Merchant Shipping Code

LAW OF THE REPUBLIC OF AZERBAIJAN

Chapter I General

Provisions


1.1. This Code shall establish the legal basis for merchant shipping, its efficient organization and relations, arising in connection with its purposeful development.

1.2. Relations arising in the course of merchant shipping activity are regulated by this Code, laws of the Republic of Azerbaijan, international treaties, wherein the Republic of Azerbaijan is one of the parties and standard legislative acts adopted in accordance with them.

1.3. Proprietary relations, arising in the course of merchant shipping activities that cannot be regulated or partially regulated by provisions of this Code, will be regulated by civil legislation of the Republic of Azerbaijan.

Article 2. General definitions of the Merchant Shipping Code

2.1. The term «Merchant shipping» shall be defined as activities specified below, carried out with use of ships:

2.1.1. transportation of cargoes, passengers, their luggage and mail;
2.1.2. production of resources of marine environment;
2.1.3 pilotage;
2.1.4. offshore and sub-sea exploration and production of mineral resources at seabed and sub-seabed;
2.1.5. towing, ice-breaking, search and rescue operations;
2.1.6. lifting of assets sunken in the sea;
2.1.7. protection and preservation of marine environment;
2.1.8. using of ships for other economic, scientific, educational and cultural purposes.

2.2. Ship — self-propelled or non-self-propelled floating structure used for merchant shipping purposes.

2.3. Ship owner - a person, operating the ship on its own behalf, irrespective of the fact whether he is a ship owner or use it on other legal basis.
2.4. Sea port (hereinafter – port or sea port) - complex of facilities located in a specific water area and designated for servicing of ships and passengers for merchant shipping, transportation of cargo and carrying out of operations and other services provided at the sea ports.

2.5. Port authority — legal entity established with the aim to organize and control the port activity which statute is approved by the relevant executive authority.

2.6. Ship tonnage — gross tonnage of the ship defined in accordance with International treaties on measuring of the ships.

2.7. Unit of account – special drawing right established by international financial institutions.


2.9. Flag State Control – State Control on ships registered in certain ships registry of the Republic of Azerbaijan and inspection and certification of vessels flying under the flag of the Republic of Azerbaijan, as well as issuing documents in the field of safety and protection of environment.

2.10. Port State Control – State Control on foreign vessels entering and departing ports of the Republic of Azerbaijan, compliance inspection of their equipment and controlling that meets requirements of international agreements.

Article 3. Application of procedures defined in this Code

3.1. Procedures of this Code will be applied for the followings:

3.1.1. marine ships — during their navigation in external and internal waters, unless otherwise stipulated under International treaties, wherein the Republic of Azerbaijan is one of the parties.

3.1.2. ships navigating in internal water areas, as well as river-sea navigation ships - in the event of transportation of cargo, passengers and their baggage by entrance to foreign sea ports as well as via domestic waters, rescue operations and collision with sea ship.

3.2. The procedures, defined under this Code, except those directly stipulated in this Code, will not be applied to navy warships, auxiliary warships and state owned or state operated ships and ships used only for non-commercial state services, as well as state owned non-commercial cargo.

Article 4. State control in the field of merchant shipping

4.1. State control in the field of merchant shipping shall be carried out by relevant executive authority.

4.2. In accordance with provisions of this Code and other International treaties, wherein the Republic of Azerbaijan is one of the parties, relevant executive authority shall adopt normative legislative acts that regulate the relations arising from merchant shipping within its level of competence.
4.3. Navigational and hydrographic provision of shipping routes will be carried out by relevant executive authority.

Article 5. State supervision over merchant shipping

5.1. State supervision over the merchant shipping in the Republic of Azerbaijan shall be carried out by relevant executive authority.
5.2. Relevant executive authority shall perform the state supervision over:
5.2.1. compliance with International treaties, wherein the Republic of Azerbaijan is one of the parties and legislation of the Republic of Azerbaijan for merchant shipping;
5.2.2. safe navigation management system;
5.2.3. condition of shipping routes and technical navigation appliances installed in shipping routes;
5.2.4. state registration of ships and rights on ships;
5.2.5. services and sea port navigation management systems;
5.2.6. rescue operations and co-ordination with other rescue services;
5.2.7. protection of marine environment.

Article 5-1. Licensing in the field of Merchant Shipping.

5-1.1. Following types of activities are implemented on basis of special agreement (license) in the field of Merchant Shipping:
5-1.1.1. Carriage of goods by water transport.
5-1.1.2. Carriage of passengers by water transport.

Article 6. Units of account

6.1. Evaluation of equivalent amounts specified in articles 132, 148, 253.1, 262.1 and 280 in manats will be carried out in accordance with the price of manat in the special drawing rights taking into consideration the following provisions:
6.1.1. amount specified in articles 132 and 148 of this Code — to the date of court or arbitration court judgment or defined in contract by and between the parties;
6.1.2. amount specified in articles 253.1 and 262.1 of this Code — to the date of establishment of the limited liability fund;
6.1.3. amount specified in article 280 of this Code — to the date of establishment of the limited liability fund, effecting of payment or issue of payment guarantee of equivalent value.
6.2. Manat equivalent in the special drawing right will be calculated in accordance with the method of establishment of the value for transactions and settlements of the international financial institutions by the appropriate date.

Article 6-1. State fees on services or legal actions in maritime field.

6-1.1. Following fees are paid for services or legal actions in maritime field:
6-1.1.1. to issue certificate entitling to fly under the State flag of the Republic of Azerbaijan.
6-1.1.2. to issue temporary certificate to vessels for registration in bare-bout charter registry or re-registration for entitling to fly under the State flag of the Republic of Azerbaijan.
6-1.1.3. to issue ownership certificate to ships for registration in state ships registry or re-registration.
6-1.1.4. to issue minimum safe manning certificate.
6-1.1.5. to issue certificate on prevention of oil pollution.
6-1.1.6. to issue extraction from ships registry
6-1.1.7. to issue certificate of ships’ compliance with “International Code on Ships and Port Facility Security” requirements.
6-1.1.8. to issue certificate of ships’ compliance with “International Code on Safe Management” requirements.
6-1.1.9. to issue certificate of ports’ compliance with “International Code on Ships and Port Facility Security” requirements.
6-1.1.10. to issue certificate of shipping companies’ compliance with “International Code on Safe Management” requirements.
6-1.1.11. to issue qualification certificates (diplomas) to ships’ captain and rating members.
6-1.1.12. to issue preparation courses certificates to ships’ crew members.
6-1.1.13. to issue seafarers notebook.
6-1.1.14. to issue seafarers identity document.
6-1.1.15. to issue ships card to small sized ships.
6-1.1.16. to register non-engine small sized ships.
6-1.1.17. to register small sized ships.
6-1.1.18. to carry out technical survey to small sized ships.
6-1.1.19. to issue an extraction from state ships registry for small sized ships.
6-1.1.20. to issue pilot documents for pilots of small sized vessels
6-1.1.21. to issue certificates of insurance or other finance maintenance regarding to civil liability for bunker oil pollution damage.
6-1.1.22 to issue certificate for ship’s agent activity

Chapter II

Ship

Article 7. Ownership of ship

7.1. Ownership of ship can be in any form of ownership stipulated under legislation of the Republic of Azerbaijan.
7.2. The ship owner shall have rights to perform any actions, that comply with laws of the Republic of Azerbaijan and do not infringe statutory rights and interests of
other parties regarding the ship, as well as to alienate the ship, to retain the ownership and transfer the rights of possession, use and disposal and define the mortgage.

**Article 8. The right of navigation under the National Flag of the Republic of Azerbaijan**

8.1. The right of navigation under the National Flag of the Republic of Azerbaijan will be provided for ships owned by natural persons and legal entities of the Republic of Azerbaijan, state and municipal authorities of the Republic of Azerbaijan.

8.2. The ships, that have been registered by by Ships Registry of foreign state by the decision of the appropriate executive authority and transferred for use and possession of Azerbaijan freight forwarder under bare boat charter (freight forwarding contract of a ship without a crew) will be granted a provisional right to navigate under the State flag of the Republic of Azerbaijan as follows:

8.2.1. in the event of meeting by freighter of requirements specified in Article 8.1 of this Code;

8.2.2. in case that written consent of the ship owner to transfer the ship for navigation under the State Flag of the Republic of Azerbaijan;

8.2.3. in case that the mortgager of the ship mortgage, that has been defined under national laws of the ship owner or of the same shipment gives a written consent to transfer the ship for navigation under the State Flag of the Republic of Azerbaijan;

8.2.4. in case that national legislation of the ship owner allows the granting of the right to navigate under the flag of a foreign state;

8.2.5. if the navigation right under the flag of a foreign state has been suspended or would be suspended at the moment of granting of navigation rights under the state flag of the Republic of Azerbaijan.

8.3. The right to navigate under the state flag of the Republic of Azerbaijan might be granted to the ship for the period of not more than two years within the period of validity of the bare boat charter on conditions of its prolongation for every two years of the following period. Period of validity of the bareboat charter for the purposes of replacement of the flag should not be less than one year.

8.4. Confirmation of invalidation of the decision on granting of the right for ship navigation under the state flag of the Republic of Azerbaijan will be carried out in the same manner as making the decision.

**Article 9. Occurrence of the right of navigation under the State Flag of the Republic of Azerbaijan**

9.1. A ship will obtain a right of navigation under the State flag of the Republic of Azerbaijan from the moment of its registration in one of the Ships Registers of the Republic of Azerbaijan, stipulated under Article 26.1 of this Code.

9.2. A ship of foreign ownership will use the right of navigation under the State Flag of the Republic of Azerbaijan from the moment of issue of relevant temporary
certificate, that verifies granting of such right either by the Consulate Department of the Republic of Azerbaijan or by the relevant executive authority of the Republic of Azerbaijan.

9.3. The temporary certificate will be valid until the period the ship is registered by an appropriate Ships Registry of the Republic of Azerbaijan, providing however, that it should not exceed six months period.

Article 10. Nationality of ship

10.1. A ship, enjoying the navigation right under the State Flag of the Republic of Azerbaijan will be a national belonging of the Republic of Azerbaijan.

10.2. A ship, that is a national belonging of the Republic of Azerbaijan, should carry the State Flag of the Republic of Azerbaijan.

Article 11. Deprivation of the right of navigation under the State Flag of the Republic of Azerbaijan.

11.0. Any ship will be deprived of its right to navigate under the State Flag of the Republic of Azerbaijan in the event of one of the following:

11.0.1. in the event of non-compliance with the requirements specified in article 8.1 of this Code;

11.0.2. in the event of cancellation of the navigation period under the State Flag of the Republic of Azerbaijan or cancellation of the decision on granting of such a right as specified in articles 8.2 and 8.3.

Article 12. Temporary transfer of a ship under the flag of a foreign state

12.1. If any ship registered in the State Registry or Ships book is transferred over to any foreign freigher for use under the bareboat-charter, by decision of relevant executive authority, under the conditions of suspension of the right of navigation under the State Flag of the Republic of Azerbaijan, such ship can be transferred under the flag of a foreign state in provide the following:

12.1.1. if the ship owner express in writing the consent for transfer of the ship under the flag of a foreign state;

12.1.2. in the event of non-payment of a properly established and registered ship mortgage and written consent of mortgager on transfer of the ship under the flag of a foreign state;

12.1.3. in case that there are no provisions, that do not allow return of the ship under the state flag of the Republic of Azerbaijan upon expiration of the period of the right on transfer of the ship, that was registered in accordance with the freigher state laws in the State Marine Registry and Ship’s Register under the flag of the subject state and navigating under the flag of such state.
12.2. Any ship might be transferred under the flag of a foreign state within the validity of bareboat-charter period, for no longer than two years with the right of its future prolongation for every two years. Period of validity of the bareboat-charter in conditions of replacements of the flag cannot be less than one year.

12.3. Verification of an expiry of the decision on transfer of any ship under the flag of a foreign state will be carried out under same procedures applied for making the decision.

Article 13. Name of a ship

13.1. Any ship, that will be registered in a State Registry or Ship’s Register, should have its own name.

13.2. The ship will be named by the ship owner in accordance with procedures established by relevant executive authority of the Republic of Azerbaijan.

13.3. The ship might be renamed in the event of replacement of ownership or under other applicable conditions. Registered mortgagers of the ship will be notified on any renaming.

Article 14. Call sign

14.1. Any ship will have assigned call signal. Depending on technical appliances, ships will also be provided with a unique identification number of ship satellite communication station and individual call-sign of a ship radio station.

14.2. Procedure for issue of call-signal, unique identification number of ship satellite station and assigned call-sign of a ship radio station will be established by the relevant executive authority.

Article 15. Ship technical control and classification authorities

15.1. Ship technical control and their classification for the ships shown article 16.2 of this Code are carried out by the classification societies that chosen by ship owner.

15.2. Construction and repair of ships in the territory of the Republic of Azerbaijan and also technical control over ships that flies under the State flag of the Republic of Azerbaijan and constructed beyond border the Republic of Azerbaijan are carried out by the classification societies.

15.3. Actions of classification societies are affirmed by relevant executive authority.

Article 16. Technical control over the ships

16.1. Any ship meeting the requirements of maritime safety and international treaties on merchant shipping, wherein the Republic of Azerbaijan is one of the parties will be admitted for navigation.

16.2. Classification entities within their level of competence will carry out technical control over passenger carriers, passenger and cargo, liquid carrying ships,
to boats, as well as other self-propelled ships, with minimum engine power rating of 55 kWt and non-self-propelled ships, with minimum capacity 80 tons, with exception of sport and leisure ships used for commercial purposes.

16.3. Technical control over ships to which are not applied the provisions stipulated by the article 16.2 of this Code according to the capacity and engine powers of such ships and will be implemented in an order established by the relevant executive authority.

**Article 17. Classification of ships**

Classification societies will assign respective categories to those ship specified in the Article 16.2 depending upon their type of structure and supply under their competence. Assigning of a category to ships will be certified by certificates of classification.

**Article 18. Basic Ship Documents**

18.1. Any ship should have basic documents of ship as follows:
18.1.1. a certificate on the right of navigation under the State flag of the Republic of Azerbaijan;
18.1.2. a certificate of title to the ship;
18.1.3. a certificate of the ship seaworthiness;
18.1.4. passenger certificate (for passenger ships);
18.1.5. certificate of measurement;
18.1.6. a certificate of assortment of cargo;
18.1.7. a certificate of a crew;
18.1.8. a certificate on prevention of oil pollution;
18.1.9. a certificate on prevention of sewage pollution;
18.1.10. a certificate on prevention of waste pollution;
18.1.11. a special permit on the ship radio-station and radio log (if there is radio-station in the ship);
18.1.12. list of the crew;
18.1.13. a Ship’s book;
18.1.14. a machine log (for ships with mechanical engines);
18.1.15. a record book for operation with waste waters;
18.1.16. a record book for operation with wastes;
18.1.17. a record book for operation with those ships, that are not oil tankers;
18.1.18. a record book of oil operations for oil tankers;
18.1.19. sanitation book;
18.1.20. a ship certificate on right of departure;
18.1.21. list of passengers (for a passenger ship);
18.1.21-3. regular record book of ship’s history.
18.1.21-4. Certificate of insurance or other finance maintenance regarding to civil liability for bunker oil pollution damage
18.1.22. other documents in accordance with the requirements of international maritime organization.
18.2. List of crew, list of passengers, Ship’s Book and radio log will be kept in an order established by the relevant executive authority.
18.3. Sanitation book will be kept in an order established by the relevant executive authority of the Republic of Azerbaijan.
18.4. Certificates of measure and cargoes assortment might not be required in ambulance boat, lazaretto ships and ships used for other control. Such ships might be issued a corresponding certificate and their capacity might be established in a simple way.
18.5. Unless otherwise established by the authority that carries out technical control, ships, that are on departure, are not required to keep machine log, radio records book, Ship’s book and sanitation book.

Article 19. Additional ship documents

In addition to those documents specified in the article 18 of this Code, any ship is also required to have the document, stipulated by the approved procedures of the classification society.

Article 20. Documents of the Ships of Some Categories

List of necessary ship documents, procedure of their issue and maintenance for sports ship, cruise ships, other self-propelled ships with power of the basic engine less than 55 kWt and non-self-propelled ships, capacity of which is less than 80 tons will be established by the relevant executive authority.

Article 21. Ship documents for cruisers

In addition to the documents specified in the article 18-20 of this Code, cruisers should also keep the documents stipulated by the International Treaties wherein the Republic of Azerbaijan is one of the parties.

Article 22. Bodies issuing ship documents

22.1. Certificates on the right for navigation under the State flag of the Republic of Azerbaijan and title will be issued by the authority that register the ship.
22.2. Certificate on the ship seaworthiness, certificate of size, certificate of passenger, certificate of cargo assortment, certificate on prevention of oil pollution,
certificate on prevention of waste water pollution, certificate on prevention of waste pollution and other additional ship documents will be issued by a classification society. Some categories of ships will not require certificates of size and cargo assortment by the consent of authority registered the ship.

