribution of electric power and telephone lines, etc.

An Afghan national, Shah Mohammad Ahangar is the director of this section. Another expert in this section for making tools is Gholam Rasul who was a student of the Technical School.

MAZAR-I-SHARIF AIRPORT TO DEVELOP -- Kabul, Anis, 18 June 60

The governor of Mazar-i-Sharif, Gholam Rasul Parmach, accompanied by Director of Civil Aviation Authority Golbahar and other officials of the Authority, inspected the airport on 15 June and made final decisions for borders of the airport and the site for the terminal building and its accessories. The terminal building will cost two million afghanis which is provided for in the budget of the Civil Aviation Authority.

ACTIVITIES OF GEOLOGY SURVEY ORGANIZATION REPORTED -- Kabul, Islah, 14 June; Anis, 13 June 60

The Afghan Geology Survey Organization was founded in 1955. Director of Geological Surveys 'Abd-as-Samad Salim stated that the UN was instrumental in providing aid for the foundation of this organization. The organization has geology, topography, hydrology, meteorology, and other branches. It is also in charge of training Afghan geologists in Afghanistan and abroad. The organization has already made significant discoveries in Afghanistan: it has found important new coal deposits on the slopes of the Hindukush Mountains, it has established the presence of radio active minerals in Afghanistan, and it has found that oil deposits may exist along the south-eastern side of the road between Qandahar and Kabul. A number of students have been sent to Germany and the United States to study geology and Kabul University has founded a four-year course in the School of Sciences in geology. In the field of topography the organization has benefited from technical aids from the United States and the Soviet Union.

The original annual budget of the organization, excluding the salaries of the UN experts, was 1,362,499 afghanis. This figure has now been increased to 2,932,654 afghanis. German and UN experts are employed in various sections of the organization whose salaries are not included in the budget figures.

UN AID PROGRAM IN AFGHANISTAN DESCRIBED -- Kabul, Islah, 16 June 60

The director of the UN aid program who recently visited Afghanistan gave the following information in a press interview. The UN aid program in Afghanistan started in 1949. Since then 325 UN experts have been sent to Afghanistan and 195 Afghans have been granted fellowships to study abroad. The UNISEF organization has brought \$1,300,000 worth of goods such as milk and drugs to Afghanistan. During 1960 55 UN experts will serve in Afghanistan

and 20 fellowships will be awarded which will cost the UN \$700,000. The UN Monetary Fund has started a five-year project this year mainly for irrigation and other agricultural developments, particularly in Qataghan Major Province. This project will cost \$1,250,000.

CIVIL AVIATION AND THE FIVE-YEAR PLAN — Kabul, Islah, 30 June 60

The Civil Aviation Authority was founded with the foundation of the Five-Year Plan for economic and industrial developments in Afghanistan in 1956. The project undertook the construction of the following airports: the international airport in Qandahar, the Kabul airport, the Herat airport, the Qunduz airport, the Jalalabad airport, and the Bagram airport which is for military use. The USSR provided aid for the construction of the Kabul and Bagram airports and the US provided aid for the construction of the Qandahar, Herat, Qunduz, and Jalalabad airports and for the development of the Aryana Afghan Airline.

The project for the Bagram military airport started during the last financial year and is expected to complete during the last year of the Five-Year Plan. Internal expenditure on this project, such as labor and local materials, is provided through the government budget and all the foreign currency requirements are met by the loan from the USSR.

All the technical constructions of the international airport in Qandahar were completed this year. The runways of this airport are 3,200 meters long and 45 meters wide. The airport is equipped for the landing of the most modern jet airliners. Work on the essential terminal buildings will start soon and most of the work will be completed by the end of the first Five-Year Plan. Local expenses for this airport are met through the government budget and foreign currency expenses are met partly through a loan and partly through grants from the United States. The communication system and the power generators of this airport have been installed and put into use. The hotel at this airport, when completed, can accommodate 100 passengers at a time. Director of the Authority Hakimi stated that since Afghanistan has no seaports and is constantly in trouble with Pakistan over the transit of Afghan goods through that country, the international airport in Qandahar will play a significant role in the economic development of the country. The airport has the capacity to receive and despatch 150 airplanes in 24 hours. So far about four billion dollars and 30 million afghanis have been spent on this airport.

The international airport in Kabul, under construction since last year with the Soviet aid, will be one of the most modern international airports. Jet and other airliners can use this airport in day or night. The runways in this airport are 3,000 meters long and 55 meters wide. Work on this airport is progressing

satisfactorily. Most of the work will be completed by the end of the first Five-Year Plan and the airport will be put into use. The Civil Aviation Authority has started work on the installation of the communication system for this airport. The initial expenses for this airport have been estimated at 80 million afghanis and eight million dollars.

Ninety percent of the work on the installation of the communication system, workshops, and hangars of the Herat airport has been completed. Work on the runways has not started and is awaiting an agreement between the US International Cooperation Administration and a constructional firm. This airport will be able to accommodate the DC-4 type airplanes. It is hoped that the work on this airport will be completed by the end of the first Five-Year Plan.

Work on the runways of the Qunduz airport is also awaiting an agreement of the United States ICA. The communication systems and the meteorological installations for this airport have been completed.

Work on the construction of a modern terminal building for the Jalalabad airport is near completion, the communication system has been installed, and the other work awaits the ICA action.

In addition the Civil Aviation Authority has constructed an airport for the Aryana Airline and has also modernized the old airport in Qandahar. At present 500 students are studying aviation techniques at the educational centers in Kabul and Qandahar.

FORESTRY ACTIVITIES IN AFGHANISTAN REPORTED -- Kabul, Anis, 15 and 16 June 60

Director of Forestry of the Ministry of Agriculture Keshtyar stated in an interview that efforts are being made for the expansion of the natural forests in Afghanistan. Afghanistan has about one million hectares of forests which comprise 1.7% of the total area of the country. The forests in Paktiya and Nangerhar major provinces are considered the best in the Middle East for constructional timber. The Ministry of Agriculture is planting artificial forests around Kabul and some other cities. Forests have so far been greatly destroyed by unscientific exploitation mainly for obtaining charcoal. Now the government is undertaking a project for the preservation and protection of the national forests. Among the important fruit forests are the pistachio and olive forests. In these forests efforts are being made to improve the quality of the fruits through grafting and other techniques.

AFGHANISTAN TO ORGANIZE MINK BREEDING STATIONS -- Kabul, Anis, 29 June 60

Afghanistan is to establish an organization in Kabul with the initial capital of 7.5 million afghanis for the breeding of mink

for fur production. At the beginning 1,000 female and 250 male minks will be kept at the station for experimental breeding. If the experiment is successful further stations will be opened in the provinces.

CONSTRUCTIONAL ACTIVITIES REPORTED -- Kabul, Anis, 8-28 June; Islah, 1-19 June; Herat, Ittefaq-i-Islam, 11 June 60

In the course of the current year 22,500 square meters of streets have been asphalted and 10,000 square meters of streets have been spread with crushed stones in Kabul.

Work on the construction of the 11 bridges of the roads and streets of Baghlan has been completed.

Work on the reconstruction of the road between Arzagan and Gazab has been completed.

The governor of Mazar-i-Sharif decided on the site of the construction of grain storage facilities for the province in the city of Mazar-i-Sharif.

The governor of Qataghan Major Province opened the tunnel for the Jatkhashk irrigation system on 10 June. This will facilitate the irrigation of over 2,000 hectares of land in the area.

Work on the construction of the Hashemi Bridge in Herat by the Helmand Valley Development Authority has been completed. The bridge has 41 arches; it is 279 meters long and six meters wide. It has the capacity of 85 tons of weight, and it will reduce the road distance between Herat and Ghurian by 36 kilometers. Some 960 cubic meters of concrete and 336 tons of steel have been used in the construction of this bridge.

The municipality of Paghman has decided to replace the water mains in Paghman because of deterioration.

Work on the construction of the model village in Shiwagi is progressing well. Thirteen houses have been completed and were given to the deserving peasants on 27 June in a ceremony.

OTHER BRIEF ECONOMIC REPORTS -- Kabul, Anis, 8-28 June; Islah, 19-29 June; Herat, Ittefaq-i-Islam, 9 June 60

Work on the installation of the cotton gin and the oil extracting plant for the cotton company in Qunduz has been completed. The gin can process 50 tons of cotton and the oil extracting machine can process 16 tons of cotton seeds daily.

The production of the electric mill attached to the silo in Kabul has been increased from 60 to 180 tons per day.

The 25-line automatic telephone installation of the Ministry of Commerce has started operation.

A private organization has been established in Kabul with a capital of one million afghanis for the slaughter and distribution of meat. The organization slaughters 150 sheep daily and has five distribution shops in the city.

Sociological

MOVEMENT FOR THE ADVANCEMENT OF WOMEN --- Kabul, Anis, 8-15 June;
Herat, Ittefaq-i-Islam, 8 and 11 June 60

A law student has sent a letter to the newspaper Anis saying that the practice of placing a notice in the public buses in Kabul saying that the first four benches are reserved for women is undignified and contrary to the movement to free women from their traditional bondage. At present if the first four seats are taken often the bus conductors prevent women passengers from sitting on any other seats in the bus. This practice must be discontinued.

The principal of the Second Girls School in Herat, Nadera Kheyri, accompanied by an inspector of the Ministry of Education, Mohammad Na'im, and the teachers of the above girls school, inspected the Mowwaq Boys School to study the modern teaching methods and employ them in the girls schools in the city.

The Women Academy in Kabul organized a conference on 9 June where lectures were given on the role of women in modern societies and the recent movements in Afghanistan for the progress of women. A number of the society ladies in Kabul attended.

The inhabitants of Laghman, Nangerhar Major Province, have donated 3,000 afghanis for the construction of a girls school in the district.

HEALTH ACTIVITIES REPORTED --- Kabul, Islah, 1, 2, 28, and 29 June;
Anis, 12, 16, 18, and 28 June; Herat, Ittefaq-i-Islam, 1, 2, and 7 June 60

The Deputy Minister of Public Health, Dr. 'Abd-al-Rahim, opened the first X-ray room of the public hospital in Parawan.

At a health meeting in Herat it was decided to conduct an inspection of the local schools to insure sanitary conditions.

The distribution of milk and soap for the poor mothers and infants was suspended because of the delay in supplies by the UNISEF. The distribution has, however, been resumed again.

A group of the Ministry of Public Health has undertaken the vaccination of 40,000 children against smallpox at the rate of 1,000 children per day.

A group from the Department of Health has started a campaign against malaria at the village of Isma'il Kheyal of Manduxa'i, Paktiya Major Province.

A meeting of the local and foreign experts was held at the Ministry of Public Health on 15 June to draw up a program for the seminar on child's health which will be opened under auspices of the World Health Organization in Kabul.

OTHER BRIEF SOCIOLOGICAL REPORTS -- Kabul, Anis, 11, 12, and 28 June; Herat, Ittefaq-i-Islam, 11 June 60

An inspection delegation of the Ministry of Education has left for Qunduz to inspect the schools in that area.

This year 2,226 pilgrims were carried by the Aryana Afghan Airline to Mecca.

During the recent tour of the mobile cinema of the Independent Department of Press 25,000 viewers have watched newsreels and other films concerning social and economic developments in Afghanistan.

At a ceremony in Kabul diplomas and prizes were distributed among the 30 graduates of the village labor course given in Kabul. A second course was opened at the same time for 45 students attending from Nangerhar, Paktiya, and Ghazni provinces.

Military

LABOR UNIT ATTACHED TO THE MINISTRY OF AGRICULTURE — Kabul, Islah,
1 June 60

✓ Afghan nationals called to do their national military service in Afghanistan are often organized into "labor units" which are attached to the Ministry of Public Works to work on the construction of roads and other public projects. The following report concerns the attachment of one of these units for the first time to the Ministry of Agriculture to do agricultural work. ✓

Since one year ago a labor unit has been attached to the Ministry of Agriculture for agricultural activities. This unit is called The Green Force and is fully equipped with modern agricultural equipment. The primary purpose of this unit has been to construct agricultural farms at military headquarters in the country and to train the conscripts for the national service in agricultural services. The importance of this task becomes more apparent when we consider that over 90% of the conscripts come from agricultural communities.

WARNING AGAINST ILLEGAL INTERFERENCE IN LEGAL MATTERS — Herat,
Ittefaq-i-Islam, 2 June 60

The commander of the security forces in Herat wishes to inform the public that the settlement of disputes and other legal problems is a specific task of the legal organizations in the province. Any private and unofficial settlements made by chiefs and others in villages and tribes shall be illegal and persons indulging in such activities shall be subject to prosecution by law.

AMENDMENTS IN MILITARY ACT REPORT — Kabul, Anis, 29 June 60

At the meeting of the National Assembly on 28 June the following amendments were approved for the Military Medals and Awards Act:

1. Certain provisions were added to Article 127 of the Act;
2. Articles 18, 19, 20, 33, 38, 60, 93, 118, 119, and 125 of the Act were amended and corrected. ✓ [No further details published.] ✓

MILITARY AND SECURITY OFFICERS IDENTIFIED OR HONORED — Kabul, Anis,
27 June; Herat, Ittefaq-i-Islam, 7 and 8 June; Feyzabad, Badakhshan,
1 June 60

Major Gol-Nabi, the commander of the security forces in Feyzabad, is to be commended for the role he played in reducing the recent flood disasters in the province and in the progress of the construction of the Jowzun Dam to prevent future disasters.

Senior Captain Shir Mohammad, the director of traffic in Herat, has received a certificate of commendation for meritorious services.

Major General 'Abd-al-Ra'uf Rasul was present at the prayer service conducted by the governor of Herat on the occasion of the Moslem festival on 4 June. The general is the commander of the military forces in Herat Major Province.

Major General Morad 'Ali, commander of the military forces in Nangerhar Major Province, was present at a ceremony on 26 June opened by Governor 'Osman to celebrate the opening of the road leading to the Dorunta canal project.

SPECIAL SUPPLEMENT: COMMERCIAL LAW IN AFGHANISTAN

Following is a translation of the commercial law in Afghanistan, as published in issues of the Persian-language newspaper Anis, Kabul, for the period 28 January to 18 June 1958.

Part I. GENERAL INSTRUCTIONS

CHAPTER 1. INTRODUCTION

1. The provisions of the Commercial Law shall govern all commercial transactions.

2. Commercial problems shall be settled and solved in accordance with the provisions of valid and legal agreements. When no such agreements exist, problems shall be subject to the direct provisions or interpretations of the commercial laws. When this also is not possible, settlement shall be based on commercial traditions and customs. Local traditions and customs shall have preference over general traditions and customs. When no customs and traditions prevail, other pertinent laws shall be taken into account.

Note. Preference of local traditions and customs means that any place shall be subject to the customs and traditions in force in that locality, and not subject to traditions and customs of other localities. When a place is lacking in such customs and traditions, the customs and traditions of the nearest locality can be applied.

3. When not otherwise specified in this law, the provisions of Article 2 above shall be obligatory.

CHAPTER 2. COMMERCE AND COMMERCIAL QUALIFICATIONS

4. Any person having completed 18 years of age and having no legal barriers to his rights, identity, or type of business shall be authorized to engage in commerce.

5. When a commercial firm is inherited by a child and when the relevant commercial court believes that the continuation of the business would be profitable for the child, the court can authorize the guardian of the child to continue with the business. When the guardian lacks the necessary legal qualifications or when he is legally prevented from commercial activities, he shall not be allowed to conduct the business. In such a case another guardian, who is qualified, can be appointed to conduct the business.

6. Article 5 shall apply to any person lacking the necessary legal rights.

7. All persons who are considered government servants through the Regulations for Advancement and Retirement shall be prohibited from conducting commercial business directly.

8. Any individual or firm which possesses commercial qualifications and engages in his name in one or more commercial transactions and adopts such transactions as his profession shall be considered a merchant.

9. When a person has opened a commercial office and has declared his intention to do commercial transactions through notices and advertisements, he shall be considered a merchant even when he is not customarily engaged in commerce as his profession.

10. When a person undertakes an occasional commercial transaction, he shall not be considered a merchant. But his transactions shall be subject to the provisions of the Commercial Law.

11. The government and the municipalities can engage in commercial transactions but they shall not be considered merchants. Their transactions shall, however, be subject to the provisions of this law.

12. A person whose business and capital depends mainly on his manual labor, or whose income from business is only sufficient to meet his expenses, whether he is a peddler or has a shop or a specific place in the bazaar shall be considered a small merchant.

13. Small merchants shall not be required to adopt a title, commercial books, and other documents which require registration under the provisions of the Commercial Law. They shall also not be subject to the bankruptcy regulations.

Note. Persons in professional guilds and holding guild licenses shall be regarded as small merchants.

CHAPTER 3. COMMERCIAL TRANSACTIONS

14. When a merchant or nonmerchant purchases movable property with the intention of reselling or renting as it is or in a modified form, the transaction shall be regarded as a commercial transaction.

15. When a merchant or nonmerchant rents movable property with the intention of rerenting, the transaction shall be regarded as commercial transaction.

16. When a merchant or nonmerchants employs other persons with the intention of hiring them for service to others, the transaction shall be regarded as commercial transaction.

17. When a farm owner or peasant sells his products or when a dairy farmer sells his dairy products, the transaction shall be regarded as an ordinary /noncommercial/ transaction. When a farmer modifies his products by a machine for sale; when an artisan produces some work himself, through employed labor, or by machinery; when an author publishes his own work for sale — all these transactions shall be regarded as ordinary transactions. But when a person establishes a permanent industrial organization for the processing and marketing of his agricultural or animal products, and when such organization has the character of a commercial industrial organization, the transactions of the organization shall be regarded as commercial transactions.

18. The following activities shall be commercial transactions:

- (1) undertaking to prepare any type of movable goods, and undertaking and accepting any activities or contracts;
- (2) establishing a factory, running a printing press, running a photography business, and the publishing and sale of books;
- (3) operating theaters, movie theaters, exhibitions, and public places such as hotels, inns, restaurants, and the like; operating establishments for providing labor, and running auction houses;
- (4) transportation of passengers, animals, and goods on land, rivers, or air;
- (5) distribution of water, gas, electricity, and establishment of telephone communication service.

19. The following transactions shall be considered commercial transactions irrespective of the intentions of the both sides of the transaction:

- (1) commission work;
- (2) brokerage;
- (3) transactions in drafts and promisory notes (whether registered or drawn on bearer) and checks;
- (4) money exchange transactions;
- (5) transactions by private or public banks;
- (6) transactions in current accounts and other relevant activities;
- (7) transactions in guarantee documents and documents for goods in stock in general commercial warehouses;
- (8) establishment of commercial firms and transactions in stocks;
- (9) insurance undertakings against any risks — whether against cash payment or exchange terms.

20. All transactions of a merchant shall be considered commercial transactions, except when it can be proven to be otherwise.

21. When an undertaking is considered commercial transaction for one side of the transaction, and when there are no specific contrary provisions in the Commercial Law, the undertaking shall constitute a commercial transaction for all parties concerned.

22. When undertakings result from other transactions by merchants or nonmerchants, or when an undertaking conforms in principle with any of the transactions defined in this chapter, it shall be subject to the provisions of the Commercial Law.

23. All transactions connected to the transactions defined in this chapter shall constitute commercial transactions.

CHAPTER 4. COMMERCIAL REGISTRATION

24. A department of commercial registration shall be established under the supervision of the courts concerned with the settlement of commercial claims.

25. The commercial registration department shall be placed under the charge of a responsible official under the supervision of the president of the relevant court.

26. When there are several commercial claim courts, the commercial registration department shall be placed under one of them selected by a competent authority.

27. Matters and transactions which are required to be registered under the Commercial Law or under other laws shall be registered directly, through the application of the authorities concerned, or through the request of the interested persons. Any changes made in a registered item shall be recorded.

28. Merchants and commercial firms shall be required to register the following:

- (1) name (personal or firm);
- (2) family name or title;
- (3) place and date of birth;
- (4) nationality of the individual or the firm;
- (5) trade names;
- (6) type of business;
- (7) type of firm, date of its establishment, and its main center;
- (8) the capital of the firm (individuals shall be exempted from this provision);
- (9) names of persons who are authorized to sign on behalf of the business or the firm;
- (10) other particulars which are required to be registered by law.

29. Heirs and legal executors of a person can also apply for registration under the same conditions. When several persons are authorized to apply for registration and one of them applies for the registration of a transaction, the application shall be regarded as being from all persons concerned.

30. Registration of transaction can be made through personal application of the persons concerned, through the application of their legal representatives, or by forwarding the necessary documents to the department.

31. Application for registration shall be made within the period specified by law. When no time limit is specified by law, registration for a transaction shall be made within one month of the completion of the transaction. When the person who is required to register lives far away from the location of the relevant registration department, he shall have one day per each 12 miles in addition to the one-month period.

32. When a registration is to be announced publicly, the announcement shall be made in the local official gazette or private newspapers until a gazette has been started for the specific publication of legal announcements. When there are no local official gazettes or private newspapers, the announcement shall be placed

in the papers of the nearest place of publication. Except for cases when law permits summarizing details, all particulars of a registration shall be published in full. When all particulars of one case cannot be published in one issue of a paper, the date of the announcement shall be the date when the last portion has been published.

All applications for registration, documents pertaining to the case concerned, and notices in papers shall bear the item number and the date of the registration book.

33. When a case is under consideration by a court, or when registration officials are doubtful about the final registration of a case, it shall be registered as a temporary case. When the case is left unaltered for 6 months, it shall become permanently registered. When the authenticity of the case is proven before the period of 6 months, it shall be made permanent.

34. When a case registered in a registration book no longer exists, the persons concerned can apply for its removal from the book in writing providing that they can provide the necessary documents in support of the claim. The case shall be removed partially or completely depending on the nature of the developments. When the registration of a case has been announced publicly, its removal shall also be announced publicly.

35. Interested persons can take a case to the court of the registration department against registration officials with regard to the manner of registration, modification of details, or removal of a case from the registration books. The case shall be considered by the court and a judgment shall be issued. When the action of the officials has some bearing on the rights of a third party, the court shall consider the case in the presence of the claimant and the third party concerned.

36. Any person can examine the details of a registered case together with the documents in its support, and can demand a certified copy of the registration.

Note. The following charges shall be made for certified copies:

- (a) for filing an application, one afghani;
- (b) for making an uncertified copy, 5 afghanis;
- (c) for making a certified copy, 20 afghanis.

37. When a person has failed to register a case which is required for registration within the prescribed period, he shall be held responsible for any damage or loss which may come upon another person on this account. In addition at the proposal of the registration officials, the registration court can impose cash fines on the person concerned. The latter person can, however, refer the judgment of the registration court to a court of claims and a court of appeals. The case shall be accepted for consideration by the latter courts only when the person concerned has paid the fine imposed on him or has guaranteed its payment.

38. When a case has been registered in the books of a commercial registration department, it shall have bearing on any third-party action. But when a case, which is legally required to be registered, has not been registered, it shall have no bearing on a third party action even when it has been privately announced. In the latter case the person concerned can, however, file a claim and prove that the third party concerned has been aware of the ownership of the case.

39. When a person intentionally misrepresents a case in registration, he shall be subject to cash fine, imprisonment, or both. Such persons shall further be refused, for a period, the membership of chambers of commerce, chambers of industry, and shall be barred from transactions in bourses. The rights of persons who may have suffered from damages and losses as a result of the above misrepresentation shall be preserved and they can refer their cases to a court.

CHAPTER 5. COMMERCIAL TITLE

40. Each merchant shall draw up all his papers and transaction documents under a specific name that shall be known as his commercial title.

41. Each merchant, whether working individually or with some partners, and all commercial firms shall register their titles with the registration department at the places of their business.

42. A commercial title shall consist of the name of the merchant and his family name. Each title shall clearly differ from any title which has already been registered. Any merchant can add any additional descriptions to his title, provided that these additions are not likely to misrepresent the identity of the merchant or the extension, importance, or financial standing of his business, or cause any misunderstanding concerning any partner.

43. The title of an unlimited liability company shall consist of the names of all partners or at least one partner with the term "unlimited liability."

The title of a complex unlimited liability company — whether ordinary or with capital divided in stocks — shall, as defined in Article 42 above, consist of at least the name of one of the partners with unlimited authority and the term "complex unlimited liability."

The title of a stock company shall consist of a term for the type of business and the term "stock." Names of partners or any other names shall not be included in the title of a stock company.

44. When a merchant has registered a title in a place, another merchant, even when his name makes up the same title, cannot register or use for business purposes the same title in the same place, unless he makes necessary additions to the title to

make it different. In case a merchant, or a commercial firm, wishes to open a branch in a new place where his title has already been registered by another merchant or firm, he has to make additions to his title to make it different from what is already registered locally.

45. Separation of the title of a firm and its transfer shall not be permitted. On the other hand, when a business is transferred its title is not transferred.

46. When a business is transferred together with its title, the person who takes over shall be responsible for the commitments of the original holder of the title. The new holder shall also benefit from any rights belonging to that title. Agreements which are not covered by this principle shall become valid through registration with a registration department or through notifying the interested parties officially. The responsibility mentioned in this article shall cease 5 years after the date of the transfer.

47. When a business is transferred to another person without its title, the person who takes over shall have no responsibility for the commitments of the original owner unless he has undertaken these commitments through an agreement which is registered.

