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CIVIL CODE OF THE RUSSIAN FEDERATION (Part One)
Adopted by the State Duma on 21 October 1994 and 22 September 1995, as amended 20 February and 12 August 1996 and 24 October 1997

Section 1. General Provisions

Sub-Section 4. Transactions and Representation

Chapter 9. Transactions

§ 1. Concept, Types and Form of Transactions

Article 159. Oral Transactions

1. A transaction for which the written (simple or notarial) form has not been established by a law or by Agreement of the parties may be concluded orally.

2. Unless otherwise established by agreement of the parties, all transactions to be performed by those who concluded them themselves may be concluded orally, except for transactions for which the notarial form has been established and transactions the failure to comply with the simple written form of which entails their invalidity.

3. Transactions in performance of a contract concluded in written form may, by agreement of the parties, be concluded orally unless this is contrary to a law, other legal acts, and a contract.

§ 2. Invalidity of Transactions

Article 167. General Provisions an Consequences of Invalidity

1. An invalid transaction shall not entail legal consequences, except for those which are connected with its invalidity, and shall be invalid from the moment of its conclusion.

2. In the event of the invalidity of a transaction, each of the parties shall be obliged to return to the other everything received according to the transaction, and if it is impossible to return that received in kind (including when that received is expressed in the use of property, work fulfilled, or service provided), to compensate its value in money, unless other consequences of the invalidity of the transaction have been provided for by a law.

3. If it follows from the content of a contested transaction that it may be only terminated at a future time, the court deeming the transaction to be invalid shall terminate its operation at the future time.

Article 169. Invalidity of Transaction Concluded for Purpose Contrary to Fundamental Principles of Legal Order and Morality

A transaction concluded for a purpose knowingly contrary to the fundamental principles of legal order or morality shall be void.

When both parties to such a transaction have intent - in the event of performance of the transaction by both parties - everything received by them under the transaction shall be recovered to the revenue of the Russian Federation, and in the event of the performance of the transaction by one party, everything received shall be recovered for the revenue of the Russian Federation from the other party and everything due from it to the first party in compensation of that received.

When only one party of such a transaction has intent, everything received by it under the transaction must be returned to the other party, and everything received by the last or due to it in compensation of that performed shall be recovered to the revenue of the Russian Federation.

Chapter 10. Representation. Power of Attorney

Article 182. Representation

1. A transaction concluded by one person (representative) in the name of another person (person represented) by virtue of a power based an a power of attorney, specification of a law, or act of an empowered State agency or agency of local self-government shall directly create, change, and terminate civil rights and duties of the person represented.
A power also may be manifest from the situation in which the representative acts (seller in retail trade, cashier, and others).

2. Persons acting, although in the interests of another but in their own name (commercial intermediaries, bankruptcy administrators, executors in the event of inheritance, and others), and also persons empowered to enter into negotiations relative to possible future transactions, shall not be representatives.

3. A representative may not conclude transactions in the name of the person represented with respect to himself personally. He also may not conclude such transactions with respect to another person whose representative he is simultaneously, except for instances of commercial representation.

4. The conclusion through a representative of a transaction which by its character may be concluded only personally, and likewise other transactions specified in a law, shall not be permitted.

Article 183. Conclusion of Transaction by Unempowered Persons

1. In the absence of powers to act in the name of another person or in the event of exceeding such powers, the transaction shall be considered to be concluded in the name of and in the interests of the person who concluded it unless the other person (person represented) subsequently approves expressly the particular transaction.

2. Subsequent approval of a transaction by the person represented shall create, change, and terminate civil rights and duties for him with regard to the particular transaction from the moment of its conclusion.

Chapter 12. Limitations

Article 195. Concept of Limitations

The period for the defence of a right upon the suit of a person whose right has been violated shall be deemed to be a limitation.

Section 2. The Right of Ownership and Other Rights to a Thing

Chapter 20. Defence of Right of Ownership and Other Rights to a Thing

Article 303. Settlement of Accounts in Event of Return of Property from Illegal Possession

When demanding and obtaining property from another's illegal possession the owner also shall have the right to demand and obtain from a Person who knew or should have known that his possession is illegal (possessor not in good faith) the return or compensation of all revenues which this Person derived or should have been derived throughout the entire period of possession; and from a good-faith possessor, the return of compensation of all revenues which he derived or should have derived from the time when he knew or should have known about the unlawfulness of the possession or received a writ relating to the suit of the owner for the return of the property.