22.3. Documents to cruisers, that are stipulated by the International Treaties wherein the Republic of Azerbaijan is one of the parties will be issued by the classification society.

22.4. A special permit for operation of a ship radio station will be issued by the relevant executive authority.

22.5. Ship sanitation certificate for right to departure will be issued by the relevant executive authority.

22.6 Certificates shown in the articles 6-1.1. and 6.1.1.10 are issued by the relevant executive authority and regulation on forms and issuing of mentioned certificates is defined by the relevant executive authority.

Article 23. Recognition of documents of the ships navigating under the flag of a foreign state

Recognition of the documents of any ship, that navigates under the flag of foreign state and enters the ports of the Republic of Azerbaijan is carried out in accordance with the International Treaties wherein the Republic of Azerbaijan is one of the parties.

Article 24. Requirements concerning ship documents

Except for the copy of the certificate of title of the ship, that is certified by the authority issuing it, originals of all ship documents should be kept on board.


25.1. Books specified in the articles 18.1.13-18.1.19 of this Code will be kept in an order established by the relevant executive authority.

25.2. After the last record has been made to the Ship’s Books, it will be kept aboard upon two years. Upon expiry of the said period, the Ship’s Book will be assigned to the ship owner and (and or) proprietor.

25.3. Ship’s Book will be presented to those persons that are authorised to obtain appropriate information for familiarization or making their copies.

Chapter III

Registration of ships and title to them

26.1. Any ship of the Republic of Azerbaijan should be registered in one of the following Ship’s Registers:
   26.1.1. State Ship’s Registry;
   26.1.2. ship’s book;
   26.1.3. bareboat-charter register.
26.2. Ship name and other rights of property, as well as restriction of such rights (mortgage and other restrictions) should be registered in the State Ship’s Registry or Ship’s Book.
26.3. Registration of a title to the ship and other rights of property, as well as its limitation in the State Ship’s Book will be the single proof of existence of the registered right disputable only in an order of a law court.
26.4. Ship’s Registries stipulated by the article 26.1 of this Code will be kept in an order defined under this chapter.
26.5. Procedures of registration of ships and their rights by the relevant executive authority will be approved by the relevant executive authority.
26.6. Ships, technical control of which is carried out by the classification entities under the article 16.2 of this Code will be registered in the State Ship’s Registry.
26.7. Ships, technical control of which is carried out by other authorities under the article 16.3 of this Code will be registered in the Ship’s Book.
26.8. Floating crafts, belonging to any ship will not be registered in the Ship’s Registers.
26.9. Ships that are authorised to navigate under the State flag of the Republic of Azerbaijan will be registered in the Bare-boat Charter Register.
26.10. In the event of commercial application, ships might be re-registered in accordance with the procedures of this chapter.

**Article 27. Ship Registration Authorities**

27.1. Registration of the ships, specified in the article 16.2 of this Code will be carried out by the relevant executive authority.
27.2. Registration of the ships, specified in the article 16.3 of this Code will be carried out by the relevant executive authority.

**Article 28. Conditions of registration of ships**

28.1. Any ship might be registered only in one Ship’s Registry.
28.2. Any ship that has been registered by the Ship’s Registry in any foreign state, will be authorised to be registered in the State Ship’s Registry of the Republic of Azerbaijan or Ship’s Book upon submission of a certificate, verifying cancellation of its registration in foreign State Registry.
28.3. If any Ship’s registered in the Ship’s Registry of a foreign state is removed from the Ship’s Registry or Ship’s Book of the Republic of Azerbaijan, its state registration will not be recognized.

28.4. Registration and any amendments in the State Ship’s Registry, Ship’s Book and Bare-Boat Charter Register will be subject to payments in accordance with tariffs as defined by relevant executive authority.

**Article 29. Registration of the ships in the bareboat-charter register**

29.1. Any ship that has been registered in the Ship’s Register of a foreign State, should be registered in the Bareboat Charter Register within the period of one month from the date of decision to grant the right of navigation under the State Flag of the Republic of Azerbaijan.

29.2. Registration of the ship will be carried out in accordance with application of a freighter under bareboat-charter accompanied with the documents established by the relevant executive authority as required for registration.

**Article 30. Information to be recorded at the State Ship’s Register and Ship’s Book**

30.1. Ships shall be registered in the State Ship’s Registry and Ship’s Book by the name of the ship owner (owners).

30.2. Following general information will be provided to the State Ship’s Registry:

30.2.1. the ship registration number and date of registration;

30.2.2. name of the ship, (previous and current), previous port (location) of registration and date of registration, if any;

30.2.3. name of registration of the port (location) of the ship and identification code issued by the International Maritime Organization;

30.2.4. call-sign of the ship;

30.2.5. name, location of the shipyard and the ship year of construction;

30.2.6. type and purpose of the ship and area of its navigation;

30.2.7. basic technical characteristics of the ship, including capacity (gross and net), complete tonnage and basic sizes;

30.2.8. name, citizenship and address of the ship owner (owners);

30.2.9. share of each shareholder in a shared property, in case that the ship has several owners;

30.2.10. basis for establishment of a title to a ship or its part (purchase and sale contract, contract on the ship construction, etc);

30.2.11. name and address of the ship owner, in case that he is not its proprietor;

30.2.12. information on the Ship’s Registry mortgage;

30.2.13. reasons and date of removal of the ship from the state Ship’s Registry and Ship’s Book.
30.3. In case that the ship is temporarily transferred to navigation under the state flag of a foreign state, additional general information will be provided to the State Ship’s Registry or Ship’s Book as follows:

30.3.1. Name of the relevant executive authority that has taken a decision on temporary transfer of the ship to navigation under the flag of a foreign state and date of such decision;
30.3.2. period of navigation of the ship under the flag of a foreign state;
30.3.3. name of the state, under flag of which the ship is permitted to navigate;
30.3.4. name and address of the freighter of the ship in accordance with bareboat-charter
30.3.5. date of suspension of the rights to navigate under the State flag of the Republic of Azerbaijan.

Article 31. Information to be recorded at bareboat-charter register

31.1. Ships shall be registered in the bareboat-charter register in the name of the charterer of the ship in accordance with bareboat-charter.
31.2. Following significant information shall be recorded at the bareboat-charter register:
   31.2.1. the name of the ship;
   31.2.2. the name and address of the ship proprietor;
   31.2.3. the name and address of the freighter of the ship in accordance with bareboat-charter;
   31.2.4. date of conclusion of bareboat-charter and its period of validity;
   31.2.5. date of expiration of the right of the ship navigation under the State flag of the Republic of Azerbaijan;
   31.2.6. information about Ship’s Registry of the foreign state, that registers the ship directly before the flag has been changed, stating that legislation of the state, that keeps such register is applied as regard title for ship and also ship mortgage or encumbrance of the same nature, recorded in such register.
31.3. Name of mortgager or any other information regarding ship mortgage or encumbrance of the same nature, that was registered in the Ship’s Registry of foreign state before the replacement of the flag might also be included in the bareboat-charter register upon the request of mortgager.

Article 32. Duties on notification on amendment of information introduced to the Ship’s Registries

Any ship owner or freighter under the bareboat charter will be obliged to notify the authority of registration of the ship on any amendments of the information introduced to the state Ship’s Registry, Ship’s Book and or bareboat charter within period of two weeks from the day such amendment becomes known to them.
Article 33. Initial registration of the ship at the State Ship’s Registry or Ship’s Book

Initial registration of the ship in the State Ship’s Registry or Ship’s Book will be carried out within the period of one month from the moment of launch of the ship and within the period of one month from the entry to the seaport of the Republic of Azerbaijan for the ship obtained outside the Republic of Azerbaijan.

Article 34. Change of the port (location) of the ship registration

34.1. Port (location) of the ship registration may be changed in accordance with the request of the ship owner. In case that the port (location) of the ship registration is changed, relevant information should be added to the State Ship’s Registry or Ship’s Book by the authority registered the ship.

34.2. Change of the port of the ship registration will be confirmed by reissued certificate of the right to navigate under the State flag of the Republic of Azerbaijan.

Article 35. Re-registration of the ship

In case that the ship ceases to conform the information that was previously introduced to the State Ship’s Registry or Ship’s Book as a result of any event or other reason, the ship may be re-registered upon being re-examined and issued a certificate of seaworthiness.

Article 36. Loss of a ship registration certificate

36.1. In case that the ship certificate on the right of navigation under the State flag of the Republic of Azerbaijan is lost, the duplicate of such document will be issued by the ship registering authority.

36.2. In case that the document specified in the article 36.1 of the Code is lost while the ship is outside the Republic of Azerbaijan, consulate department of the Republic of Azerbaijan or the relevant executive authority may issue a provisional certificate on the right of navigation under the State flag of the Republic of Azerbaijan in accordance with the captain application. Such document will be replaced with a duplicate by the authority of registration of the ship within the period of one month from the date of its issue.

Article 37. Refusal to register the ship and title to it

In case that the procedures on registration of ships established under this Code are violated or documents submitted for registration of the ship are not complying with the requirements of the civil laws of the Republic of Azerbaijan, registration of the ship and rights for it may be refused.
Article 38. Removal of the ship from the State Ship’s Registry or Ship’s Book

38.1. Any ship should immediately be removed from the State Registry or Ship’s Book as follows:
   38.1.1. in the event of ship destruction or missing;
   38.1.2. in the event of constructive loss;
   38.1.3. in case that the ship loses its efficiency as a result of reconstruction or any other changes;
   38.1.4. in the event of loss of right of navigation under the State flag of the Republic of Azerbaijan.

38.2. If a period required for the ship reaching to the destination port from the location of receipt of information under a usual condition has passed for more than twice and no information has been received from the ship during this period, it will be deemed missing. Period of time, stipulated for the ship being deemed missed should not be less than one month and more than three months from the date of receipt of the last information from the ship, but it should not be less than six months in terms of military operations.

38.3. In case that restoration of the ship is not possible or the ship repair is not economically expedient, the ship will be deemed destructed from the design aspect.

Article 39. Public disclosure of the Ship’s Registries

Ship’s Registry will be available for the public interested in obtaining of their content. Interested persons will be authorised to purchase extracts that have been duly made from the Ship’s Registry by paying fixed tariffs that are established in accordance with the legislation of the Republic of Azerbaijan.

Article 40. Liability for violation of procedures for registration of ships

Any person, that will evade compulsory registration of the ship and register the ship in one of the Ship’s Registries by violation of the established procedure or violate his liability on modification of information introducing to the Ship’s Registries, will bear administrative liability in accordance with the legislation of the Republic of Azerbaijan.

Chapter IV

Crew. Captain

Article 41. Crew status

41.1. Legal status of the crew sailing under the State flag of the Republic of Azerbaijan, as well as relations between the crewmembers involved in ship operations
and management of crewmembers, captain will be established in accordance with laws of the Republic of Azerbaijan.

41.2. In case that relations specified in the article 41.1. of this Code arise aboard a ship, that navigates under the flag of other state in the state waters of the Republic of Azerbaijan, unless otherwise provided in International treaties, wherein the Republic of Azerbaijan is one of the parties, they will be regulated under the conditions of the contract made by and between the ship master and members of the crew, in accordance with the laws of the state, under the flag of that it will navigate.

**Article 42. Members of the crew**

42.1. Any crew will consist of a captain, other officers of the ship and working personnel.

42.2. Besides the captain, key personnel of the ship will include assistants, operators, electricians, radio specialists and surgeon. The relevant executive authority might include other ship specialists in the key personnel of the ship.

42.3. Working personnel onboard are those who are not part of the crew.

**Article 43. Minimal staff of the crew**

Minimal staff of the crew necessary for the ship departure will be established by the relevant executive authority in accordance with the laws of the Republic of Azerbaijan depending on the type, area of navigation and assignment of the ship.

**Article 44. Requirements for the qualifications of the crew members**

44.1. Persons that hold certificates (diplomas) in compliance with regulations for issue of certificates (diploma) to the crew members, that are approved by the relevant executive authority will be permitted to hold the positions of the crew members.

44.2. Certificates (diplomas) specified in the article 44.1 of this Code shall be issued to the members of crew by the relevant executive authority if they meet the requirements for work experience, age, health, qualification and in accordance with the results of tests of their skills by qualification commissions.

44.3. The certificates (diplomas) specified in the article 44.1 of this Code shall be deemed valid if issue of such certificates (diplomas) are duly certified by the relevant executive authority in accordance with established requirements.

44.4. In the event of the direct threat to human life, safety of property offshore or sea environment as a result of activities and inactivity or inexperience of the crew members when performing their job duties in accordance with their certificates (diplomas), as well as with the objectives of prevention of fraud, the relevant executive authority might recall, cancel or invalidate such certificates (diplomas).
44.5. In case that validity of period of the approved certificate (diploma) expires, it is recalled, suspended or invalidated, certification stipulated in the article 44.3 of this Code will be invalid.

**Article 45. Health Requirements of the crew members**

Persons that have a certificate verifying fitness for work on the shipboard will be permitted to work on the shipboard. Forms and procedures for issue of certificate will be established by the relevant executive authority.

**Article 46. Citizenship of the crew member**

Except for the positions of a captain, chief officer, chief operator and radio specialist, foreigners and persons without citizenship may also become a member of any ship’s crew, that navigates under the state flag of the Republic of Azerbaijan in an order established by the laws of the Republic of Azerbaijan.

**Article 47. Labour relations on shipboard**

47.1. Labour relations of the crew members, including their employments contracts and relations concerning out-work labour activity will be regulated by the Labour Code of the Republic of Azerbaijan, this Code, International Treaties wherein the Republic of Azerbaijan is one of the parties, service regulations of the ships of carrier fleet of the Republic of Azerbaijan and Disciplinary Regulations of the employees of the merchant fleet of the Republic of Azerbaijan.

47.2. Service Regulations of the ships of the carrier fleet of the Republic of Azerbaijan and Disciplinary Regulations of the employees of the carrier fleet of the Republic of Azerbaijan will be approved by the relevant executive authority.

**Article 48. Liabilities of the ship owner.**

48.1. Any ship owner should provide for the members of the crew as follows:
   48.1.1. safe working condition;
   48.1.2. protection of their health;
   48.1.3. availability of rescue facilities;
   48.1.4. uninterrupted food and water supply;
   48.1.5. appropriate work and recreation places;
   48.1.6. cultural and living conditions.

48.2. Any ship owner or proprietor will be obliged to insure:
   48.2.1. salaries and other sums of the crew members to be paid to them, as well as repatriation expenses;
   48.2.2. lives and health of the crew members upon fulfilment of their job duties.
48.2.3. to make the personal accident insurance of the passengers carried by the passenger ship (excluding the passengers carried inside the city or settlement), in a compulsory manner in accordance with the Law of the Republic of Azerbaijan.

48.3. Exploitation of the ship is allowed in case that the requirement specified in the article 48.2.3 of this Code is fulfilled.

**Article 49. Management of the ship and other duties of the captain**

The captain will be assigned to manage the ship, as well as to ensure departure and safety during the departure, to protect ship’s environment, to keep discipline on board, and also to take measures to prevent possible damages to people and cargoes on board.

**Article 50. Duty of the captain to render assistance to any person suffering a disaster in the sea**

50.1. The captain will be obliged to render assistance to any person suffering a disaster in the sea on conditions of not exposing to serious threat his ship and persons on board.

50.2. For violating his duties under the article 50.1 of this Code the captain will bear liability in accordance with the criminal legislation of the Republic of Azerbaijan.

**Article 51. Duty of the captain to render assistance after the ships collision**

51.1. Upon collision of the ships, each captain of the collided ships, if this does not expose his passengers, crew members and ship to serious danger, will be obliged to render assistance to the other ship, its passengers and crew members immediately after the collision.

51.2. Captains, if it is possible, will be obliged to notify each other about the names of their ships, as well as ports of departure and ports of destination or port of entry.

51.3. Ship owner will not bear liability for violating of duties by the captain specified in the articles 51.1 and 51.2 of this Code.

**Article 52. Duty of the captain to render first medical aid**

52.1. If any person on board needs a first aid and rendering of such aid is not possible for period of ship being offshore the captain will be obliged to notify the ship owner, to enter the nearest port and to take measures for delivery of such person to the nearest port.

52.2. Upon entry of the ship to a foreign port or delivery of such person to a foreign port, the captain will notify the embassy or consulate department of the Republic of Azerbaijan.
**Article 53. Duties of the captain in the event of military operations or other events of military threat**

In case that military operations are carried out in the area of port of departure or destination port, as well as other events of military threat, the captain will be obliged to take all measures to avoid loss of, damage to or capture of the ship, men, documents, cargoes and other property on board.

**Article 54. Abandonment of the ship by the crew**

54.1. If the captain thinks that the ship is in the eve of loss, the captain will permit the members of the crew to abandon the ship after taking all measures for rescue of passengers.

54.2. The captain, after taking all possible measures for rescue of the ship, radio and machine books, as well as maps of sailing, tapes of navigation equipment, documents and valuables, will abandon the ship last.

