

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

**Article 59.**

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

**Article 60.**

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

**Article 61.**

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

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**Article 53.**

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

**Article 54.**

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

**Article 55.**

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

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

**Article 56.**

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

**Article 57.**

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

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

**Article 58.**

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

**Article 47.**

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

**III. Directors of a joint stock company and their duties.****Article 48.**

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

**Article 49.**

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

**Article 50.**

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

**Article 51.**

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

**Article 52.**

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

**Article 43.**

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

**Article 44.**

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

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

**Article 45.**

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

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

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

**Article 46.**

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

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

#### Article 41.

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

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

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

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

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

#### Article 42.

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

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

#### Article 38.

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

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

#### Article 39.

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

#### Article 40.

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

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

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

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

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

#### **Article 34.**

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

#### **Article 35.**

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

### **II. The construction of a joint stock company.**

#### **Article 36.**

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

#### **Article 37.**

The articles of the company must particularly mention:-

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

**Article 28.**

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

**Article 29.**

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

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

**Article 30.**

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

**Article 31.**

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

**Article 32.**

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

**Article 33.**

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



**Section 1.**

**Joint stock Companies**

**1. General.**

**Article 21.**

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

**Article 22.**

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

**Article 23.**

The shares may or may not be registered.

**Article 24.**

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

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

**Article 25.**

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

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

**Article 26.**

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

**Article 27.**

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

**Article 17.**

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

**Article 18.**

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

**Article 19.**

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

**BOOK 3.****Trading Companies****Chapter 1.****Various kinds of companies and concerning them****Article 20.**

There are seven kinds of trading companies:-

- (a) The Joint stock Company
- (b) The Limited Liability Company
- (c) The General partnership
- (d) The Limited partnership
- (e) The Joint Stock Partnership
- (f) The proportional Liability partnership
- (g) The Co-operative Society for production and Consumption.

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

### Article 13.

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

### Article 14.

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

### Article 15.

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

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

## Chapter 2.

### Registers of Commerce.

### Article 16.

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

**Article 8.**

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

**Article 9.**

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

**Article 10.**

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

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

**Article 11.**

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

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

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

**Article 12.**

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

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

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

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

(d) All transaction of commercial companies;

#### Article 4.

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

#### Article 5.

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

### BOOK 2.

#### Commercial Books and Register of Commerce

##### Chapter 1.

##### Commercial Books

#### Article 6.

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

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

#### Article 7.

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

قانون تجارت ایران به زبان انگلیسی

# The Iranian Commercial Code

## BOOK 1.

### Merchants and commercial Transactions

#### Article 1.

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

#### Article 2.

Commercial transactions are:-

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

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

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

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

(e) Business connected with auctions;

(f) Management of places of public amusement;

(g) Any kind of banking and exchange business;

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

(i) Marine and other insurance business;

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

#### Article 3.

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