48. When the title of a business is transferred, the person who takes over shall add a term to the title indicating the succession. When this provision is not satisfied, the person who hands over shall remain responsible for the commitments made under the same title by the person who takes over. However, the latter case shall not hold when the creditors of the person who takes over have applied to a court against the new owner.

49. When a partner whose name is included in the title of a business dies, the name can stay on the title provided that his heirs remain partners to the firm or they give a written agreement concerning the use of the name. When a partner leaves a business, his name cannot remain on the title unless a written agreement has been obtained from him to that effect.

50. When the title of a firm is changed, the provisions of Article 41 shall apply.

51. Persons who intentionally and illegally use other persons trade marks on their goods, equipment, files, envelopes, letters, documents, commercial papers, mail packages, or commercial packages; or persons who knowingly sell or offer for sale goods with other persons trade marks on them shall be subject to a fine or imprisonment or both, except when subjected to the provisions of Article 54.

The prosecution envisaged in this article shall fall under the category of a personal claim. The claimant can withdraw his claim after filing the case with a court; in that case the public claim to the case shall also be dropped.

52. Persons condemned under the provisions of Articles 40, 41, 42, the last portion of 43, and 45 shall be required to pay cash fines.

53. When any member of a court, chambers of commerce and industry, registration departments, and other relevant organizations becomes aware in the course of his duties that a trade mark has not been registered and has been used contrary to the provisions of Articles 40, 41, 42, or 43, he shall report the case to the authorities concerned.

54. When a commercial title is used, under any circumstances, contrary to any of the provisions of this chapter, persons interested can apply for the prohibition of the use of the title, or for its annulment when the title has been registered. In addition, persons who have been damaged through intentional or unintentional use of such titles can file a claim for the redemption of their losses. When necessary, the court can investigate the case, make the necessary inquiries, and issue its judgment concerning the loss and its extent. Should the damaged person request and undertake to pay the costs, the judgment of the court can be published.

CHAPTER 6. UNLAWFUL COMPETITIONS

55. No merchant shall be permitted to use marks and titles which can be confused with marks and titles legally used by another merchant. An interested person can apply to a court for an order for the removal of an ambiguity even when the former merchant is not legally guilty of any offense.

56. All types of fraud and intrigue shall be forbidden in commercial affairs.

57. In conducting a competition, one merchant cannot publish false statements which can bring loss or damage the business of another merchant.

58. All merchants shall be forbidden from propagating false statements concerning the origin or the qualities of their goods or the importance of their trade with the intention of attracting the customers of other merchants dealing in the same goods. All merchants shall be forbidden from publishing false certificates and award notifications concerning their goods, or from indulging in any types of fraud or intrigues for these purposes.

59. No merchant shall bribe employees of another merchant or a factory with the intention of obtaining information concerning their customers and attracting them to his business.

60. No merchant shall give a false reference or certificate of good service to another person with the intention of misleading another merchant.

61. When a merchant acts contrary to the provisions of the above articles, he shall be required to pay for any damages to other persons caused by his actions.

62. When a representative of a trade information organization gives false information concerning the character or financial

position of a merchant intentionally or through a grave mistake, he shall be held responsible for any financial or credit damage to the merchant resulting from the false report. A statement correcting a previous false statement cannot relieve responsibility. When a court is passing judgment on the payment of damages, it can also demand that the guilty party publish the text of the judgment at his expense in one or more newspapers.

63. When a merchant commits any of the irregularities defined in this chapter, in addition to being required to pay for the damages, he may be condemned to the payment of a fine and imprisonment.

64. When a person who is condemned to a fine or payment of damages repeats his action, his punishment shall be doubled. Claims can be filed by interested individuals or by the local chamber of commerce. When a private claim has been filed, the public charge shall be dropped.

CHAPTER 7. COMMERCIAL BOOKS

65. Each merchant shall keep three books: property register, general accounts, and the journal. He shall also keep copies of all his letter and telegraphic despatches and receipts in an orderly manner.

66. Any merchant can keep other books to meet his needs, but such additional books shall not be subject to the provisions defined for the commercial books in the following articles.

67. A merchant shall not be required to keep his books himself, he can employ other persons to keep his books but the merchant shall remain responsible for any entry on the books.

68. Books defined in Article 65 above shall be bound and shall be forwarded to the local registration department before use for registration. The registration department shall number the pages of each book with fast ink and shall enter the number of pages at the back and front of the book. In addition, each page shall be sealed, and the registrar shall sign under the enteries at the back and front of each book.

69. The following enteries shall be made in the property book:

(1) Cash capital and estimated values of any movable or immovable property that the merchant wishes to put into his business at the beginning; values of his stocks and promisory notes evaluated at their current values; all dues considered redeemable whether supported by documents or otherwise.

(2) All dues expected from other undertakings and channels.

(3) At the end of each financial year merchants shall draw up a balance sheet showing all their assets and liabilities. This balance sheet shall then be recorded in the property book. The balance sheet shall be drawn at least once a year.

70. As defined in Article 69 above, at the beginning of his business a merchant shall enter his capital in the property book. This capital shall then be entered in his journal; and all his daily transactions, large or small, whether they be commercial or ordinary transactions, shall be entered in the journal. His personal expenses shall also be entered in the journal.

71. All commercial correspondence despatched by a merchant shall have an original and a copy. All despatched or received letters and telegrams shall be recorded in a register.

72. Decisions reached by companies shall be recorded in a decision register kept for decisions reached by the general meeting and by the board of directors. Names of persons participating in the meeting and all other particulars concerning a decision shall also be recorded. The record shall then be signed by all persons who are authorized to sign on behalf of the company.

73. Merchants and their successors shall preserve all their books for 15 years after the date of the last entry on each book, and all their correspondence for 15 years after the date on them.

74. Commercial books and correspondence can be used in evidence for questions concerning inheritance, partnership, or bankruptcy by courts or by other interested parties.

75. In the course of a court procedure, a court can order investigation of commercial books and papers.

76. When it is not possible to produce books and documents at a court because they are under the jurisdiction of another court, the former court can ask the latter to forward certified copies of the documents required.

77. Any responsibility for lack of the necessary books or orderly preservation of the documents shall rest with the owner of the business. The merchant who owns the business cannot put this responsibility on any other person.

78. When commercial books and documents are destroyed through some incident such as fire, etc. within the period that they are required to be kept, the merchant concerned shall inform the local court within one month of the incident. The court shall make the necessary inquiries as to the truth of the claim and shall then issue a certificate to the merchant concerned.

79. When there is a dispute between merchants, commercial books can serve as legal evidence under the conditions specified in articles 80 and 84 below.

80. Entries in legal commercial books can be used against its owner, his successor, or successor to his successor even when entries do not conform with the legal requirements. Entries can be used in favor of the owner only when they conform with the legal requirement for entering.

81. When regular entries in the books of one merchant are in contrary to the entries in the books of another merchant,

investigations shall be made and when the authenticity of one of them is proven, entries in the other books shall become invalid.

82. When a merchant has legal books and on the basis of them makes claims against another merchant, and the other merchant has no books, no legal books, or refuses to submit his books for examination, the books of the former merchant shall be the basis for any judgment. However, when the latter merchant can prove through authentic documents that the claim against him is unjustified, the above books shall no longer be the sole basis of the final judgment.

83. When one side of a dispute accepts the books of the other side but the latter side refuses to submit his books, the court can pass judgment in favor of the side that has accepted the books according to its discretion.

84. When a court finds the contents of a legally kept book sufficient to pass judgment, it can still conduct investigations outside to make its conscience completely convinced. Such investigation shall, however, not take over 15 days.

CHAPTER 8. COMMERCIAL AGENTS

85. Persons conducting business for other persons at the place of residence of the latter or at any other place shall be known as commercial agents.

86. A merchant is responsible for the activities of his agent to the extent of the authority that he had originally given to him. When an agent works for several merchants, each merchant shall be responsible for his relevant transactions. When an agent works for a commercial company, the stock-holders shall be responsible for his transactions in accordance with the provisions of the by-laws of the specific company.

87. A person can act as an agent through a specific contract or through implied understanding. When a direct contract is reached, it shall be registered at the commercial registration office at place of activity of the agent. When this formality is not observed, the provisions of Article 88 below shall be in force.

88. When an agent works for a merchant on implied basis /with no formal contract/, his authority, as far as a third party is concerned shall be considered unlimited. When the agent makes transactions with a third party and the merchant fails to prove that the third party was aware of the limitation of the authority of his agent, the merchant shall be held responsible for the transaction.

89. When an agent works exclusively for a merchant or a company, he shall always sign all his documents as the agent of the merchant or company. Should he fail to do so and sign his own name alone, he can be held responsible for the transaction. In the latter case the third party concerned, however, can file a claim against the merchant as well.

90. When an agent makes a transaction for a merchant without any authority and the merchant refuses to accept the transaction, the agent shall be responsible for any damage against a third party and for the transaction itself.

91. An agent shall not undertake any transactions on his own account, on account of others, or in partnership with others without specific authorization from the merchant for whom he works. When this provision is not observed, the agent shall be responsible for any loss in his business but the merchant can claim any profit he makes.

92. When the authority of an agent is withdrawn or limited, the details shall be registered and announced in a public notice.

93. An agent can file law suits for the merchant for whom he works. The suits shall concern pertinent commercial matters such as claims for debts, etc. Claims can also be filed against the agent of a merchant.

94. The provisions of this chapter shall also cover the agents working in Afghanistan for merchants and commercial firms outside the country.

CHAPTER 9. TRAVELING COMMERCIAL AGENTS

95. When a merchant appoints an employe, through a letter, public notice, circular, or other devices, to go to another place and represent him in commercial transactions, the agent shall be known as a traveling commercial agent. The merchant shall be responsible for the activities undertaken by the agent within the scope of his authority.

96. Provisions of Article 89 above shall apply to a traveling commercial agent. A traveling commercial agent, however, cannot sign 'on behalf' of the merchant for whom he works; he shall sign the name of the merchant concerned alone.

97. Traveling commercial agents cannot receive payment for the goods that they have not delivered themselves; they also cannot reduce prices or amounts set by the merchants for whom they work. Traveling commercial agents can accept offers on behalf of their employer; they can also take measures to safeguard his interests.

CHAPTER 10. SALESMEN

98. Persons authorized to sell goods in commercial houses shall be known as salesmen. Salesmen shall be authorized to demand and receive the price of goods that they sell within the commercial house. Unless otherwise authorized through a letter of authority, salesmen shall not be authorized to collect price of goods outside the premises of their relevant commercial houses.

CHAPTER 11. BROKERAGE

99. Persons who are not employed by either side of a transaction and act between two parties, against payment of fees, to facilitate a commercial transaction shall be known as brokers. Brokers shall have the rights and the duties defined in this chapter.

100. Except for the cases when both sides of a transaction decide to forego the drawing up of a settlement bill or when local customs do not warrant this procedure, the broker concerned shall in each case draw up a settlement document giving the details of the identities of both sides of the transaction, the subject of transaction, the terms and conditions for the transaction and payment, and the date of the delivery of goods. The broker shall sign this document and give one copy to each side of the transaction.

101. When a transaction cannot be executed immediately, both sides of the transaction shall sign the settlement document and shall exchange it. When one side refuses to sign, the broker shall inform the other side immediately.

102. A broker shall be responsible for the authenticity of signatures on documents drawn up by him. He shall also be responsible for signatures against any further enteries made at the back of such documents.

103. When conditions governing a transaction warrant that one side of the transaction may not immediately be made known to the other side, the side that accepts the transaction on the settlement bill shall be responsible for its execution after the other party becomes known to him — provided that no other objections had been raised. The period of time allowed to keep one party unknown to the other shall be governed by the local customs or by the requirement of the circumstances.

When the unknown party is not made known within the specific time period, or when further demands are raised after his introduction, the side who has accepted the settlement document can demand from the broker to execute the transaction and can file a claim against him. But when the party concerned fails to take an immediate action against the broker, any later claims shall not be valid. Should the broker carry out the transaction on his own behalf then, he shall be entitled to any gains made thereof.

104. A broker shall keep samples of the goods that he has dealt with until the transaction is completed. When both sides of a transaction agree that samples need not be kept, or when the nature of the goods and the local customs do not warrant the keeping of the sample, the broker can refrain from keeping the sample. But in order to prove a case, a broker should be able to produce a sample of the goods concerned.

105. A broker shall not be authorized to receive the goods or the payment for them.

106. A broker shall act as an intelligent and honest merchant. He shall, therefore, be responsible for any losses to any side of a transaction caused through his negligence.

107. When a broker becomes partial in favor of one side of a transaction or has personal interest or evil desires in one side of a transaction, he shall be deprived of his right to receive brokerage fees.

108. When a broker helps to realize a transaction or reach agreement on a conditional transaction, and after he has handed his settlement document, he shall be entitled to his brokerage fees. His claim for fees shall remain valid for one year from the date of the transaction or an agreement. However, when a transaction does not materialize or an agreement is not reached, the broker shall not be entitled to any fees for any service rendered.

109. The amount of brokerage fees shall be determined by agreements and regulations, and in the absence of these by local customs.

110. When a broker sets reasonable fees which are not dependent upon the execution of the transaction, he shall be entitled to the fees.

111. When previous agreement has not been reached concerning the payment of brokerage fees and the regulations do not specify which side should pay them, the brokerage shall be paid in accordance with the local customs. When there are no prevailing local customs, the brokerage fees shall be equally divided and paid by both sides of a transaction.

112. A broker shall keep a journal in which he shall record the daily transactions promoted by him. He shall record these transactions in chronological order in accordance with the provisions of Article 100 above and he shall sign against each entry.

Rules governing the keeping of commercial books shall be in force for the journal of a broker. Any time any party to a transaction requests, the broker concerned should produce the entry on his book concerning the particular transaction.

113. A court can demand to see the original or certified copy of the settlement bill or the entries in a brokers books in order to prove a claim.

114. A broker who fails to keep his journal in accordance with the provisions of the law shall be subject to the payment of fines.

115. Persons who act between small merchants for transactions shall not be subject to the provisions of this chapter concerning a settlement bill and the journal.

Part II. COMMERCIAL COMPANIES

CHAPTER 1. GENERAL REGULATIONS

116. A commercial company can be established through partnership of people for a specific or varied commercial transactions.

117. A commercial company can have one of the following forms:

- (a) collective;
- (b) joint stock;
- (c) limited;
- (d) anonymous;
- (e) cooperative.

118. A commercial company shall have legal status. Thus it can enter agreements and undertake transactions as an individual; it can become a debtor or creditor and it can take cases into a court. A commercial company can own movable or immovable property.

119. The following property shall be considered as the capital of any commercial company:

- (a) movable material property such as cash, objects, and animals;
- (b) non-material movable property such as concessions, invention rights, and trade and industrial patent rights;
- (c) all types of immovable property;
- (d) benefits from and right to use any movable or immovable property;
- (e) services and activities;
- (f) commercial credits;
- (g) the commercial house.

120. Right for using a commercial title, invention rights, and trade marks for the promotion of commercial and industrial goods shall be among the feature of commercial companies.

121. Any partner who undertakes to provide capital for a company shall be responsible for his share. When a partner fails to pay his share of the capital in time, he shall be responsible for any losses or damages that may result to the company.

122. When the capital undertaken is cash, the persons who fails to pay his share in time shall be required to pay interests to the company in addition to paying for the losses defined in Article 121 above.

123. When a partner in a company undertakes the payment of his share against the money owed to him by other, he shall remain in debt to the company until the amount has been paid.

When the debt is on time basis, it shall be paid when due; when it is on immediate payment basis, it shall be paid within one month of the undertaking. The person undertaking the debt shall be subject to the payment of interests for any overdue payment. When a portion of the debt has been paid, this regulation shall apply to the remaining portion.

124. When objects are taken as capital of a commercial company, their values shall be recorded in the agreement. In case the values had not been recorded, the current market or bourse prices at the time of the delivery shall be taken into consideration. When objects have no current market or bourse prices, the value estimated by experts shall be taken into consideration.

125. Property entered as the capital of a commercial firm shall become the property of the firm unless it is otherwise specified in an agreement.

126. In order to claim for losses specified in Articles 121, 122, and 123 above, it is not necessary to warn the opposite party beforehand. Such claims shall not alter the right of partners to withdraw as specified in Article 125 /sic/.

127. Each partner in a commercial company shall conduct the affairs of the company with complete care and good will, as it were his personal affairs.

128. No partner can receive wages from his company for services rendered unless this is allowed in a specific agreement.

129. Each partner shall be personally responsible for any losses brought to company through his deceit, cheating, or exceeding his authority. He cannot balance the loss against any profits that he may have brought to the company in the past.

130. When employes of a commercial company receive a portion or all of their wages against the profits made by the company, they shall not be considered as partners in the firm.

131. When the agreement for partnership does not specify the method of distribution of loss and profit, any loss or profit made by the company shall be divided among the partners in proportion of their shares in the company.

132. When the agreement specifies distribution of profits alone, losses shall also be divided in accordance with that arrangement. When it specifies the division of losses alone, the profits shall be divided according to the same arrangement.

133. When the agreement specifies that profits should go to a certain number of partners or the losses should be divided only among certain partners, the agreement shall be considered void and profits and losses shall be divided in accordance with the provisions of Article 131 above. Only when a partner pays his share by working for the firm and it is specified in the agreement that he shall not be required to pay for the losses, he shall not be subject to the provisions of this Article.

134. When a company continues to work after the expiration of the period set at the beginning for its work, it shall be considered to have renewed its agreement for an indefinite period.

CHAPTER 2. UNLIMITED LIABILITY COMPANY

135. An unlimited liability company is a type of firm established for commercial transactions with two or more partners

with mutual liability guarantee. When the assets of the company are not sufficient to pay for the liabilities, all individual partners in the firm shall be responsible for the payment of all debts.

136. Unlimited liability companies shall have a written constitution.

137. The constitution of an unlimited liability company shall contain the following details.

(1) Date of the constitution.
(2) Names, addresses, and other particulars of the partners. When another company is joining the firm, particulars of that company shall also be included.

(3) The headquarters of the company.

(4) The statement that the firm is an unlimited liability company,

(5) The title of the company.

(6) Names of the partners who are authorized to sign for the company with the specification as to whether they are to sign jointly or individually.

(7) The purpose of the company.

(8) Share of capital undertaken by each partner and an estimated or definite list of the values of the non-cash property of the company.

(9) The share of each partner in the profits or losses.

(10) The dates of establishment and winding up of the company.

The partners can add other provisions that they may consider suitable.

138. Persons establishing an unlimited liability company shall be required to register the constitution of the company with the registration office of the place where the headquarters of the company is within one month of the establishment.

139. When an unlimited liability company opens a branch in a place outside the place of its headquarters, it shall be required to register with the commercial registration office of the local place.

140. After an unlimited liability company has been registered, if it is subjected to any changes in its status, title, headquarters, purpose, partners who are authorized to sign for the company, or if some partners leave the company or others join it, the company capital is reduced or decreased, the company is dissolved before its term is over or it is extended beyond its term, or it joins another firm, the company shall prepare a statement for any of these changes and shall register it after the approval of an authorized court.

141. If particulars defined in Articles 138, 139, and 140 are not registered, they cannot be used against a third party. The partners in the company shall be responsible for any transactions committed by the company before its registration. Persons having

claims against the company can resort to any means to prove the existence of the company before its registration.

142. When an unlimited liability company has not been registered within the period defined in Article 138 above and when it is not registered afterwards, any of the partners can ask a court to declare the company dissolved. The partner asking for dissolution shall inform other partners through the offices of the registration department. When the court approves the dissolution, the partner concerned shall be dissociated with the firm. Any commitments made by the company before the order for the dissolution shall remain valid as far as a third party is concerned.

Relationships Between Partners

143. Provisions made in the agreement for an unlimited liability company shall govern the relationship between the partners in the company. When no specific relationships are defined, the provisions of this section of the law shall be in force.

144. In accordance with the terms of the agreement, or with majority decision, the administration of the company shall be left to one or more of the partners or to persons having no shares in the firm. When one person has not been authorized, in accordance with the above provisions to administer the firm, any one of the partners shall be considered competent to run the firm.

145. When the director of the company is appointed through the agreement for the establishment of the firm, the partners cannot limit his authority or dismiss him from his post. When a case is proven against the director, one of the partners can request, or a court can order, his removal. A director can be dismissed for negligence, important mistakes and carelessness in performing his duties, or inability to administer the firm.

146. When a director is appointed after the establishment of the company, he can be dismissed through majority decision of the partners. When no majority can be reached, any partner can refer to a court and, after producing the necessary evidence, demand the removal of the director.

147. When all or a number of partners have been authorized to administer the company, each one can individually manage the affairs of the firm. When a partner authorized to administer refuses to perform a certain transaction, any other authorized partner can, with majority vote, perform the particular transaction. When the agreement for the establishment of the company specifies that any decisions must be jointly reached by the partners authorized for administration, all decisions shall be unanimous except in cases when any delay may be dangerous for the company. When the directors cannot reach a unanimous decision, the case shall be referred to a general meeting of the partners which can make the final decision.

148. The administration of a company shall consist in conducting its normal affairs and transactions. A director can also consent to compromise and arbitration, if he finds that it is beneficial for the company. Important transactions such as giving donations, purchase or transfer of immovable property, and undertakings beyond the scope of ordinary transactions shall, however, be subject to the joint approval of the partners.

149. When a partner borrows money from his company or makes money for the company (provided that it is permitted by the constitution) and fails to pay in good time, he shall be required to pay interest for the delay period.

150. No partner can transfer a part or the total of his share to persons outside the partnership without the approval of other partners. In case of such transfers, other partners or any other third parties cannot be held responsible for any consequences — only the transferring partner shall be responsible.

151. When a partner is in charge of the administration of the company, he shall not, without the approval of other partners, grant partnership to other persons or appoint others to run the firm for him.

152. When the agreement for the establishment of the firm specifies that interests should be paid for any paid up capital, this condition shall be observed.

153. Unless otherwise specified in the constitutional agreement, the period of operation of a company shall last during the life-time of the partners. A company which is limited in its period of operation because of the nature of the purpose for which it is formed, shall continue operation until the work is completed.

154. Any partner, even when he is not a director, shall be authorized to inquire into the affairs and financial position of the firm. Any agreement contrary to this right shall be considered invalid.

155. Any changes in the constitution of a company shall be made with unanimous votes of the partners. Other affairs of the company shall be subject to majority vote. When other arrangements have been specified in the constitution, those arrangements shall be in force.

156. At the end of each financial year, the director of a company shall draw up the balance sheet of the company for its profits and losses and shall divide the share of each partner.

157. A partner cannot be forced to pay up for the loss in capital without the unanimous approval of the partners. However, loss in capital can be made up with earnings in the following years.

158. A partner cannot undertake a transaction, on his own or on other persons accounts, which is of the type of the transactions undertaken by the company without the approval of the other partners. Likewise a partner cannot become a responsible member of another firm dealing in the same type of business. When the

partners in a newly forming company do not oppose to the responsible membership of one of them in another firm at the time of the formation of the company, it shall be taken for granted that they have approved the membership.

159. When a partner acts in contrary to the provisions of Article 158 above, the company can demand compensations from the partner or can account the transactions conducted for the personal or other accounts by the partner as the transactions of the company. Decision on taking one of these courses shall rest with the partners in the company. When partners fail to protest within 6 months of hearing that a partner has joined another firm or has conducted business on his own or on another party's account, they shall lose their right to protest. The above right shall not supercede the right for applying for the dissolution of the company.

Relationships Between Partners and Others

160. An unlimited liability company shall be considered in existence as soon as it is registered and officially announced.

161. Persons authorized to administer a company shall have the right to represent the company in dealing with the partners or other persons, provided that no contrary provisions had been made in the agreement registered and announced for the company.

162. A person who is authorized to represent a company can perform any transaction and sign any documents for the company. Any provision limiting this right shall not be valid for any third party (with good will). But when the registered constitution of the company requires that a number of partners must sign documents then this provision shall be observed.

163. The company shall become creditor or debtor in any transaction performed by its directors. This provision shall remain valid whether the transaction had been made specifically in the name of the company or when they have been implied.

164. Partners in a company shall be collectively responsible, with all their possessions, for the undertaking made by the company. Any agreements contrary to this provision shall not be valid as far as a third party is concerned.

165. Claims can be filed against undertakings made by a company. When the company is dissolved or no results are obtained from the claim, outsiders can claim against the individual partners and can request that their personal property be brought under control until the claim is settled.

166. When a special court passes a judgment against a company, it shall not apply to individual partners.

167. When a company is dissolved or becomes bankrupt, creditors of the company shall have preference over the creditors of the individual partners.

168. When a company becomes bankrupt, its shareholders shall not be considered bankrupt. But when the company cannot pay all its debts, the partners shall pay on their own accounts and if they cannot pay they shall be declared bankrupt. Creditors who have legal priority in their claims against the company shall have this priority against individual partners.

169. Partners cannot claim their capital from a company that has become bankrupt, but they can claim their other credits from the company same as other creditors.

170. A person who owes money to a company cannot cross off his debt against a credit which he may have with one of the partners. But when the company owes money to a person and the person cannot get his money in accordance with the provisions of Articles 165-168 above, and he owes money to one of the partners in the company, he can refer to that partner and settle his account with the company against the money he owes to the partner.