54.3. If the ship is lost, regardless the delivery of the crew to any country, the captain will preserve his rights in relation to the crew and fulfils his liabilities.

**Article 55. Maintenance of a discipline on board**

Keeping of discipline on board will be carried out in accordance with service regulations of carrier fleet of the Republic of Azerbaijan and disciplinary regulations of the employees of carrier fleet of the Republic of Azerbaijan.

**Article 56. Captain as an investigation authority**

In case that traces of a crime stipulated by the Criminal Code of the Republic of Azerbaijan are disclosed on board of the departed ship, the captain, in accordance with the criminal-procedural legislation of the Republic of Azerbaijan will fulfil the duties of an investigation authority.

**Article 57. Liabilities of the captain in the event of making a will, birth of a child or death on board**

57.1. The captain may certify the will of a person on board during the sailing. Any will certified by the captain will be equalled to those documents certified by the notary.

57.2. The captain should make an appropriate note in the Ship’s Book concerning each birth or death case.

57.3. The captain will be obliged to notify one of the close relatives or spouse about the death of the person and take measures for delivery of his body to his country. As an exception, if it is necessary for the ship to remain in the open sea for a long-term and it is impossible to keep the body of the dead person, the captain will be authorised to make corresponding notes in the Ship’s Book and to bury the body in the sea.
57.4. The captain will ensure drawing up of the list of the dead person property onboard and its protection.

**Article 58. The captain as a representative of the ship owner or cargo owner**

In case that there are no other representatives of the ship owner or cargo owner, the captain will be deemed the representative of the ship owner or cargo owner in relation to deals necessary for the needs of the ship, cargo and the sailing accomplished, as well as the claims on the property assigned to him.

**Article 59. Immediate material need for continuation of the sailing**

59.1. The captain will be authorised to sell a proportion of unnecessary property assigned to him to continue the sailing, specially to continue the sailing when there is a necessity for the ship repair or maintenance the crew, in the event of an immediate material need and lack of opportunity and period to receive instructions from the ship owner.

59.2. The captain will be obliged to select the most harmless way for obtaining funds to continue the sailing for the ship owner and cargo owner.

59.3. Except those events, when general average traces are attached to the loss in connection with the sale of the cargo or sale of the cargo is only carried out for the interests of the cargo, the ship owner will repay the value of the cargoes sold to its owner.

**Article 60. Assignment of the liabilities of the captain to the chief officer**

In the event of death, sickness or other reasonsimpeding to fulfill his official duties, liabilities of the captain will be assigned to the chief officer until order of ship owner is received.

**Chapter V**

*Flag State and Port State Control*

**Article 61. Relevant Executive Authority and Harbour master**

61.1. Duties of provision of *maritime safety* and discipline in the seaport will be carried out by the *relevant executive authority* and the harbour master.

61.2 Harbour Master is appointed by the relevant executive authority and directly subordinates to that authority. Functions of Harbour Master is regulated by the “Statute of Harbour Master” that approved by the relevant executive authority.

61.3 Harbour master directly subordinates to the appropriate executive authority.
61.4. Port State, Flag State control and control on regulations of maritime navigation in the territory of the Republic of Azerbaijan are implemented by the relevant executive authority.

**Article 62. Functions of the relevant executive authority and harbour master.**

62.1. Functions of relevant executive authority in the field of safety of maritime navigation and ensuring disciplines at sea port:


62.1.2. to register of ships in ships’ registries and issue appropriate ships documents.

62.1.3. to register property rights of ships and ships under construction, vessels and vessels under construction and their rights of mortgages of and issue appropriate documents.

62.1.4. to issue certificates to crew of ships, special preparation certificates, approval of their issuance, seafarers’ identity document and seaman books.

62.1.5. to control implementation of requirements on prevention of pollution of environment by ships.

62.1.6. to lead and control pilotage and services on regulating of ships’ navigation at sea.

62.1.7. to give permission for salvaging sunken property, and also performing construction at port, hydro technical and other works.

62.1.8. to record marine accidents and carry out investigation as defined by the relevant executive authority.

62.2. Harbour master carries out following functions in the field of safety of maritime navigation and ensuring disciplines at sea port:

62.2.1. to take official measures for vessels entering and departing of port.

62.2.2. to inspect ships documents, certificates (diplomas), special preparation certificates and approvals of issuance of certificates (diplomas).

62.2.3. to control implementation of requirements of regulations for entering and departing of vessels from port.

62.2.4. inspection of relevant ship journals.

**Article 63. Control over ships**

63.1. Control over ships for verification of existence of ships documents, conformity of basic ship characteristics with the ship documents, recruiting of crew in appropriate manners, requirements of international conventions in the field of merchant shipping will be carried out by the relevant executive authority.

63.2. In the event of lack of ship documents, or availability of significant reasons for assumption on non-conformity of the ship with navigation safety requirements and
also exploitation of vessels cause danger for environment and human life, the relevant executive authority will carry out verification.

63.3. *An audit* of the ship for verification of elimination of shortcomings, that impede issue of a permit for departure of the ship from the seaport *can be carried out relevant executive authority with purpose of control over ships.*

63.4. Minimum twenty five percent of calculated average annual number in last three years of vessels under foreign flags entering to ports of the Republic of Azerbaijan must be inspected in accordance with statute that approved by the relevant executive authority.

63.5. Gas and chemical tankers that construction date passed more than 10 years shown in safety certificates of ships, bulk ships more than 12 years, passenger ships more than 15 years and also oil tankers more than 3000 gross tonnage and construction date passed more than 15 years shown in safety certificates, must be extensively inspected in accordance with statute that mentioned item 63.4 of this code.

**Article 64. Issue of departure permit**

64.1. Any ship prior to departure from the seaport should obtain a permit for departure from the captain of the seaport. The captain *after coordination with the relevant executive authority* will be entitled to refuse to issue a permit for the ship departure from the port as follows:

64.1.1. if the ship is not suitable for navigation;

64.1.2. in the event of violations of requirements for the ship loading and supply, ship manning or threat to the lives or health of people on board, as well as other deficiencies of the ship, that might endanger the marine environment;

64.1.3. violation of requirements for the ship documents;

64.1.4. in the event of instructions from sanitation-quarantine and migration services, customs, frontier and other competent state authorities;

64.1.5. in the event of non-payment of penalties applied in accordance with the decision of the harbour master within the limits of established port costs or authorities.

64.1.6. *appropriate decree that legally entered into force by the court.*

64.2. Expenses incurred in connection with carrying out of the rights of the harbour master stipulated in the article 64.1 of this Code will be borne by the ship owner.

**Article 65. Liability for violation of navigation safety and discipline procedures**

The relevant executive authority will be entitled to take disciplinary actions for violation of navigation safety and discipline procedures in accordance with the laws of the Republic of Azerbaijan.

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Chapter VI

Sea pilot

Article 66. Purposes of ships pilotage

Ships pilotage will be carried out in order to provide safety of navigation and protection of marine environment at the entry of sea ports and within the scope of sea port water area, as well as between the seaports.

Article 67. Sea pilot

67.1. The Sea pilot shall be any citizen of the Republic of Azerbaijan, that meets the requirements established by the Regulations on ships pilotage approved by relevant executive authority of the Republic of Azerbaijan.

67.2. Certificate (warrant) on the right for ships pilotage shall be issued to the Sea pilots by the relevant executive authority.

67.3. State control over the Sea pilotage shall be carried out relevant executive authority.

Article 68. Defining compulsory and non-compulsory areas of ship pilotage

Compulsory and non-compulsory areas of ships pilotage will be defined by the relevant executive authority and such areas will be brought to everybody’s notice by the compulsory procedures on sea port, directories and information bulletins.

Article 69. Compulsory pilotage of ships

69.1. Except those cases when the ship belongs to the category of ships exempted from compulsory pilotage or the captain is authorised to navigate without the pilotage in an order established by the relevant executive authority, the sea captain will not be entitled to navigate in the compulsory pilotage areas without pilot services.

69.2. Categories of the ships exempted from the compulsory pilotage will be defined by the relevant executive authority and they will be brought to the notice of everybody by the compulsory procedures on sea port.

69.3. Procedure of ship pilotage will be defined by the by the relevant executive authority.

Article 70. Non-compulsory ship pilotage

70.1. The captain will be authorised to take a Sea pilot onboard in necessary events in the areas where compulsory ship pilotage is not required.

70.2. In the areas where compulsory ship pilotage is not required, the harbour master will be authorised to define the compulsory ship pilotage as follows:
70.2.1. If a ship or transported cargo may cause damage to the marine environment. The categories of such ships will be brought to everybody’s notice by compulsory procedures of the seaport, directories and information bulletins;

70.2.2. In case that there are serious damages on the hull, mechanism or equipment of the ship that might significantly effect their safe navigation at the port. In this case the captain will be presented a notification that the ship should start together with the ship pilot.

**Article 71. Certificate of the Sea pilot.**

71.1. The Sea pilot, that arrives on the shipboard, should present the certificate of the Sea pilot to the captain.

71.2. The captain is not entitled to employ a person as a Sea pilot without a certificate.

**Article 72. Provision of safe boarding and landing of the Sea pilot.**

72.1. The captain should ensure safe boarding and landing of the ship pilot, as well as should provide him with a free cabin and food in the course of ship pilotage.

72.2. In case that a probationer accompanies the Sea pilot for a probation period, the procedures established in the article 72.1 of this Code shall also be applied to such probationer as well.

**Article 73. Disclosure of information on ship by the captain**

73.1. The captain will provide the Sea pilot with exact information on the ship displacement, length, width and tonnage that is introduced to the Sea pilot’ receipt and signed by the captain. The Sea pilot may request from the captain other information necessary for ship pilotage.

73.2. In accordance with the laws of the Republic of Azerbaijan the captain will bear administrative liability for failure to disclose or disclose of false information stipulated in the article 73.1. of this Code.

**Article 74. Relations between the captain and ship pilot**

The captain will follow reasonable advices of the ship pilot so that the ship will navigate safely and will not interfere in his business without a substantial reason.

**Article 75. Instructions of the ship pilot to the steersman**

The ship captain will be authorised to assign the Sea pilot to give instructions concerning the ship navigation and manoeuvring directly to the steersman. This will not release the captain from liability for the consequences of such instructions.
Article 76. Temporary leaving by the captain of the captain’s bridge

The captain, who will be temporarily obliged to leave the captain’s bridge upon the ship pilotage should notify the Sea pilot and present the person responsible for conning during his absence.

Article 77. Suspension of the ship pilotage

If required for the purposes of safe navigation of the ship, the Sea pilot may suspend the ship pilotage until there are such events, that enable the ship to safe navigation.

Article 78. Leaving the ship by the Sea pilot and his delivery to the permanent location

78.1. The Sea pilot is not entitled to leave the ship without anchoring, steering the ship to a safe location and taking out to the sea or being replaced by another Sea pilot without the permit of the captain.

78.2. The captain is not entitled to take the Sea pilot outside the area of his service. Otherwise the captain should deliver the Sea pilot to his permanent location at the cost of the ship.

Article 79. Liability of the Sea pilot and the captain

79.1. Presence of the Sea pilot on board is not exempting the captain from liability for conning.

79.2. In case, if there are sufficient reasons to suspect the correctness of the Sea pilot instruction, the captain will be authorised to refuse the services of such a Sea pilot for safe navigation of the ship. In case ship pilotage is compulsory, the captain should require replacement of the Sea pilot.

79.3. The Sea pilot that will be guilty for undue ship pilotage may be deprived of a Sea pilot certificate.

Article 80. Liability for undue ship pilotage

80.1. The organization, that employs the Sea pilot, carrying out the ship pilotage will bear liability for compensation of losses to the ship as a result of undue pilotage of the ship.

80.2. The organization, that employs the Sea pilot, carrying out the ship pilotage will bear liability for compensation of losses to the third parties as a result of undue ship pilotage.
Article 81. Sea pilot fees

Ships, that use the services of the Sea pilot, will be charged with a pilotage fees in an order and amount established by the legislation of the Republic of Azerbaijan.

Charter VII Property

sunk in the sea

Article 82. Scope of application of the procedures defined under this chapter

82.1. Procedures that are defined under this chapter will be applied to lifting, removal and elimination of the property sunk in the waters being under the jurisdiction of the Republic of Azerbaijan.

82.2. Collided ships, wreckage, equipment, cargo and other items will be related to the sunk assets whether they are the on water surface or underwater, in the seabed or dropped out to shallow area or the shore.

82.3. Procedures of this chapter will not be applied to the following:

82.3.1. lifting, removal and elimination of the sunk military property;

82.3.2. lifting of the property of cultural, archaeological and historical value, if such property is under the water.

82.4. In accordance with the procedures established by the Chapter XX of this Code, if lifting, removal or elimination of the sunken assets is a rescue operation, regardless those procedures, defined in the Chapter, reward and specific compensation will be applied for rescuers.

Article 83. Owner of the sunk property

83.1. If the owner of the sunk assets intends to lift the property sunk in the sea, he should then notify the harbor master of the nearest sea port within the period of one year from the date of the property sinking.

83.2. The harbour master will consider the application of the property owner to lift the sunk property within the period of one month and establish the procedure of lifting such property and the period necessary for that (on conditions of not being less than one year).

83.3. In case that the property sunk in the sea seriously and directly endangers safe sea navigation or represents a danger to significantly damage of marine environment, or highly impedes to hunting of water biological resources, the port operation and carrying out of work (hydraulic engineering and other work) at the sea port, the owner of such property should by the request of the harbor master and within the period established by him, lift the property sunk in the sea, remove if necessary, and eliminate.
83.4. In case that the owner of the property sunk in the sea is unknown, the harbor master will inform about the established period for lifting of the property sunk in the sea in the information bulletin. In case that the flag of the sea sunk in the sea is known, the harbour master will notify the relevant executive authority.

83.5. If the owner of the property sunk in the sea does not apply for lifting such property or the property has not been lifted, for the established period of time in accordance with the article 83.2 of this Code, title to the property sunk in the sea will then be defined in accordance with the Azerbaijan legislation.

83.6. In accordance with article 84 of this Code, any property sunk in the sea, if the period of time for lifting the property does not exceed one year, may be demanded by the owner of the lifted property on conditions of payment of costs incurred for lifting of the property sunk in the sea and other related costs.

**Article 84. Lifting, removal and elimination of the property sunk in the sea by the port authority**

84.1. Port authorities will be authorised to lift, if necessary to remove or eliminate the property sunk in the sea as follows:

84.1.1. if the owner of the property sunk in the sea has not been identified and he has not lifted, removed or eliminated the property sunk in the sea, then the owner of the property sunk in the sea should carry out actions stipulated in the article 83.3. of this Code;

84.1.2. in case that the property sunk in the sea endangers the safe sea navigation or causes significant damages to the marine environment, impedes to hunting of water biological reserves, working out of hydraulic engineering or other activities;

84.1.3. in the event of substantial reasons, if the owner of the sunk property is not permitted to lift, remove or eliminate such property with the render assistance of his own means or with the means of the appropriate organizations.

84.2. In events, stipulated by the article 84.1 of this Code lifting, removal and elimination of the property sunk in the sea will be carried out at the Cost of the known owner of property.

**Article 85. Compensation of costs incurred by the port authorities**

In accordance with the article 84.1 of this Code, application of the request on compensation of the costs incurred by the port authorities for lifting, removal or elimination of the property sunk in the sea to such a property will be settled in accordance with the civil laws of the Republic of Azerbaijan.

**Article 86. Accidental lifting of the property sunk in the sea**

Legal relations established as a result of accidental lifting of the property sunk in the sea will be regulated by the civil laws of the Republic of Azerbaijan.
Chapter VIII

Carriage of cargo by sea contract

Article 87. Definition of the carriage of cargo contract

87.1. Carriage of cargo by sea contract is any contract under which a carrier is obliged to transport the cargo (provided or to be provided by the shipper) to the destination port and deliver it to the person authorised to accept the cargo (hereinafter referred to as a consignee) and payment of the transportation costs (freight) will be borne by the shipper or consignee.

87.2. Availability and content of the contract of carriage of cargo will be certified by the charter party, bill of lading and other written proves.

87.3. Carriage of cargo contract might be concluded as follows:

87.3.1. on conditions of letting of the whole ship, its part or some places of the ship (charter);

87.3.2. without such a period.

87.4. Carrier of cargo will be a person, who concludes a sea freight transportation contract between the freight forwarder or freighter or on his behalf. Actual carrier is a person, assigned to carry the freight or to implement half of the freight, including any other person to carry out such freight.

87.5. Charterer will be a person, who concludes the carriage of cargo contract specified in the article 87.3.1 of this Code.

87.6. Shipper will be any person, who concludes the contract on the carriage of cargo contract, as well as surrenders the cargoes to the carrier on his behalf in accordance with the article 87.3.2 of this Code.

