

- (a). If he has while acting for other parties, and without receiving adequate consideration, undertaken obligations which were considered to be beyond his resource when he undertook the said transactions:
- (b). If he has stopped payment and has not acted in conformity with the provisions of Article 413 of the present law;
- (c). If since the enforcement of the Commercial Code, approved the 25th Dalve 1303, the 12th farvardin and the 12th Khordad 1304, he has kept no books, or if his books are incomplete or irregularly kept, or if he does not show in his inventory his true assets or liabilities, provided however that in such cases he has not been guilty of fraud.

**Article 543.** Culpable bankruptcy is a misdemeanour and shall be punished with reformatory imprisonment from six months to three years.

**Article 544.** This misdemeanour shall be dealt with at the request of the trustee, any creditor, or on proceedings by the public prosecutor.

**Article 545.** The cost of culpable bankruptcy proceedings lodged by the public prosecutor may in no case be charged against the creditors.

In case of a composition, the executive bailiffs shall be unable to claim payment of their costs, until after the expiration of the period stated in the composition.

**Article 546.** The cost of proceedings lodged by the trustee in the name of the creditors shall be paid for, in the event of a verdict of not guilty, by the creditors, and if a verdict of guilty is returned by the state, except when proceedings are lodged against the bankrupt in conformity with the preceding article.

**Article 547.** The trustee may only undertake a prosecution for culpable bankruptcy or take action on behalf of creditors after having obtained sanction of the majority of the creditors present.

**Article 548.** If a verdict of guilty is returned, the cost of proceedings lodged by a creditor shall be paid for by the State. If the verdict is not guilty then plaintiff creditor is liable for costs.

day per six farakhs, for parties residing at a distance in excess of six farsakhs, from the place or seat of the Court.

- Article 540.** No opposition, or appeal, to the supreme court of Justice is allowed in the following cases:-
- (a). Judgments relating to the appointment or replacement of the official receiver or the trustee;
  - (b). Judgments granting an allowance to the bankrupt or his kin;
  - (c). Judgments which authorize the sale of effects or goods belonging to the bankrupt.
  - (d). Judgments ordering postponement of a composition or provisional admission of the debts of creditors which are contested;
  - (e). Judgments passed following petitions lodged against orders passed by the official receiver within the limits of his power.

## BOOK 12

### Culpable bankruptcy and fraudulent bankruptcy

#### Chapter I.

- Article 541.** In the following cases every bankrupt shall be declared as culpable bankrupt:-
- (a). If his personal expenses or his family expenses in normal times have been excessive, as compares with his income;
  - (b). If it is established that in proportion to his capital the bankrupt has used large sums either in transactions considered to be fictitious by commercial practice, or in more change speculations;
  - (c). If, with the object of delaying his failure, the bankrupt has effected purchases above or sales below current prices, or if with the same purpose he has indulged in ruinous practices to procure funds, either by borrowing or by issuing bills of exchange or by other means;
  - (d). If after stopping payment the bankrupt has given an undue preference to one of the creditors.
- Article 542.** In the following cases any merchant who has failed is guilty of culpable bankruptcy:-

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### (21) Commercial Code of Iran

#### Chapter II

##### Appeals Against Judgment delivered in Cases of Bankruptcy

**Article 536.** A judgment declaring a state of Bankruptcy to exist and fixing the date of bankruptcy prior to the time when payment was actually suspended may be appealed against.

**Article 537.** Appeal must be lodged by the bankrupt within ten days, and by other interested party within one month, if the party resides in Iran, or within two months, if residing abroad. These period will begin to run from the date of publication of judgment.

**Article 538.** No appeal from creditors with the object of fixing the date of suspension of payment at any other date than that stated in the declaration of bankruptcy, or by any other judgment given to this effect, shall be accepted after the period fixed for admission and proving of debts has expired. The said periods having expired so far as suspension of payment is irrevocably determined so far as creditors are concerned.

**Article 539.** The period allowed for appeal against any judgment declaring a state of bankruptcy to exist shall be ten days to count from notice to this effect. This delay shall be increased at the rate of one