Dissolution, Division, Dissociation of Partners, and Association With Another Firm

171. An unlimited liability company can be dissolved under any of the following conditions.

(1) When the period of the operation of the company is completed.

(2) When the partners decide unanimously (or with majority votes if so provided in the constitution).

(3) When a court declares the company bankrupt or when its creditors and the company officials agree to declare it bankrupt.

(4) When a court orders the dissolution through the application of one or more of the partners.

(5) When the work for which the company was established is completed.

(6) When one of the partners of the firm, who is authorized by the constitution, declares the company dissolved.

(7) In a company which has no limited period for its work, when one of the partners declares the company dissolved.

(8) When 2 thirds of the property of the company is lost and the partners refuse to pick up the loss or continue to work with reduced capital.

(9) When the company amalgamates with another company.

172. When a company is dissolved the partners can no longer undertake transactions in the name or on the account of the dissolved firm. Should they continue to undertake any transactions they shall be responsible toward any third party for unlimited consequences. Until the dissolution of a company has been registered and announced all partners shall be considered responsible toward any third parties.

173. When the constitution of a commercial company specifies that a specific number of incidents cannot cause a dissolution of the company, this provision shall be observed; but when the constitution specifies that no cause whatsoever can bring the dissolution of the company, this provision shall not be observed.

174. When a commercial company is established for an unlimited period of activity, any of the partners can announce the dissolution of the company by announcing the accounts of the company at least 6 months before the end of its financial year through the relevant branch of the registration office.

175. Upon reasonable request by one of the partners, a court of justice shall order the dissolution of a commercial company which has been formed for a definite or indefinite period. The following circumstances shall constitute the basis for a court order as defined above:

(1) When circumstances prevent the company from attaining its objective.

(2) When one of the partners is dishonest in administrative or accounting affairs of the company.

(3) When one of the partners fails to perform the basic duties assigned to him.

(4) When one of the partners misuses the company title or property for his personal interests.

(5) When one of the partners is no longer able to continue with his company work because of illness or any other reason.

176. When application is made for dissolution of a commercial firm because one of the partners has failed to pay up his share of the capital, the court must be satisfied that a partner so concerned has already been warned of the consequences.

177. When a company is established for a specified period or for the life period of one of the partners, the company shall continue working for an unlimited period if it has continued its activities after the specified period or after the death of the partner concerned.

178. When the constitution of the company specifies that the company shall be dissolved upon the death, bankruptcy or emigration of one of the partners, the legal heirs, executors or the legal representative of the emigrant shall inform all other partners immediately upon the death or emigration of the partner concerned. When an immediate dissolution is not feasible, the administrators of the company shall continue with its work for a period unanimously agreed upon by all the leading partners. Likewise, all partners shall continue with their duties on a temporary basis. Under such circumstances the company shall legally be considered in existence.

179. When one of the partners in a commercial company dies and there is no provision in the constitution of the company for making arrangements with the heirs of the deceased person, the remaining partners can make arrangements with the heirs of the deceased

person to continue with the work of the company; in case the heirs refuse to cooperate the partners can pay up the share of the deceased partner and continue the work of the company themselves.

180. When the constitution of a commercial company makes provisions for the heirs of the deceased partner, the heirs shall have the option of continuing to work with the company on the basis of unlimited liabilities. When the heirs decide to work on the above basis the other partners shall be under obligation to accept them as partners in the firm. When the heirs of the deceased partner do not wish to continue working with the company on the basis of unlimited liabilities they can request that they be admitted into the company as partners with limited liabilities. In the case of the latter request the remaining partners of the firm shall have the option of accepting or rejecting the request of the heirs of the deceased partner.

181. The heirs of a deceased partner of a commercial firm shall notify the company within one month of the death of the partner concerned as to their decision to stay as a partner on the basis of unlimited liability or not. During this period of one month the heirs shall be considered as partners with limited liabilities. After the period, however, they shall automatically become partners with unlimited liabilities if they have failed to notify the company of their decision. The heirs of the deceased person who have not reached an adult age shall under no circumstances become partners with unlimited liabilities; the executors of such heirs can however apply to the company to accept such heirs as partners with limited liabilities.

182. When one of the partners in a commercial firm emigrates, the provisions of Articles 179 to 181 shall be in force.

183. When one of the partners in a commercial company becomes bankrupt and no provisions are made for such cases in the constitution of the company, the bankrupt partner shall leave the partnership and his accounts shall be settled with himself or with his legal representative.

184. When a company is forced to dissolve because of the circumstances brought about by one of the partners, the other partners can apply to a court to order the expulsion of one particular partner and approve the continuation of the company under the names of the remaining partners.*

186. When a partner in a company which is established for a limited period of time requests the dissolution of the company under the provisions of Article 175, the provisions of Article 179 shall remain in force.

187. When a company is formed between 2 partners and one of them decides to leave the partnership, a court of justice can order, upon application from the remaining partner, that the company remain operating and the settlement of all accounts and outstanding

[Paragraph 185 missing from original document.]

debts be left to the remaining partner. Under such circumstance the provisions of Article 190 shall apply to the outgoing partner.

188. When a creditor of one of the partners in a company composed of 2 partners decides to dissolve the company in accordance with the provisions of Article 195, or when one of the partners goes bankrupt, the other partner can take over the activities of the company and work under his own name in accordance with the provisions of Article 187.

189. When a company is dissolved for any reason other than bankruptcy all the partners shall be required to register and announce the dissolution in accordance with the provisions of Article 174. When one partner leaves a company the above provision shall also apply. When a company is dissolved or a partner leaves because of death, all the remaining partners and the heirs of the deceased person shall observe the provisions of this article.

190. Unless it is otherwise specified in the constitution of the company, when a partner is expelled or leaves a company his share shall be calculated on the basis of the current holdings of the company and shall be given to him.

191. When the share of a partner is specified in accordance with the provisions of Article 190 above, he shall be given his share in cash.

192. When a partner is expelled or leaves a commercial company, his shares shall be calculated and given to him at the time specified in the constitution of the company. When the constitution does not specify the time, the shares shall be calculated and given to the outgoing partner at the time that the next balance sheet of the company is drawn up.

193. When a partner is expelled or leaves a commercial company, he shall have the right to own the profits made from any transactions undertaken before his leaving the company, but he shall have no right to stop any of the transactions of the company which have already been approved by all the partners. When the settlement of accounts is not immediately possible, the settlement shall be made at the end of the financial year of the company. Under such circumstance he shall have the right to own the transactions made by the company in the course of the financial year, he shall also have the right to examine the accounts of the company for that year.

194. When one partner is expelled or leaves a commercial company, his responsibility toward a third party shall remain with him until the expulsion or leaving has been officially registered and announced.

195. When a personal creditor of a partner in a commercial company cannot obtain his dues from the personal property of the partner concerned, he can apply to a court and ask that the company be dissolved at the end of its financial year and a share of the partner concerned be taken under court supervision for the settlement

of his debts. Application for dissolution under such circumstances should however be made 6 months before the court has issued an order for the dissolution of the company, so that the company or the remaining partners can pay up the debt and thus prevent the dissolution of the company.

196. When the personal creditor of a partner decides to dissolve the company in accordance with the provisions of Article 195, the remaining partners can decide to continue operating the firm by expelling the partner who is in debt. Under such circumstances they shall inform the creditor.

197. Two or more commercial companies with unlimited liabilities can join to form a new company with unlimited liabilities. Any commercial company with unlimited liabilities can merge into another existing commercial company with unlimited liabilities.

198. Different commercial companies with unlimited liabilities can amalgamate when all the parties concerned have approved the transaction. Such decisions shall be registered and announced.

199. All amalgamating companies shall draw up uniform balance sheets and shall publish them; they shall also make arrangements for the payment of their debts and they shall attach a statement concerning these arrangements to their balance sheets.

200. When a decision is made to amalgamate, it shall be put into force 3 months after its announcement. When the amalgamating companies have paid their debts or when they have deposited an amount equal to their total debt with an accredited bank or when their creditors have no objection to their amalgamation, they shall not be required to wait 3 months for the amalgamation. Receipts obtained from a bank for the deposit of the above funds shall also be registered and announced. Within the 3 month period any of the creditors may file a protest with a court of justice against the amalgamation and until this claim remains unsettled by the court or the creditor has not withdrawn his claim the amalgamation shall not take place.

201. When no protest has been filed during the period specified in Article 200 above, the companies shall be considered amalgamated. The company thus formed shall be responsible for all the liabilities and assets of the former companies. When a new company is created as a result of amalgamation, this new company shall be registered and its registration shall be announced.

Settlement of Companies With Unlimited Liabilities

202. When there are no provisions made in the constitution of the company for settlement, all settlements shall be made in accordance with the provisions of this law.

203. Settlements of commercial companies with unlimited liabilities shall be made by special settlement officials who would be elected in accordance with the provisions of this law.

204. Settlement officials can be appointed at the time of the formation of the company and their names can be put in the constitution of the company; they can also be elected afterwards at the time of the settlement. When no such arrangements have been made, all partners or their legal representatives shall be settlement officials. In case of dissolution or in case of an application by one of the partners, the court of justice may appoint settlement officials.

205. Settlement officials, whether elected by the stockholders or appointed by the court, can be from among the stockholders or outsiders.

206. There shall be no limit for the number of settlement officials. When the constitution of the company or subsequent agreements specify that one person cannot act as their settlement official, the court or the stockholders shall appoint a number of persons as settlement officials. Such circumstances shall be registered and announced at the time of the registration of the company.

207. A settlement official cannot delegate his duties to another settlement official or to another person outside the company. A settlement official can however appoint one or more persons to take care of certain transactions of the company.

208. When a company is undergoing a settlement persons outside the company can refer to any settlement officials for the settlement of their affairs. When there is no danger of any loss for the company, any transactions undertaken by one of the settlement officials shall be considered valid.

209. When a commercial company with unlimited liabilities is dissolved, it shall be considered in existence until all its settlements are completed.

210. When a commercial company with unlimited liabilities is under settlement, it shall put the phrase "commercial company with unlimited liabilities under settlement" on its own official correspondence and documents, all settlement officials shall sign under such documents. Any document which does not conform to these provisions shall be considered invalid and shall not entail any responsibility for the company.

211. A priority of the creditors of a company over the personal creditors of stockholders shall remain in force after the dissolution of the company.

212. When the assets of a company are not sufficient to meet its liabilities at the time of settlement and they bring about the bankruptcy of the company, the court of justice can order that the company be declared bankrupt.

213. When the settlement officials have been appointed through the constitution of the company or through a later decision of the stockholders, they can be dismissed through the unanimous

decision of the stockholders. When a unanimous decision cannot be reached any of the stockholders can apply to the court to order their dismissal.

214. Settlement officials elected from among stockholders after the dissolution of the company can be dismissed along with other stockholders. When a unanimous decision cannot be reached on the dismissal, any one of the stockholders can apply to a court of justice for an order for the dismissal of such officials.

215. When settlement officials appointed through the company constitution or through an agreement of the stockholders are not from among the stockholders, they can be dismissed through a unanimous decision of the stockholders. When a unanimous decision cannot be reached any of the partners can apply to the court of justice for their dismissal.

216. Settlement officials appointed by a court can only be dismissed through a decision of the court.

217. Settlement officials, whether appointed at the time of the formation of the company or later through a decision of the stockholders, shall call upon the directors of the company to cooperate with them in the settlement of the affairs of the company. They shall open a special book and draw up special balance sheets for the settlement of the company. Such balance sheets shall be signed by the directors of the company. Settlement officials can apply to experts to evaluate the property of the company. The settlement officials can take possession of all the books and documents of the company and all the documents pertaining to the settlement of the company.

218. The settlement officials shall be required to take all the necessary measures to protect the property and the rights of the dissolved company.

219. Settlement officials shall complete the transactions started before the settlement of the company, they shall settle all the debts and undertakings of the company, and they shall pay the creditors in kind if they have no objection to this arrangement. In case the creditors refuse to receive goods for their due debts, the settlement officials shall sell the goods and pay the creditors in cash. The settlement officials shall change all the property of the company into cash and then they shall divide it among the stockholders.

220. When a company is under settlement, the settlement official shall represent it in a court of justice or in other affairs concerning the company.

221. The settlement officials shall not undertake any new transactions which are not required by the act of settlement; in case they undertake any such transactions, all responsibilities shall rest with the settlement officials.

222. Settlement officials can resort to arbitration when it is in the interest of the company.

223. Settlement officials can invite bids for the sale of the movable property of the dissolving company. In case of the sale of any immovable property of the company the sale must always be made through bids. The movable and immovable property of the company shall be put on sale even when one of the stockholders is a minor or is incompetent mentally.

224. Settlement officials can complete the work for which the company had been established. When settlement officials have been appointed by the stockholders they shall do this work through a unanimous approval of the stockholders; when they have been appointed by a court they shall do this work through the approval of the court and the stockholders.

225. Settlement officials shall pay the urgent debts of the company without any delay and the creditors shall receive their due without any delay.

226. When the assets of the company are not sufficient to meet all the liabilities, the settlement officials can apply to the stockholders to pay the difference.

227. Unless it is unanimously approved by all the stockholders, the settlement officials cannot sell all the property of the company at once.

228. The powers of the settlement officials can be expanded or limited by the unanimous decision of the stockholders or the court depending upon which has appointed them. Such changes in the powers of the settlement officials shall be announced publicly. In case of the limiting of the powers and failing to make a public announcement, the company shall be held responsible to any third party.

229. Settlement officials shall be bound to the provisions of the settlement decision unanimously reached by the stockholders. In case of bankruptcy, death, or emigration of one of the stockholders, the provisions of Article 230 shall be enforced.

230. When one of the stockholders dies, becomes bankrupt or emigrates his place shall be taken by his legal representative or his executor. The heirs of the deceased person shall appoint a legal representative unanimously. When the heirs fail to appoint a legal representative unanimously, a court of justice shall appoint a legal representative for the deceased stockholder.

231. Settlement officials can withhold the cash property of the company to the extent required for the payment of the outstanding debts of the company and divide the balance among the stockholders.

232. Settlement officials shall keep regular and accurate books for the settlement transactions.

233. Settlement officials shall provide information as to the position of the company and its settlement affairs whenever a stockholder applies to them orally or by written request.

234. Any stockholder can apply to the settlement officials for an examination of all the books and documents pertaining to the settlement of the company. The settlement officials shall not prevent the stockholders from copying any documents from the books or files of the company.

235. The settlement officials shall deposit with an accredited bank any amounts in excess of one thousand afghanis received in the course of the settlement of the company.

236. When the settlement work is completed, the settlement officials shall forward a settlement statement to all the stockholders.

237. All provisions made in the constitution of the company concerning settlement officials as well as all provisions made by the stockholders and the court for the appointment, change or dismissal of settlement officials shall be registered and announced publicly.

238. When the settlement work is completed, settlement officials shall draw up a balance sheet giving the position of the capital, income and loss of the company and the shares of each stockholder and they shall forward these balance sheets to the stockholders. When no stockholder has protested to a court concerning the integrity of the above balance sheet drawn up by the settlement officials within one month of its issue, it shall be considered final. When stockholder refuse to receive their share of the property of the company, settlement officials can deposit the share of each stockholder under his name in an accredited bank.

239. The total property of the company shall be divided among the stockholders in accordance with the provisions of the constitution of the company or in accordance with the decisions reached afterwards. Unless it is otherwise specified in the constitution or in any of the subsequent decisions, the property shall be changed into cash and then divided among the stockholders.

240. Settlement officials shall be responsible to the stockholders and to any third party concerned for any action contrary to the provisions of this law; they shall also be responsible for any action contrary to the provisions of this law taken by any of the persons employed or appointed by them to do the settlement work.

241. Unless it is otherwise specified in the constitution of the company or in any of the subsequent decisions of the company, the settlement officials appointed from among the stockholders cannot receive wages for the settlement work. Settlement officials appointed from outside the company shall be entitled to wages even when such provisions are not specified in the company constitution.

242. When the settlement work is completed all the documents and books of the company shall be deposited in a safe place for a period of 15 years. When the stockholders fail to reach a unanimous decision for a place to keep the stocks and books, a place shall be designated by a court of justice.

CHAPTER 3. A MIXED LIMITED AND UNLIMITED LIABILITY COMMERCIAL COMPANY

Definition of a Mixed Company and Provisions for Its Formation

243. A commercial company which is formed under a specific title and for a specific type of work with some of its stockholders having unlimited liabilities and others having limited capital and limited liabilities, shall be called a mixed company. The capital of the shareholders who have limited liabilities can be divided into stocks.

244. Unless otherwise specified in this chapter, all the regulations governing the commercial companies with unlimited liabilities shall apply to a mixed company. When it is not possible to decide whether a company is one of unlimited liabilities or whether it is a mixed company, it shall be regarded as a company with unlimited liabilities.

245. In a mixed company, in addition to the provisions of Article 137, the name of each shareholder with limited liabilities, together with the capital paid or undertaken by him, shall also be registered and announced.

246. No partner with limited liabilities can apply his work, credit, or profession toward the capital payment due from him. Scientific or technical inventions can however be applied as capital.

The Relationship Among Partners

247. Unless otherwise specified in the company agreement, the following relationships shall be in force among stockholders of a stock liability company.

248. Stockholders with limited liability cannot assume any responsibility in the administration of the company, and they shall not have any authority to hinder the administrative stock in the company in the exercise of its duties. However, they do have a vote in regard to the work performed by various persons outside the scope of the company liabilities.

249. Any stockholder with limited liability shall have the right to examine the books and balance sheets of the company at the end of a financial year personally or as represented by a qualified accountant. If there is any disagreement in connection with the selection of a qualified accountant for the examination of the company books, the court shall appoint such an accountant or accountants.

250. The provisions of Article 158 above shall not apply to stockholders with limited liability. However, when a stockholder with limited liabilities organizes a new company or takes control of another company which is engaged in the same business as the first company, he shall not have the authority to examine the books and papers of the first company.

251. The liability of a stockholder with limited liability shall be restricted to the amount of the capital it has paid to or undertaken for the company.

252. A stockholder with limited liability may obtain his share of the profits of the company at the end of the financial year. Provided that it is specified in the constitution of the company, he can also draw the interest on the capital he has paid into the company; however, he cannot draw interest if the company has shown a loss. Interest cannot be paid on the accounts for previous years.

253. Stockholders with limited liability shall not be called upon to refund interest paid to them to cover the losses of the company.

254. When a stockholder with limited liability has received his share of the profits or interest, in accordance with the balance sheet of the company, he shall not be called upon to refund that amount.

255. When a stockholder with limited liability dies, his heirs shall be considered as stockholders.

256. When a stockholder with limited liabilities transfers his stock in totality or in part to a third party, said third party shall have no rights in connection with the affairs of the company unless the transfer has been made with the consent of the company.

Relationships of Stockholders With Third Parties

257. When the name of the stockholder with limited liability is entered in the records of the company, he shall be considered fully responsible to any third party.

258. The stockholders with unlimited liability shall be responsible for the administration and representation of the company. Such responsibilities shall be in accordance with the laws and regulations concerning stock companies with liability. Unless otherwise specified in the constitution of the company, a stockholder with limited liability can be appointed by a director or the directors of the company as a representative of the company. Under such circumstances, the company shall be responsible for any actions taken by such a representative. However, when a stockholder with limited liability exceeds his authority or takes action on behalf of the company without being duly authorized, he shall be held responsible for his actions.

259. When a stockholder with limited liability is placed in charge of company affairs in accordance with the pertinent laws and regulations, or is granted the authority to employ or dismiss company workers, or is himself employed by the company in secondary affairs, he shall not be considered as a stockholder with unlimited liability.

260. Stockholders with limited liability shall be held responsible to the creditors of the company only to the extent that

their duties to the company are concerned. The creditors of the company cannot make any claim against individual stockholders with limited liability unless the company is declared bankrupt or is dissolved; when the company is declared bankrupt, the creditors can only claim the total property of the company.

261. When a stock company with mixed limited liability is declared bankrupt, the creditors of the company shall have preference over the personal creditors of the individual stockholders.

262. When the property of a bankrupt company fails to pay that which is due the creditors, the latter can claim the personal property of the stockholders with unlimited liability. Under such circumstances, the claims of the company stockholders against the company shall be on a par with the claims of any creditors outside the company.

263. When a stockholder with limited liability is declared bankrupt, the stock company and the individual creditors of the bankrupt individual shall have equal rights.

264. The laws and regulations governing the stock companies with liability shall also be applicable to mixed stock companies with liability.

265. When a person is a creditor of a company, and owes to a stockholder with limited liability, he can settle his account with the company by means of settlement with the individual stockholder.

CHAPTER 4. ANONYMOUS STOCK COMPANIES

Nature and Formation of Anonymous Stock Companies

266. An anonymous stock company is a company formed with a specified title for commercial transactions. It shall have a capital divided into stocks, and the responsibility of each stockholder shall be limited to the number of his shares in the company.

267. An anonymous stock company can be formed on a single occasion or gradually. It is considered established on a single occasion when the organizers of the company undertake and purchase all the stock of the company. It is considered established on a gradual basis when the organizers do not purchase all the stock; under the latter circumstance, this stock shall be made available to the public.

268. To form a stock company of this nature, at least five stockholders must act as organizers of a company.

269. In a stock company, the stockholders who prepare and sign the constitution of the company and undertake to pay a part of the capital of the company shall be considered as the organizers of the company.

270. The organizers of the company shall prepare a constitution for the company and shall sign it. The constitution of the company shall contain the following information:

(1) The title of the company and the location of its headquarters;

(2) The type and nature of the transactions of the company and the purpose of its formation;

(3) The capital of the company and the type of its stock, as well as its price and the conditions of the payment of the capital;

(4) The nature of special profits that shall be paid to the organizers and the members of the board or other persons connected with the company;

(5) The conditions for the election of the Board of Directors and the Board of Inspection, together with their responsibilities and authority;

(6) Provisions for the general meeting of stockholders, provisions for invitations to meetings, time of meetings, provisions for the conduct of meetings and for voting on decisions;

(7) The date on which the company will be dissolved when the company is formed for a limited period.

271. A copy of the constitution, drawn up in accordance with the provisions of Article 270 above, shall be forwarded to the Ministry of National Economy such that a permit for the formation of the company may be obtained.

272. When a company is to be established gradually, the organizers shall, after obtaining the necessary permit, publish a notice for the information of the public, containing the following details:

(1) The purpose and the duration of the company;

(2) The capital and the stock of the company, together with the cost of each stock, special profits assigned to the organizers or any other persons, in accordance with the constitution of the company;

(3) The property given to the company in lieu of capital;

(4) If any property is to be purchased, the cost of said property;

(5) The place and report of the meeting of the founding committee.

273. An application for the purchase of stock shall be made in two copies, and shall contain the following details:

(1) A summary of the provisions of Article 272 above;

(2) The full name and address of the buyer of the stock;

(3) The amount of stock undertaken by the buyer and the date of said action;

(4) A statement in regard to the acceptance of the provisions of the constitution of the company. When the company is not established within the period specified, the undertaking of the stockholders shall be voided.

274. The company stocks issued must be truly and fully undertaken, and at least one quarter of the cost of said stock must be paid up in cash.

275. No stocks shall be sold at the nominal price specified on them.

276. When the payment of one quarter of the cost of a stock at the time the purchase of the stock is undertaken, which is required by law, is not demanded by the constitution of the company, the organizers shall, after all the undertakings have been received, apply to the undertakers by means of registered letters and notices in the newspapers, for the payment a quarter of the number of stocks undertaken. When the persons who have undertaken to purchase stocks fail to pay up one quarter of the cost of such stock, within a specified period, the organizers shall be authorized to sell the stocks assigned to such persons to other parties or to force the persons who have undertaken said stocks to pay for them. The company shall not be considered as established until one quarter of its capital has been paid up.

277. One quarter of the cost of the stocks shall be paid to a reliable bank. The bank shall keep this money on deposit until the company has been fully established and registered, and the money shall then be turned over to that company. When the company fails to be established within the specified period, the bank shall return the money to the original owners. Under no circumstances will the money paid for these stocks be transferred to the organizers until the company has been fully established.

278. When the whole capital of the company has been undertaken, and the cash required has been paid up, the organizers shall, within ten days, by means of registered letters and notices in the newspapers, invite the stockholders to a general meeting. The invitation to a general assembly shall be made at least 15 days prior to the date of such assembly. The invitation shall contain the following information:

(1) A statement certifying that the total capital of the company has been undertaken and that a quarter of it has been paid up;

(2) Details concerning the evaluation of property given to the company in lieu of payment for capital, and other provisions made in this regard in accordance with the constitution of the company;

(3) A proposal for the payment of special profits to the organizers of the company;

(4) Provisions for the election of the Board of Directors, when the Board is not appointed in the constitution of the company;

(5) Provisions for the election of the members of the Board of Inspection.

279. The general assembly shall meet on the day specified, and shall discuss the details specified in Article 278 above, and shall make decisions on them. The decisions of the general assembly shall be valid when at least one half of the capital of the company

is represented at the assembly. Each stock shall entail one vote for the holder. All decisions must be reached by means of a majority vote.