87.7. Unless otherwise provided by the contract of the parties, procedures defined in this chapter will be applied. Contract of the parties in events when being directly specified in this chapter will be significant if not complied with the procedures defined in this chapter.

Article 88. Long-term contract on arranging carriage of cargo

88.1. When a regular carriage of cargo is carried out, carrier and the cargo owner might conclude a long-term contract on arranging a carriage of cargo. In the event of conclusion of such a long-term contract on carriage of cargo, transportation of specific lots of cargo will be carried out in accordance with such a agreement concluded on the basis of such carriage of cargo contract.

88.2. Conditions of the agreed cargo transportation in the long-term contract on carriage of cargo, if the parties have not agreed otherwise, will be deemed included in the sea transportation contract.
88.3. If the conditions of the carriage of cargo contract contradict to the conditions of the long-term contract on arranging carriage of cargo, conditions of the sea transportation contract will be applied.
88.4. The conditions of the long-term contract on arranging the carriage of cargo, that have not been included in the bill of lading, if the third party is not the charterer, will not be mandatory for him.

**Article 89. Temporary suspension or restriction of acceptance of cargoes for transportation**

89.1. In the event of natural disasters, crash and accidents, as well as quarantine, acceptance of cargoes might be temporarily suspended or restricted by the decision of the port authority by way of notifying the relevant executive authority.
89.2. Period of temporary suspension or restriction of the cargoes acceptance will be established relevant executive authority. The port authorities will immediately notify the charterers and other interested persons on temporary suspension or restriction of the cargoes acceptance.

**Article 90. Contents of the charter (single voyage charter)**

Charter (single voyage charter) should include name of the parties and ship, information on kinds and assortment of the cargo, amount of the cargo, name of the loading location, name of the place the ship is sent to or destination. Other conditions and proviso might be included in the charter upon the parties` contract. The charter will be signed by the carrier, charterer or their representatives.

**Article 91. Interrelation of the charter and bill of lading**

Relations between the carrier and the acceptor of cargoes, that are not a party to the contract on carriage of cargo, will be defined by a bill of lading. If referred to acceptor of the cargo in the bill of lading, conditions of charter will be mandatory for him.

**Article 92. Transfer of rights in accordance with the charter**

92.1. Upon carrying of cargo in accordance with the charter, the charterer will be authorised to transfer his rights to the third parties in accordance with the contract of carriage of goods by sea.
92.2. The charterer, as well as the third person, that his rights were assigned to, will bear equal Liability before the carrier for non-fulfilment of the contract of carriage of goods by sea.

**Article 93. Preparation of the ship for sailing**
93.1. The carrier will be obliged to hand over the ship suitable for sailing - to provide its technical seaworthiness, to supply the ship duly, to hire the crew, as well as bringing storages and other spaces designed for transportation of cargoes on board to such a condition, that will provide for duly acceptance, carrying and storage of cargoes.

93.2. In case that it is proved that unsuitable condition of the ship for the sailing, despite duly maintenance, arises out of the defect, that are not externally seen in the course of due diligence, the carrier will not bear liability for the ship unsuitable condition for the ship.

Article 94. Replacement of the ship

If the cargo should be transported in a definite ship, loading of the cargo to another ship will be carried out only on consent of the shipper or charterer, except those events of reloading of the cargo as a result of a technical necessity upon the beginning of the loading operation.

Article 95. Port and location of shipment

95.1. The carrier should hand over the ship to the sea port specified in the charter or specified by the charterer in accordance with the charter terms. The charterer will be obliged to specify the safe shipment port.

95.2. If the charterer does not specify, incorrectly specifies or specifies unsafe shipment port, the carrier will be authorised to refuse to fulfil the contract of carriage and request compensation of losses.

95.3. If the cargo is transported in accordance with the charter, the carrier will be obliged to hand over the ship to the point of shipment, specified by the charterer. The point of shipment should be safe and suitable for shipment.

95.4. In the event of liner shipment, the point of shipment will be defined by the carrier.

Article 96. Delivery of the ship

96.1. In case that a ship is not handed over on the period scheduled by the charter, the charterer will be authorised to refuse the contract of carriage of goods by sea and request compensation of losses.

96.2. In case that the ship is at the port of loading or as usual in the places, designed for berthing, the carrier in accordance with the charter should notify the charterer and shipper. Date and hour of the notification will be defined in accordance with the parties contract, in the event of non-existence of such contract it will be defined in accordance with the customs of such port.

Article 97. Lay time
97.1. The period, when the carrier brings up for loading and keeps the ship under the load without extra payment for freight (lay time) will be established in accordance with the contract of the parties, and in the lack of such contract, it will be defined in accordance with the conditions accepted in the port of shipment.

97.2. Start of the lay time will be defined in accordance with the contract of the parties. Lay time period will be calculated in accordance with the work days, hours and minutes.

97.3. The period, when shipment is not carried out as a result of reasons beyond the control of the charterer or shipper, as well as the period when an unstipulated event or hydrometeorological condition that impede shipment or endanger preservation of the load, will not be included in the lay time. For the reasons depending upon the charterer, period, when shipment is not be carried out, will be included in the lay time.

97.4. If shipment starts before the beginning of flow of lay time, the actual period used for shipment will be included in lay time.

97.5. The procedures defined in the article 97.1-97.4 of this Code will be applied respectively to unloading of the cargo in the destination port as well.

**Article 98. Demurrage**

98.1. Upon completion of the lay time additional waiting period (demurrage) might be defined in accordance with the parties contract. In the event of lack of contract of the parties, demurrage period will be established at the port of shipment in accordance with the accepted conditions.

98.2. Demurrage will be calculated by calendar days, hours and minutes.

98.3. Demurrage will include days-off, holidays, that are not considered work days at the sea port and officially established, as well as interruptions in shipment, that arise as a result of unstipulated events and meteorological condition, that impede from safe shipment. For the reasons depending upon the charterer, period when shipment is not carried out, will not be included in the demurrage period.

98.4. The procedures defined in the article 98.1-98.3 of this Code will be applied respectively to unloading of the cargo in the destination port as well.

**Article 99. Demurrage costs**

Amount of the costs to be paid to carrier for the ship demurrage period (delay) will be defined with the mutual consent of the parties. In case that there is not such a consent between the parties, demurrage costs will be defined in accordance with the maintenance costs of the ship and ship’s crew.

**Article 100. Remuneration for early completion of shipment**

Upon the mutual consent of the parties, a remuneration (dispatch money) might be established for charterer for early completion of shipment prior to lay time.
Article 101. Right of the carrier to send the ship upon completion of demurrage

101.1. Upon completion of the demurrage, even if the cargo conditioned for the reasons not depending upon the carrier is not completely loaded on board, the carrier will be authorised to send the ship to a sailing. In this case the carrier will be authorised to complete purchase the freight.

101.2. If the ship is completely handed over for transportation of the cargo, and there is a consent on lay time and demurrage, the carrier will not hold the right to refuse the acceptance of the cargo, until such period expires, even if acceptance and placement of the cargo will keep the ship more than the established period.

101.3. In case that the whole ship is not handed over for the cargo transportation and there is an contract on lay time and demurrage, if it is possible to duly load the cargo on board and without damaging other cargoes only by delaying the ship as a result of delayed submission of the load, the carrier will be authorised to refuse the acceptance of the cargo presented until such period expires. In this case the carrier will be authorised to complete purchase the freight.

Article 102. Compensation of losses for delaying the ship

If delay of the ship occurs for the reasons beyond the carrier control, the charterer will be obliged to compensate the losses to the carrier for delay, that exceeds the ship demurrage.

Article 103. Sending of the ship to sailing ahead of period upon the charterer

If the whole ship is handed over to the charterer, the carrier should send the ship to sailing upon the charterer request, even if the ship has not been completely loaded. In this case the carrier will be authorised to complete purchase the freight.

Article 104. Unloading of the foreign load

104.1. If the whole ship, its part or some places are handed over for cargo transportation, the charterer might request to unload the unauthorised cargo from the ship, its part or some places at the port of departure, and if the whole ship is handed over for cargo transportation, then the charterer might request to unload the ship at any port of entry.

104.2. If the cargo is not timely unloaded from the ship, its part and some places, the charterer may claim for decrease of the freight and to compensate the losses to the charterer.

Article 105. Deck cargo

105.1. The carrier will be authorised to transport the deck cargo only in accordance with the consent between the carrier and charterer.
105.2. In case that there is a consent between the carrier and charterer on transportation of the deck cargo, the carrier should make a note in the bill of lading or other document, that verifies availability of an contract on carriage of goods by sea. In the event of lack of such note, the carrier should prove that there is an contract with the charterer on shipment of the cargo on deck. But the carrier should not refer to an contract in relation with a person, that honestly has obtained the bill of lading, including such third party in relation to a consignee.

105.3. In case that transportation on deck is carried out upon violation of procedures, established in the article 105.1 of this Code or the carrier fails to refer to the contract on transportation of the cargo on deck in accordance with the article 105.2 of this Code, the carrier despite the procedures, established in the article 130 of this Code, will only be responsible for loss, damage or delay of delivery of the cargo as a result of transportation of the cargo on deck. Scope of the carrier liabilities, as the case may be, will be established in accordance with the procedures stipulated in the article 132 or 134 of this Code.

105.4. In the event of a contract on transportation of the cargo in the storage, transportation of the cargo on deck will be deemed as an action or inaction of the carrier, that will result in the carrier loss of the right of restriction of liabilities in accordance with the article 134 of this Code.

**Article 106. Packing and marking**

106.1. In order to provide complete cargo safety while its transportation and reloading, cargo to be transported in containers (and or) packed, should be presented for the transportation in necessary containers and (and or) packing materials.

106.2. The shipper should duly mark the cargoes and present all necessary information concerning the cargoes to carrier. If the cargoes require a special handling, the shipper should inform the carrier on the cargoes nature and procedures of handling.

**Article 107. Replacement of the cargo**

The cargo, kinds and brand of that has been defined by a charter, might be replaced with other cargo only upon the carrier consent.

**Article 108. Cargo documents**

The shipper should provide timely the carrier with all documents required for the cargo in accordance with the port, customs, sanitation and other administrative procedures and will bear liability before the carrier for damages as a result of untimely issue, incorrectness and incomplete drawing up.

**Article 109. Issue of the bill of lading**
109.1. The bill of lading is a document, that verifies the existence of the contract of carriage of goods by sea, acceptance and loading of the cargo by the carrier and in accordance with this the carrier undertakes its delivery.

109.2. The bill of lading will be issued upon being accepted for transportation.

109.3. The shipper will guarantee the carrier that the presented information to be included in the bill of lading is correct and he will bear liability for losses incurred as a result of incorrectness of such information.

109.4. The right of the carrier to be indemnified by the losses will not release the carrier from liability before any third party, who is not a shipper in accordance with the carriage of cargo contract.

Article 110. Issue of other document instead of the bill of lading

Sea bill of lading or other document that will certify acceptance of the cargoes for transportation might be issued instead of a cargo. If the carrier presents a document, that certifies acceptance of a cargo without cargo for transportation, such document will be a certification of conclusion of a contract of carriage of goods by sea and acceptance of the cargo by the carrier in accordance with the document.

Article 111. Contents of the bill of lading

111.1. Any bill of lading should include as follows:

111.1.1. name of the carrier;

111.1.2. name of the port of loading and date of acceptance of the cargo for haulage in accordance with the contract of carriage of goods by sea.

111.1.3. name and location of a consignor;

111.1.4. name of the destination port in accordance with the contract of carriage of goods by sea;

111.1.5. name of the consignee, if the cargo has been sent by the shipper;

111.1.6. name of cargo, basic marks necessary for the cargo identification, instructions on the cargo hazardous nature and specific properties as appropriate, number of packages and items, weight of cargo or amount noted otherwise. In this case all information will be noted as presented by the shipper;

111.1.7. external condition of the cargo and its packing;

111.1.8. amount of the freight to be paid by the consignee or an instruction on payment of the freight by him;

111.1.9. location and date of issue of the bill of lading;

111.1.10. number of the originals of the bill of lading, if their number is more than one;

111.1.11. signature of the carrier or a person acting on behalf of him;

111.2. Other information and clauses might also be introduced to the bill of lading upon the parties consent.
111.3. Bill of lading signed by the captain will be deemed signed on behalf of the carrier.

**Article 112. Clauses of Bill of lading. Evidential force of Bill of Lading**

112.1. In case that the carrier or other person, submitting a bill of lading on his behalf have substantial reasons on non-compliance of information on the cargo name, its main brands, number of places and items, weight or quantity with the actually accepted cargo, specified in the bill of lading, the carrier or other person submitting a cargo on his behalf should introduce clauses to the bill of lading on such non-compliance by specific specification of lack of a reasonable opportunity for checking of non-compliance or information.

112.2. In case that the carrier or other person presenting a bill of lading on his behalf do not specify the appearance of the cargo in the bill of lading, it will be deemed that good appearance of the cargo has been specified in the bill of lading.

112.3. In accordance with the article 112.1 of this Code, except information noted in clause, if there are no proves of other events, the bill of lading will be a proof of acceptance for transportation of the cargo as it is described by the carrier in the bill of lading. If the cargo is handed over to a third party, that will fairly act in accordance with the description of cargoes specified in the bill of lading, the carrier will not be permitted to prove the opposite case by the carrier.

**Article 113. Types of bill of ladings**

113.1. Bill of lading may be issued in the name of specified consignee (direct bill of lading), in accordance with the instruction of shipper or consignee (order bill of lading) or to the bearer (bearer bill of lading). In case that the order bill of lading does not specify that it is handed over in accordance with the instruction of a shipper or consignee, the cargo will be deemed to be handed over in accordance with the instruction of the shipper.

113.2. Bill of lading shall be transferred with compliance of the following provisions:

113.2.1. Direct bill of lading may be transferred by special endorsement or by any other form in accordance with the procedures established for assignment;

113.2.2. Order bill of lading may be transferred by special or general endorsements;

113.2.3. Bearer bill of lading may be transferred by simple submission.

**Article 114. Multiplicity of original copies of the bill of lading**

The shipper may receive several original copies of the bill of lading, if desired. In this case the number of existing original copies will be specified in each original copy of
the bill of lading. Upon release of a cargo in accordance with the original copy of initially presented bill of lading, the remaining original copies will be invalidated.

**Article 115. Disposal of the cargo**

115.1. The shipper will be authorised to dispose of the cargo until the cargo is handed over to the consignee, as well as until such a right is issued to the consignee or third party. In case that the right of disposal of the cargo is issued to the shipper or the third party, the shipper should notify the carrier.

115.2. The shipper will be authorised to request return of the cargo before the ship starts from the location of departure, delivery of the cargo at the intermediate port and delivery to the consignee not specified in the bill of lading, provided that all original copies of the bill of lading issued to him should be presented and issue of an appropriate guarantee by way of following the procedures established under the articles 119.2-119.5 and 120 of this Code.

**Article 116. Liabilities of the carrier in relation to the cargo**

116.1. The carrier should duly and diligently load, handle, carry, take care and unload the load from the moment of acceptance for transportation until the load is handed over.

116.2. If the cargo accepted for transportation requires a special handling for its properties and if there is an instruction in sea cargo forwarding or loading points, the carrier should care the cargo freight in accordance with such instructions.

116.3. Contracts of the parties, that contradict articles 116.1 of this Code, will be insignificant.

**Article 117. Hazardous cargo**

117.1. If a flammable, explosive cargoes, or cargoes being hazardous by its nature has been delivered under an improper name and the carrier failed to make sure its properties by way of external inspection, such cargoes might be unloaded at any period and such load will unloaded, neutralized and destroyed as the case may be. In this case the charterer will not be compensated of the losses.

117.2. The shipper will bear liability for losses to the carrier or third persons as a result of loading of the cargo specified in the article 117.1 of this Code. For transportation of such cargo the freight will not be returned. If the freight has not been paid for upon shipment, the carrier will be authorised to purchase it entirely.

117.3. In case that the cargo, specified in the article 117.1 of this Code, is loaded on board upon the consent and notification of the carrier and endangers the ship, other cargoes on board or men, the carrier will be authorised to unload, neutralize and remove such cargoes as the case may be. In this case, except the general average, the
shipper will not compensated and the carrier will preserve the right to gain a freight in proportion of the actual transportation distance of the cargo.

**Article 118. Obstacles to entry of the ship to the destination port**

118.1. In case that the ship cannot enter the destination port as a result of prohibitions by the appropriate state authorities, natural disasters and other reasons not depending from the carrier, the carrier should immediately notify the shipper or charterer, or the person authorised to dispose of the cargo, if such person is known.

118.2. If the ship is entirely handed over for transportation of the cargo, and there is no order from the side of a shipper, or charterer, or the person authorised to dispose, on handling the cargoes within the reasonable period of time after the carrier notification is sent out, the captain at his sole discretion, depending upon how efficient it will be considered for the shipper, charterer, or the person, authorised to dispose of the cargoes, will be authorised to either unload the cargo at one of the close ports or send back the cargo to its port of loading.