A possessor, both in good faith and not in good faith, in turn shall have the right to demand from the owner compensation for necessary expenditures made by him an the property for that time from which revenues from the property are due to the owner.

A possessor in good faith shall have the right to retain for himself improvements made by him if they can be separated without damaging the property. If such a separation of the improvements is impossible, a good-faith possessor shall have the right to demand compensation for expenditures made for the improvement, but not more than the amount of the increase of the value of the property.

Section 3. General Part of the Law of Obligations

Sub-Section 1. General Provisions on Obligation

Chapter 22. Performance of Obligations

Article 328. Counter Performance of Obligations
1. The performance of an obligation by one of the parties which in accordance with a contract is conditioned by the performance by the other party of its obligations shall be deemed to be counter performance.

2. In the event of the failure of an obliged party to provide the performance of an obligation stipulated by the contract or of the existence of circumstances obviously testifying that such performance will not be made within the established period, the Party an whom counter performance lies shall have the right to suspend the performance of his obligation or to waive the Performance of this obligation and demand compensation of losses.

If the performance of an obligation stipulated by a contract was not made in full, the party an whom the counter performance lies shall have the right to suspend the performance of his obligation or to waive performance in that part corresponding to the performance not provided.

3. If counter performance of an obligation has been made notwithstanding the failure of the other party to provide performance of his Obligation stipulated by the contract, this party shall be obliged to provide such performance.

4. The rules provided for by points 2 and 3 of the present Article shall apply unless provided otherwise by the contract or by a law.

Chapter 23. Securing Performance of obligations

§ 2. Penalty

Article 330. Concept of Penalty

1. A penalty (or fine, forfeit) shall be deemed to be a monetary amount determined by a law or by contract which the debtor shall be obliged to pay to the creditor in the event of the failure to perform or the improper performance of an obligation, in particular in the event of the delay of Performance. With regard to a demand concerning payment of a penalty the creditor shall not be obliged to prove the causing of losses to him.

2. A creditor shall not have the right to demand payment of a penalty unless the debtor bears responsibility for the failure to perform or the improper performance of the obligation.

Article 331. Form of Agreement an Penalty

An agreement concerning a penalty must he concluded in written form irrespective of the form of the principal obligation. The failure to comply with the written form shall entail the invalidity of the agreement concerning the Penalty.

Article 332. Legal Penalty

1. A creditor shall have the right to demand the payment of a penalty specified by a law (legal penalty) irrespective of whether the duty to pay it has been provided for by agreement of the parties.

2. The amount of legal penalty may be agreement of the parties be increased if the law does not so prohibit.

Article 333. Reduction of Penalty

If a penalty subject to payment is clearly incommensurate to the consequences of the violation of the obligation, a court shall have the right to reduce the penalty.

The rules of the present Article shall not affect the rights of the debtor to a reduction of the amount of his responsibility on the basis of Article 404 of the present Code and the rights of the creditor to compensation of losses in the instances provided for by Art. 394 of the present Code.

Chapter 24. Change of Persons in Obligation

§ 1. Transfer of Rights of Creditor to Other Person

Article 382. Grounds and Procedure for Transfer of Rights of Creditor to Another Person

1. The right (or demand) belonging to a creditor an the basis of an obligation may be transferred by him to another person
with regard to the transaction (assignment of demand) or pass to another person on the basis of a law.

The rules concerning the transfer of the rights of a creditor to another person shall not apply to regressive demands.

2. The consent of the debtor, unless provided otherwise by a law or by contract, shall not be required for the transfer of the rights of the creditor to another person.

3. If the debtor was not informed in writing about the transfer of the rights of the creditor to another person, the new creditor shall bear the risk of the unfavourable consequences caused by this for him. In this event the Performance of the obligation to the initial creditor shall be deemed to be Performance to a proper creditor.