280. Organizers or other stockholders who give property to the company in lieu of capital, or organizers who are to receive special profits from the company, shall not be entitled to any votes at meetings discussing the value of the property given to the company, or establishing the nature of the special profits to be paid to the organizers.

281. When the members of the Board of Directors have not been appointed by means of the constitution of the company, the general assembly shall elect the members of the first Board of Directors from among the stockholders. The election of the members of the Board of Inspectors shall be effected by the general assembly; the constitution of the company shall have no authority to name or appoint the members of the Board of Inspectors. The inspection tasks for the company shall be assigned to two or more stockholders of the company or to nonstockholders.

282. When a general meeting of the organizers is held in accordance with Article 279 above to discuss and decide upon the value of the property given to the company in lieu of capital or to discuss the purchase of property for the company, at least two thirds of the stockholders representing the cash capital of the company must be present. Decisions shall be made by means of a majority vote. When it is impossible to obtain a majority vote, the organizers can apply to a court to appoint experts to evaluate the property concerned.

283. After the report of the experts on the evaluation of the property have been received, the organizers of the company shall call a general assembly in accordance with the provisions of Article 278 above. A copy of the report of the experts shall be forwarded to stockholders along with the summons to the general assembly. The assembly shall arrive at a decision concerning the report submitted by the experts in accordance with the provisions of Article 279 above.

284. The general assembly shall consider and discuss the report of the experts on the evaluation of the property given to or to be purchased by the company. The assembly shall further hear the explanations of persons wishing to give or to sell property to the company. The assembly shall then accept the proposals of the experts or reject them.

285. When the necessary quorum is not present at a general assembly, the organizers shall submit the minutes of the meeting and forward them by registered mail to all the stockholders of the company, and shall invite them to another meeting to be held within one month of the first.

286. When unanimous agreement cannot be reached at a general assembly, those persons who have voted against a proposal may have their opposition recorded in the minutes of the meeting.

287. The organizers cannot incorporate any provisions in the constitution of the company whereby they can distribute among themselves free stocks which would reduce the capital of the company or would cause any devaluation in the company stocks.

288. When the provisions of Article 279 and 284 above have been complied with, the organizers shall within 15 days submit a report concerning the establishment of the company, together with a statement from the bank as to the payment of one quarter of the capital and the report of the experts concerning the property purchased by or given to the company, to the commercial court. Within one month of receipt of the documents, the court shall investigate the documents and, if necessary, shall make inquiries of the organizers. It shall then release a certificate concerning the establishment of the company.

289. When a company is established in accordance with the provisions of Article 288 above, it shall be registered at the registration office for commercial firms.

290. Before a company is registered in accordance with the provisions of Article 289 above, it shall not be considered as legally established, and it shall not have the legal right to initiate commercial transactions.

291. Persons who have undertaken to pay for the stocks of the company cannot transfer their stocks to a third party before the company has been duly registered.

292. When a company is being formed by the stockholders, they shall draw up a constitution containing the provisions of Article 274 concerning the undertaking of the payment of the cost of stocks and the provisions of sections 4 and 5 of Article 278, as well as those of Article 270. When property is given to the company in lieu of capital, experts shall be appointed by the commercial court to evaluate the true worth of the property.

293. When the stockholders of a company wish to offer the stocks of the company to the public, they shall take into consideration the provisions of Articles 272 and 273 above.

294. When a loss is incurred due to false statements as set forth in the provisions of Article 288 above, the organizers and the persons who have drawn up the documents and statements shall be held responsible.

295. When the total stocks of a company have not been undertaken or paid for, the persons who have shown through false statements that the stocks have been undertaken or paid for shall be responsible for undertaking and paying for the stocks.

296. When the organizers or others cause losses to the company through false statements concerning the property of the company, they shall be held responsible for such losses.

297. The members of the first Board of Directors and the first Board of Inspectors shall be required to make investigations to ensure that the company has been informed in accordance with the

the due processes of law and with the pertinent regulations. Members of the Board of Directors and the Board of Inspectors shall be held responsible for any losses incurred by the company through their failure to comply with the provisions of this article.

298. The organizers and the members of the Board of Directors and the Board of Inspection shall be relieved of their responsibilities 5 years after the registration of the company provided that one tenth of the stockholders of the company have agreed to this provision.

299. Any claims by the company against the organizers or members of the Board of Directors or of the Board of Inspection shall become null and void after five years.

300. The organizers shall be responsible to third parties for any transactions or activities conducted by them with regard to the organization of the company. When the company is established, the organizers can apply to the company to reimburse them for the expenses incurred by them in connection with the establishment of the company. Payment for such expenditures shall be subject to the approval of the general assembly of the organization. If the company fails to be established for any reason, all the expenses incurred shall be borne by the organizers.

Board of Directors

301. A stock company shall have a Board of Directors with at least three members elected from among the stockholders of the company. Members of the Board of Directors shall be elected by the general assembly. Members of the First Board of Directors can be appointed through a provision in the constitution of the company.

302. Members of the Board of Directors shall deposit with the company stocks in the company to the value of 1% of the total capital of the company. When 1% of the total capital of the company exceeds 200,000 afghanis, each member of the Board shall be required to deposit only that amount. These stocks shall be kept on deposit with the company until the responsibilities of the members of the Board of Directors have expired. The stocks kept by the company under the provisions of this article shall not be transferred to any third party and cannot be withdrawn from the company. These stocks shall be kept in the Treasury of the company.

303. Members of the Board of Directors shall be elected for a period of three years. Unless otherwise stated in the constitution of the company, members of the Board of Directors can be reelected to the Board.

304. Members of the Board of Directors shall elect from among their number a Chairman every year. If necessary, they shall also elect a deputy chairman.

305. When a member of the Board of Directors is relieved of his duties by due process of law, the Board of Directors shall elect

a replacement with the necessary legal qualifications. At the first meeting of the general assembly, the election of this new member shall be put up for ratification.

306. When members of the Board of Directors have been elected in accordance with the provisions of the constitution of the company, the general assembly can dismiss them, but they shall continue to receive the profits due them and any concessions granted to them as members of the Board of Directors.

307. The Board of Directors shall be responsible for the administration of the company.

308. The Board of Directors shall be authorized to undertake any transactions on behalf of the company provided that these fall within the provisions of the constitution of the company. The Board shall be authorized to refer to courts to settle claims on behalf of the company.

309. Unless otherwise specified in the constitution of the company, all documents pertaining to the company shall be signed by all members of the Board of Directors.

310. Persons who are authorized to sign on behalf of the company shall state their positions above their signatures.

311. Members of the Board of Directors cannot participate in meetings and discussions which would result in personal benefits to them. In these cases, the members of the Board shall make known to the meeting their own particular interests in connection with the subject under discussion, these interests to be noted in the minutes of the meeting. Any member of the Board of Directors violating the provisions of this article shall be held responsible for any losses incurred by the company. When the personal interests of a member are involved, the matter under discussion shall be brought before the next meeting of the general assembly.

312. Without the specific permission of the general assembly, members of the Board of Directors cannot conduct a transaction with the company on their own behalf or for third persons.

313. No member of the Board of Directors shall engage in commercial transactions on his own behalf which are comparable to the transactions of the company. Members of the Board of Directors cannot hold responsible positions in other companies engaged in the same activities as that of which they are Board members. The company shall have the legal right to claim any losses resulting from transactions effected by a member of the Board of Directors in violation of the provisions of this article, in court. The company can also claim any profits made by a member of the Board of Directors in any transaction which violates the provisions of this article. The company shall have the right to lodge claims against the members of the Board of Directors within one year of the date of any transaction.

314. When the capital of the company is reduced to one half of the original sum, the Board of Directors shall call a general

assembly. When only one third of the original sum of the capital of the company remains, and the general assembly fails to make provisions to supply the company with further capital, the company shall be dissolved. When the debts of the company exceed its assets, the Board of Directors shall apply to a court for an investigation and for the notification of the bankruptcy of the company.

315. The Board of Directors shall be responsible for the keeping of the company books, and shall draw up the annual balance sheet of the company, sending such balance sheets to the stockholders at least 15 days prior to the meeting of the general assembly.

316. All court expenses for the initial establishment of the company shall be placed in the accounts for the first fiscal year of the company's operation. Any subsequent expenditures in connection with the expansion of the company, the opening of new branches, or the broadening of the company's transactions provided for by the constitution of the company or approved by the general assembly, shall be provided for in the accounts and balance sheets of the subsequent five fiscal years' operations by the company. Partial payments during each year shall only be shown in the accounts for that particular year. The purchase cost of machinery, equipment and property for the company, minus the amortization of these properties, shall be shown on the balance sheets of the company each year. Amounts paid for insurance shall also be shown on the annual balance sheets.

317. In addition to the annual balance sheet, the Board of Directors shall submit an annual report concerning the general commercial condition of the company and its financial and economic status, and a summary of the important transactions conducted during the year. The Board shall also submit a proposal concerning the distribution of profits and the amount to be retained on deposit with the company.

318. Unless otherwise specified in the constitution of the company, a meeting of the Board of Directors shall require a quorum of more than one half of the members, and all decisions must be passed by a majority vote. Members cannot delegate their votes to other members. In case of a tied vote, the question will be tabled until the subsequent meeting, and if it cannot be resolved at that subsequent meeting, it shall be considered defeated. Minutes of the meetings of the Board of Directors shall be kept by a secretary elected from among the members of the Board or other persons. Members of the Board present at a meeting shall sign the minutes of that meeting. Those who have opposed a decision shall state their reasons for so doing.

319. Unless otherwise specified in the constitution of the company, the members of the Board shall receive a specified sum of money for attending each meeting. If this amount is not specified

by the constitution, it shall be specified by the general assembly. The members who were organizers of the company shall not receive this amount.

320. Members of the Board of Directors shall not be held responsible personally for the transactions of the company except in the cases specified below:

(1) When it can be proved that the members have forged stocks;

(2) When it can be proven that the members have forged other documents;

(3) When books that are legally required to be kept have not been kept by the company;

(4) When the members have failed to carry out the decisions reached by the general assembly;

(5) When the members have failed to carry out their duties in accordance with the provisions of the constitution of the company.

When one member of the Board has failed in any one of the provisions stated above, he shall be held individually responsible.

321. Newly elected members of the Board of Directors shall report to the members of the Board of Inspection any irregularities they may observe on the part of the former members, otherwise they shall be held responsible for those irregularities.

322. Newly elected members of the Board of Directors, who, in accordance with the provisions of Article 321 above, have reported irregularities to the members of the Board of Inspections, or who have not been present at a meeting where such irregularities have been discussed, shall not be held responsible for those irregularities.

323. When a member of the Board of Directors has, through misrepresentation of the condition of the company deceived a third party who has entered into a transaction with the company and incurred losses, he shall be held responsible for those losses.

324. Any claims on behalf of the company made against members of the Board of Directors in accordance with the provisions of Articles 320 and 321 above shall be rendered null and void after five years from the date of the claim.

325. When the general assembly has decided to lodge claims against member of the Board of Directors, such claims shall be made in accordance with the decisions made. When a general assembly decides to deny a claim but a number of stockholders representing 10% of the capital of the company demand that the claim be made, the latter stockholders can lodge a claim on their own behalf against a member or members of the Board of Directors. Under such circumstances, the stockholders representing 10% of the capital can engage lawyers to pursue their claims. These stockholders shall, however, deposit their stocks in a creditable bank in order to guarantee the payment of any losses incurred by the company in the

process of these claims. If the claims against a member or members of the Board of Directors are denied in the end, the stockholders who have lodged the claim shall be responsible for any losses incurred by the company.

326. When, in accordance with the provisions of the constitution of the company, or the decisions of the general assembly, the administration of the company is entrusted to a person who is not a member of the Board of Directors, he shall be considered as a member of the Board of Directors as regards the duties and responsibilities outlined in Article 320 above, and he shall be held responsible to the stockholders and to third parties. Any other provisions made in the constitution or any other agreements between the director and members of the Board contrary to the provisions of this article shall be null and void.

327. Members of the Board of Directors shall not be held responsible for the activities of the managing director of the company. However, if the members have appointed irresponsible persons to conduct the work of the company, or if they delegated unauthorized tasks to any persons, they shall be held responsible to the stockholders of the company. Members who can prove, in accordance with the provisions of Article 322 above, that they have had no part in the appointment of such irresponsible or unauthorized persons shall be acquitted of the charges.

328. Unless otherwise specified in the constitution of the company, the Board of Directors can appoint or dismiss managing directors. A notice must be served as to such appointment or dismissal of a managing director.

329. The managing director or directors can delegate their responsibilities to other persons, but they cannot delegate their positions as director or directors to other persons.

330. Managing directors cannot be appointed for a period which exceeds the period for which the members of the Board of Directors have been elected. A managing director, like members of the Board of Directors, can be dismissed by the stockholders. When a managing director is appointed from among the stockholders, he cannot claim any losses for his dismissal.

331. In addition to the normal commercial books, the Board of Directors shall keep the following books:

- (1) A register of the stockholders, in which the full names and addresses of the stockholders are entered;
- (2) Premiums against the capital which has been paid up at the time of the establishment of the company and all additional payments to the capital;
- (3) A register of the minutes of the general assembly;
- (4) A register of the minutes of the meetings of the Board of Directors.

332. Unless the constitution of the company specifies otherwise, the appointment of and payment of salaries to employees of the company shall be in the hands of the Board of Directors.

333. When a member of the Board of Directors or a member of the Board of Inspection has been declared bankrupt or has lost his legal status, or has been convicted of a crime, he shall lose his position in the company and another person can be elected in his place.

334. The Board of Directors can delegate its authority to one or more of its members by a majority vote.

Board of Inspection

335. Unless otherwise specified in the constitution of the company, the Board of Inspection shall consist of two members. Members of the Board of Inspection shall be elected for the first time for a period of one year by the constituent assembly. Afterwards, members of the Board of Inspection shall be elected by the general assembly for a period not to exceed three years. Members of the Board of Inspection can be reelected, but they cannot be elected as Members of the Board of Directors; they cannot conduct transactions on behalf of the company. Members of the Board of Directors who are relieved of their duties cannot be elected to the Board of Inspection until they have been acquitted of any charges made against them, if there are any such.

336. The general assembly can elect a special Board of Inspection for any special inspection task.

337. No close relative of a member of the Board of Directors, such as a father, son, brother, mother, uncle, son-in-law, etc., can be elected to the Board of Inspection. When such relatives are elected, they must resign from their positions.

338. Members of the Board of Inspection can be dismissed by the general assembly at any time, and the general assembly shall be authorized to appoint new members. Members of the Board of Inspection cannot lodge any claims for losses resulting from dismissal from the company.

339. The Board of Directors shall register with the department for the registration of commercial act the appointment and dismissal of members of the Board of Inspection.

340. When a Member of the Board of Inspection is prevented from performing his duties for any reason, the other members of the Board of Inspection shall elect a person to replace him until the next meeting of the general assembly. When the Board of Inspection is composed of only two members, the vacancy will be filled by the court.

341. The Board of Inspection shall be responsible for the following activities:

(1) Together with the members of the Board of Directors, for preparing the balance sheet and the statement of the general condition of the stocks of the company;

(2) At least once every six months, the inspection of the books of the company;

(3) At least once every three months, the inspection of the deposits held by the company. At least one of these inspections shall be made as a spot check without prior warning;

(4) At least once a month, the inspection of the valuable documents and properties held by the company and a comparison with the books of the company in regard to the registration of these documents;

(5) A general inspection to see that the provisions of the constitution of the company concerning the invitations to the general assembly are observed.

(6) Attendance at the general assemblies;

(7) A general inspection of the transactions of the company.

342. At the end of each financial year, the Board of Inspection shall submit a report to the general assembly concerning its inspection and investigation of the company balance sheet and other accounts and transactions of the Board of Directors.

343. The authority of the Board of Inspection as specified in Articles 335 and 342 above may not be altered by the constitution of the company.

344. In case of any emergency, the Board of Inspections shall be required to call an extraordinary meeting of the general assembly.

345. Members of the Board of Inspection shall perform their duties satisfactorily, or they shall be held responsible to the general assembly. Any claims made against the members of the Board of Inspection shall be rendered null and void five years after the date of the claim.

346. Any stockholder can refer any claim he may have against the Board of Directors or against any of its members to the Board of Inspection. The Board of Inspection shall investigate claims, and if they are found to be justified, it shall report them in its annual report to the General Assembly. When the persons lodging complaints against directors represent 10 per cent of the total number of stockholders, the Board of Inspection shall report these claims in its annual report even if the said claims are not found to be justified. Under such circumstances, the Board of Inspection may call a special meeting of the general assembly to investigate the case. The stockholders representing 10% of the total stock shall deposit their stocks with a bank in good standing, and they shall remain with the bank until the general assembly has met.

347. Members of the Board of Inspection can attend the meetings of the Board of Directors, and may submit proposals concerning the matters at hand. Members of the Board of Inspection can also attend and submit proposals to the general assembly. Members of the Board of Inspection shall have no voting rights at meetings of the Board of Directors or the general assembly.

General Assembly

348. The general assembly of a stock company shall meet either under normal conditions or under special circumstances. Ordinary general assemblies shall meet within four months of the end of the company's fiscal year. Ordinary general assemblies shall be held at least once each year, and shall discuss the matters placed on the agenda in accordance with the provisions of Article 358. Whenever necessary, a special meeting of the general assembly may be convened.

349. The ordinary or special meetings of the general assembly shall be convened by the Board of Directors. The Board of Inspection can also call meetings of the general assembly in accordance with the provisions of Article 344 above.

350. Unless otherwise specified by the constitution of the company, the meetings of the general assembly shall be held at the headquarters of the company.

351. Unless otherwise specified in the constitution of the company, the stockholders shall be represented at the general meetings in proportion to the number of stocks they hold. When stocks are not owned by one person, the owners shall appoint one person by written authorization to represent their vote at the general assembly.

352. Apart from the exceptions provided for this act, the general assembly shall require as a quorum the number set forth in the constitution of the company. However, said quorum shall be at least one quarter of the stockholders in the company. When a quorum cannot be attained at a meeting of the general assembly, another meeting shall be convened within fifteen days. Persons attending the second meeting shall have the right to vote on the affairs of the company.

353. No stockholder shall be allowed to vote on any matter in which he has a personal interest.

354. Stockholders representing at least 20% of the stock of the company can make written application to the Board of Directors for the convening of a meeting of the general assembly. Under such circumstances, the Board of Directors shall call a special meeting of the general assembly. The agenda for such a meeting shall be drawn up from the application of the persons who have requested the meeting. The constitution of the company make provisions permitting 10% of the stockholders to call a meeting of the general assembly.

355. When the Board of Directors or the Board of Inspectors fails to call a meeting of the general assembly on the basis of a request by stockholders in accordance with the provisions of Article 354 and 346 above, the stockholders can apply to a commercial court requesting that a meeting of the general assembly be convened. Under such circumstances, the commercial court shall call

a meeting of the general assembly and shall place on the agenda of the meeting the questions raised by the stockholders. When a meeting is called by the commercial court, the provisions of Article 346 shall remain in force.

356. Meetings of the general assembly shall be convened in accordance with the provisions outlined in the constitution of the company. At least one month's notice must be given to the stockholders prior to a meeting of the general assembly.

357. In order to be able to vote at meetings of the general assembly, holders of anonymous stocks must deposit the said stocks with the company at least ten days prior to the meeting of the general assembly.

358. Meetings of the general assembly shall follow the agenda below:

(1) The reading of the reports submitted by the Board of Directors and the Board of Inspection;

(2) Ratification or correction of the balance sheets and accounts of the company;

(3) Unless otherwise stated, specification of the salaries and remunerations of the members of the Board of Directors and the Board of Inspection;

(4) Reelection or new election of the members of the Board of Directors and the Board of Inspection whose terms of service have expired. Questions which have not been placed on the agenda shall not be discussed at meetings.

Note: Whenever necessary, other items shall be placed on the agenda of the meeting.

359. Any stockholder who has voting rights may examine all the books, balance sheets and reports of the members of the Board of Directors and the Board of Inspection of the company at the headquarters of the company ten days prior to the meeting of the general assembly, and he may obtain copies of the balance sheets and reports.

Note: The company may publish the reports of the Board of Directors and the Board of Inspection and the balance sheets of the company, and may distribute them during the meeting of the general assembly.

360. A register of the attendance at meetings of the general assembly shall be maintained. Names, addresses and the number of stocks held by the stockholders or their representatives shall be recorded in this register. It shall be signed by the chairman and the secretary of the meeting, and shall be kept with other documents pertaining to the meetings of the general assembly.

361. The chairman of the general assembly shall be elected by the meeting.

362. Upon the request of the majority stockholders, or those representing at least 10% of the capital of the company, discussion of the company balance sheets may be deferred for a period of 15 days.

363. A copy of the minutes of the decisions of the general assembly, together with the register bearing the names of the stockholders attending in accordance with the provisions of Article 360, and the documents pertaining to the convening of the meeting, shall be forwarded to the Office of Commercial Registration for recording.

364. When stockholders representing 10% of the capital of the company feel that the affairs of the company are being mismanaged or that funds of the company are being misappropriated, they shall have the right to request during a meeting of the general assembly that a special Board of Inspection be appointed to investigate these accusations. If the general assembly refuses to comply with this request, the stockholders may apply to a commercial court requesting that such a board be appointed. The stockholders, however, must make a deposit to cover the expenses of such an undertaking; they shall also deposit their stocks with a reputable bank. If at the end of the investigation the court finds that the accusations were unfounded, the stockholders who have applied for a special board shall be held responsible for all expenditures and losses incurred by the company.

365. When the balance sheets have been approved by the general assembly, members of the Board of Directors and the Board of Inspection shall be acquitted of any accusations pending against them. However, when there are ambiguities in the balance sheets, the members of the Board of Directors and the Board of Inspection shall not be considered acquitted of any accusations outstanding against them.

366. Decisions of the general assembly shall be binding upon members who have not been present at the meeting of the general assembly and who may oppose such decisions.

367. A protest against the decisions of the general assembly which run counter to law or to the constitution of the company can be filed within three months of said decisions. Protests shall be filed with the local commercial court and can be submitted by the following:

(1) Stockholders who were present at the meeting of the general assembly and recorded their objections to the decisions made, or who were illegally prevented from voting, or who can prove that the meeting was not convened in accordance with the law;

(2) Members of the Board of Directors;

(3) When a decision has created responsibilities involving any one member of the Board of Directors or the Board of Inspection, prosecution shall be limited to that particular member, and investigation of the protest shall not go into effect until the prosecution has been completed. At the request of the persons concerned, the court may demand of the persons making a protest that they deposit funds in guarantee of payment for any losses or expenditures incurred by the company. The court shall decide upon the amount to

be paid as a deposit. When the protest is lodged by the members of the Board of Directors, the members of the Board of Inspectors shall act as the representatives of the company.

368. When a protest has been lodged in accordance with the provisions of Article 367, the court can require explanations from the members of the Board of Directors and the Board of Inspection, and may suspend the implementation of the decisions until the matter is clarified.

369. When a court, after investigation, has rendered a decision of the general assembly null and void, the court order shall be binding upon all stockholders of the company. The Board of Directors shall immediately publish and post the decision of the court.

370. When it has been proven that a protest has been lodged in error, the persons who lodged the protest shall be responsible for any losses or expenditures incurred by the company.

371. Unless otherwise stated in the constitution of the company, the general assembly may amend the provisions of the constitution of the company. However, changes in the capital of the company or in its nationality must be made by a unanimous vote of the stockholders. At meetings convened to make changes in the constitution of the company, persons holding even only one stock shall have the right to participate and vote; any provisions in the constitution of the company in conflict with this order shall be considered null and void. Persons having more than one stock shall be entitled to vote on the basis of the number of stocks they hold; any provisions in the constitution in conflict with this order shall be considered null and void.

372. At least three fourths of the stockholders must be represented at a meeting of the general assembly which is to consider any changes in the nature of the business carried on by the company. Decisions reached at such meetings must be carried by a vote of at least two thirds of the stockholders represented at the meeting. When a quorum is not achieved at the first convocation to such a meeting, the Board of Directors may issue invitations convening a general assembly a second time. This second convocation shall be effected by means of a notice in the local newspapers within fifteen days after the first meeting. A quorum for the second meeting will be constituted by the participation of at least one half of the stockholders. Invitations to attend the second meeting shall contain information concerning the proceedings at the first meeting which failed to achieve the necessary quorum. At the second meeting, the votes of stockholders representing one third of the capital of the company shall suffice to carry a decision. *

[Under Paragraph 372 number (1) is missing from original document.]

(2) The Board of Directors.

(3) When a decision is reached against any members of the Board of Directors or the Board of Inspectors which will render them liable to prosecution, the particular members accused alone shall be liable for prosecution, and their duties shall be suspended until such litigation is concluded. On the request of the persons concerned, the court may demand of the persons bringing charges a guarantee of payment of expenses incurred and of repayment of any losses incurred by the company or acquitted members of the Board of Directors or the Board of Inspectors.

373. Decisions made by the general assembly concerning changes in the constitution of the company shall not enter into force until they have been registered with the commercial court at the locality where the headquarters of the company are to be found.

374. When a meeting of the general assembly is called to make changes in the constitution of the company, the proposed amendments shall be sent to the stockholders in advance in accordance with the provisions of Article 356 above.