118.3. If the ship is not entirely handed over for transportation, the captain should unload the cargoes, that cannot be delivered to the port of destination in accordance with the shipper, charterer or a person authorised to dispose of the cargoes, at the other port. In case that such an instruction is not received within the period of 72 hours after the shipper’s notification has been sent, the captain at his sole discretion, will be authorised to unload the ship at one of the close ports upon notification the shipper, charterer or the person authorised to dispose of the cargo. In case even if it is impossible to fulfil the instruction received without damaging the owners of other cargoes, the captain will be authorised to act in the same way.

118.4. The carrier will be authorised to purchase freight in proportion to compensation of costs incurred due to waiting for the instruction of the shipper, charterer or the person authorised to dispose of the cargoes or costs incurred for the cargo, as well as in an amount in proportion to transportation of actual distance of the cargoes.

**Article 119. Waiver of execution of the contract of carriage of goods by sea**

119.1. If the value of the loaded cargoes does not cover the freight and the carrier’s costs on the cargoes, and the shipper or the charterer do not completely pay for the freight and submit an additional guarantee before the ship departure, the carrier will be authorised to waive from the execution of the contract of carriage of goods by sea before the ship departure and request compensation of losses.

119.2. The shipper and charterer will be authorised to waive from execution of contract of carriage of goods by sea, on conditions of payment of all costs incurred by the carrier in connection with the execution of this contract, demurrage costs and or freight or part of it.
119.3. In case that the shipper or charterer waive from the contract of carriage of goods by sea before the ship departs, the carrier will be obliged to hand over the cargo to the shipper or charterer, even if unloading delays more than the established schedule.

119.4. In case that the shipper or charterer waive from the execution of the carriage of goods by sea contract, while the ship is on journey, the shipper or the charterer might request the cargo only at the destination port only in accordance with the contract of carriage of goods by sea or other port in the event of necessity.

119.5. In case that the ship is not entirely handed over, and the shipper or the charterer waive from the execution of contract, the carrier will be obliged by the request of the shipper or charterer to hand over the cargo before delivering it to the destination port in the event of not damaging the carrier, other shipper or charterer.

Article 120. Waiver of the parties from the execution of the contract of carriage of goods by sea

120.1. In case that the following events occur before the ship departure from the port, each party of the contract of carriage of goods by sea will be obliged to refuse its execution without compensation to the other party:

120.1.1. military and other operations, that pose danger for capturing the ship or cargo;
120.1.2. blockade of the port of departure of destination;
120.1.3. Detaining of the ship in accordance with the order of appropriate state authorities for the reasons not depending upon the parties of the contract;
120.1.4. involvement of the ship in meeting the state needs;
120.1.5. prohibition by the appropriate state authorities on removal of the cargo scheduled for transportation from the point of departure and delivery to the point of destination.

120.2. If the delay of the ship is anticipated to be of a short period, events stipulated in the articles 120.1.3 and 120.1.5 of this Code should not be a reason for a waiver of contract of carriage of goods by sea without reimbursing the other party.

120.3. If any of the events stipulated in the article 120.1 of this Code begins during the departure, any party to the contract of carriage of goods by sea will be authorised to waive from the execution of the contract. In this case the shipper and charterer will compensate the carrier for all costs incurred for the cargo, including costs incurred for unloading of the cargo, as well as in an amount proportion to the distance of the cargo actual transportation.

Article 121. Termination of contract of carriage of goods by sea due to impossibility of performance

121.1. The contract will be terminated upon execution of the contract of carriage of goods by sea and before the departure of the ship from the port of loading for the
reasons not depending upon the parties without the liability of compensation for the other party for the losses in connection with termination of the contract as follows:

121.1.1. if the ship is destroyed or captured by force;
121.1.2. if the ship is deemed unfit for sea navigation;
121.1.3. ruin of the cargo established in accordance with its individual properties;
121.1.4. in case that a cargo identified in accordance with the brand features is ruined upon delivery for loading and the shipper does not timely hand over any other cargo instead of the ruined cargo.

121.2. in accordance with the article 121.1 of this Code, contract of carriage of goods by sea might also be terminated during sailing. In this case the carrier depending upon the amount the salvaged cargo and freight handed over, will be delivered in an amount proportionate to actual transportation distance.

Article 122. A person entitled to accept the cargo

122.1. The carrier will hand over the cargo carried in accordance with the consignment at the port of unloading to the persons upon submission of original of cargo as follows:

122.1.1. direct bill of lading - to the consignee, specified in the bill of lading or other person, that has been received the direct bill of lading by transfer or in any other form in accordance procedures established for assignment;

122.1.2. order bill of lading — to the person, as per instruction of which the bill of lading has been drawn, if bill of lading contains the endorsement to the person, specified in last uninterrupted series of endorsements, or a person presenting a bill of lading with a final general endorsement;

122.1.3. bearer bill of lading - to the person presenting the bill of lading.

122.2. In case that transportation of the cargo is carried out in accordance with the sea bill of lading or other similar document, the carrier will be authorised to hand over the cargo to a consignee specified in such a document or the consignee specified by the shipper.

Article 123. Delivery of the cargo to storage

123.1. In case that the entire ship is not handed over for transportation of cargo and consignee does not request and refuse such cargo at the destination port or commits delays impeding timely unloading of the cargo, if it is known to the shipper, charterer as well as to the carrier, he will be authorised to hand over the cargo for storage at the storage or other reliable place at the cost or risk of the person authorized to dispose of the cargo.

123.2. In case that the ship is entirely handed over for the cargo transportation, unloading and delivery of the cargo for storage will be carried out by the carrier upon completion of lay time and demurrage, provided that there is no other instruction of the shipper or charterer or the person authorised to dispose of during the lay time or
demurrage period. Period expended by the carrier for delivery of the cargo for storage will be deemed as demurrage.

123.3. In case that the cargo, that was handed over for storage within the period of two months after the ship had entered the port is not called for and the consignor does not reimburse for all costs incurred by the carrier in connection with such transportation, the carrier will be authorised to sell the cargo in an established order. Unclaimed and perishable cargo, as well as the cargo, storage of which is expensive than its value might be sold before the expiry of the specified period. The carrier should notify the consignor about the sale of the cargo.

123.4. The amount obtained from the sale of the cargo, except for the carrier costs, costs for storage and sale that are deducted by the carrier, will be assigned to the shipper and charterer. If the amount obtained from the sale is not sufficient for payment of the amount to the carrier, the carrier will be authorised to call for the insufficient amount from the shipper or charterer.

**Article 124. Payment at cargo delivery and the right of retaining the cargo**

124.1. Upon delivery of the cargo, relevant party will be obliged to pay for the costs incurred by the carrier at the cost of the cargo, costs for ship demurrage at the port of unloading, as well as, if this is stipulated in the cargo or other document, in accordance with that transportation of the cargo is carried out, freight and demurrage costs, and in the event of general average to pay the accident costs or to present the necessary guarantee.

124.2. Under the article 124.1 of this Code the carrier will be authorised to retain the cargo until the specified amounts are paid or guarantees are submitted.

124.3. In case that the cargo is handed over the storage, that does not belong to the consignee, the carrier will preserve the right of retaining the cargo, provided that the owner of the storage will be notified immediately.

124.4. Except events, when the carrier will not be able to exercise his right to retain the cargo for the reasons out of his control, the carrier will be authorised to demand the amount from the shipper and charterer, that was not paid by the consignee upon delivery of the cargoes.

124.5. The claims of the carrier, who retained the cargo will be fulfilled at the value of the cargo in an amount and order stipulated by the laws of the Republic of Azerbaijan.

124.6. Amount obtained as result of sale of the cargo will be issued to the consignee except the costs to be paid to the carrier and reasonable costs due to the sale of the cargo. If the amount obtained from the sale of the cargo is not sufficient to pay the amounts to the carrier under the article 124.1 of this Code, the carrier will be authorised to request the lacking money from the shipper and charterer.

**Article 125. Inspection of the cargo or checking of its condition**
In the event of an actual or a supposed loss of or damage to the cargo before the cargo is handed over to the consignee, the consignee and carrier will be obliged to permit each other to examine the cargo or check its condition. Costs on the cargo inspection or checking of its condition will be incurred by the party, that requires the inspection and checking. In case that it is established that there is a loss or damage, that the carrier is responsible for as a result of carrying out of an inspection or checking in accordance with the consignee request, costs on the cargo inspection and checking of its condition will be incurred by the carrier.

**Article 126. Notification on the cargo loss or damage**

126.1. In case that the consignee does not send a notification to the carrier on the cargo loss or damage by describing general features of the loss and damage before or at the moment of handing over the cargo, unless there are no evidences proving the opposite, it will be deemed that the cargo has been accepted under the conditions of the cargo.

126.2. If the cargo loss or damage to the cargo is established upon its acceptance in ordinary way, the consignee might provide a written notification to the carrier within the period of 3 days after the cargo is accepted.

126.3. If the consignee examines or checks the cargo together with the carrier, he may not provide the written notification stipulated under the article 126.1 of this Code.

**Article 127. Costs upon transportation of cargo**

All costs to the carrier will be paid by the carrier or charterer. In case that stipulated in the contract between the shipper or charterer and carrier and such information are included in the cargo, it is permitted to transfer the costs to the carrier.

**Article 128. Freight Charges**

128.1. Freight charges will be established by the contract of the parties.

128.2. In case that the cargo is loaded on board in excess than it is stipulated in the sea cargo contract, the freight charges will be increased respectively.

128.3. In case that any other cargo (the freight charge of which is higher) is loaded instead of a cargo stipulated in the sea cargo contract, the freight charge will be paid in accordance with the actual loaded cargo.

128.4. In case that the freight charges for the actually loaded cargo is less than the freight charges for transportation of the cargo stipulated in the carriage of cargo contract, the freight charges, that is stipulated in the sea cargo transportation will be paid.

**Article 129. Freight charges for the cargo lost during transportation**
129.1. The freight charges for the cargo, lost during transportation, is not to be collected, and it should be refunded if paid beforehand. In the event of later salvage of the lost cargo, a carrier has a right of taking freight in a sum, that accords the distance, passed by a ship.

129.2. The freight charges for the cargo, lost or damaged because of its natural features or for reasons, depending on a cargo sender, is to be paid in complete amount.

**Article 130. Liability of a carrier**

130.1. A carrier, who can prove that loss, damage or lateness of delivery of the cargo took place because of the following reasons, is not responsible for loss, damage, or delay of delivery of the cargo:

130.1.1. force majeure;
130.1.2. dangers or occasions at sea or other waters, on that ships move;
130.1.3. measures for rescue of people at sea, or measures on saving of cargo;
130.1.4. fire, caused by no fault of the carrier;
130.1.5. actions or orders of the in accordance with power organs (delay, arrest, quarantine etc.);
130.1.6. military operations or public disturbances;
130.1.7. actions or inactivity of a carrier or receiver of the cargo;
130.1.8. deficiencies of the cargo, invisible on the face of them, features or natural loss of the cargo;
130.1.9. deficiencies of package of the cargo, imperceptible at external appearance;
130.1.10. uncleanness or insufficient quantity of marks;
130.1.11. holidays or other events, causing complete or partial stoppage, or limitation of the work;
130.1.12. other situations, caused by no fault of carrier, his employees or agents;

130.2. The carrier is considered as delaying delivery of the cargo, if the cargo are not delivered to the port, stipulated by the contract about transportation of the cargo during the period, agreed by the sides, and in the event of absence of such contract, during the reasonable period with account of specific circumstances, demanded from the careful carrier.

130.3. If the cargo in the port of unloading is not passed to the person, responsible for taking it during 30 days, starting from the period, established under Articles 130.2 of this Code in the port of unloading, the person who is authoritative for bringing of a suit to the carrier because of loss of the cargo, can consider the cargo as lost.

130.4. Carrier is responsible for loss or damage of the cargo or delay of its delivery from the moment of reception of cargo for transportation till the moment of giving of it.

130.5. If carrier can prove that loss, damage or delay of delivery of the cargo took place because of actions or inaction of captain of the ship, other members of the ship’s
staff or pilots in management of the ship (navigation mistake), then he is not responsible.

130.6. Carrier is not responsible for loss or damage of the cargo, that arrived at the destination port in cargo repair, cargo compartments and with cargo stamps of sender of the cargo, delivered in packing with absence of traces of opening in the way, and also transported escorted by representative of receiver or carrier of the cargo, if receiver of the cargo cannot prove loss or damage of the cargo by fault of carrier of the cargo.

**Article 131. Determination of extent of liability of carrier for loss or damage of the cargo**

131.1. Carrier is responsible for loss or damage of the cargo in the following frames:

131.1.1. for loss of the cargo — at amount of cost of the lost cargo;

131.1.2. for damage of the cargo — at amount of lowering of cost of the cargo;

131.1.3. for loss of the cargo with the announced cost, taken for transportation-at amount of the announced cost of the cargo.

131.2. If freight is not included into cost of the lost or damaged cargo, carrier give back the received freight also.

131.3. The total sum of payments is counted up at the place and in the day of unloading of the cargo or at the place and in the day of unloading in accordance with to the contract, proceeding from the existing price of the cargo. Cost of the cargo is calculated by the replacement cost, or, by absence of it, by the market cost, and by absence of both of them -from the usual price of the cargo of the same type or same quality.

131.4. Costs for transportation of the cargo (freight, taxes etc.), not met by the owner of the cargo because of loss or damage of the cargo, are kept back from the sum of compensation for loss or damage of the cargo.

**Article 132. Carrier limitation of liability**

132.1. In the event of non-announcement and non-introduction of type and sort of the cargo, and also its cost before loading into the bill of lading by a sender before loading, liability of carrier for loss or damage of the cargo, taken for transportation is accepted in dependence on that sum is greater, not exceeding 666,67 Units of account for one place or other figure of dispatch, or calculating two calculation figures for one kilogram of gross weight of the lost or damaged cargo.

132.2. Liability of the carrier for delay of delivery of the cargo, taken for transportation, cannot exceed the sum of freight, taken into account for payment by the contract on transportation of cargo by the sea.

132.3. At the base of Articles 132.1 and 132.2 of this Code, the total sum, that should be paid by the carrier cannot exceed the limitation of liability, that can be
determined for complete loss of the cargo in accordance with the Article 132.1 of this Code.

132.4. If container, or other facility is used for transportation of the cargo, number of places and figures of dispatch in such facility, enumerated in the bill of lading, are considered as quantity if places or units of dispatch for aims of the Article 132 of this Code. With the exception of the indicated case, such facility is considered as a place or unit if the cargo.

132.5. Members of the contract on Ship’s transportation of the cargo can fix liability higher than ones, stipulated under Articles 132.1-132.2 of this Code at the base of their own contracts.

Article 133. Claims raised against carrier, his employees and agents

133.1. In the event of raising claims against the agent or employee of carrier, because of loss, damage or delay of delivery of the cargo, taken for delivery, the employee or agent can use liability, relating to carrier and rules of its limitation, if he can prove that acted in frames of his own duty (authorities).

133.2. With the exception of the case, stipulated by the Article 134 of this Code, the sum, kept back from a carrier, his employee or agent cannot exceed the limitation of liability, indicated by the Article 132 of this Code.

Article 134. Loss of the right of limitation of liability

134.1. If it will be proved that loss or damage of the cargo, taken for transportation, or delay of its delivery took place because of premeditated action or inactivity of a carrier or his carelessness, then the carrier cannot use liability restriction, stipulated by the Article 132 of this Code.

134.2. If it will be proved that loss or damage of the cargo, taken for transportation, or delay of its delivery took place because of premeditated action or inactivity of a carrier’s employee or agent, or their carelessness, then the carrier’s employee or agent cannot use liability restrictions, stipulated by the Article 131 of this Code.

Article 135. Liability of actual carrier

135.1. If the actual carrier is charged with transportation of cargo or part of it, the carrier, independently on this, takes complete liability for transportation in accordance with rules, determined under this Code. With regard to transportation of the cargo, carried by the actual carrier, a carrier is responsible for actual carrier, employees and agents, acting in frames of his duties (authorities).

135.2. In accordance with the contract between a carrier and actual carrier, the rules for liability of carrier, determined under this Code, are applied to liability for transportation, fulfilled by the actual carrier.
135.3. In the event of entering the contract, stipulated by the article 135.2 of this Code, the rules, determined by the articles 133.1, 133.2 and 134.2 of this Code are applied also to employees or agents of the actual carrier by laying claims to them.

135.4. Any contract about acceptance of authorities, not stipulated by rules of this chapter by a carrier or about refuse from the rights, determined by rules in this chapter is applied to the actual carrier only if he gave a written consent for it. Independently of existence of such consent, a carrier undertakes liabilities, proceeding from such contract or by refuse from the rights.

135.5. If both carrier and actual carrier bear liability, then their liability is combined.

135.6. The volume of amounts, that should be stopped from wages of carrier and actual carrier for loss or damage, or for delay of delivery of the cargo, should not exceed the measure of Liability, stipulated under this Code.