Chapter 25. Responsibility for Violation of Obligations

Article 393. Duty of Debtor to Compensate Losses

1. A debtor shall be obliged to compensate the creditor for losses caused by the failure to perform or improper performance of an obligation.

2. Losses shall be determined in accordance with the rules provided for by Article 15 of the present Code.

3. Unless provided otherwise by a law, other legal acts, or by contract, when determining losses the prices which existed in that place where the obligation was to have been performed on the date of voluntary satisfaction by the debtor of the demand of the creditor shall be taken into account, and if the demand was not voluntarily satisfied, on the day of bringing the suit. Proceeding from the circumstances, a court may satisfy the demand to compensate losses by taking into account the prices existing on the day of rendering the decision.

4. When determining lost advantage the measures undertaken by the creditor to receive it and the preparations made for this purpose shall be taken into account.

Article 395. Responsibility for Failure to Perform Monetary

1. For the use of another's monetary means as a consequence of unlawful withholding, avoidance of the return thereof, other delay in the payment thereof or the unjustified receipt or savings thereof at the expense of another person interest shall be subject to payment an the amount of these means. The amount of interest shall be determined as the rate of bank interest on the day of performance of the monetary obligation or respective part thereof which existed at the place of residence of the creditor, and if the creditor is a juridical person, at the place of its location. In the event of the recovery of a debt in a judicial proceeding the court may satisfy the demand of the creditor by proceeding from the bank interest rate on the date of presenting the suit or on the day of rendering the decision. These rules shall apply unless another amount of interest has been established by a law or by the contract.

2. If the losses caused to a creditor by the unlawful use of his monetary means exceed the amount of interest due him an the basis of point 1 of the present Article, he shall have the right to demand from the debtor compensation of losses in that part exceeding this amount.

3. Interest for the use of another's means shall be recovered as of the day of payment of the amount of these means to the creditor unless a shorter period has been established for calculating interest by a law, other legal acts, or by contract.

Article 404. Fault of Creditor

1. If the failure to perform or improper performance of an obligation has occurred through the fault of both parties, a court shall respectively reduce the amount of responsibility of the debtor. A court also shall have the right to reduce the amount of responsibility of the debtor if the creditor has intentionally or through negligence facilitated the increase of the amount of losses caused by the failure to perform or improper performance, or has not taken reasonable measures to reduce them.

2. The rules of point 1 of the present Article respectively shall also apply in instances when the debtor, by virtue of a law or contract, bears responsibility for the failure to perform or improper performance of an obligation irrespective of his fault.

Chapter 26. Termination of Obligations
Article 410. Termination of Obligation by Set-Off

An obligation shall be terminated wholly or in part by the set-off of a counter demand of the same type, the period for which has ensued or the period of which has not been specified or is determined by the moment of demand. The statements of one party are sufficient for set-off.

Sub-Section 2. General Provisions on Contract

Chapter 27. Concept and Conditions of Contract

Article 421. Freedom of Contract

1. Citizens and juridical persons shall be free in concluding a contract. Coercion to conclude a contract shall not be permitted except for instances when the duty to conclude a contract has been provided for by the present Code, by a law, or by an obligation voluntarily accepted.

2. The parties may conclude a contract which is either provided for or is not provided for by a law or other legal acts.

3. The parties may conclude a contract which contains elements of various contracts provided for by a law or other legal acts (mixed contract). The rules of contracts whose elements are contained in a mixed contract shall apply to the relations of the parties under a mixed contract unless it arises otherwise from the agreement of the parties or the essence of the mixed contract.

4. The conditions of a contract shall be determined by discretion of the parties except for instances when the content of the respective condition has been prescribed by a law or other legal acts (Article 422). In instances when a condition of a contract has been provided for by a norm which applies insofar as not established otherwise by agreement of the parties (dispositive norm), the parties may by their agreement exclude the application thereof or establish a condition which differs from that provided therein. In the absence of such agreement, the condition of the contract shall be determined by the dispositive norm.

5. If the condition of a contract has not been determined by the parties or by a dispositive norm, the respective conditions shall be determined by the customs of business turnover applicable to the relations of the parties.