375. Until the initial capital of the company has been paid up, the general assembly shall not issue new stocks or increase the capital of the company.

376. When the general assembly decides to increase the capital of the company through the issuance of new stocks, the stock certificates shall be prepared in accordance with the law, and a statement by the Board of Directors and the Board of Inspection concerning them shall be submitted to the Ministry of National Economy. After the approval of the Ministry of National Economy has been obtained, these documents shall be sent to the commercial court for registration.

377. When new stocks are exchanged for property, the actions required by the constitution of the company in this connection shall be taken.

378. When the increase in the capital has not been made in accordance with the provisions of the law, the members of the Board of Directors and of the Board of Inspection shall be held responsible by the company and by any third party concerned.

379. When a general assembly does not oppose an increase in the capital of the company, any stockholder can purchase new stocks in proportion to the stock already held by him. The Board of Directors shall announce the issuance of the new stock to the stockholders and shall demand from them an announcement of their acceptance or rejection of the new stocks within four weeks.

380. When the general assembly decides to reduce the capital of the company, it shall make full provisions for the method to be adopted for the reduction of the capital.

381. When, in accordance with the decisions of the general assembly, it is decided to reduce the capital of the company, a notice shall be published at least three different times in the

newspapers in connection with the payment to the stockholders. Further, the particular stockholders affected by the reduction of the capital shall be notified individually. Before the end of the period, creditors of the company can apply for the payment of their due from the company. When it is decided to reduce the capital in order to pay the creditors of the company, no payment shall be made to the stockholders for a period of two years.

382. When it is decided to reduce the capital of the company by reducing the nominal cost of stocks, this provision shall be included in the notice concerning the reduction of the capital. Stocks not returned for the reduction of the nominal values shall be rendered null and void, and a notice shall be issued concerning the invalidation of these stocks.

383. When transactions in connection with the reduction of the capital have been completed, the Board of Directors shall notify the Department of Registration of Commercial Arts concerning the action.

Company Stocks

384. Company stocks can be issued with or without a name.

385. Before the company is duly registered, documents for the stocks or any certificate in lieu of these stocks may not be issued.

386. Unless otherwise specified by the constitution of the company, the stock certificates shall be illegible.

387. When the constitution of the company contains a provision prohibiting the changing of the named stocks into unnamed stocks or the reverse, this provision shall remain in force.

388. When named stocks are to be changed into unnamed stock, it is necessary that the entire value of the stocks be paid up. When the value of named stock exceeds that of unnamed stock, the difference shall be refunded.

389. Stocks that have not been fully paid up, and temporary documents proving the purchase of certain stocks, shall bear names.

390. Each company stock is considered as individual as far as the company is concerned. When one stock is owned by several stockholders, they shall appoint one person as the representative stockholder with regard to their relationship with the company.

391. Company stocks shall be signed by persons authorized by the company, and shall bear the date of the establishment of the company, the number of stocks issued, the total capital of the company, and the value of each stock. The signature may be printed or affixed by a seal.

392. Unless otherwise specified in the constitution of the company, each company stock shall have a minimum value of one hundred afghanis.

393. On named stocks, the name, address and profession of the owner shall be registered, and these details shall also be on record in the books of the company.

394. Unless otherwise specified in the constitution of the company, the named stocks can be transferred to other parties without the consent of the company.

395. A named stock can be transferred by writing an act of transfer on the back of it, or by issuing a separate document. When a stock is transferred, it shall be presented to the company by the person who has received it for registration in the company books.

396. Persons holding stocks without names shall be considered the legal owners of said stocks.

397. When a stockholder fails to pay up the cost of his stock, he shall be held liable for any losses incurred by the company beginning on the date when the payment was due. He shall also be required to pay interest to the company for the amount due. Any provisions made in the constitution of the company concerning the payment for stocks shall be held valid.

398. Unless otherwise specified in the constitution of the company, when a stockholder fails to pay in full or in part for stocks purchased within the period specified, the Board of Directors may take the following action.

A notice shall be placed in the local newspapers within two periods of fifteen days each concerning payment for the stocks. Each notice shall be published three times.

When the stockholders fail to pay for the stocks within one month after the last notice issued, two new notices shall be sent to them within ten day periods, warning them that unless they pay for their stocks, all their claims concerning these stocks will be rendered null and void.

Unless otherwise specified in the constitution of the company, the stockholders who in the end fail to pay for their stocks shall forfeit all their rights in connection with the company and its stocks. A notice concerning this final action shall also be issued.

After these actions have been taken, the company shall sell these stocks at their market value or at auction; it shall cancel the old stocks and issue new ones to the new buyers. The amount paid for new stocks, and any amounts to be paid in installments in the future, shall be recorded on the stocks. When the stocks are sold for less than their original value, the difference shall be obtained from the original buyer.

399. When a stock which is not fully paid up is offered for sale, its original owner and the persons who buy it shall be responsible to the company for the payment of the balance of the value of the stock.

400. Before a company is fully established, its stocks may not be transferred to other parties.

401. Stocks exchanged for property may be transferred two years after the establishment of the company.

402. When a stock certificate or a temporary document representing stock becomes worn out but the information attesting its validity has not been destroyed, the owner may apply to the company for the issuance of a new certificate, provided he is willing to pay the costs of this action.

Loan Documents

403. Stock companies may draw loans against documents issued by them provided that these loan documents are prepared in a uniform format and have equal value.

404. Until the loan documents issued at one time have been sold out, new loan documents may not be issued.

405. Loan documents issued by companies shall not exceed the total capital and property of the company shown on its last balance sheet.

406. Even when the constitution of a company contains provisions for the issuance of loan documents, the consent of the general assembly shall be required for the issuance of such documents. The approval of the general assembly shall be obtained in accordance with the first section of Article 372 above. The decision to issue loan documents shall be registered at the Department of Registration of Commercial Acts.

407. A notice of the loan shall be issued by the Board of Directors and shall contain the following information:

(1) Name, nature of business, place of business, and the period for which the company is to operate.

(2) The amount of the capital of the company.

(3) The date of the constitution of the company and the dates of any amendments made to the constitution, together with the dates of the notices concerning the amendments.

(4) The financial condition of the company, in accordance with the most recent approved balance sheets.

(5) The total number of loan documents to be issued, together with the amount of each document and the interest payable on them; other information concerning the loan documents, such as whether they will be named or unnamed, date and manner of payment of the loans by the company.

(6) Date of the registration of the notice by the general assembly by which the loan was approved.

(7) When movable or immovable company property is in mortgage or in bond in connection with some previous loan, at least fifteen days prior to the announcement of the new loan a statement concerning the property in mortgage or bond must be issued.

408. The document concerning the loan certificates shall conform to the conditions set forth in Article 407 above.

409. The loan document, in addition to containing the amount of the loan, shall contain information concerning the payment of interest on the loan. The loan document shall be signed by at least two directors.

410. Members of the Board of Directors who have violated the regulations concerning the obtention of loans shall be held responsible to all persons having an interest in the company.

411. Before the meeting of the general assembly, persons who hold loan documents shall provide the Board of Directors with a list of the number of the loan documents they hold.

412. The company shall maintain a register of the loan documents bearing the names of the owners.

413. The Board of Directors or the Board of Inspection can call a meeting of the persons who hold company loan documents in the same way that they call meetings of the general assembly. Persons representing at least 5% of the loan documents issued by the company can request that a meeting of the holders of loan documents be called. Members of the Board of Directors and the Board of Inspection are required to call such meetings upon the request of the holders of loan documents. Meetings of the holders of loan documents shall be subject to the same provisions as meetings of the general assembly.

414. A general meeting of the holders of loan documents shall have the power to make the following decisions:

(1) Amendments in or abolition of the guarantees for the loan documents.

(2) Extension of the time limit for the payment of interest, the amount of interest to be paid and the conditions for the payment of interest.

(3) Extension of the time and conditions for the repayment of loans.

(4) Acceptance of stocks of the company in lieu of the loans.

(5) Appointment of one or more representatives to investigate the above matters.

415. In order that the provisions made under sections 1, 2, 3 and 4 of Article 414 above apply to holders of loan documents, they must be supported by at least two thirds of the holders of the loan documents. In the case of section 5 of Article 414, the consent of one half of the total number of holders of loan documents shall be sufficient.

Loss of Stocks and Loan Documents

416. The companies issuing anonymous stocks or loan documents shall pay the profits from such documents to the persons holding such documents.

417. When a person loses his anonymous stock or loan document, he may apply through the registration department of the local commercial court for payment for the profits from the stocks. The company shall withhold payment for twenty days from the date of application for investigation. The court shall make the necessary investigation and instruct the company to make the necessary payment.

418. The application following loss shall contain the following information:

(1) The number, value and serial numbers of the documents lost.

(2) The number of the stock and loan documents lost.

(3) The manner of loss, whenever possible, and the place and time of the payment of interest or profits.

419. When a person makes an application following loss in accordance with the provisions of Article 418 above, the court shall make the necessary investigations concerning the loss, and when it is convinced that the loss has occurred, it shall instruct the company not to make any payment in connection with the lost documents for a period of two years. The court shall then make a public announcement concerning the loss of the documents. If no claims are lodged within the period of two years in connection with the lost documents, the court shall instruct the company to make the payment to the person who originally claimed the loss. The court shall also announce its decision in the form of a public notice in the newspapers.

420. Only persons who have stolen, found, or illegally obtained stock or loan certificates shall be liable to reimburse any amounts they may have received as interest on or profits from these documents.

421. When a person loses his loan or stock certificates, he may apply to the company for duplicate copies, and if he can prove that he is the owner of those documents on the registers of the company, duplicate copies shall be issued to him.

422. All expenditures in the courts resulting from the loss of documents and those for the issuing of the duplicate documents shall be borne by the owner of the documents.

Dissolution and Settlement of Stock Companies

423. A stock company may be dissolved under any one of the following circumstances:

(1) At the end of the period established for the operation of the company.

(2) Completion of the ultimate purpose of the company, or proof of the impossibility of the achievement of the same.

(3) Loss of two thirds of the capital of the company, in accordance with the provisions of Article 314 above.

(4) When the total number of stockholders is reduced to less than five persons.

(5) The occurrence of any other cause provided for in the constitution of the company as a reason for the dissolution of the same.

(6) The merger of the company with another.

(7) The bankruptcy of the company.

(8) A decision by the general assembly to dissolve the company in accordance with section 1 of Article 372 above.

424. If a company is finally established but the total number of its stockholders then falls beneath the required number of five persons and no action is taken to dissolve the company, any interested person may apply to a court with a request that the company be dissolved.

425. The creditors of the company whose capital has suffered a decrease to the extent of two thirds of the initial amount may apply to a court with a request that the company be dissolved. However, when the company is able to make the necessary guarantees to the court for the payment of its debts, the court shall not be empowered to dissolve the company.

426. When a stock company is dissolved for any reason other than bankruptcy, the Board of Directors shall publish three notices of dissolution within one week of each other, and within one year after the last notice, all persons having any claims on the company shall settle these with the company.

427. When a company is dissolved for any reason other than bankruptcy, its affairs shall be settled immediately following its dissolution.

428. When the constitution of a company has not provided for persons to settle the affairs of the company, the meeting of the general assembly which decides upon the dissolution of the company shall appoint such persons.

429. When the constitution of the company does not provide for persons to settle the affairs of the company, and the general assembly has also failed to appoint such persons, members of the Board of Directors shall be in charge of the settlement of the affairs of the company which is being dissolved.

430. The general assembly shall be authorized to change or dismiss members of the settlement board appointed by the constitution of the company on the decision of the general assembly or on the decision of the Board of Directors in accordance with the provisions of Article 429 above. The commercial court shall also be authorized to dismiss members of the settlement board when it is requested to do so by one or more persons with interests in the company, and when it has found it necessary through its investigations to do so.

431. The property of the dissolved company shall, after the payment of the debts of the company, be divided among the stockholders

of the company. Persons who are recognized as creditors of the company in accordance with the evidence as shown in company accounts or other reliable documents shall be asked by registered mail to contact the company to receive their due. Amounts due to persons who fail to appear before the company or whose rights are subject to controversy shall be paid to a reliable bank as a deposit. Settlement authorities who act contrary to the provisions of this article, or who make illegal payments, shall be held responsible individually and collectively.

432. After the affairs of a dissolved company have been settled, its account books and other documents shall be deposited with a commercial court for a period of fifteen years of safe-keeping.

433. The provisions of Article 205-241 inclusive shall be applicable to stock companies as well.

434. The duties assigned to directors in accordance with the provisions of Article 217 shall be performed by the members of the Board of Directors of a stock company.

435. After dissolution, stock companies shall be considered in operation until its affairs have been settled. Members of the dissolution board shall be authorized to call a general meeting of the stockholders to consider matters in connection with the dissolution of the company.

436. Members of the settlement board shall examine the account books of the company and draw up balance sheets. These will be submitted to the meeting of the general assembly for approval.

437. At the end of its operations, the settlement board shall draw up a final account of the settlement and submit it to the general assembly.

438. The settlement board shall complete its duties within one year. When it is not possible to complete the work of the settlement board within one year, the board shall draw up a report concerning its activities to that date and the reasons for its failure to complete its work within the prescribed one year. It shall submit this report to the general assembly with a request for permission to extend the period of settlement.

439. In order to make a sale of the property of the company on a wholesale basis, the members of the settlement board shall obtain the permission of the general assembly.

440. The net assets of the company shall be divided among the stockholders in proportion to the number of stocks they hold. With regard to the payment for preferred stocks, when payment has not been made for such stocks the permission of the general assembly will be required for the payment for the same.

441. When the dissolution of a company is effected by a merger with another stock company, the following provisions shall become effective:

(1) The administration of the dissolved company shall be left to the administration of the merger formed by the establishment of the new company. However, until the debts of the old company have been paid, the accounts of the old company shall be separately maintained.

(2) The jurisdiction of the court which had authority over the dissolved company shall continue until the accounts of the old company have been entirely settled.

(3) Members of the Board of Directors of the new company shall be held responsible individually and collectively for the affairs of the old company until the provisions of section 1 of this article have been implemented.

(4) The dissolution of the company shall be made known by an announcement made by the Department of Registration of Commercial Companies.

(5) The property of the two companies which have merged shall not be combined until the period specified in Article 438 has expired.

Profit and Loss Accounts

442. Five per cent of the net company profit shall be held in reserve for emergency expenditures by and losses to the company before any profits are divided among the stockholders. Unless otherwise stated in the constitution of the company, the reserve capital of the company shall reach its maturity when it has become equal to one fourth of the initial company capital. When the market value of the stocks rises, the additional amount can be added to reserve capital. Any time that the reserve capital falls below the amount provided for in the constitution of the company or by law, the above provision shall be observed to raise the reserve to the required amount.

443. Until the losses of the company have been paid for and the reserve capital has reached the amount provided for in Article 442, no profits shall be distributed among the stockholders. Any profits distributed in violation of the provisions of this article shall be considered illegal, and will be subject to the provisions of Article 444 below.

444. When profits have been distributed on the basis of misrepresentation, such as inaccurate balance sheets or the presentation of inaccurate profit figures, they must be refunded to the company. Claims for the refund of profits shall be held valid for a period of five years after the period provided for in the constitution of the company.

445. No interest shall be paid on the stocks of the company approved by the constitution of the company or by the decision of the general assembly. However, when the aim of the company is the accumulation of capital for a specific purpose, a maximum of 5%

interest may be paid on the amount of the capital accumulated, provided that this arrangement does not extend over a period of more than five years. Amounts paid as interest shall be shown on the balance sheets of the company.

446. When the reserve capital is not sufficient to pay for the losses incurred by the company, no profits shall be distributed among the stockholders until the company losses have been made good.

CHAPTER 5. JOINT STOCK AND SECURITY COMPANIES

447. Joint stock security companies are those in which some stockholders have limited and others have unlimited liabilities; while the liabilities of some other stockholders are only limited to the numbers of shares they hold.

448. The legal relation between the joint security stock companies, the stockholders, and the representatives of other companies is governed by the board of directors of the joint security companies. In other cases, if not indicated in this law, the regulations of all the companies concerned shall be coordinated in such cases.

449. In the constitution of the joint stock security companies the provisions of Article 270 shall be observed with the exception of section 6 of that article. The provisions of Article 271 are invalid.

450. The constitution of the joint stock security companies shall be signed by all the security stockholders, and all the persons who help to write the constitution shall be known as the founders. The number of founders shall not be less than five, and at least one of them shall be a stockholder. Those founders who have limited liabilities shall register the exact number of their shares in the constitution.

451. The provision concerning the duties and responsibilities of the board of directors of the stock companies toward their stockholders are also valid for the joint stock security companies.*

453. One security stockholder of one company cannot do any kind of transaction regarding the company without the permission of other security stockholders. He also cannot become a security stockholder in a second company which is engaged in the same type of business as the first company. Person or persons who act against this provision shall be subject to the provisions of Article 159. The Article 159 can only be applied during the first year which the commitments have been made by the security stockholder.

454. The board of directors is responsible to carry on the financial decisions made in the general stockholders meetings.

455. In the case of any legal conflict between the joint security stockholders and the general stockholders, the board of

[Paragraph 452 missing from original document.]

directors can represent the joint security stockholders. However, with the approval of all the stockholders this legal right can be given to a private law firm.*

CHAPTER 7. COMPANIES WITH LIMITED LIABILITIES

456. The companies which have their capital divided into shares and the liability of each stockholder is limited to the amount of capital he has paid, shall be called limited.

457. With the exception of insurance companies, all other companies can be formed as limited.

458. The limited companies shall only be formed with the permission of the Ministry of Commerce. In the application for permission the signature of all the stockholders or their legal representatives is necessary. The total capital of the company shall be guaranteed by the stockholders and at least one-half of it shall be paid before the application is made.

459. In the limited companies the number of stockholders shall not be less than two, and not more than fifty. In the limited companies also the capital shall not be less than one thousand afghanis.

460. In the limited companies the word "limited" shall be always written under the company's title. The capital of the company shall be also registered on the companies papers.

461. All the shares in the limited companies are named. Their transference is only possible by the approval of three quarters of the company's stockholders. However, if part of the company's capital is in the form of goods, the transfer of the shares shall not be possible for the first three years.

462. In the case when one of the stockholders before paying all his guaranteed capital to the company transfers his shares, the company shall demand the balance of the amount undertaken either from the original stockholder or from the person who currently possess the stocks. However, after a period of two years, only the person who holds the stocks shall be responsible to the company.

463. The limited companies shall be directed by one or more presidents according to the decision of the stockholders. The company's president or presidents shall be appointed among the stockholders by the stockholders, or shall be appointed from outside by the stockholders. The renewal of the term shall be only decided by the stockholders.

464. The company's presidents are directly responsible to the constitution of the company.

465. If the number of stockholders exceeds twenty, the regulations concerning the general stockholders meetings shall be the same as the stock companies. Otherwise all the decisions shall be approved by the stockholders. In any case the decision can
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only be effective if the stockholders, who control one-half of the company's capital have voted for it.

466. The provisions of Article 151 is also valid for the limited companies.

467. Stockholders' right of vote is directly proportional to the numbers of stocks they hold.

468. In the limited companies with only five stockholders all the decisions shall be approved by the unanimous votes of all the stockholders, otherwise approval of stockholders who provide two thirds of the company's capital is enough.

469. In the case of death, or bankruptcy of one of the partners, the company shall continue its operations. However, if the company is owned only by two owners; one who is alive and eligible can chose another partner or close the company.

470. In the limited companies with more than twenty stockholders there shall be some inspectors who, upon instruction by the board of directors, shall inspect all the company's books at any time.

Note: In all the joint stock security companies and all the limited companies there shall be a representative from the government, called the commissioner, to help and supervise the writing of the constitution of the individual company. The duties of the commissioner shall be described separately.

Part III. COMMERCIAL DOCUMENTS

CHAPTER 1. DRAFTS

Section I. Writing and the Form of a Draft

471. All the legal drafts shall contain the following:

- (1) The word "draft" shall appear on the document in any language which the document is written;
- (2) Provision for the unconditional payment of the draft;
- (3) The name of the payee shall be clearly stated;
- (4) The date of payment;
- (5) The place of payment;
- (6) The name of the person which the payment shall be made to;
- (7) Name of the place and date of issue;
- (8) The signature of the person who writes the draft is also necessary.

472. Any document which does not contain any of the parts indicated in Article 471 shall not be recognized as a draft; with the following exceptions:

- (1) Any draft which does not have any date of payment can be collected at any time requested by the payer;

(2) If the place of payment is not indicated in the draft, the address of the second person shall legally be known as the place of the payment;

(3) If the name of the place in which the draft has been issued is not registered, the address of the person who has issued the draft shall legally be known as the satisfactory address.

473. A draft can be made directly to the payee or whomever he wants to transfer to with his endorsement, or it can be made directly to a second person.

474. Payment of the draft can be made to the address of the second person regardless of his distance from the payee.

475. The person who issues the draft shall indicate that the payment should be made in what currency.

476. If in a draft the amount is indicated both by figures and by letters and there is a difference between the two; the correct figure is the one which is written by the letters. The drafts which have the amount indicated only by figures or by letters shall be considered invalid in case of any later disputes.

477. The signature of persons who are not eligible on the draft shall not damage the signature of the eligible and responsible persons.

478. The persons who claim to be the representative of another firm and sign the draft in its name, shall have the equal responsibility as the firm which they have represented.

479. Acceptance and the payment of the draft is the responsibility of the person who has issued the draft.

Section II. Endorsement

480. A draft shall be transferable by proper endorsement. If the person who issues the draft indicates the word "Non-transferable" on the draft, it shall not be transferable under any circumstances. A draft can be endorsed and transferred to anyone.

481. In endorsement, no condition shall be stated, if some conditions are stated on the endorsement the draft is invalid.

482. The endorser, can put his signature on the back of the draft or on a separate paper which is attached to the original draft. His name does not have to appear on the draft itself.

483. If the endorsement is of the "blank type," the owner of the draft can:

(1) Endorse the draft in his name or in another name;

(2) Endorse it repeatedly;

(3) Without filling the blank part, or endorsement, he can transfer the draft to someone else.

484. The endorser can forbid any other endorsement on the draft, then he shall not have any responsibility to the second person which the draft has been endorsed to.

485. If the signatures are scratched out or damaged the draft shall be invalid. If some of the names on the draft are

damaged and therefore cannot be read, the draft can only be valid if the owner of the names prove and endorse their names again.

486. The owner of a draft cannot release himself of his responsibilities by starting a law suit against any third party.

487. An endorser can represent another firm and endorse the draft for that firm; however, in that case he must clearly indicate his responsibility under his signature. The representative in this case does not have any legal responsibility, and by death or bankruptcy of his client, his position shall remain the same.

488. If in endorsement, the words such as "for security", or "for mortgage" or the words which have the equal meanings, the owner can take full advantage of this draft.

489. If the endorsement is made after the time of payment, it shall have the same effect as if it was made before the time of payment.

Section III. Acceptance of a Draft

490. The draft can be sent by the owner to the payer before the time of payment for acceptance.

491. The person who issues the draft can indicate a certain date on the draft for acceptance or he can make it unconditional. Also the person who issues the draft can refuse the acceptance before the time of payment is expired.

492. The drafts which required the payment a certain time after the drafts have been presented, are to be paid up not later than six months, unless this time is changed by the person who has issued the draft.

493. The owner of the draft shall show the draft to the acceptor, and can hold the document himself until one day later and present it again. On the second day the acceptor must take the document.

494. The term "acceptance" shall mean that the draft has been accepted provided that it is signed by the acceptor. If the date of acceptance is not indicated on the document itself, any date which the acceptor has signed the draft shall be known as the official date of acceptance, and shall be legal. If the acceptor does not indicate the date of acceptance on the draft, the owner has legal right to bring law-suit against the acceptor in order to protect his rights and the rights of the endorsers.

495. The acceptance must be unconditional, but the acceptor can refuse to pay a part of the draft. However if the acceptor refuses other provisions of the acceptance, the acceptance shall be invalid.

496. If the draft is made in such a way that can be paid by the acceptor somewhere else outside the place of his residence, and the name of the person who shall collect the payment is not indicated on the draft, the acceptor shall be responsible to accept the draft anywhere presented to him.

497. The person who accepts the draft shall be responsible to pay. If he refuses, the owner of the draft shall file a claim against him in order to protect his rights. The specific provisions regarding this matter are stated in Articles 518-519.

498. If the acceptor, immediately after putting his signature on the document scratches it, then the acceptance is invalid, however if after a length of time he scratches his signature the draft shall be valid.

Section IV. Security

499. Payment of a draft can be done fully or partially by the acceptor of the draft or a second person. The acceptor or the second person can also guarantee the payment of the draft.

500. The guarantee can be made on the draft or on a separate paper attached to the draft. "Guaranteed" or similar words which apply the same meaning, shall be used by the signer of the guarantee. He also must indicate to whose account or accounts the guarantee has been made.

501. The guarantee signer is only responsible to the amount which he has guaranteed. If he pays the draft, other persons involved in the payment of the draft shall be directly responsible to him.

Section V. Time of the Draft

502. A draft can be issued with the following conditions:

- (1) In a certain time after the presentation;
- (2) In a certain time after the date of the draft;
- (3) On a certain date.