135.7. The rules, determined under this Code, do not touch the right of mutual regress of carrier and actual carrier.

**Article 136. Direct cargo transportation**

136.1. If the carrier gives out a direct bill of lading, that foresees fulfilment of a part of transportation by other person, he can be relieved of liability for loss, damage or delay of delivery of the cargo, taken for transportation in a direct bill of lading, if loss, damage or delay took place as a result of occurrences, that arose during transportation of cargo by other person. The carrier is obliged to prove that loss, damage or delay of delivery of the cargo, taken for transportation took place as a result of such occurrences.

136.2. The person, fulfilling a part of transportation, is responsible for loss, damage or delay of delivery of the cargo, taken for transportation in accordance with rules, determined under this Code.

**Article 137. Liability of shipper and charterer**

A shipper and a charterer are responsible for the damage, caused to carrier, if they are not able to prove their own innocence or innocence of persons, for actions and or inactivity of that they are responsible.

**Chapter IX**

**The contract on marine transportation of passengers**

**Article 138. Determination of the contract on marine transportation of passengers**

138.1. In accordance with to the contract on transportation of passengers by sea, the carrier is obliged to deliver a passenger and his luggage from the place of departure to the point of arrival, and a passenger is obliged to pay the fee for transportation.
138.2. The person, who concluded a contract on transportation of passengers by sea, or on behalf of whom such contract is signed, is a carrier.

138.3. The actual carrier is a person, who actually transport passengers, being an owner of the ship, or user of the ship at the legal base, or differing from the carrier, that fulfils a part of transportation.

138.4. The passenger is any person, transportation of that is fulfilled in accordance with the contract on transportation of passengers by sea, or the person, who escorts cars or animals in accordance with the contract on transportation of cargo by sea.

138.5. Conclusion of the contract on transportation of passengers by sea is verified by a ticket, and luggage-check- by the luggage-ticket.

**Article 139. Luggage or in room luggage**

139.0. For aims of this chapter:

139.0.1. luggage — subjects and cars, transportation of that is fulfilled by a carrier at the base of the contract on transportation of passengers by sea, with the exception of cars and animals, transported in accordance with the contract on transportation of cargo by sea;

139.0.2. in room luggage is a luggage that is in a room of the passenger in any form, or in his ownership, under his protection or under his control. With the exception of events of application of rules, indicated in Articles 141, 148.2-148.5 of this Code of rules, the room luggage includes also luggage in the car or at the car.

**Article 140. The fee for transportation of passenger and his luggage**

140.1. The fee for transportation of passenger and his luggage is fixed on the basis of the contract of sides.

140.2. The fee for transportation of passenger and his luggage by the transport of public use is determined at the base of tariffs, verified in order, established by legislation of the Republic of Azerbaijan.

140.3. Passenger has the following rights:

140.3.1. To take one child under five years without paying (and paying by discount tariffs at foreign passenger lines) and without booking a place for him. To other children under five years the tariffs with discount, stipulated by legislation for children from five to twelve years, is applied.

140.3.2. taking cabin luggage free of charge in frames of the established norms.

**Article 141. Conditions for transportation of passengers**

141.0. Transportation of passengers includes the following conditions:

141.0.1. with regard to passenger and room luggage- period of presence of passenger and his room luggage at the ship, period of boarding and debarkation, and
also period of transportation of a passenger from the shore to the ship and to the shore from the ship by waterway, if such transportation is included into the cost of a ticket or a carrier gave transport means for this auxiliary transportation. Period of presence of a passenger at the seaport, on bridge or any other port facility is not included into the period of transportation;

141.0.2. with regard to room luggage- if the luggage is not taken by carrier, his employee or agent and is not assigned to passenger, then period of presence of a passenger at the seaport, on bridge or any other port facility is not included into the period of transportation;

141.0.3. with regard to the luggage, that is not a room luggage - period , that passed from the moment of taking luggage at the shore or at the ship by carrier, his employee or agent to the moment of giving luggage to a passenger by a carrier, his employee or agent.

Article 142. Refusal of passenger from the contract on marine transportation of passengers

142.1. Passenger has a right to refuse from the contract on marine transportation of passengers before departure of the ship, and also after beginning of sailing in any point of calling of the ship for boarding or debarkation of passengers.

142.2. If passenger refused from the contract on transportation of passengers by sea not later than the period, determined by rules, verified by the in accordance with organ of executive power (The Cabinet of Ministers of the Republic of Azerbaijan) or if he did not arrived at a ship before its departure because of the illness, or if he refused from the contract on transportation of passengers by sea for reasons depending on carrier, then the complete volume of fee for journey and transportation of luggage is paid back to the passenger.

Article 143. Refusal of carrier from the contract on transportation of passengers by sea

143.1. Carrier has a right to refuse from fulfilment of the contract on transportation of passengers by sea in the following events, not depending on him:

143.1.1. military or other operations, causing threat of capture of the ship;
143.1.2. blockade of the point of departure or arrival of the ship;
143.1.3. delay of the ship by order of the in accordance with governmental organs for reasons, not depending on members of the contract.

143.1.4. attraction of the ship for state needs;
143.1.5. shipwreck or capture of the ship with use of force;
143.1.6. considering a ship as unfit for navigation.

143.2. In the event of refusal of a carrier from implementation of the contract on transportation of passengers by sea before departure of the ship, the complete amount of fee for journey and transportation of luggage is paid back to a passenger, and in the
event of such refusal after departure this fee is paid back in accordance with the non-passed distance of the transportation.

143.3. In situations, stipulated by the Article 143.1 of this Code, a carrier, refusing from fulfilment of the contract on transportation of passengers by sea, should deliver a passenger to the point of departure at his request and meet a passenger’s costs at his own account.

Article 144. Amendments of the contract on marine transportation of passengers

144.1. In the event of necessity, as a result of natural disaster, unfavourable sanitary and epidemiological situation in the point of departure or in the point of arrival of passenger, or in the route of transportation, and also in the event of other events and occurrences, not depending from carrier and making fulfilment of the contract on transportation of passengers by sea impossible, the carrier has a right to delay departure of the ship, to change the route of transportation, the point of departure and point of arrival of passengers. In such events the carrier should deliver the passenger to the point of arrival or meet the passenger’s costs at his request.

144.2. The rules, determined by the Article 144.1 of this Code are not infringing a right of passenger to refuse from the contract on transportation of passengers by sea.

Article 145. Liability of carrier

145.1. If the occasion, that caused damaged to a passenger, took place by fault of carrier, his employees or agents, acting in frames of their official duties (authorities), the carrier is responsible for death or violation of health of the passenger, and also for loss or damage of his luggage.

145.2. Loss or damage of the passenger’s luggage include also the damage, caused as a result of non-giving the luggage to the passenger during proper period after arrival of the ship, that delivered or had to deliver the luggage.

145.3. The person, lodging complaint has to prove that the occasion, that caused damage to a passenger, took place during transportation of the passenger and his luggage, also he has to prove the amount of the caused damage.

145.4. If death or violation of health of the passenger, loss or damage of his room luggage took place as a result of shipwreck, collision, running the ship aground, explosion or fire at the ship, then the carrier, his employees or agents, who acted in frames of their duties (authorities), are supposed to be guilty, if their fault is not proved. This rule is applied to other, non-room luggage independently from the character of the occasion, that caused loss or damage of the luggage. In other events, the person, lodging complaint has to prove the fault of carrier.

Article 146. Actual carrier
146.1. If the actual carrier is charged with complete or partial transportation of passenger, the carrier is responsible for whole transportation of passenger in accordance with rules of this chapter. But the actual carrier also has duties and rights stipulated under this chapter with regard to transportation of passenger.

146.2. In relations, appeared from transportation of passengers, run by the actual carrier, the carrier is responsible for actions or inactivity of the actual carrier, his employees or agents acting in frames of their duties (authorities).

146.3. Charging the actual carrier with liabilities, not stipulated by the rules, determined in this chapter or any contract on refusal of the actual carrier from his rights, indicated in this chapter are valid only by giving the written consent by the actual carrier.

146.4. If both carrier and actual carrier take liability, then their liability is considered joint one.

146.5. The rules, determined under this chapter do not concern the right of mutual regress of carrier and actual carrier.

**Article 147. Loss or damage of valuables**

Carrier is not responsible for loss or damage of money, securities, precious metals, and articles, made of them, jewels, works of art and other valuables if such valuables are not assigned to the carrier for maintenance them in safety. The liability of the carrier for things, assigned for maintenance in safety, should not exceed the measure, stipulated by the Article 148.4 of this Code.

**Article 148. Limits of liability of carrier**

148.1. Liability of the carrier for the damage, caused to life and health of the passenger, should not exceed 175 000 calculation units in a whole with regard to transportation.

148.2. Liability of the carrier for loss or damage of the room luggage should not exceed 1,8 calculation figures for one passenger with regard to whole transportation.

148.3. Liability of the carrier for loss or damage of a car, and a luggage transported in it or on it, should not exceed 10000 calculation units for one car with regard to whole transportation.

148.4. Liability of the carrier for loss or damage of the luggage, that differs from the luggage, shown in the Articles 148.2 and 148.3, should not exceed 2,7 000 calculation units for one passenger with regard to whole transportation.

148.5. Carrier and passenger can conclude an contract on shifting off the liability on the carrier, with maintenance back a franchise, not exceeding 300 calculation units in the event of damage of the car, and not exceeding 135 calculation units for one passenger in the event of loss or damage of other luggage. In such case the indicated amounts are
deducted from the sum of the damage, caused to passenger as a result of loss or
damage of car or other luggage.

148.6. The percentages, calculated for sum of payment of compensations for
damage and costs are not included into the measure of liability, stipulated by Articles
148.1-148.5 of this Code.

Article 149. Application of the liability calculations

149.1. In the event of laying a claim on giving compensation for the damage,
caused by carrier or employee or agent of the actual carrier in accordance with the rules,
determined under this chapter, the employee or agent can use rules of limitation of
liability, applied to carrier or actual carrier, if he is able to prove that he acted in frames
of his duties (authorities).

149.2. Liability calculations, stipulated under Articles 148.1-148.5 of this Code are
applied to the total of amounts for giving compensations on all claims, proceeding from
death of one passenger or violating health of one passenger, or loss or damage of his
luggage.

149.3. With regard to transportation of passenger by the actual carrier, the total
amount, that should be paid by carrier, actual carrier, and their employees or agents,
acting in frames of their duties (authorities), should not exceed the upper limit, that
should be paid by carrier or actual carrier in accordance with the rules, determined in
this chapter. In such case not any of the indicated persons should bear liability
exceeding his own one.

Article 150. Loss of the right of limitation of liability

In the event of proof damaging a passenger as a result of premeditated actions or
inactivity or carelessness of carrier, actual carrier, their employee or agent, they loose a
right of limitation of liability, stipulated by the Articles 148.1-148.5 of this Code.

Article 151. Notification in the event of loss or damage of luggage

151.1. The passenger should notify a carrier or his agent in written form in the
following events:

151.1.1. if he reveals obvious damage of the cabin luggage - before debarkation of
passenger from the ship or at the moment of debarkation;

151.1.2. if he reveals obvious damage of other luggage - before delivery of the
luggage or at the moment of delivery;

151.1.3. If he does not reveal an obvious loss or damage of luggage - during 15
days from the day of debarkation of a passenger or from a day of delivery of luggage,
or from the moment, then the luggage had to be delivered.

151.2. The written notification is not necessary if condition of the luggage is
checked together with a carrier at the moment of delivery.
151.3. If the passenger does not fulfil the requirement, indicated in the Article 151.1 of this Code, it is considered that he received his luggage undamaged, if the contrary is not proved.

Chapter X

Ship charter contract concluded for a specified period (time charter)

Article 152. Conception of the contract on afreightment of ship for the specified period (time-charter)

In accordance with the contract on afreightment of ship for the specified period (time-charter), owner of a ship undertakes liability to provide a ship and services of members of the ship’s crew to the charterer for the specified period for use with purposes of trade navigation for agreed remuneration (freight charges). Time-charter should be concluded in written form.

Article 153. Application of rules, indicated in this chapter

The rules, indicated in this chapter, are used in the event of absence of other contracts between sides.

Article 154. Content of Time-charters

The following information should be specified in time-charter: names of parties, name of the ship, its technical and exploitation characteristics (cargo capacity, displacement, speed etc.), region of navigation, aim of chartering, period and place of return of the ship, amount and order of payment of freight, period of the time-charter.

Article 155. Contract on chartering of a ship for the specified period (sub time-charter)

155.1. If not any other events are stipulated by the time-charter, a charterer can conclude a contract with the third person on passage of a ship for freight for the period of validity of the time-charter or for the part of this period (sub time-charter) in frames of the rights, assigned to him by the time-charter. Conclusion of the sub time-charter does not allow a charterer to be released from fulfilment of the time-charter, concluded with the owner of a ship.

155.2. The rules, determined in this chapter are applied to the sub time-charter.

Article 156. Putting a ship into the condition, suitable for navigation

156.1. The owner of a ship should put a ship into the condition, suitable for navigation before passing it to a charterer, i.e. he is obliged to provide putting the ship
(its body, motor and equipment) into the condition, suitable for the purposes of chartering, stipulated by the time-charter, to equip it with a crew and to provide in the accordance with order.

156.2. Owner of a ship does not bear liability, if he can prove that unsuitable condition of the ship as a result of due diligence inspection (hidden faults).

156.3. Owner of a ship is obliged to keep the ship in condition, suitable for navigation, to pay off insurance of the ship and his own liability, and also to bear costs for allowance of the crew of the ship.

Article 157. Liabilities of a charterer on commercial exploitation of the ship and return of it

157.1. A charterer is obliged to use a ship and members of a crew of the ship in accordance with aims and conditions, established by the time-charter.

157.2. Profits, received as a result of use of the chartered ship and services of members of the crew of the ship, with the exception of incomes, received from salvage and distributed between a charterer and a ship-owner in accordance with the Article 162 of this Code, are property of a charterer.

157.3. On the expiry of the period of validity of the time-charter, a charterer should give the ship back to a ship-owner in a preliminary condition, taking into account a normal aging.

157.4. In a case non-return of the ship in period, a charterer pay off the freight, stipulated by the time-charter, or, the freight by market prices, if the freight he should pay, exceeds the one, indicated in the time-charter.

Article 158. Liability of a charterer to a ship-owner

Passing the ship to the charterer for transportation of cargo, the charterer has a right to conclude the contract on transportation of cargo on behalf of himself, to sign a charter or a bill of lading, to give sea invoices and documents for transportation. In this case a charterer is responsible to a ship-owner in accordance with the rules, determined by the Articles 130-137 of this Code.

Article 159. Subordination of members of the crew of the ship

159.1. A captain of the ship and other members of the crew of the ship obey the ship-owner’s orders about piloting the ship, regulations of the ship and members of the crew of the ship.

159.2. Orders of a charterer about commercial exploitation of the ship are compulsory for the captain of the ship and other members of the crew of the ship.

Article 160. Exemption of a charterer from liability for the damage, caused a result of salvage, damage or destruction of the ship
A charterer is not responsible for the damage, caused as a result of salvage, damage or destruction of the chartered ship, if his fault in damaging the ship is not proved.

**Article 161. Freight charges payment**

161.1. Charterer shall pay to ship owner in accordance with procedures and period limits stipulated by the period charter. Charterer is released from the payment of freight charges and ship costs for the period duration when the ship is ineligible for operation due to non-seaworthiness.

161.2. In events when the ship is ineligible for operation on charterer’s fault, the ship owner shall be authorised to receive the freight charges stipulated by the period charter, independent from compensation of losses caused to the ship owner by charterer.

161.3. In events when charterer delays the payment of freight charges for more than fourteen calendar days ship owner shall be authorised to withdraw the ship from the charterer without prior notification and request the compensation for losses caused by such delay.

161.4. In the event of the ship wreck freight charges shall be paid from the date indicated in the time-charter contract, to the date of the wreck, and if such date is impossible to determine, to the date of the last information on ship.

**Article 162. Reward for salvage services**

Reward to be paid to ship for salvage services rendered before the end of charter period shall be distributed evenly between the ship owner and charterer after deduction of salvage costs and amount of reward to be paid to crew.

**Chapter XI**

**Contract on ship charter without crew (bareboat charter)**

**Article 163. Definition of contract on ship charter without crew (bareboat charter)**

In accordance with contract on ship charter without crew (bareboat charter) the ship owner shall provide to freighter, for the agreed fee, the right of use and ownership of the ship without crew for merchant shipping. Bareboat charter should be concluded in writing.

**Article 164. Application of rules stipulated under this chapter**

Rules established under this chapter shall be applied unless otherwise is stipulated by the contract between the parties.
**Article 165. Content of bareboat charter**

The bareboat charter shall indicate names of parties, name of the ship, its class, flag, technical and operational characteristics (cargo carrying capacity, capacity, speed and other), quantity of fuel consumption, navigation area, purpose of charter, period and location of fee rate and payment procedure, period of the bareboat charter contract.