Article 424. Price

1. The Performance of a contract shall be paid for at the price established by agreement of the parties. In the instances provided for by a law the prices (or tariffs, price scales, rates, etc.) established or regulated by duly empowered State agencies shall be applied.

2. A change of the price after the conclusion of a contract shall be permitted in the instances and the conditions provided for by contract, by a law, or in the procedure established by a law.

Article 431. Interpretation of Contract

In the event of the interpretation of the conditions of a contract by a court the literal meaning of the words and expressions contained therein shall be taken into account. The literal meaning of the condition of a contract in the event of its ambiguity shall be established by means of comparing with the other conditions and with the sense of the contract as a whole.

If the rules contained in paragraph one of the present Article do not enable the content of the contract to be determined, the true common will of the parties must be elicited by taking into account the purpose of the contract. In so doing all the respective circumstances, including negotiations preceding the contract and correspondence, practice being established in the mutual relations of the parties, the customs of business turnover, and the subsequent conduct of the parties, shall be taken into account.

Chapter 28. Conclusion of Contract

Article 432. Basic Provisions on Conclusion of Contract

1. A contract shall be considered to be concluded when agreement regarding all the material conditions of the contract
has been reached in the form required in appropriate instances. Conditions concerning the subject of the contract, conditions which are named in a law or other legal acts as material or necessary for contracts of the particular type, and also all those conditions relative to which agreement must be reached according to the statement of one of the parties, shall be material.

2. A contract shall be concluded by means of sending an offer (proposal to conclude a contract) by one party and its acceptance (acceptance of the proposal) by the other party.

**Chapter 29. Change and Dissolution of Contract**

**Article 451. Change and Dissolution of Contract In Connection with Material Change of Circumstances**

1. A material change of circumstances from which the parties proceeded when concluding a contract shall be a grounds for the change or dissolution thereof unless provided otherwise by the contract or it arises from the essence thereof. A change of circumstances shall be deemed to be material when they have changed such that if the parties could reasonably foresee this, the contract would not have been concluded at all by them or it would have been concluded an significantly differing conditions.

2. If the parties have not reached agreement concerning the bringing of the contract into conformity with the materially changed circumstances or the dissolution thereof, the contract may be dissolved, and an the grounds provided for by point 4 of the present Article, changed by a court at the demand of the interested party when the following conditions simultaneously exist:

   (1) at the moment of concluding the contract the parties proceeded from the fact that such a change of circumstances would not occur;

   (2) the change of circumstances has been caused by reasons which the interested party could not overcome after they arose with that degree of concern and Bare which are required of him by the character of the contract and the conditions of turnover;

   (3) the performance of the contract without a change of its conditions would so violate the correlation of property interests of the parties which correspond to the contract and entail for the interested party such damage that it would be deprived to a significant degree of that which it had the right to count an when concluding the contract;

   (4) it does not arise from the customs of business turnover or the essence of the contract that the risk of the change of circumstances is borne by the interested party.

3. In the event of the dissolution of a contract as a consequence of a material change of circumstances the court at the demand of any of the Parties shall determine the consequences of the dissolution of the contract by proceeding from the need for a just distribution between the Parties of the expenses incurred by them in connection with the Performance of this contract.

4. The change of a contract in connection with a material change of circumstances shall be permitted by decision of a court in exceptional instances when dissolution of the contract is contrary to social interests or entails damage for the parties which significantly exceeds the expenditures needed to perform the contract an the conditions changed by the court.


**Referring Principles:**

- II.1 - Prerequisites and effects of agency
- II.3 - Agent acting without or outside his authority
- III.1 - Set-off
- III.2 - Assignment of claim
- IV.1.1 - Freedom of contract
- IV.2.1 - Contractual consent
- IV.4.1 - Freedom of form
IV.5.1 - Intentions of the parties
IV.6.2 - Subsequent fixing of contract price
IV.6.4 - No contract to detriment of third party
IV.7.1 - Invalidity of contract that violates good morals ("<em>boni mores</em>"")
IV.9.1 - Limitation periods
V.1.4 - Principle of simultaneous performance; right to withhold performance
VI.4 - Promise to pay in case of non-performance
VII.1 - Damages in case of non-performance
VII.4 - Duty to mitigate
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IX.1 - Basic rule