Note: Drafts which do not abide by the above provisions shall not be valid.

503. Some drafts shall be paid at the time of presentation, others at a certain time after the presentation has been made. In any case the payment shall be made on time.

504. If a draft is to be paid after a certain time from the time of acceptance, the date of payment shall be stated at the time the draft is accepted.

505. If the date of payment on the draft is indicated as one or a few months after the date of issue, or after the acceptance of the draft, the date of payment is the month which has been indicated. If the date of payment is a few months and a fraction of a month, the full months must be counted first. Half a month shall be considered as fifteen days.

506. If there is a conflict between the calendars of the place the draft has been issued and the place of payment, the calendar of the place of payment shall be valid. If the date of

payment coincides with a holiday, the payment shall be made on the day after the holiday. This provision shall be considered in all other commercial documents.

Section VI. Payment of the Draft

507. The owner of the draft shall present it on the date stated on the draft, or he can notify the person two days in advance.

508. When the acceptor of the draft pays, he shall demand a receipt; if he pays only part of the draft, he can also request for a receipt for the part he has paid.

509. The owner of the draft shall not try to collect the money before the expiring time of the draft. When a person pays up the draft fully and obtains a receipt, he shall be released from all the responsibilities. The person who pays the draft shall also examine the document and the endorser's signature carefully before making any commitments.

510. If there is a difference between the currency of the place that the draft has been issued and the currency of the place which the draft will be paid, the acceptor of the draft shall pay the draft with the current currency of his town; unless it is specified otherwise on the draft.

511. The difference in currencies and the value of the moneys shall always be considered and computed at the place that payment of the draft takes place.

512. If the payment of the draft does not take place according to the Article 507, both the owner and the acceptor can refer to proper authorities for legal action.

Section VII. Legal Actions Against Refusing to Pay or Accepting a Draft

513. The owner of the draft can take legal action against the issuer, and the endorser or endorsers of the draft only in the following cases:

- (1) If the payment has not been paid at the required time;
- (2) If the required acceptor of the draft refuses to accept part or all of the draft;
- (3) In the case of bankruptcy of the acceptor either before or after he has accepted to pay the draft; or if the property of the acceptor is in the custody of the court and the owner of the draft has not been able to collect anything from the court.
- (4) In the case of bankruptcy of the issuer of the draft, when the draft has already been accepted.

514. Legal action against refusing the payment of the draft shall be taken on the date of payment or within two days after it has been refused. Legal action against refusing to accept the draft shall be taken during the time which the acceptor has refused.

With regard to the second part of the Article 493, if the draft has been presented on the first day and has been refused the action can be taken on the following day. According to the third part of the same article one cannot take any action against refusing the payment or acceptance of the draft. According to the third part of the Article 513, the owner of the draft can demand his legal right from those responsible before presentation of the draft for acceptance or payment. Regarding the fourth part of the same article the owner can take legal action against the issuer of draft if it is proven that the latter is bankrupt.

515. The owner shall notify the issuer and the endorser of the draft within four working days if his draft has been refused; and the endorser shall notify the proper authorities within two working days and shall give the correct name and the address of the person who has notified him. And he also shall notify other endorsers, if any, within the same period of time. If the name and the address of one of the endorsers cannot be read, then the name and address of the endorser before him shall have enough legality. If the persons involved fail to notify the legal authorities at the required time, their right shall remain the same if they have some legitimate excuses.

516. If the issuer or the endorser of the draft have stated in the draft that no legal action can be taken, the owner cannot take action against any of them. If this condition has been stated only by one of the endorsers, he alone shall not be responsible for any legal action taken against him. The same condition is true for the issuer of the draft.

517. Persons who issue, guarantee, or endorse a draft are totally and individually responsible to the owner of the draft. The owner without considering any consequences can take legal action against all or each individual, if necessary. The person who pays the draft shall reserve the same rights stated above.

518. The owner of a draft shall demand the following from the person whom he has taken legal action against:

- (1) The exact amount which has not been paid to him;
- (2) Six percent interest on the whole amount from the date the draft has been refused;
- (3) All the expenses incurred in the course of notifying the endorsers, and other expenses he has met in regard to this matter. If the right of presenting the draft has been given to the owner before the time of payment, then the owner can charge interest. The rate of interest shall be computed the same as the current rate charged by the banks.

Note: The six percent charge stated in part (2) shall be official rate in all cases when an agreement is not reached.

519. The person who pays the draft shall request the followings from the person responsible to him:

- (1) The whole amount which he has paid;
- (2) The interest on that amount from the time of payment;
- (3) All the expenses he has paid in regard to the matter besides the one stated above.

520. Every responsible person, against whom legal action has been taken and has paid the amount on the draft, shall demand a legal receipt for the amount he has paid. The same right is preserved for the endorsers, if they pay the draft.

521. If the legal action has been taken against one of the persons responsible, and he has paid part of the draft, he shall request for a receipt for the part he has paid.

522. The person who can take legal action against any of the people responsible can renew the document and attach it to the old one. The new draft, with the exception of the amounts stated in articles 518-519, shall include the expenses for renewal and for the transfer of the money.

523. The owner of the draft cannot take any legal action against persons involved because of the following cases:

- (1) If he has failed to present the draft at the time of payment indicated in the document;

- (2) If the complaints have been made after the time indicated by the law;

- (3) If a draft is conditional and the owner has not observed the conditions properly. If an endorser has indicated a certain time for the payment different from what is the original date of payment of the draft, he alone shall be responsible for the consequences.

524. If for some legitimate excuses the presentation of the draft is not made by the owner, the law permits him to do it afterwards. The owner must immediately notify the endorsers of the reasons for the delay and must also attach the reasons for the delay to the draft itself. If the delay is more than thirty days, the owner can present it without any further action. If the time of payment has been made a few days after presentation of the draft, the thirty days delay shall be counted from the time the owner has notified the endorsers.

Section VIII. The Roles of a Mediator

525. The issuer or the endorsers can appoint a second person to negotiate with the acceptor of the draft in the case he refuses to pay or accept the document. This person shall notify the acceptor within two days after he had been appointed.

Acceptance by the Mediator

526. If the time of payment has been already expired and the owner can take the legal action but the mediator has promised the payment, it is up to the owner to accept or refuse the offer.

527. The process of acceptance by the mediator shall be written in the draft itself at the time of issuing it, if desired.

528. The mediator, who accepts the responsibility, shall be responsible to the person he has been appointed by, and to the endorsers. The mediator shall collect the money according to the provisions of Article 518.

Payment Through the Mediator

529. At any time, when the owner has the legal rights, he can ask the mediator to take the payment. The payment shall be made in full to the mediator one day after the payment was due.

530. If the acceptance of the draft has been made by the mediator but the payment is not made, the owner shall wait for the last day indicated by law to take the legal action and then he shall file his complaints. Failure to do so, shall be against him and shall release the endorsers from their responsibilities.

531. If the owner refuses to accept the payment by mediator according to Article 518, he cannot take any further action later.

532. The mediator shall place his signature and his address on the draft if he has collected the money. If it is not stated on the draft to whom the payment shall be made, it is regarded that the payment is to be made to the issuer.

533. If the owner agrees to collect through the mediator, he shall transfer all his legal right to the acceptor of the draft.

Section IX. Copies of Drafts

534. There can be a few copies of the draft made if necessary; however, all the copies must be made exactly the same and they must be numbered consecutively. Each copy which lacks the consecutive number shall be recognized as a separate document. If in the original draft the phrase "one copy" does not appear, then the owner can request for the other copies. If a single copy of the draft has been endorsed and there are other copies in existence, the owner shall be responsible to insure that all the copies are endorsed.

535. If the payment is made by showing only one copy of the draft, all other copies shall be invalid. Nevertheless, the acceptor and all the endorsers shall remain responsible for other copies until all of them have been returned to the acceptor.

Section X. Forgery and Improper Actions

536. Forging of one signature on the draft, whether that of the issuer or of the acceptor, shall not damage the other signatures.

537. When it is proven that a draft has been forged, all persons who have signed the document after forgery and all persons who have signed it before the false action shall be held responsible.

Section XI. Lapse of Time

538. All the rights and privileges of the owner of the draft shall be dropped after a period of three years if he has not taken any proper action within that period. All the rights and privileges for taking a legal action against the endorsers shall be dropped after one year, if the proper action has not been taken during that period. All the rights and privileges for taking the legal action against one endorser from another endorser or from endorsers for issuer of the draft shall be dropped after a period of six months if during that period sufficient action has not been taken.

539. Only persons involved in the transaction can take any legal action regarding the time.

Section XII. General Provisions

540. If the date of payment coincides with one of the holidays, the payment shall be made at the following day. Also all other transactions regarding the draft shall be made at the same day. If one of the transactions coincide with a day before a holiday, all the holidays shall be counted.

541. If some legal action is taken on the first day the complaint has been made, that day shall not be counted.

542. Citizenship of the persons guaranteeing the draft shall be proven by their governments.

543. All the guarantees shall follow the local laws of the place where the guarantee has been made.

544. Any legal action taken regarding the draft shall follow the local laws.

CHAPTER 2. COMMERCIAL PROTESTS

545. A commercial protest shall consist of the following provisions:

(1) Printing of the word "Protest" on the document in any language the document is written;

(2) Unconditional payment of the amount which has been stated;

(3) Time of payment;

(4) Place of payment;

(5) Name of the person to whom the payment should be paid;

(6) Name and date of issuing the protest;

(7) Signature of the person who issues the protest;

546. Any document which lacks any of the above statements shall not be regarded as a protest except under the following conditions:

Any protest which does not have any specific date on it for the payment shall be regarded anytime it is presented. If the place of payment is not stated in the protest, the place at which the protest was

issued shall be known as the place for payment, and also shall be known as the legal address of the person who has issued it. If the place is not indicated in the document, the official place for the protest shall be the same as the residence of the person who has signed it.

547. The following provisions which are required for drafts shall also be effective for protests: regarding endorsement, articles 480-510; regarding guarantee, articles 501-49; regarding time, articles 502-506; regarding payment, articles 507-512; regarding rights and provisions for complaints, articles 522-523 and 513-520; regarding appointment of a mediator, articles 533, 529, 525; regarding forgery and false actions, articles 535-537; regarding lapse of time, articles 538-539; regarding costs on official documents, articles 540-541; regarding payment to the second person in another place, articles 474-496; interests, article 475; for different payments, article 476; regarding the signature of the eligible person, article 477; and regarding the person who does not represent any firm and does not have any responsibility but has signed the document, article 478 shall be effective.

548. Person who signs the protest shall have the same responsibility as of the person who signs a draft, only when the protest has been accepted. Article (492) shall be effective if the person who has signed the document has not put the phrase "has been accepted", or the date.

CHAPTER 3. CHECKS

Section I. Checks

549. A check shall consist of the following:

- (1) The word "check" shall be written on the document;
- (2) Unconditional payment;
- (3) Name of the person who shall collect;
- (4) Place of payment;
- (5) Name of the place and the date at which the check has

been issued;

- (6) Signature of the person who has issued the check.

550. Any document which lacks any of the above statements shall not be considered a check, except under the following conditions: If the name of the place at which the payment should take place is not indicated on the check, the name of the place besides the name of the person to whom payment should be made shall be known as the place of payment. If the name of the place at which check has been issued is not indicated, the residence of the person who has issued the check shall be known as the official place.

551. A check can only be issued if the person has an equal or more amount of money as he has stated in the check.

552. A check can be payable only under the following conditions:

- (1) To a certain person or to his account;
- (2) Be made as "cash". If the name of the person to whom the payment should be made is not indicated on the check, it shall be regarded as "cash".

553. The person who issues the check can issue it in his own name.

554. If there are some conditions stated in the check, the check shall be invalid.

555. If there is a difference between the numbers and the letters indicating the amount, the letters shall be considered legal.

556. If there are a number of other signatures in addition to the signature of the responsible person, the latter signature shall be valid.

557. If a person issues a check with the signature of another person on it and does not represent that person legally, he shall be held responsible for any consequences.

558. The person who issue the check shall be responsible for its payment; no condition regarding the payment shall be accepted. After the check has been paid he is free of all responsibilities.

Section II. Endorsement of Checks

559. Any check can be transferred to other persons, if it has been properly endorsed, unless there is the phrase "Untransferable" on the check. Persons who have received checks through endorsement can transfer it to other person if they also endorse it properly.

560. Endorsement shall be unconditional; also a part of a check shall not be endorsed.

561. The endorsement shall be made on the check or on another paper attached to it. Regarding the endorsement on the check, articles 483 to 488 shall be effective.

Section III. Guaranteeing Checks

562. Articles 499 to 501, Section IV, regarding guarantee for drafts shall also be effective for checks.

Section IV. Presentation and Payment

563. Any check marked as "cash" shall be payable and no condition shall be required.

564. If the check is payable at the same place it has been issued, the owner shall cash it within fifteen days; and if it is to be cashed in another locality, it shall be cashed within two months. All the checks issued abroad, shall be cashed in Afghanistan and shall follow all the commercial provisions regarding checks in Afghanistan; they can be cashed within four months after they have been issued.

565. If there is a difference between the calendars of the place the check has been issued, and the place it is to be paid, the calendar of the place of payment shall be valid.

566. If the owner of the check does not cash the document within the required time, he cannot file any claims against the endorser of check or against any damages to the check. After a check has been cashed the person who has issued it shall be free of all the responsibilities.

567. If the issuer of the check after signing the document dies, loses his citizenship, or eligibility, the check shall still be valid.

568. The person who cashes the check shall place his signature on the back of the document; if he only has cashed part of the check, he shall place his signature and the amount he has received.

569. If the currency indicated in the check is not the common currency of the country, the money can be changed to the current currency of the country and the owner of check shall request the difference, if there is any.

Section V. Crossed Checks and Checks which are Transferable to Other Accounts

570. The issuer or the owner of the check can cross the document. Crossing the check is indicated by drawing two parallel lines on the face of the document. If between these two lines there is no word written, this crossing shall be known as "general". If such a word as "banker" or equivalent words are written, this crossing shall be known as "particular".

571. If a check is crossed as general or common, the owner can only transfer the document to the banker or someone else. If the check is crossed as particular, then the owner can only transfer it to the banker whose name is also indicated on the document. The banker can transfer the check to another banker if he desires. If these provisions are not regarded by the owner, or by the bankers, they shall be held responsible for all the legal consequences.

572. The issuer or the owner of a check can only prevent the cash payment on the document if he clearly indicates on the check. He can also prevent transferring the check to another person or persons by the same manner.

Section VI. Legal Actions Because of Refusing Payment

573. In the case a check has been refused payment, the owner can refer to the endorsers and other responsible people in the transaction. The owner can establish his legal rights through one of the following procedures:

- (1) File a complaint on an official form;
- (2) Writing on the back of the check by the owner with appropriate date;
- (3) Approval of the Commercial Court of the complaint,

574. The complaints shall be made within the required times. If the date of the complaint coincides with a holiday, the action shall be taken on the next day.

575. If after the complaint has been made the check is not paid, the owner shall notify the endorsers and others responsible within four working days; also every endorser shall notify other endorsers separately within four working days indicating the name and address of the persons who have notified him. If there is a guarantee on the check, the person responsible of it shall be notified. The notifications shall be made either by sending the check itself or by registered mail, however if a person, for some reason, does not notify others concerned, his rights shall be preserved as the same.

576. The owner of the check can complain against all or each individual responsible for the delay in payment. Complaints against one of the persons responsible does not release others from their responsibilities.

577. The owner of the check can claim the following from those responsible:

- (1) The entire amount which has not been paid;
- (2) The proper interest on the amount;
- (3) All expenses which he has incurred for the process of the complaints.

578. The person against whom complaint has been made and has paid the required amount on the check shall ask for a legal receipt. The same right is preserved for the endorsers if they have fulfilled their obligations.

Section VII. Copies of Checks

579. A check can be made with numerous copies, if they are numbered consecutively, and the numbers of copies are indicated in the original copy. Only original copy shall be payable.

580. When the payment is made on the original copy, other copies shall be invalid.

Section VIII. Forgery and Improper Actions

581. Articles 536 and 537 regarding forgery and improper actions shall be effective for checks as well.

Section IX. Lapse of Time

582. All the complaints by persons responsible shall be invalid after a period of six months if proper action has not been taken during that period. Article 539 shall be effected for checks as well.

583. Articles 540 and 541 shall be also valid for checks.

CHAPTER 4. LOSS OF COMMERCIAL DOCUMENTS

584. The owner of a commercial document can receive profits on his document without requiring to prove his ownership, unless proven otherwise by the responsible persons.

585. If the owner of a commercial paper loses his document, he can apply to a court to invalidate the document. He shall then be required to give the full details of the document to the court; and if the court is satisfied, it shall order to people who are in debt by checks or drafts (through the lost document) to meet their obligations to the person who has lost the document. The loss of the document shall be printed in the newspapers for two months before the court can make any decision.

586. The person who has lost the document shall also notify other people concerned through official papers and notifications.

587. If the document is not returned to the owner during the period specified, then the court shall rule out the validity of the document. In this case the owner shall demand his rights from the people responsible for the document.

588. If the document is returned before the expiration of the required period, then the court shall make proper decisions in regard to that.

Part IV, COMMERCIAL GUARANTEES

CHAPTER 1. GENERAL PROVISIONS

589. If one or more persons involved in a commercial transaction make some guarantee for a second person, they shall all be responsible for it. The same provision shall also be effective for the person who guarantees public documents etc.

590. If the money involved in a transaction is not the common currency in Afghanistan, the transaction can be made only if arrangement is made for the proper exchange of the money. All the legal foreign currencies are valid.

591. If a person does not fulfill his guarantee intentionally, he shall be notified immediately by registered mail, and also he shall be fined for all the cost incurred through his fault.

592. If a person who has previously guaranteed a commercial document, cancels his guarantee, or does not carry his promises on time without any notification, he shall be fined.

593. A person who has guaranteed a commercial document shall fulfill his obligation unconditionally even if he loses money on the transaction.

594. If the delay in transaction is excusable and the person who has guaranteed the document is not responsible for the delay, he shall be released of any responsibility in regard to the delay.

595. Making a downpayment shall be considered the same as making an official contract. If later, due to some difficulties the contract is cancelled with the agreement of all concerned, then the downpayment shall be returned to whoever had made it.

596. If a person has made some downpayment and there are some conditions which he has failed to meet, then he shall forfeit his downpayment. In addition, if because of his action other people involved have lost money, he shall pay for all the losses.

597. If one of the persons involved in the transaction has paid or has promised to pay for any particular note, he shall have all the rights and privileges of filing a protest if other persons involved do not fulfill their obligations.

598. Interest shall be demanded by persons involved if the transaction be delayed by some deliberate action.

599. If a person is a qualified merchant and undertakes some transactions for another merchant or non-merchant which involves some profits, he shall be entitled to a commission; also he shall be entitled for the reimbursement of all the expenses he has paid for the transaction including the interest on them.

600. The rate of interests in commercial transaction shall be determined by the persons involved before the transaction is made.

601. Commercial guarantees are effective only when it is indicated in the contract or when the transaction is going to take place.

602. The guarantee for paying or clearing an account shall be precisely carried out if not specified otherwise in the document. The person who has committed himself shall not ask for any costs or damages resulting from his commitment.

603. If the time element is not indicated in the document, the owner of the document can claim his rights anytime he wants, otherwise he shall wait until the required time has expired.

604. If time has been clearly indicated in the document, any action in regard to the guarantee must take place before the time is expired; if the last day of guarantee coincides with a holiday, the action shall take place immediately on the day after the holiday.

605. If the terms of a guarantee require a person to pay in goods rather than cash, but the kind of goods is not specified, he shall use his judgement for selecting the goods which are equivalent in value with the amount he has guaranteed to pay.

606. When two persons have guaranteed the same document, both of them shall fulfill their obligation at the same time, unless it is specified in the document that one shall honor his guarantee before or after the other person.

607. If one of the persons involved in a guarantee honors the document but the other person refuses, then the first person shall cancel the guarantee and shall notify the court of his partner's refusal.

CHAPTER 2. COMMERCIAL CONTRACTS

Section I. Forms of Contracts

608. For commercial contracts the agreement of both parties is necessary.

609. When in accordance with the provisions of the Commercial Law some special forms and official papers are to be filled, or some ceremonies are to take place, then the contract is not legal unless all the formality has been properly satisfied. If there are evidences that the people involved in the contract have neglected the provisions of the commercial laws, the contract shall not be legal.

610. If a certain time has been indicated in the contract for a certain transaction, then before the end of this time one of the partners cannot cancel the contract, even if it is agreeable with others involved in the transaction. If a contract is made through a communication facility, such as telephone or telegraph, it shall have the same legal status as if it were made in the presence of the parties concerned.

611. If a contract is written but there is no time limit for action in it, both the parties shall have a fair amount of time to decide whether they want to make the contract legal and effective or not.

612. The acceptance of a contract by one of the partners shall be announced before the time limit for acceptance is expired; otherwise the contract is not legal. But if delay in acceptance is caused by some reasonable excuse, then, after proper investigation, the contract shall be valid.

613. Silence of one of the parties shall not constitute his acceptance of the contract. If two merchants have had transactions together and one of them is representing the other one in making the contract, then the separate agreement is not necessary; if one of the merchants, however, refuses the contract and some goods have already been sent to him, then he shall act according to Articles 762-763.

[Articles 614 to 633 missing in the original text.]

634. All the expenses concerning the goods, such as transportation and other costs, shall be paid by the consumer of the goods; unless otherwise specified in the contract.

635. If the goods sold must be transported from one place to another and the consumer has not made any previous arrangements for the transportation, the seller of the goods shall have equal responsibility as the consumer for arrangement for the transportation and insuring of the goods.

636. After shipping the goods from seller to the consumer, the consumer shall be responsible for the goods unless it is specified in the contract that the seller is responsible for goods until the consumer has received the goods.

637. If the shipment of the goods is by the sea, the seller shall not have any further responsibilities after he has shipped the goods to the consumer.

638. If the consumer has bought the goods as wholesale he shall pay the seller after he has received all the goods shipped to him, unless they have agreed in the contract that the seller shall ship the goods gradually and the consumer shall pay as he receives the goods.

639. The consumer shall ask for the price of the goods in the invoice sent by the seller to him.

640. After making the contract, any damages to the goods, even accidental, shall make the consumer responsible, unless it can be proven that the damages were made to the goods purposefully by the seller, in which case he shall be responsible for the repair or change of the goods.

641. In the following cases any damages to the goods shall make the consumer responsible.

(1) If the nature of the goods is not determined precisely in the contract;

(2) If the consumer is obliged to weigh, measure, or count the goods sold to him before accepting them, and does not fulfill his responsibilities;

(3) If the delivery of the goods shall take place in the future;

(4) If the consumer is ready to take the merchandise bought, but the seller has not delivered it to him on time according to the terms of the contract.

642. Any damages to the goods resulted from transportation shall make the transporting company responsible, however after delivering the goods to the consumer the transporting company shall not have any further responsibility.

643. The price of the merchandise shall be clearly indicated in the contract; however, when the price is not specified, it shall be determined in accordance with the current prices for such goods at the place of transaction. If the merchandise has been delivered but the price has not yet been determined, the consumer shall pay the fair price which is current at the place he has received the merchandise.

644. One or two representatives from both parties engaged in the transaction can, upon agreement, determine the price of the merchandise. However, if this is not done and if the seller fails to put a fixed price on his merchandise and if the price of the same merchandise varies in the place which the consumer has received the merchandise, the consumer shall take an average of various prices of that merchandise and pay it to the seller. In any other case which is not stated above the court shall determine the price of the merchandise.

645. If between the time the consumer has received the goods and the time he has promised to pay, the consumer becomes bankrupt

and the seller does not have enough legal evidence on the transaction, the consumer shall keep the merchandise.

646. If the price of the merchandise must be paid per unit of weight, the weight of the container shall be subtracted from the actual weight of the merchandise. However, the precise weight of the containers shall be determined before the transaction is made or the contract is signed.

647. If the total price of the merchandise is not paid, the seller of the goods can ship the goods gradually rather than totally, if he feels that he can secure the payment better.

648. If the price of the merchandise is to be determined by what the current rate is for the goods in the market, an average of all the prices of that particular commodity shall be taken and shall be considered as the basic price for that commodity to be sold to the consumers.

649. Interest charges shall be made by the seller of the merchandise to the consumer, if after the consumer has purchased the merchandise he has failed to take the delivery.

650. If according to the agreement the payment and the shipment of the goods must be made in an interval of time rather than at the same time and either the consumer or the merchant refuses his payment or shipment, the other party has the legal right to cancel the contract.

651. If the consumer has bought a merchandise according to a sample sent to him by the merchant, then the merchandise shall match the sample, unless the consumer has lost the original sample and has not any way of proving it.

652. A consumer can make a condition that he shall buy the merchandise only after he has received it, examined it, and liked it.

653. If the goods have been sent to the consumer for examination, and after a period of time he is to make his decision whether he will buy it or not, and he refuses to answer on the time, or he has already used part of the goods without actual agreement for buying it, then it shall be considered legally that he has purchased the merchandise and he is responsible to pay for it.

654. If the transaction is made according to Article 652 and the consumer has not announced his acceptance or rejection of the goods within the required period of time, the transaction shall not be considered legal.