**Article 166. Sub-bareboat charter**

166.1. Unless, otherwise is stipulated by the bareboat charter, charter within its rights granted under bareboat charter shall be authorised to make contracts on ship charter without crew with third parties for the entire duration of bareboat charter and part of its duration (sub-bareboat charter). Making of sub-bareboat charter shall not free the charterer from execution of bareboat charter made between him and the ship owner.

166.2. Rules established under this chapter shall be applicable for the sub-bareboat charter.

**Article 167. Bringing the ship to seaworthy condition**

167.1. The ship owner shall bring the ship to the seaworthy condition at the period of its transfer to the charterer, i.e. take measures on provision of ship’s reliability (body, engines and equipment) for the purposes of charter, stipulated by the bareboat-charter contract and equip the ship in accordance with established procedures.

167.2. Charterer shall, within a period of the bareboat-charter contract maintain the operational condition of the ship, however the maintenance of hidden deficiencies shall be the liability of the ship owner.

**Article 168. Crew**

Charterer shall provide the crew recruitment for the ship. Independent from the crew recruiting option captain and crew members shall be subordinate to the charterer.

**Article 169. Charterer liabilities for ship operation and return**

169.1. Charterer shall operate the ship in accordance with provisions of the bareboat charter and shall be responsible for all operational costs, including costs associated with crew.

169.2. Upon the completion of the bareboat-charter the charterer shall return the ship back to the owner in the condition under that it was delivered with consideration of normal operational ware.

**Article 170. Liability of the charterer before third parties**
Charterer shall take liability on any claims of third parties, with exception of claims associated with compensation for damage from fuel pollution from ship and damages incurred in relation with sea transportation of hazardous materials.

**Article 171. Losses incurred as a result of salvage, ship damage or wreck**

Losses incurred as a result of salvage, ship damage or wreck shall be compensated by the charterer, unless he provides proves that he is not guilty for the losses incurred.

**Article 172. Payment of freight charges to the ship owner**

172.1. Charterer shall pay the freight charges to the ship owner in accordance with procedures and within the period frame stipulated by the bareboat-charter contract. Charterer shall be released from the payment of freight charges and costs associated with ship for the duration within that the ship was not eligible for operation due to non-nautical condition, only if the ship eligibility did not result from charterer’s actions.

172.2. Should the payment of freight charges delayed for more than 14 calendar days, ship owner shall be authorised, without any prior notification, to retake the ship from the charterer and claim for the compensation of losses incurred as a result of such delay.

172.3. In the event of ship wreck, freight charges shall be paid from the date indicated in the bareboat-charter to the date of the ship wreck, or, if such date is impossible to determine, to the date of the receipt of the last notification from the ship.

**Article 173. Bareboat charter contract with provisions on transfer of the right of ownership to the charterer**

173.1. Upon the expiry of the bareboat-charter contract, made with provisions on transfer of ship to the charterer’s ownership, ship shall become the ownership of charterer if the latter has fulfilled liabilities stipulated by the bareboat charter.

173.2. In accordance with bareboat-charter with provisions on transfer of the right of ownership to the charterer in accordance with article 173.1 of this Code, ship owner is not authorised to retake the ship from the charterer in the event of the freight charges payment delay for more than fourteen calendar days, if such delay is associated with circumstances out of charterer’s control, but holds the right for compensation of losses resulted from the delay.

**Chapter XII**

**Towage contract**

**Article 174. Definition of towage contract**
In accordance with towage contract the owner of one ship shall on compensation
tow other ship or other floating facility for appropriate distance (sea towing) or for the
manoeuvring at port waters, including the towing of the ship or other floating facility
into port or from the port (port towing).

**Article 175. Application of rules stipulated under this chapter**

Rules established under this chapter shall be applied unless otherwise is
stipulated by the contract between the parties.

**Article 176. Towage contract form**

176.1. Towage contract shall be made in writing.
176.2. Port towage contract may be made in oral. Contract on assignment of
liabilities for management of towing operations to the tow captain shall be made in
writing.

**Article 177. Liabilities of parties under towage contract**

177.1. Each of the parties to the towage contract shall make advanced
arrangements for preparation of its ship or other floating facility for towing.
177.2. Towing shall be implemented using skills required by the circumstances,
without any interruptions and delays, with exception of forced circumstances and in
accordance with ship’s practice.
177.3. Ship or other floating facility, under the management captain of other ship
or floating facility, shall also take necessary precautions on safe floating of the tow
caravan.

**Article 178. Liabilities during towing**

178.1. Towage is implemented under the supervision of the captain of towing
ship.
178.2. Liability for damage to the towed ship or other floating facility or its
equipment and personnel during towing operation shall be laid on the owner of the
towing ship, unless he proves that damage was not inflicted as a result of his
negligence.
178.3. Parties under the towage contract may assign the liabilities for supervision
of the ship’s towing operation on the captain of the towed ship or other floating facility.
In this case liability for damage to the towing ship or its equipment and personnel shall
be laid on the owner of the towed ship or floating facility, unless he proves that damage
was not inflicted as a result of his negligence.

**Article 179. Liability during port towage**
179.1. Port towage is implemented under the supervision of the captain of towed ship or other floating facility.

179.2. Liability for the damage inflicted during the port towage to the towing ship, its personnel or equipment shall be laid on the owner of the towed ship, unless he proves that damage was not inflicted as a result of his negligence.

179.3. Parties to the port towage contract may assign the liabilities for supervision of the port towing operation on the captain of the towing ship via contract made in writing. In this case the liability for damage inflicted during port towing to the towed ship, its personnel or equipment, and to third parties shall be laid on the owner of the towing ship unless he proves that damage was not inflicted as a result of his negligence.

**Article 180. Liability for towage in ice**

The owner of the towing ship does not hold the liability for the damage inflicted to the towed ship or other floating facility, their personnel or equipment during the towing in ice, unless its proved that damage was inflicted as a result of his negligence.

**Chapter XIII**

**Sea agency services contract**

**Article 181. Definition of the sea agency services contract**

In accordance with sea agency services contract the marine agent shall take the liability for implementation of legal and other actions on behalf of the ship owner and on his cost at any specified port of territory for the agreed service fee.

**Article 182. Application of rules stipulated under this chapter**

Rules established under this chapter shall be applied unless otherwise is stipulated by the contract between the parties.

**Article 183. Limitation of general authorities of the marine agent**

Should ship owner limit general authorities of the marine agent for making deals on behalf of the ship owner, deal made by the marine agent with third party shall be valid and provide rights and liabilities on deal made for the ship owner unless such third party was aware of such limitations.

**Article 184. Actions of marine agent in the interests of various parties**

Subject to ship owner’s consent marine agent shall be authorised to take legal and other actions in favour of other party that authorised him for such actions.
Article 185. Rights and liabilities of the marine agent

185.1. Marine agent executes various formalities related with ship arrival to port, its stationing and leaving the port, assists captain to establish contacts with port and local authorities, provides assistance in equipping the ship and organisation of maintenance in the port, prepares cargo documents, delivers freight charges and other amounts to be paid to the ship owner, in accordance with the sea cargo transportation, under the instructions of the ship owner or captain makes the payment of amounts for stationing of the ship in port, finds cargoes for line transportation, provides the collection of freight charge, freight forwarding as well as other marine agent services.

185.2. Marine agent shall:

185.2.1. implement its activities to the best interests of the ship owner and in accordance with sea agency services practice;

185.2.2. act within its authorities;

185.2.3. implement the cost accounting and submit reports to the ship owner in accordance with procedures and within period frames stipulated by the sea agency services contract.

Article 186. Ship owner liabilities

186.1. Ship owner shall be responsible for provision to the marine agent funds sufficient for taking actions in accordance with sea agency service contract, compensate for costs incurred by the marine agent and paid the reward at the amount and in accordance with procedures stipulated in the contract.

186.2. Ship owner shall be responsible for consequences of the marine agent’s actions taken by the latter on behalf of the ship owner and within his authorities.

Article 187. Termination of the sea agency service contract

187.1. In events when the sea agency contract is made for the limited period of time, expiry of such period frame shall involve the termination of the contract.

187.2. In events when sea agency contract is made for the undetermined period of time, each party shall be authorised to terminate such contract with prior notification issued to other party not later than three months before the date of termination.

Chapter XIV

Brokerage contract
Article 188. Definition of the brokerage contract

In accordance with the brokerage contract, a broker shall render mediator services on behalf and on cost of the client during the contracts on ship sell and purchase, sea cargo transportation contracts, charter and ship towing contracts, as well as marine insurance contracts.

Article 189. Application of rules stipulated under this chapter

Rules established under this chapter shall be applied unless otherwise is stipulated by the contract between the parties.

Article 190. Broker acting as ship agent

Broker on client’s order shall execute formalities related with ship arrival to port, its stationing in the port and leaving the port, as well as other actions implemented usually by the ship agent in accordance with article 185 of this Code. In this case rules stipulated for the sea agency services contract shall be applied that are described in articles 181—187 of this Code.

Article 191. Remuneration of broker services

The broker holds the right to receive a reward for provision of mediator services in making the contracts, indicated in article 188 of this Code if they made in mediation of the broker.

Article 192. Reporting liabilities of the broker

Upon receipt of the client assignment the broker shall report on amounts received from the client.

Chapter XV

Marine insurance contract

Article 193. Definition of the marine insurance contract

In accordance with marine insurance contract the insurer shall for the agreed fee (insurance premium) and in occurrence of the circumstances stipulated by the contract (insured accident) to compensate (pay insurance premium) to the insured or other person to whose favour insurance contract is made (beneficiary), losses, incurred to the insured facility, within amount established by the contract (insurance money). Marine insurance contract shall be made in writing.

Article 194. Application of rules stipulated under this chapter
Rules established under this chapter shall be applied unless otherwise is stipulated by the contract between the parties.

**Article 195. Marine insurance object**

195.1. Any property interest related to the commercial navigation: such as ship, ship under construction, cargo, charter, as well as passenger fee, ship operation fee, expected income from cargo and other requirements provided by the ship, charter and cargo, salary and other amounts to be paid to the captain and crew members, including repatriation costs, ship owner’s and insurer’s risk (reinsurance) shall be subject of insurance.

195.2. Insurance object shall be indicated in the marine insurance contract.

**Article 196. Information on insurance risk**

196.1. In making the marine insurance contract the insured party shall inform the insurer on circumstances that are of vital significance for determining the level of risk and that are known or will be known to insured, as well as information requested by the insurer.

196.2. Insured shall be released from liability of informing to the insurer generally known information, as well as information that is known or shall be known to the insurer.

196.3. If insured did not inform the insurer on facts, circumstances that are of vital importance for risk assessment, insurer holds the right to refuse from execution of the marine insurance contract. In this case the insurance payment (award) shall be left with the insurer, unless the insured proves that failure to provide the information or correct information did not occur as a result of his negligence.

196.4. Insurer is not entitled to refuse from fulfilment of his liabilities under the contract if circumstances that have a vital significance for risk assessment and were not informed by the insured ceased to have significance.

196.5. If when concluding the contract the insured party did not provide information requested by the insurer, insurer can not refuse from the contract in future on the basis of failure to submit such information.

**Article 197. Certificate of insurance and provisions of insurance**

Insurer shall issue to the insured the document that verifies the conclusion of the marine insurance contract (certificate of insurance or other insurance documentation) along with provisions of insurance contract.

**Article 198. Insurance payment (premiums)**
Insured shall pay the insured the insurance payment within the period established under the contract. The contract enters into force at the period of the insurance payment.

**Article 199. Conclusion of the marine insurance contract in the favour of other person**

199.1. Marine insurance contract can be concluded by the insured to his favour or in the favour of other person (beneficiary). It is not necessary to indicate the name of such person.

199.2. During execution of the marine insurance contract without indication of the beneficiary’s name, insurer shall issue to the insured party certificate of insurance or other document on the name of submitter.

**Article 200. Liabilities of the insured party and the beneficiary**

In events when the marine insurance contract is made to the favour of beneficiary, the insured shall accept all liabilities under contract. Beneficiary shall accept all liabilities under the marine insurance contract, that is made on or without his request, but only if there is a condition when beneficiary will agree to insure in future.

**Article 201. Right of the insured under the contract in favour of the beneficiary**

In making the contract in favour of the beneficiary the insured shall be authorised to use all rights under marine insurance contract without power of attorney from the beneficiary.

**Article 202. Submission of the insurance certificate when paying insurance money**

When paying insurance money the insurer shall hold the right to request the submission of the insurance certificate or other issued insurance document.

**Article 203. Insured cargo alienation results**

203.1. In the event of the insured cargo alienation marine insurance contract shall remain in force and all rights and liabilities of the insured shall be transferred to the buyer of such cargo.

203.2. In events when the insurance award is not paid by the period of the insured cargo alienation, both parties that insured the cargo and its buyer shall be responsible for payment. Requirement for payment of the insurance award shall not be left with the holder of insurance certificate or other insurance document, in that it is indicated that insurance award was not paid.
Article 204. Insured ship alienation results

204.1. In the event of the insured ship alienation the marine insurance contract shall be terminated from the moment of ship alienation. In events, when insured ship is alienated during sailing on insured party’s request, marine insurance contract shall remain in force until the end of sailing, and all rights and liabilities of the insured shall be transferred to the buyer of such ship.

204.2. Rules established in article 204.1 of this Code shall also be applicable for liabilities of the ship owner under marine insurance contract in events when insured ship in delivered for use and ownership to the charterer under bareboat charter.

Article 205. Sum insured

205.1. In execution of the marine insurance contract insured party shall announce the sum at that he insures his interests (sum insured).

205.2. In insuring the ship, cargo or other property, amount of insurance can not exceed their actual value assessed for the period of execution of the marine insurance contract (sum insured).

205.3. In events when insured sum indicated in the contract exceeds the insurance value of the property, the contract shall be deemed invalid for the portion of amount that exceeds the insurance value.

205.4. In case when sum insured is announced to be lower than insurance value of property, the amount of the sum insured shall be decreased pro-rata to the interest amount and interest value.

Article 206. Double insurance

206.1. In events, when the subject is insured with a number of insurers for amount total value of that exceeds its insurance value (double insurance), all insurers shall be responsible for the amount of insurance value. In this case, each insurer shall accept liabilities on his share of amount stipulated by the contract in the total amount of insurance on all contracts.

206.2. In events when the same liability of the ship owner is insured with a number of insurers (double insurance), each of the insurers shall be liable at the amount appropriate to his liabilities established under the contract.

Article 207. Occurrence of losses prior the execution of the marine insurance contract or their absence

207.1. Marine insurance contract shall remain in force even if by the period of its execution possibility of occurrence of losses to be compensated has passed, or such losses have already occurred. In events, when insurer at period of execution of contract did know or should have known that possibility of the insurance case occurrence is excluded, or insured or beneficiary knew or should have known about losses occurred,
insurance contract shall not be a mandatory liability for the party who was not aware about such circumstances.

207.2. Insurance award shall be paid to the insurer also in events, when execution of the marine insurance contract is not mandatory for him.

**Article 208. General certificate of insurance**

In accordance with special contract (general certificate of insurance) all or known types of cargoes that are despatched or received by the insured within specified period frame can be insured.

**Article 209. Information on cargo**

209.1. Insured shall inform the insurer on every cargo to be despatched that falls under the general certificate of insurance as well as all necessary information immediately after its receipt, such as name of the ship that transports the cargo, destination and insurance value.

209.2. Failure to inform or late notification on necessary information by the insured about specified cargo delivers as a result of negligence, entitles insurer to refuse from compensation of losses occurred in relation with such cargo deliveries. Along with this insurer holds the right to receive the entire amount of insurance award that he can receive as a result of complete and timely submission of information.

209.3. Insurer holds the right to refuse from the insurance based on general certificate of insurance if insured has deliberately failed to provide necessary information on specified types of cargo deliveries or made a late notification, did not made a correct indication of cargo type or insurance amount. However, insurer maintains the right for insurance award that he should be authorised to receive if insured would provide appropriate execution of contract.

**Article 210. Insurance certificates for specified cargo deliveries**

210.1. On insured party request the insurer shall issue insurance certificates for specified cargo deliveries that fall under general certificate if insurance.

210.2. In events when the content of the insurance certificate of specified cargo deliveries does not correspond with general certificate of insurance, preference shall be assigned to the certificate of insurance.

**Article 211. Insured party’s or beneficiary’s fault**

Insurer shall not be liable for losses resulted from the fault (deliberate or negligent) of the insured party, beneficiary or their representatives.

**Article 212. Release of the insurer from liabilities**
212.1. With exception of events indicated in article 211 of this Code, during the insurance of ship the insurer shall not be liable for losses incurred as a result of following:

212.1.1. despatch of ship in unsound condition, unless such unsound condition has resulted from hidden deficiencies;
212.1.2. decrepitude and damage of ship and its equipment from period or use;
212.1.3. loading of explosive and flammable substances and materials with awareness of the insured party, beneficiary or their representatives but without knowledge of the insurer.