655. If the transaction has been made legal, and follows all the commercial laws, then the consumer shall take the goods without rejecting any part of it. However, if the consumer has paid for the merchandise and has been properly notified by the merchant, but has refused to accept the merchandise, then the merchant shall take the case to the court for further investigation. In this case the court shall appoint an attorney without notifying the consumer, and the costs of court actions and attorney fees shall be paid later by the

the consumer. If the nature of the merchandise is such that it must be used immediately, the merchant can, after obtaining the court permission, resale the merchandise. After subtracting all the costs resulted from the new transaction, the money shall be deposited in the consumer's bank account, or if there is no bank the court shall have the responsibility of delivering the money to the consumer. After all these processes have taken place, the original consumer shall be notified immediately.

656. If the consumer does not pay the price of the merchandise on a required time, the merchant shall notify him with a registered mail and allow him a certain time to pay. If after this certain period of time the consumer still refuses to pay, then the merchant shall sell the merchandise at the current prices in the market. Any losses caused by this second transaction shall be borne by the consumer.

657. If the merchant does not send the merchandise to the consumer at the time he has promised, the consumer shall notify the merchant with registered letter. If after writing to him the merchant does not reply, then the consumer can take the case to the court, he can also claim any further damages in regard to the delay of the shipment from the merchant. If the consumer prefers, he can then buy his merchandise from a second firm and charge the difference of the price to the first firm. These transactions must be approved by the court.

658. If the contract made for a special transaction requires a certain time for the payment and the shipment of the goods, and one of the parties involved fails to meet his obligations, the other party involved shall cancel the contract and ask for any damages in regard to the delay. Articles 656 and 657 shall be effective for this purpose.

659. If during the time the consumer is accepting the merchandise some damages are made to the merchandise, he shall notify the merchant within four days at the most, otherwise after accepting the merchandise, he shall examine the goods carefully and if any damages are noted he shall notify the merchant within two weeks at the most. Failure to do so shall make the merchant free of any further responsibilities.

660. A consumer has legal right to claim against the seller or the persons involved in the transaction, if he proves that the goods are not favorable to him, or they differ from what he had ordered. This right is preserved for a period of six months after he has received the goods; otherwise it shall be specified in the contract.

661. If it can be proven that the merchandise differs from what the consumer had ordered, and the seller has purposely sent false merchandise, articles 659 and 660 shall be effective.

662. If the consumer finds something wrong with the merchandise he has purchased, first he shall invite the seller to examine the

merchandise promptly and if he refuses to do so in the given period of time, then the consumer shall notify the court and ask for some expert to be appointed by the court to examine the merchandise.

663. If the merchandise has been sent to the consumer from another place, and if the consumer has notified the seller according to Article 659, the consumer shall save the merchandise or give it to another person who is trusted by both the parties involved in transaction. If the merchandise cannot be kept for a longer period of time, the consumer can sell it according to Article 655.

664. If the merchandise has been bought privately and the transaction is not according to the provisions of the commercial laws, the consumer can either sell the merchandise or seek some legal advice from the court.

Section II. Some Special Forms of Transactions

665. If the merchandise is to be sent by ship, the contract is effective only after the ship has arrived. If the seller has not indicated the exact date of the arrival of the ship in a proper form, the consumer shall either cancel the transaction or inquire about the arrival date; he can also refer to a court and ask for legal assistance. If the dates of departure and arrival of the ship are indicated, but due to some difficulties the ship does not arrive on time, then the consumer has legal right either to cancel the transaction or claim against the seller.

666. If it was necessary to transfer the merchandise from one ship to another during the trip, the transaction shall not be cancelled.

667. If the transaction is conditional and the merchandise is destroyed before arriving at the proper port, the transaction shall be cancelled. If the damages are partial and the transaction is unconditional, the consumer shall accept the merchandise and later ask for repair of damages or subtract the proper cost from his payment to the seller.

668. A safe transaction is one which includes the costs of insurance and transportation. In this form of transaction consumer shall be responsible for the merchandise from the time it has been shipped.

669. In any safe transaction the seller shall be responsible for the merchandise before shipping it. Otherwise it shall be specified in the contract.

670. If the seller has sold the merchandise before shipping it, then the consumer shall cancel the transaction immediately providing he notifies the seller at the proper time.

671. The seller of the merchandise shall indicate each item in a way-bill and send a copy of the way-bill to the consumer before actual shipment. If there is no date indicated on the way-bill, the ship's captain can indicate the exact date of the shipment.

672. If the shipment has been made in a domestic port with a definite way-bill, the date of shipment shall be considered the date of acceptance of the merchandise by the consumer, and the contract shall be valid to that effect.

673. If during the transportation of the merchandise it is necessary for the ship to stop at various ports, or the merchandise is transferred from one ship to another, and the merchandise is damaged as a result, the consumer shall be responsible for the damages. But if the damages are caused due to the carelessness of the seller then the consumer shall either cancel the transaction or ask for the repair of the damages.

674. In any safe transaction the seller shall insure all the merchandise against the sea damages. If the merchandise is not sent in one shipment, the seller shall insure each portion separately. The cost of insurance shall be about the same as the place which the merchandise is sent.

675. If the insurance form is only of the "common" type and the policy does not cover each item of the merchandise, then in case of damages to some items this type of insurance shall not be valid.

676. If not specified otherwise in the insurance policy, any damages to the merchandise except those due to the act of war shall be known as "common" type of damages. In the payment of insurance, a thorough investigation shall be made and an amount equal to the loss shall be paid by the insurance company. If the seller of the merchandise has insured the merchandise with a reliable insurance company and later the company be unable to pay the damages on the merchandise, the seller shall not have any further responsibility.

677. If in the safe transaction, it is indicated specifically that the consumer shall examine the weight and the appearance of the merchandise before the shipment, and he finds any loss or damages upon his examination, he shall call upon the court to appoint an expert for legal investigation and action.

678. After the merchandise has been shipped, the seller shall send all the legal papers such as way-bill, insurance papers, etc. concerning the transaction to the consumer. If upon arrival of the merchandise the consumer has not received the papers, he shall request for them immediately; the mailing costs of the above documents shall be paid by the seller of the merchandise.

679. The seller of the merchandise shall notify the consumer immediately about the nature of the ship, the date of arrivals, kind of insurance, and all the other necessary information.

680. The commercial documents sent to the consumer shall be arranged in proper order and shall coincide with the regulations concerning this type of transactions. Otherwise, the consumer shall either cancel the transaction or call upon the court for assistance.

681. The consumer shall accept or reject the documents sent to him regarding the transaction in a period of four days. If it

can later be proven that the consumer has rejected the documents without any reason, he shall be responsible for all damages and costs of the merchandise resulted by his action. However, if the consumer can prove later that the seller has deceived him in any way in the transaction, he shall cancel the transaction immediately and ask for all the necessary arrangements.

682. The consumer in the safe transaction, after receiving the documents regarding the transaction, shall immediately pay to the order of the seller the cost of merchandise, if everything regarding this transaction is in order.

683. After arrival of the ship, the consumer shall compare carefully all the items of merchandise with the commercial papers he has received before; if the items are not marked properly and they cannot be identified, the consumer has the legal right to cancel the contract.

684. If the merchandise sent to the consumer is less in quantity than what was indicated in the original agreement, the consumer shall accept the merchandise and charge interest on the difference. The interest shall be determined by an expert at the current rate of the market.

685. A condition can be made in the transaction that the merchandise shall be accepted by the consumer after its arrival and the verification of its weight. In such a case, after arrival of the merchandise the consumer shall weigh the goods carefully, and if there is any shortage he shall ask for it not less than a period of four days.

686. If in the contract the approximate weight is indicated, the consumer shall accept the merchandise if the loss or gain is not more or less than five to ten percent. However, if the exact quantity is indicated in the documents, the consumer shall demand the exact weight, or take some legal action to protect his rights.

687. If in a commercial contract there are conditions, such as: "The merchandise shall arrive safely", "The consumer shall not accept it", or "The consumer has the right to refuse the merchandise if after he received them he did not like them"; then this shall not be a safe transaction.

CHAPTER 4. COMMERCIAL LOANS

688. A commercial loan shall only be made if it is to be used for commercial purposes.

689. A loan made with goods shall have the same validity as the money loans.

690. The borrower shall return what he has borrowed in the same quantity on a specified date.

691. If a person owes some goods as well as cash, he can combine them in the form of commercial loans.

692. In a commercial loan interests shall always be computed unless otherwise specified.

693. If the amount of interest is not indicated in the contract, it shall be known that both parties have agreed for the current legal interest indicated by the law.

694. If the loan is for a period less than a year, the interest shall be paid with the original amount; however if the loans are made for more than a year, at the end of each year the interests shall be paid, unless specified otherwise in the agreement.

695. If the exact time for the payment has been indicated in the document, the creditor cannot ask for the payment before the time has expired.

696. The quantity and the costs of merchandise for the purpose of loans shall follow the regulations indicated in the Article 609.

CHAPTER 5. COMMERCIAL MORTGAGE

697. A mortgage shall only be made for the commercial purposes.

698. Both the parties involved in the action can agree to give the mortgage to a third person.

699. Prove of commercial mortgage shall be made according to Article 624. If the amount of mortgage is more than 500 afghanis, it shall be approved by the Mortgage Section of the Department of Commerce.

700. Mortgage for drafts and other commercial documents can be made. These documents shall be registered before the mortgage is made.

701. The first creditor has the right to take legal action against the mortgagee when necessary. If the mortgaged merchandise is in the custom house, or in various shops, the creditor can still claim for it.

702. The creditor shall take all the precautions against the loss and damage of the merchandise being mortgaged. Also when the time of mortgage has expired, he shall immediately demand his rights. The mortgagee shall pay all the costs for the protection of the merchandise to the creditor.

703. If not specified otherwise, the creditor shall be responsible for all the documents, merchandise, and all other goods being mortgaged with him.

704. If the prices of stocks, merchandise, and other documents being mortgaged reduce about ten percent, the creditor shall ask for the difference. If the mortgagee refuses the creditor for the payment of the difference stated above, the creditor shall sell the merchandise, documents, etc. according to Article 655.

705. For the mortgage of commercial documents, drafts, and merchandise, their equivalent shall also be accepted.

706. If the mortgagee does not pay all the payment at time stated in the contract, the creditor can proceed with the selling of the merchandise, etc. For this purpose the creditor shall refer to the commercial court and the court shall notify the mortgagee and other creditors, if any, within a period of three days for the selling action. After three days if there is no claim against the action by the creditors, the court shall proceed according to Article 655. This action shall not be taken until the mortgagee has been properly notified by the court. If there is any claim against the court action, the court shall examine the claim carefully within eight days.

707. If the mortgagee or his representative do not live in the place the action is taking place against them, the court shall announce its actions in the local newspapers.

708. The legal rights given to the creditors shall not be destroyed by death or bankruptcy of the mortgagee.

709. The mortgagee cannot make a condition for taking the right of selling the mortgaged property from the creditors.

710. Transactions made on the mortgaged merchandise at the public places shall follow the requirements for this type transaction specified in the special regulations concerning the public places.

711. The creditor can transfer his rights to a second person without agreement of the mortgagee, unless it is specified otherwise. The person to whom the rights have been transferred shall be responsible from the date the action has taken place.

712. Transferring mortgages by creditor is possible under all legal circumstances.

713. Transferring mortgages shall be in the written form, otherwise it shall be invalid.

714. When the mortgagee has paid for the mortgage, he shall not have any further responsibility to the third person to whom the mortgaged property have been transferred.

715. If there are any uncertainties as to whom the mortgage value shall be paid, the mortgagee shall pay it to the original creditor, or to a reliable person appointed by the court. However, the mortgagee shall be responsible if he knowingly has paid for the mortgage to a person which does not represent the original creditor.

716. If the mortgagee has some claims against the original creditor and the creditor has transferred the mortgage to a third person, the mortgagee shall state his claims against the third person.

717. If the mortgage has been transferred to a second creditor, he shall include all the expenses regarding the transferring in the mortgage itself.

718. If transferring a mortgage is conditional in the sense that the first creditor shall be responsible for the payment of the mortgage by the mortgagee, he shall stay responsible until all the payment has been made to the mortgagee.

719. If the mortgagee transfers some of his credits to the creditor of his mortgage and asks him to collect them for his loan, but the amount is not indicated, then the creditor shall collect whatever it is and notify the mortgagee of the differences.

720. A person who makes transfer of the mortgage, if he owes anything to a second creditor for some previous accounts, he shall not include his previous account in the mortgage he has transferred.

CHAPTER 6. CURRENT ACCOUNT

721. A current account is defined as a type of account in which the persons involved in a transaction shall not exchange cash for each transaction they make; due to the continuative nature of the transactions, they can transfer merchandise to each other instead of cash and at the end settle the differences.

722. Provisions concerning current accounts are as follows:

(1) Ownership of the merchandise which has been transferred from one person to another shall be established for the second person;

(2) If before making a new agreement there has been a current account between the persons involved, any transaction prior to the new agreement shall follow the current account regulations;

(3) A commercial document can only be charged to a current account when there is a guarantee for its payment;

(4) All other credits and debts shall be accountable in a current account.

723. If the commercial document indicated in Article 722 is not required, it shall be returned to its original owner.

724. Existence of a current account shall not prevent the commission charges and other expenses.

725. A current account shall be closed at the date indicated, and then all the credits and debts shall be computed. If there is no specific date for closing the current account indicated in the agreement then at the beginning of each year the account shall automatically be closed unless the parties involved want to renew it.

726. The remainder of account, after checking the credits and debts, shall be subject to interest charges.

727. Persons involved in the current account shall indicate the amount of interest and the commissions required for the transaction.

728. Cash payments and merchandise spent by both the parties for special purposes shall not be charged to a current account.

729. All the figures in the debt and credit shall not be separated before the current account is closed. Also before closing the account none of the persons involved shall be regarded as the owner or the debtor.

730. The legal owner of cash and merchandise can close a current account in order to protect his rights.

731. The current account can be cancelled only through the following reasons:

- (1) End of required time for the current account;
- (2) With mutual agreement of both parties;
- (3) Cancelling the agreement by one, if there is nothing mentioned in the agreement against it;

- (4) Bankruptcy of one of the parties involved.

732. In the case of death or illness of one of the parties, the other one can refer to a court and with the legal permission shall cancel the current account.*

734. Mentioning of the terms debt and credit in the agreement shall not change the true and legal meaning of the words.

735. All the claims made by any of the parties involved in a current account shall be invalid after a period of five years.

CHAPTER 7. THE LOAN COMPANIES

736. The companies which accept merchandise and goods from people and give receipts shall be defined as loan companies.

737. The companies which do not give legal receipts to their customers shall not be subject to the provisions of the loan companies.

738. Commercial documents given to the loan companies shall contain the following items:

- (1) Name, place of residence, and occupation of the depositor;
- (2) Name of the company which has taken the merchandise;
- (3) Specific information regarding the kind of merchandise and its values;
- (4) Specific indication of whether the merchandise is taxable and insured, and if so, the amount of insurance.

739. The mortgage document shall exactly consist of the items in Article 738.

740. Copies of all the commercial documents regarding this transaction shall be kept in the loan company.

741. The receipt and other documents shall be made to the name of the person who has deposited the merchandise or to his representative.

742. The owner of the receipt can demand his merchandise item by item after the required time has expired. After the transaction has been completed the receipt shall not have any validity.

743. The receipt can be endorsed and be transferred to a second person, the endorsement shall be effective after it has been signed properly.

744. For the endorsement the following provisions shall be enforced:

- (1) Joint endorsement shall transfer the receipt;
- (2) Single endorsement shall also transfer the receipt to the person the receipt has been endorsed to;

Paragraph 733 missing from original document. 7

(3) Endorsement of the receipt itself is sufficient for transferring the merchandise.

745. For endorsement, the interests and the actual value of the merchandise shall be indicated.

746. The receipt can be endorsed by blank form, this form shall have all the validity of regular endorsement.

747. Selling or ownership of the merchandise by the loan companies shall be illegal, unless in special cases with the permission of the court.

Article 748 missing in the original text.

749. The owner of the receipt shall demand his merchandise from the loan companies after the required time has expired. He shall return the receipt to the company after receiving his merchandise.

750. The owner of the receipt can ask for a part of her merchandise after paying for that part and ask for a new receipt.

751. The owner of a warrant can sell the merchandise same as the owner of a draft — after ten days from the required time for the payment. This action shall be with the permission and previous notification of the court.

752. Provisions indicated in Article 748 shall not prevent the selling process. But the money obtained shall be kept in the loan company until the final settlement is made.

753. All the costs concerning the storage, castums, and other costs shall be collected from the owner of the merchandise.

754. The money obtained from the action stated in Article 753 shall be deposited in the owners account, after subtracting the necessary costs.

755. The owner of the warrant can only refer to the owner of the merchandise or the endorsers if he has not obtained enough money after selling the merchandise. In any case he can only ask for the difference.

756. The time requirement for receipts, warrant, and all other documents concerning this particular type of loan shall be same as the time requirement stated previously for drafts. The endorsers shall be notified properly for selling the merchandise.

757. If the owner of the warrant does not sell the merchandise on the stated time, he shall not have any further claims against the endorsers; however, all his rights and actions against the owner of merchandise shall be preserved.

758. If the owner of the receipt or the warrant loses one of these documents, he can apply for a duplicate after producing legal proof, notifying the court, and advertising in the local newspapers. If the time on the warrant has already expired at the time of the loss, the court can make judgement of how to clear the transaction. However, both the parties involved can appeal against the preliminary ruling of the court; then some further investigation by higher legal authorities shall be required.

759. The regulations for the establishment of loan companies and other similar organizations shall be drawn up separately by the government.

CHAPTER 8. COMMERCIAL AGENCIES

760. Through commercial agencies one can carry some transactions; these agencies shall charge certain commissions to their clients for the work they do for them.

761. A transaction through an agent shall only cover the commercial transaction. The agent is responsible for one particular transaction given to him by his client; the client can instruct his agent for various actions regarding the transaction, if the situation demands for such action.

762. An agent can accept or refuse the responsibility, but if he is doubtful of his decisions, he shall first notify his client of his doubts and second, before making his decisions protect all the documents which have been sent to him by the client, otherwise he shall be responsible for any loss or damage to the above stated documents.

763. If the client does not appoint another agent after he has been notified of the doubts of the first agent, then the first agent shall ask the court to hold and protect the documents which have been sent to him by the client. The agent can refer to Article 655 for this action.

764. If during these legal processes the agent notices some loss or other damages to the merchandise or document sent to him, it is his duty to pay his utmost attention for the protection of the items. If any further protection is impossible, he shall proceed with the selling of the merchandise with the permission of the court and with regard to Article 655. He must notify his client immediately of his action.

765. If the goods sent to an agent cannot be kept after a certain period of time and the client has not answered the request of the agent for selling them before that time expires, then the agent shall sell them according to Article 655.

766. The agent shall notify his client of any sales or other action taken by him for the merchandise.

767. The agent is only responsible if the damages or loss of any of the items are directly due to his fault and carelessness.

768. The agent shall send the money resulted from the selling of the merchandise to his client on proper time; failing to do so shall subject him for the payment of interest charges on that money.

769. An agent cannot act against the instructions given to him by his client, otherwise he shall be responsible for the consequences. But if the instructions are very inconvenient for the agent, he can delay the sales or other policies given to him by his client.

770. In all transactions clear instruction of the client is necessary; however, if in special cases the agent does not receive the instructions on time, and upon his judgement he must proceed with the transaction, he shall proceed without further instructions from his client.

771. The agent shall notify his client after finishing the transaction; however, if the agent has done more than he has been instructed but the client has not protested against him, he shall not have any further responsibilities.

772. If the agent does not send the money made by the transaction to his client immediately, his client shall charge him interest; and furthermore if the agent uses the money for some other purposes of his own, he shall be subjected to legal action.

773. Other people involved in a transaction through the agent, shall ask for the proof of his legal appointment by the client; if he refuses, they shall stop dealing with him until he can produce some legal evidence of his position.

774. If the agent after doing the transaction cannot produce any proof of his appointment by the client but the client has not objected to his action, then he shall be equally responsible for the transaction as if he had the legal permission.

775. The client shall provide his agent with the facilities required for the job, unless it is specified otherwise in the agreement.

776. The agent fees if not already indicated in the agreement shall be determined by the proper court.

777. After transaction is completed the agent shall ask for his proper fees. However if there are some other costs beside his fees due to the transaction, he can subtract those costs from the money obtained from the transaction.

778. To accomplish Article 777, the agent shall send his client a bill indicating his fees in regard to the transaction he has made for the client; this bill shall be endorsed by the court, and the agent shall wait for a period five days after mailing the bill; if after five days he has not heard from his client he has the legal right to sell the rest of merchandise, if any, and subtract his fees from the merchandise. However, the client can protest against this action through the proper court against his agent; this protest must be made within three days after he has been notified of the action. If the client does not reside at the same place as his agent, the date of protest shall be as follows: If the client lives within the same district as the court, the time for protest is twenty days; if he is within another province, he has forty days. If the client lives in a foreign country, the time limit for his protest shall be determined by proper international laws regarding this matter. In case of delay, the agent shall sell the merchandise according to Article 655.

779. In the case of appointing several agents by a client for a particular transaction, each one shall have equal responsibility; for making decisions the majority votes shall be effective.

780. If for some illegitimate reasons a client releases his agent from the job, or the agent resigns from his work before finishing it, he shall be responsible to the other side for damages caused by the sudden action.

781. In the case of death, illness, or bankruptcy of client or agent, the other side shall claim his rights from those who shall be responsible.

CHAPTER 9. COMMISSION MERCHANTS

782. A person who undertakes transactions on his name but for some other merchant is called a commissioner; and the contract made with him is called a commission agreement.

783. If transaction has been done by commissioner strictly in his own name, the agreement shall be subject to the agency provisions.

784. If in this chapter some provisions in regard to commission are missing, the laws of agencies shall be effective.

785. All the rights and consequences of commissions belong to the commissioner, the clients, and other persons involved in the transaction.

786. The commissioner is responsible for his undertakings and he shall do his work with best of his ability. The commissioner who ignores Articles 789 and 790 shall be responsible for the consequences.

787. A client cannot question the agreement after it has been signed by him and the commissioner.

788. In the case of the death of a client, the agreement shall remain valid and all his rights shall transfer to his legal heirs.

789. The commissioner cannot transfer the responsibilities of his duties to someone else if it is specified against it in the agreement.

790. If the transaction requires some amount of money which has not been sent by the client to the commissioner, but the client has requested the commissioner to pay for the action, then the commissioner shall either refuse the payment or delay the transaction until he has received sufficient amount of cash required for the transaction.

791. If the money sent by the client is not sufficient to cover the transportation charges, the commissioner shall ask his client for more money; if the money is not sent he can ask the court, according to Article 655, to appoint an expert for this purpose.

792. A commissioner shall use his best judgement and ability in any transactions he makes for his clients. Protecting his client's merchandise, keeping books for the transactions, and signing commercial documents are some of the duties of the commissioner after he has signed an agreement for any transaction.

793. If the commissioner makes a transaction which knowingly will bring losses to his client, the commissioner shall be fully responsible for the action and his client shall disregard Articles 796 and 797.

794. The right of cancelling the contract between the commissioner and the client in the case of false action by commissioner belongs only to the client; the commissioner and other persons shall not have any legal right for cancelling the contract.

795. The commissioner shall not make any effort to insure the merchandise if he has not received any positive instruction in regard to that from his client.

796. If the commissioner does not follow instructions for purchasing merchandise his client has the right to refuse the merchandise. If the commissioner has bought more merchandise than what he has been instructed by the client, the client shall take the quantity he has ordered and send back the excessive amount to the commissioner.

797. If the commissioner has purchased the merchandise at a different price than what he had been instructed by the client, the client can refuse the merchandise immediately. However, if the commissioner agrees to pay the difference of price, then the client shall accept the merchandise; any losses suffered by the client for these transactions shall be borne by the commissioner.

798. If the commissioner has made more profit in transaction than what has been expected by the client, all the extra profit shall go to the client.

799. All the transactions made by the commissioner shall be registered in his book and a copy of them shall be sent to the client. If the commissioner has furnished his client with false accounts, he shall be responsible for the consequences, and he also shall not have any further claim for his commission.

800. If the commissioner, without permission of his client, gives or takes some money to and from other people, he shall be responsible for the entire consequences. If in a transaction some time is required for payment for the merchandise to the commissioner and the client does not have any objection to this, the commissioner can practice this procedure.

801. If the commissioner is allowed to undertake transactions on time payment, he shall not undertake any transaction with people who have bad commercial reputation.

802. When the commissioner sells merchandise on the basis of time payment, he shall notify his client of his action and furthermore he shall send him a complete list of the names of the people who owe him on that transaction.

803. If a commissioner has accepted buying a draft, he shall endorse it unconditionally and transfer it to his client's account.

804. A commissioner shall not be responsible for those people who owe to his client, unless at the time of making agreement he has agreed with the client to be responsible for all the actions and consequences resulted from the transaction.

805. After completing the transaction a commissioner shall ask for his commission. If for some reasons, not by his fault but by order of the client, the transaction has been delayed, he still shall ask for his commissions. If he has done part of the service, he shall ask for the commission for the part he has done. The basis of commission shall be determined by an expert in the field with due consideration to the current rate of commission in the market.

806. If a commissioner has paid some money of his own to facilitate the speed of transaction, he shall charge interest on it; he is also allowed to charge interest on other expenses such as transportation, etc. He shall send the bills for all the costs regularly to his client.

807. A commissioner can make all the transactions in his own name if it is not against his agreement with the client; in this case he shall consider all the laws regarding the current market prices and other provisions already stated. He shall also keep his client informed at all times of his actions.

808. If a commissioner makes the transaction in the manner stated in Article 807, he shall be subject to the same commission as any other form of transaction already stated.

809. A commissioner can ask for his commissions and other moneys his client owes him according to Article 777.

810. If a commissioner has made a transaction according to Article 807, his client shall consider this transaction as completed.

811. The commissioner shall not change the form of the merchandise for his client, unless he has been permitted to do so.

812. If a commissioner has made several transactions for several different clients, he shall indicate all the names and state all the transactions in his commercial books.

CHAPTER 10. COMMISSION WORKS ON TRANSPORTATION

813. A person who has chosen to work for himself or for clients in the field of transportation, shall be qualified as a commissioner for transportation. The following regulations shall be applied to this type of commission work. When a specific case is not stated, it shall be subject to the provisions for the protecting and insuring of merchandise.

814. A commissioner of transportation can charge more to his client account than what he has paid to a transporting firm.

815. A commissioner of this type can only ask for his commission after the client has received the merchandise safely.

816. A commissioner shall be responsible for the arrangement of the necessary documents involved in a transaction and transportation. Moneys given to him for various expenses shall be kept carefully, and an accurate account shall be kept of all the expenditures.

817. If several commissioners are involved and they are responsible to each other for arrangement of transportation, they shall agree and make a standard for their own commissions.

818. If a commissioner pays for the transportation costs, he shall be responsible for it.

819. If there are no laws against it, the commissioner can transport the merchandise with his own transportation facilities. If this is done, the client shall have the same responsibility to the commissioner as to any other transportation company.

820. The commissioner shall be released of all the responsibilities one year after the transportation has been completed. If the merchandise has been destroyed during the transporting phase, the people involved shall resume their responsibility. If the destruction was due to carelessness or false action of the commissioner, the merchandise is less than what was expected, or is destroyed by some false action, the commissioner shall be fully responsible for it.

821. The transportation company shall be responsible and shall guarantee the means of transportation whether by highways, railroad, air, or by sea.

822. The provisions of this chapter shall also be true and effective for those merchants who are not a full time commissioner for transportation but take the job as the situation demands.

823. All the protests and claims against the transportation companies or other person in transaction business shall be dropped after a period of one year. This period shall begin after the merchandise has been received, and also shall begin by the time the agreement has been made. If later it can be proven that the merchandise has been destroyed due to the carelessness of the transportation company, the period of time stated above shall not be effective.

824. If the transportation company demands, the receiver of the merchandise shall make two copies of a receipt for him, unless from the beginning they have agreed otherwise.

825. The transportation document shall consist of the following items:

- (1) The receiver's address and the address of the place the merchandise is sent;
- (2) Weight of merchandise, number of items, and, if the items are in various bags and envelopes, specific indication of commercial stamps and the form of packing;
- (3) Proper identification and address of the receiver;
- (4) Proper identification and address of the transporting agent;

(5) All the transportation costs or, if the costs have been paid, their receipt;

(6) Required time for transporting the merchandise;

(7) All other specifications which have been mentioned and guaranteed in the original agreement. Any damages to the merchandise due to ignoring the above stated items shall make the transporter responsible. If the merchandise is in form of dangerous material such as dynamites or gun power, the transporter shall be fully responsible for its safetiness and protection.

826. A person who sends the merchandise shall give all the necessary documents such as castums papers, insurance documents, etc. to the transporter; failure to do so shall make him responsible.

827. The transporter, upon request by sender of merchandise, shall sign the original transportation documents or their equivalent and give them to the sender of merchandise for his record.

828. A copy of the transportation document shall be signed by the sender and shall be included with the merchandise, the other copy shall be signed by the same person and be given to the man in charge of transportation. If the document is subject to endorsement, after endorsing, it shall have the same status as if the merchandise has been transferred to the receiver. Forms of endorsement for this type of commercial document shall follow the same pattern as the stated forms for endorsements.

829. If the transporter has not specified the number of items and their characteristics in the document, he shall be responsible for the later claims of the owner for any loss or damages to the merchandise; however if they have agreed otherwise in the contract, he shall not have any responsibility in that respect.

830. The transporter shall follow all the instructions given to him in regard to transportation; however in cases of emergency he can use his own judgement.

831. If due to some unexpected reasons there are some delays in the transporting of the merchandise, the transporter shall notify the client immediately. In this case the sender shall take back the documents from the transporter, and the agreement which has been made according to Article 834 shall be cancelled.

832. In accordance with the provisions of Articles 834 and 835 the sender is allowed to keep the merchandise or make arrangements with another transportation company without notifying the client; but if the transporter has already made arrangements for transporting the merchandise, he shall not be subject to obeying any further instructions from the sender, and from then on he shall be directly responsible to the owner of the merchandise.

833. If according to the new instructions by the sender or by the owner of merchandise the transporter is forced to use a longer route, he shall charge extra for the difference in the distance.

834. If the transporting process is stopped due to circumstances stated above, the transporter shall ask for the transportation

costs up to that point. If according to Article 833 the transportation agency has not started transporting the merchandise, he is not allowed to ask for any actual transportation costs but he shall ask for the other costs resulted by delay in the process.

835. If the transportation has been stopped by order of the owner of merchandise, the following provisions shall be regarded:

(1) If the transportation has been stopped before the actual shipment, the sender shall be responsible for half of all the costs resulted by the delay;

(2) If the transporting process has been stopped after the shipment, the sender shall be responsible for all the costs.

836. The transporter shall be responsible for the specific time indicated in the agreement for the transportation; however, if time is not indicated, the transporter shall take a reasonable time for carrying the merchandise.

837. If the merchandise is received later than the time it was expected, the owner is allowed to reduce the transportation costs proportional to the delay. If the delay is twice as long as expected, the owner shall not pay any transportation costs and furthermore the transportation agency shall be responsible to the owner for any losses caused by the delay. If the transporter can produce some legal excuses for the delay, then the above provisions shall not be effective.

838. From the time he receives the merchandise to the time he delivers them, the transporter shall be fully responsible for the protection of the merchandise, except under the following conditions:

(1) Exceptional circumstances and forceful causes;

(2) Proof of the lack of sufficient packing facilities or other legitimate excuses;

(3) Proof of damages caused by instructions from sender or owner of the merchandise.

839. The direct responsibility of the transporter shall begin from the time he receives the merchandise.

840. If some merchandise is likely to reduce its weight or shape during transportation, the transporter shall notify the owner and the sender of the merchandise of this process and shall have their legal agreement before transporting the goods. If the merchandise is packed in different packages, he must have permission for each package separately.

841. The transporter shall be responsible for all other people who are working with him on any particular project until he has delivered the merchandise safely.

842. All the damages due to transportation of the merchandise shall be considered and the current market rate for this purpose shall be paid.

843. If the transporter has some passengers with him on the trip and due to delays or other reasons they sustain some loss, he

shall pay to them individually and proportional to their losses. If the transporter has not been informed of the values of the materials given to him, he shall not be responsible for their loss.

844. If some other transporting agents undertake the transportation for the original agent, they shall be responsible for the job same as the original transporter.

845. The transporter shall inform the owner immediately after he resumes his job of transportation.

846. The transportation agency shall follow all the instructions given to it by the client in regard to the protection of the merchandise. After receiving the merchandise, if there are any loss or damages in it, the owner shall claim against the transportation company and shall ask for repair or replacement.

847. If it is not specified otherwise, the owner of the merchandise shall pay for the transportation costs and other related costs after receiving the merchandise.

848. The transporter shall not give the merchandise to the owner if the owner is unable to pay the costs; however, if there is a difference in the account, the owner shall pay part of the costs and hold the other part until the whole account has been cleared and both sides have reached complete agreement; in this case the transporter shall give the merchandise to the owner and obtain a receipt.

849. The transporter shall hold all the merchandise if the account is clear until he is fully paid for the costs of transportation. If there are several transporters involved in a transaction, each one shall have equal but proportional rights as to their services for the costs of transportation.

850. If the last transporter gives the merchandise to the owner without obtaining the cost or a proper receipt, he shall be directly responsible to other transporters; nevertheless he shall reserve his rights against the owner for the costs of transportation, etc.

851. After the transfer of the merchandise from the transporting agency to the owner, even if there are no apparent damages to the merchandise, the owner has the legal right to examine the merchandise carefully in the presence of court officials; the same right is preserved for the transporter before he accepts the responsibility of transporting the merchandise.

852. If there are some damages to the merchandise because of transportation difficulties, and there have been several transportation companies involved in the transportation, all of them shall be responsible for the damages, unless it can be proven later that only one transporter is responsible for the damages. In this case the other transporters who have already paid for the damages shall ask for the return of their money immediately.

853. If the transporter cannot locate the owner of the merchandise or the owner refuses to accept the merchandise, he shall

notify the sender of the merchandise immediately and wait for his answer. If the notification of the sender is impossible or the transporter does not receive an immediate answer from the sender, then he shall refer to the local court and give the merchandise to whoever the court appoints for this purpose. If the merchandise will get spoiled by keeping them any longer, the transporter shall use Article 655 and notify both the sender and the owner of the merchandise immediately; failure to do so shall make the transporter responsible for further consequences.

854. If the transporter fails to observe the provisions of Article 853 with efficiency and speed, he shall be responsible for all the consequences.

855. If the owner of merchandise pays the transporter for his services unconditionally, he shall not have any right for further claims against the transportation company. However, the following conditions shall be exceptional:

(1) If the owner can prove that damages have been made during the transportation period;

(2) If a close examination of the merchandise be performed eight days after receiving them by the owner and he can prove that the damages have been made due to carelessness of the transporter.

CHAPTER 11. TRANSPORTATION OF PASSENGERS

856. Passengers shall observe all the transportation regulation made by the particular transportation company they are dealing with.

857. If the journey is delayed the following provisions shall be considered:

(1) If the passenger is not present in the station on time, he can travel with the later services;

(2) If the passenger changes his mind about the trip after purchasing the ticket, he shall not be subject to any refunds from the agency;

(3) If the passenger cannot make the trip due to death, illness, or sudden legitimate excuses, then he is subject to refund for his ticket;

(4) If the trip is stopped due to mechanical difficulties, then the transportation company shall pay the refunds to all the passengers who have purchased the ticket;

(5) If the trip is postponed due to illegitimate excuses by transportation company, then the passengers not only shall ask for the refund on their tickets but also have the right to protest against the company.

858. After selling the tickets the trip is discontinued midway on the road, the following provisions shall be observed:

(1) If the passenger wants to discontinue his trip with his own will, he shall pay for the ticket to the whole way;

(2) If the trip is stopped on the way due to the will of the transporter, then the passengers are not subject to payment of the total value of the ticket; and if the passengers have already paid for the ticket, they shall ask for a complete refund.

(3) If the trip is stopped on the way due to some emergency, then the transportation company is not subject to any refund payments.

859. If the driver takes a longer route, or stops frequently in places not specified in the ticket or postpones the trip purposefully, the passengers have legal right to protest against the transportation company. If the driver has some merchandise in addition to the passengers and he must unload them in various places, and if not specified otherwise on the passenger tickets, then he is allowed for frequent stops for unloading his merchandise.

860. If the trip is stopped by order of the government, or for emergency repairs, the following rules shall be regarded:

(1) If a passenger wants he can ask for a refund and travel with another transportation agency;

(2) If a passenger wants he can wait for the same vehicle with the same price he has paid for his ticket; however he shall be responsible for his own room and board during the delay.

861. Passengers shall not pay any extra charges for their luggage if not specified otherwise in the ticket. The transporter is responsible for the passenger's luggage according to Articles 833-838. The transporter shall not be responsible for anything the passengers are carrying with them.

862. The driver is allowed to hold the passengers luggage if they fail to pay for their tickets.

863. The driver shall not be responsible for any accident to the passengers during the trip if that accident is not a direct cause of driving.

864. If one of the passengers dies during the trip, the driver shall be responsible for his luggage until it has been taken care of by some of his relatives; if a relative is with the deceased, he shall be responsible for the luggage.

865. The driver is responsible to discipline the passengers during the trip.

CHAPTER 12. INSURANCE

Section I. General Rules for Insurance

866. Insurance is a process by which a certain organization shall pay to its customers for loss or damages to their insured goods.

867. In case of conflicts the insurance regulations shall be observed.

Section II. Insuring Merchandise

868. Merchandises can be insured by its owner, leaser, or by their representatives.

869. A second person can sign the insurance contract for his client, providing he has legal authority to do so. If he does it without the legal permission, he shall be directly responsible for the consequences.

870. The client can instruct his agent of how to make the insurance contract; however if the agent does not receive any instructions, he shall sign the contract in the customary manner of the location, and the contract shall be effective. If according to insurance laws the agent cannot sign any insurance document for another person, and he has already done so, then the agent shall be responsible for the insurance himself, and his client shall not be subject to any payment.

871. A creditor can insure his notes against the bankruptcy or other causes which will delay payment on his notes, if there are not any specific laws against it. However, in case of disaster, the insurance agents shall investigate the situation closely before making any commitment for payment.

872. If a creditor has insured the notes or merchandise of a particular client against unexpected disasters, he shall claim if anything happens to the notes or merchandise.

873. If more than one creditor have insured the same merchandise or notes but with different insurance costs, then in case of disaster, the creditor who has paid more for the insurance shall receive more benefits from the company.

874. An insurance company shall not issue any policy against illegal properties, notes which have been arranged against the commercial laws, or any commitment which shall violate the public interest.

875. If during making insurance policies the insurance company becomes aware of any damages or false action in the merchandise or by the person who is asking for insurance, the insurance company shall cancel the policy, and further more the company can uphold legal claims against that person.

876. In case of disaster the insurance company is only responsible for the amount which has been insured and not any more. If the disaster is less than what the insurance company has committed itself in the policy, the company shall pay only the amount which will cover the damages.

877. The insurance company is permitted to examine the insured merchandise any time the company wants to.

878. If all the merchandise has been insured by one company, that company shall be responsible for the damages; however if the merchandise has been insured against various disasters by different

companies, each company shall be responsible for the part it has committed in the case of disaster.

879. If a merchandise has been insured against a particular disaster by various insurance companies, then in case of disaster each company shall be responsible for its commitment.

880. If a merchandise has been insured only for part of its value, in case of disaster the insurance company shall only be responsible for that particular part.

881. If a merchandise has been insured for all its value against disaster, in the case of disaster only the insurance company shall be responsible under the following conditions:

(1) If other companies are committed in insuring the merchandise, their agreement for the payment of damages shall be necessary; if they agree to the process, then the payment shall be made;

(2) If the owner of the merchandise has transferred his insurance policies from the first company to a second insurance company by legal process, then only the second insurance company shall be responsible for the damages;

(3) If there are some technical conflict between the first and the second insurance companies, then the payment shall not be made by either one until they both have reached an agreement regarding this particular policy.

882. The person who is asking for insurance shall specifically identify all the possible characteristics of his merchandise; in case of silence or false answer by that person to the insurance company, the company can cancel the policy. But if the company does not cancel the contract after three months, then the policy shall be effective as it is made.

883. If the possibilities of disaster do not exist before signing the policy by insurance company and the merchant, then the merchant does not owe anything to the company.

884. The person who has asked for insurance can cancel the policy before the period which the responsibility of the insurance company begins; however in this case the insurance company shall be subject to half of the insurance costs.

885. If it is not specified otherwise in the insurance policy, the insurance company shall be responsible for all the damages to the goods made unintentionally by the owner of merchandise. But in no case the insurance company shall be responsible for the intentional damages made to merchandise by the owner; also if not otherwise specified in the policy the company shall not be responsible for spoiled merchandise due to storage.

886. The holder of policy shall notify the insurance company not more than five days after the disaster has happened, also the policy owner shall protect the merchandise at all times with the best of his ability.

887. If there are proves of false claims by the owner of policy, or if he does not observe Article 886, he shall not be subject to any insurance benefits in case of disaster.

888. If a particular merchandise has been insured according to Article 879 by various companies, in case of disaster the owner of policy shall notify each individual company according to Article 886.

889. If not specified otherwise in the policies, each company shall be responsible for the damages to the merchandise. Cases of wars or revolutions are exceptional.

890. If the insurance company is responsible only for certain disasters, in case of a disaster not specified in the policy the insurance company shall not be responsible for the coverage.

891. If not specified otherwise in the policy, the insurance company shall be responsible for the coverage of damages only after the incident has happened.

892. The insurance company shall receive the premium after the policy has been signed.

893. The policy costs shall be paid by cash or by a cashable note either altogether or by monthly or yearly payments.

894. If the premium and the payment of it has not been arranged or agreed by the policy holder and the insurance company, the court shall make the necessary rules in regard to the amount and the method of payment.

895. The insurance coverages shall be made proportional to the actual value of the merchandise which is determined by the insurance agents, or in case of conflict by the legal court.

896. If the value of the insured merchandise is not indicated in the policy, then in case of disaster the owner of the merchandise shall legally prove the value of his insured merchandise; in case of conflict, the court shall make the necessary investigation.

897. After paying the damages by the insurance company, the company shall be responsible for the further claims made by the firm for the particular company or for other insurance companies responsible to the firm.

898. The insurance policy shall be made according to the insurance regulations; it shall be made of two copies, and beside being signed by both parties and being properly dated, it shall contain the following:

- (1) Name and address of the insurance company and of the person who has applied for insurance;
- (2) Subject of insurance;
- (3) All the items the company has guaranteed to pay in case of disaster, etc.
- (4) The amount of insurance;
- (5) The premium and time of payment;

(6) All the possibilities of danger and disaster which the merchandise has been insured against them.

Note: A policy shall be made in the name of the owner of the merchandise or in the name of his representative to the company.

899. If not otherwise specified in the policy, the company shall give the insurance policy to the firm twenty-four hours after it has been signed; or if the firm's representative has signed the policy, the insurance company shall submit the policy not later than two days after it has been signed.

900. The insurance company is allowed to re-insure any merchandise which has been insured by the company under any circumstances.

901. The costs of insurance shall be paid directly to the company where it is located, unless specified otherwise in the agreement.

902. If agreeable to the insurance company, the firm can pay the costs of insurance in monthly payments; however if the payment is delayed by the firm, the insurance company shall send him a note reminding him of the payment; if the payment is delayed for the whole month, the insurance company shall cancel the policy.

903. In the insurance policies made for several consecutive years if there are mentioning of special costs in the case of a particular disaster, and at the end such disaster has not happened, then the insured firm shall ask for the refund of the special cost.

904. If before the end of the insurance policy either the insurance company or the firm cancel the policy without any legitimate excuses, then if a legitimate reason is not produced until three days, the policy shall be cancelled and either side involved shall ask for the damages.

905. If before the end of the insurance policy the firm transfers or sells the merchandise to a second person, the insurance shall also be transferred automatically; but the insurance company can still ask for the payment from the original owner of the policy.

906. If the firm changes the circumstances stated in the insurance policy, it must notify the company not later than eight days; the insurance company shall either accept the changes or cancel the policy. However, if the insurance company does not notify the firm within eight days, it shall be the same as if it has accepted the changes.

907. If the costs of insurance are not paid to the company for two years, and the policy is still in effect, the insurance company shall sell the merchandise with the supervision of the court.

Section III. Insurance Against Fire

908. The insurance company shall be responsible for payment of all damages caused by fire to the insured merchandise; however if

this fire has been set deliberately by the owner, the company shall not have any further responsibilities.

909. If not specified otherwise, the following damages shall have the same status as fire disaster:

- (1) Damages made by fire extinguishers, fire engines, etc.;
- (2) Damages caused by natural fires such as lightning, etc.

910. The insurance policy made for fire, beside consisting of Article 898, shall consist of the following:

- (1) Address of the insured building, its usages, and an estimated annual cost of repairs;
- (2) If the insured subjects are merchandise, the name of store they are kept in and the details of the form and age of the store.

911. The payment for damages caused by fire to an insured building shall be determined by the comparison of the price of the building before and after the fire. The payment of the damages shall either be paid by cash by the insurance company or if it is indicated in the policy, the insurance company shall repair the damaged building in a certain period of time indicated in the policy. In this case, the insurance company shall supervise the repairing job closely and is responsible for providing the construction materials.

912. Other persons with sufficient evidences of responsibilities can make an insurance policy with the insurance company for a second person.

913. In the case of Article 912, the insurance company shall only be responsible to the person whose signature is on the policy.

914. If not specified otherwise, the firm can change the damaged goods with new items with the insurance company; a separate arrangement for this purpose shall be made by the firm and the company.

Section IV. Insurance for Transportation

915. All the merchandise transported not by ocean vessels but by any other means can be insured by any insurance company from the time the merchandise has been sent until the owner receives it.

916. The costs of this type of policy shall be determined by the insurance company and shall be paid by the owner of the merchandise after he receives the merchandise unless it is specified otherwise in the insurance policy.

917. The transportation insurance policy, beside consisting of Article 898, shall contain the following:

- (1) Means of transportation and specific routes;
- (2) Name and the address of the transportation agency;
- (3) If there is a certain period of time required by the owner for transporting the merchandises, the length of time;
- (4) Name of the place which the merchandise shall be received. *

Paragraphs 918 and 919 missing from original document.

Section V. Life Insurance

920. The life of a person can be insured by the person or his representative. However in this type of insurance there always shall be a beneficiary. The life of a mad person can also be insured with the same regulations and effects.

921. The insurance company can insure the life of a person with an approximate estimation of his death time.

922. A life insurance policy, beside consisting of Article 898, shall contain the name of the insured, his occupation, and his health conditions.

923. If during making the life insurance policy the person dies, the insurance shall not be effective.

924. Suicide made by the insured person shall not entitle the beneficiary to any benefits, and the insurance company shall not pay anything; however if the suicide has been out of the control, then the company shall be responsible.

925. In case of any delays in the payment of the insurance premiums, Article 902 shall be effective, and the company shall not make any further claims.

926. A person can insure his life for any amounts he desires and by as many insurance companies he wishes.

927. All the privileges of a life insurance beneficiary concerning collecting the amount of insurance after death shall only remain to him alone. Both wife and husband can make two separate life insurances making each other beneficiaries.

928. The insured person shall either make his beneficiary at the time of making the policy or after the policy has been made. The insured person can also change his beneficiary after the policy has been made, unless it is specified otherwise in the policy.

929. In the case of bankruptcy of the insurance company, the company shall still remain responsible for those who are beneficiaries and have to be paid.

930. The insured person can without notifying the insurance company travel in Afghanistan or any other parts of the world by any means of transportation he desires. The insurance policy shall be effective during the peace, revolutions, and local wars; however it shall not be effective in the case of war with another nation unless it is specified otherwise. In the latter case all the already paid premiums shall be returned without any interest.

931. The life insurance can be made with several beneficiaries being involved after the death of the insured person; the money shall be divided between the beneficiaries.

Section VI. Accident Insurance

932. This type of insurance is effected by the payment of premium by a person to the insurance company and he shall be insured

against accidents and disabilities, such as sickness or sudden disabilities. Also a person can receive benefits from the insurance company in the case of becoming unable to work. The accident insurance shall be made by a single person or by groups if desired. If made by groups, the name of each individual shall not be required to appear on the policy, rather their occupations shall be indicated,

933. The accident insurance can also be made conditional, stating that in a case of sudden accident a person receives so much money; the rate for this type shall be determined by the company.

934. In the accident insurances the company shall pay the insurance under the following conditions:

(1) If the accident causes death for the person, whether it is immediate death or after a certain period;

(2) In the case the accident has crippled the person forever;

(3) If the accident has caused temporarily disability for the person, the insurance company shall only be responsible for payment for that particular period of disability.

935. If not specified otherwise in the policy, in the case of accident the insurance company shall also pay the other costs caused by the accident to the person.

936. Any bookkeeping mistakes by the insurance company, or other similar technical mistakes by the insurance agents, shall not effect the legality of the rights of the insured person.

Section VII. Agricultural Insurance

937. Any kind of agricultural products can be insured at any time of the year.

938. This type of insurance can be continued after the first disaster, if desired. For this purpose a new policy shall not be made.

939. An agricultural insurance can be continued as long as the company exists; however both the parties can renew the policy at the beginning of each year.

940. All the farm's animals can be insured against diseases or other disasters.

Section VIII. Insurance Against Theft

941. For the purpose of protecting people and their properties, the theft insurances can be made.

Section IX. Lapse of Time

942. Any claims made against insurance companies shall be dropped after a period of two years.

943. After the enforcement of this law, the following laws shall be ineffective and this law shall be substituted:

- (1) Laws regarding commercial account books;
- (2) Laws regarding commission works;
- (3) Laws regarding commercial transactions;
- (4) Laws regarding registration of commercial documents.

944. This law shall become effective two months after the date of publication.

945. The Ministry of Commerce shall be responsible for the execution of this law.

(Signature of His Majesty The King)

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