212.2. With exception of events stipulated in Article 211 of this Code, during insurance of the cargo or expected profit the insurer shall not be subject to liability for losses if he proves that they occurred for following reasons:

212.2.1. as a result of fault (deliberate or negligent) of the cargo shipper or consignee, or their representatives;
212.2.2. as a result of natural characteristics of cargo (damage, diminution, corrosion, mould, leak, break, flammability etc.);
212.2.3. as a result of the improper packaging of cargo.

212.3. Rules established in articles 212.1 and 212.2 of this Code shall be applied during insurance of charter.

212.4. Insurer shall not be liable for losses incurred as a result of nuclear explosion, radiation or radioactive damage, unless otherwise is stipulated under rules of this Code.

212.5. Insurer shall not be liable for losses incurred as a result of military or pirate actions, public unrest, strikes, as well as confiscation, requisition, arrest or destruction of ship or cargo in accordance with resolution of appropriate authorities.

**Article 213. Consequences of the insurance risk change**

213.1. Insured party or beneficiary as soon as they receive information, shall immediately notify the insurer on any significant change in the subject of insurance or in relation with subject of insurance (re-loading, replacements to cargo transportation method, port of unloading, deviations to ship agreed or normal route etc.).

213.2. Any replacement, that results in increased risk, unless its related to the saving of human lives, ships or cargoes, or necessity for safe continuation of the sailing shall provide basis for the insurer to re-consider provisions of the marine insurance contract or request the payment of the additional insurance award.

213.3. Failure by the insured party or beneficiary to follow their liabilities stipulated under article 213.1 of this Code, shall release the insurer from its liabilities for execution of the marine insurance contract from the moment of introduction of significant replacement. Insurance award shall be left after the insurer, unless insured party or beneficiary will be able to prove that failure to fulfil the specified liability did not occur as a result of their fault.
Article 214. Prevention or minimisation of losses

214.1. Should insurance case occur, the insured party shall take reasonable and accessible actions under the existing circumstances on prevention or minimisation of losses. He shall immediately inform the insurer on occurrence of the insurance case and follow the instructions of the insurer if such will be provided.

214.2. Insurer shall be released from liability for losses that occurred as a result of the failure by the insured party or beneficiary to take actions on prevention or minimization of losses deliberately or due to negligence.

Article 215. Provision of coverage on accident in general

Upon the request of the insured party or beneficiary the insurer shall provide within the limits of insurance amount the provision of coverage on accident in general, that is covered under conditions of insurance.

Article 216. Protection of insurer interests during the preparation of claims adjustment

During preparation of the claims preparation on accident in general, the insured party shall protect the interests of the insurer.

Article 217. Compensation of insured party costs

217.1. Insurer shall compensate to the insured party or beneficiary necessary costs incurred for:

217.1.1. prevention or minimization of losses for that the insurer is liable, even when measures taken by the insured party or beneficiary on prevention or minimization of losses were not successful;

217.1.2. implementation of insurer’s instructions in accordance with article 214 of this Code;

217.1.3. clarification and calculation of the value of losses to be compensated by the insurer;

217.1.4. preparation of claims adjustment on accident in general.

217.2. Costs, stipulated under article 217.1 of this Code shall be compensated based on pro-rata insurance amount and insurance value.

Article 218. Insurer liabilities beyond the amount of insurance

218.1. Insurer shall be liable only for losses occurred within the insurance amount. However costs stipulated in article 217.1 of this Code as well as coverage on accident in general shall be paid independent from the fact that along with losses to be compensated they can exceed the insurance amount.
218.2. The insurer shall be liable for losses resulted from a number of consecutive insurance events, even if the total amount of such losses exceeds the insurance amount.

**Article 219. Missing ship**

219.1. In the event of the missing ship, in accordance with article 38.2 of this Code, the insurer shall be liable for the complete insurance amount.

219.2. In accordance with ship marine insurance for the fixed period, the insurer shall be liable for missing ship, if the last notification on ship was received before the expiry of the contract and if the insurer will not be capable to prove that ship wreck has occurred before the indicated period frame.

**Article 220. Abandonment**

220.1. When property is insured from destruction, the insured party or beneficiary shall inform the insurer on the decision to refuse from their rights on insured property (abandonment) and receive the insurance amount in events of:

- 220.1.1. missing ship;
- 220.1.2. destroyed ship and (or) cargo;
- 220.1.3. non-feasibility of insured ship refurbishment or repair (complete structural destruction of ship);
- 220.1.4. non-feasibility of maintenance of ship damage or cargo delivery to the destination point;
- 220.1.5. capture of ship or cargo, insured from capture if the condition occurs for more than six months.

220.2. In events stipulated in article 220.1 of this Code following rights to be transferred to insurer:

- 220.2.1. all rights on insured property if property was insured for its complete value;
- 220.2.2. rights on share in the insured property pro-rata to the relation of insurance amount to insurance value if property was not insured for its complete value.

220.3. Abandonment notification shall be issued to the insurer within six months from the moment of expiry or beginning of circumstances stipulated in articles 219 and 220.1 of this Code. Upon the expiry of six months period the insured party or beneficiary shall lose their rights for abandonment and may request the compensation of losses on general basis.

220.4. Notification on abandonment shall be unconditional and can not be taken back by the insured party or beneficiary.

220.5. Contract of parties that conflicts with rules established in articles 220.1—220.4 of this Code shall not have any legal force.

**Article 221. Return of insurance coverage**
In case when upon the receive of the insurance coverage it will be determined that ship was not destroyed, the insurer may request the insured party or beneficiary to return the insurance coverage after deduction of the portion of coverage that reflects the actual losses caused to insured party or beneficiary.

Article 222. Transfer of insured party’s or beneficiary’s rights for compensation to insurer (subrogation)

222.1. The insurer who made the insurance compensation shall be authorised to the right of raising claim that insured party or beneficiary shall have to the person responsible for damage caused. Such right shall be executed by the insurer in compliance with procedure established for person who received the insurance compensation.

222.2. In case when the insured party or beneficiary has refused from his right to raise any claims against person responsible for the damage caused, or execution of this right is not possible due to insured party’s or beneficiary’s fault, insurer shall be released from liability of complete or partial payment of the insurance compensation.

Chapter XVI

General average

Article 223. Definition of general average and principles of distribution

223.1. The general average is a loss incurred as a result of deliberate and expedient extra costs or costs for general safety provision and provision of safety of property, such as ship, charter and cargo transported.

223.2. The general average is only that loss that is the direct result of actions specified in article 223.1 of this Code.

223.3. The general average is distributed between the ship, cargo and charter in proportion of their value at the end period and location of marine sailing, determined in accordance with rules, established under Article 241 of this Code.

223.4. If they did not participate in salvage operations but commercial activity, the fact of towage of one ship by other ship or number of ship shall be considered as general average.

223.5. Rules established under this chapter shall be applicable in events if measures are taken for protection of ships and their cargoes if such cargoes exist from general hazard.

223.6. The ship is not under general hazard with other ship (ships), if it is considered to be safe as a result of simple disconnection with other ship (ships).

Article 224. Application of rules stipulated under this chapter
224.1. Rules established under this chapter shall be applicable, with exception of rules established under articles 223.1 and 242—245 of this Code, unless otherwise is established by the contract between the parties.

224.2. In events, when it is not established by the contract between the parties, as well as in the event of incompleteness of the law to be applied for determination of the type of accident, volume of general average losses and their distribution, international trade shipping rules and practices shall be applied.

224.3. Right for loss compensation for distribution of general average shall remain also in events, if hazard resulting in extra costs or costs incurred by the fault of on of the parties of marine transportation contract or third party. Such distribution shall not deprive the participants of the general average from rights to claim the compensation for caused losses from person responsible.

Article 225. General average, as a result of ship calling to the place of refuge

225.1. General average shall also be considered as cost for the ship call to the port or location of refuge, or return of ship to port or cargo loading location as a result of accident or other contingency, that has dictated the necessity of such call or return for the purposes of general safety.

225.2. In events, when costs incurred as a result of ship call to the place of refuge or its return to the location of cargo loading considered as general average, costs related to the departure from such location with initial cargo or part of the cargo shall also be considered as general average.

225.3. Costs on wages and allowances of crew members, fuel and logistic support, incurred as a result of sailing extension due to ship call to the place of refuge or return to the location of cargo loading under circumstances stipulated in article 225.1 of this Code shall be recognised as general average.

225.4. Rules established in articles 225.1—225.3 of this Code shall be applicable respectively to costs for ship departure from the place of refuge that ship entered and that can not provide its repair, other port or location, including costs for maintenance, towage and sailing extension.

Article 226. Costs for shipboard handling, unloading and re-loading of cargo, fuel or supplies

226.1. The general average are costs for cargo handling, fuel or supplies on the board of ship or their unloading at the location cargo loading, ship call on location or emergency refuge location that ships calls on to repair damages from accident or other contingencies, if such repair is necessary for safe continuation of sailing.

226.2. Costs for shipboard cargo handling, fuel or supplies or their unloading shall not be considered a general average in following situations:
226.2.1. costs occurred only for the purpose of cargo, fuel and procurement
Articles re-arrangement, due to their displacement during sailing and such re-
arrangement was not implemented for the purposes of general safety;
226.2.2. costs occurred for ship repair at the loading point from damages that are
not resulted from accidents or contingencies during the subject sailing.
226.3. Costs for re-loading or re-arrangement of cargo, fuel or supplies, that were
unloaded or moved under circumstances specified in articles 226.1—226.2 of this Code
along with costs for insurance and storage shall be considered as general average.

Article 227. Temporary ship repair

Costs on temporary ship repair, implemented at the cargo loading point, call or
refuge points for the purposes of general safety or for repair of damages, occurred as a
shall be considered as general average. Costs on temporary repair of accidental
damages necessary for completion of sailing shall be compensated at the volume of
prevented costs (that would be accounted for general average if such repair was not
undertaken).

Article 228. Costs resulting from ship delay for the purposes of general safety

228.1. Crew wage and allowance payments incurred as a result of ship delay at
the port or location for the repair of ship due to accident or for the purposes of general
safety, other contingencies or purposes of general safety shall be considered a general
average, if such repair is necessary for safe continuation of the sailing. Costs on fuel,
supplies and port costs occurred as a result of such delay shall be compensated in the
order of distribution of general average, with exception of costs on repayment of
damages not related to general average.
228.2. Rules stipulated in article 228.1 of this Code shall not be applicable to costs
related to ship delay for repayment of damages not resulting from accident or other
contingency situation that occurred during the sailing. Such costs shall not be
considered as general average, even if repayment of damages was necessary for safe
continuation of the sailing.

Article 229. Consequences of rejecting the ship as ineligible for navigation or
ship refusal to continue the sailing

Should ship be rejected as ineligible for navigation or refuse to continue the
sailing, of general costs for storage, insurance, crew member wages and allowances,
fuel, supplies and port costs indicated in articles 226.3 and 228.1 of this Code, only those
shall be classified for general average that incurred before the ship was considered as
ineligible for navigation or before ship refused to continue its sailing, or before cargo
unloading, if unloading is not complete by the specified period.
Article 230. Costs on salvage operations and general average as a result of salvage operations

230.1. Salvage costs incurred by the parties participating in marine operations, if salvage was conducted for the purposes specified in article 223.1 of this Code and shall be considered a general average irrespective of the fact whether such salvage will be carried out on contractual or any other basis.

230.2. Costs indicated in article 230.1 of this Code shall include the reward for salvage, determined based on the level of professionalism and extent of efforts demonstrated by salvors in for prevention of mitigation of environmental impacts. However, the special compensation paid to the salver by the ship owner shall not be considered a general average.

230.3. Following shall be considered a general average if conditions specified in article 223 of this Code exist:

230.3.1. losses incurred by cargo overboard the ship, costs incurred on ship or cargo for general safety, specifically as a result of hold flooding by hatches opened for cargo disposal;

230.3.2. damage to the ship as a result of fire fighting on ship, including losses due to shoring of the ship or scuttling of the burning ship;

230.3.3. losses, caused to ship or cargo as a result of deliberate running of ship aground;

230.3.4. losses caused to ship due to damaging of engines, other machinery or boilers during removal from aground;

230.3.5. contingency costs for lightening of the ship on aground via reloading of cargo, fuel and supplies from the ship on lighters, leasing of lighters and reloading back on ship, as well as other losses incurred during these operations.

Article 231. Costs associated with measures undertaken for prevention or mitigation of environmental impacts

231.0. Costs associated with measures on prevention or mitigation of impacts to environment shall be considered as general average in following events:

231.0.1. part of the operation that was performed for the purposes of general safety, but that would have authorised the party that is not part of marine operation to receive the salvage reward;

231.0.2. the ship call in port or departure from port or other locations under circumstances stipulated in article 255 of this Code;

231.0.3. ship delay in port or place of shelter under circumstances stipulated in article 225 of this Code. In case, when actual pollutant leak or spill from ship takes place, costs associated with additional measures on prevention or mitigation of environmental impacts shall not be considered as general average;

231.0.4. in connection with unloading, storage or re-loading of cargo if costs associated for indicated operations are considered to be general average.
Article 232. Losses from cargo damage or destruction or ship wreck, loss of fuel or supplies

Losses from damages or destruction of cargo, fuel or supplies caused by their movement on ship, unloading from ship, re-loading and arrangement, as well as in result of storage, shall be considered a general average in events if such operations conducted in association with general average.

Article 233. Losses from loss of freight

Loss of freight caused by the loss of cargo shall be considered general average in events if cargo loss is compensated in the order of distribution of general average. At this, costs that would be incurred by the ship owner for its receipt, but did not incur, should be deducted from freight charges.

Article 234. Substitute costs

Any additional costs incurred instead of other costs that would be associated to general average (substitute costs) shall be considered general average. Substitute costs shall be compensated only at the volume of prevented costs independent from savings achieved by one of the parties of general average as a result of substitute cost introduction.

Article 235. Losses that are not recognised as general average (simple average)

235.1. Losses that are not classified under general average characteristics determined in article 223.1 of this Code, as well as losses, specified in article 235.2, shall be considered as simple average. Such losses shall not be subject for distribution between the ship, cargo and charter and shall be the subject for the liability of party that such losses occurred to or the party responsible for causing the loss.

235.2. Even under characteristics stipulated in article 223.1 of this Code following shall not be recognised as general average:

235.2.1 value of the cargo thrown overboard that was transported on ship with violation of merchant shipping rules and practices;

235.2.2. losses incurred in relation with fire fighting on ship as a result of smoke or heating;

235.2.3. losses incurred by cut-off of ship parts and fragments damaged or lost earlier as a result of sea hazards;

235.2.4. losses incurred by speed-up of engines or any impact on engines, machinery or boilers of the floating ship;

235.2.5. any losses or damages incurred to ship or cargo as a result of sailing extension (downtime losses, price fluctuations).

Article 236. Losses from the damage to ship, its machinery and equipment

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236.1. Losses from damage of the ship, machinery and equipment shall be determined on the basis of repair, maintenance and replacement costs for damaged or lost parts.

236.2. In case that the ship repair was not performed, losses from ship damage shall be determined at the amount at that the ship value was depreciated as a result of damage and that does not exceed the ship repair value in accordance with cost estimate.

**Article 237. Discounts for «old to new» replacements**

237.1. In events when on ship with service life of no more than 15 years old materials are replaced by new ones, repair costs classified under article 236 of this Code to general average shall be depreciated to one third of the repair costs with exception of events indicated in articles 237.2—237.4 of this Code.

237.2. Discounts for «old to new» replacements shall not be applicable to temporary repair costs, recognised as general average in accordance with article 236 of this Code as well as costs associated with food, supplies, anchors and anchor chains.

237.3. Dry dock, slips and ship movements associated with ship repair shall be classified as general average.

237.4. Costs on cleaning, painting and coating of the ship during its repair shall be classified as general average at the volume of fifty percent and under condition if previous painting and coating had taken place within last twelve months before general average act.

**Article 238. Ship wreck losses**

In case when ship is completely lost or costs associated with its repair would have exceed the value of ship after repair (complete structural destruction), losses classified as general average, shall comprise the difference between the estimated value of the undamaged ship with destruction of all repair costs not associated with general average in accordance with cost estimate and net income amount, that could have been obtained from the sales of what was left from ship.

**Article 239. Losses from cargo damage or destruction**

239.1. Losses from cargo damage or destruction associated with general average shall be determined in accordance with cargo value at the period of its unloading based on trade invoice submitted to the consignee, or if such invoice is absent on the basis of the cargo value at the period of its shipment. The value of cargo at the period of its unloading shall include insurance and charter costs (if charter is not a part of ship owner’s risk).

239.2. In the event of the damaged cargo sales, compensated losses shall be formed from the difference between the value of not damaged cargo determined in accordance with article 239.1 of this Code and net income from cargo sales.
239.3. Losses from damage or destruction of Articles loaded onto ship without consent of the ship owner or its agents as well as losses from damage or destruction of cargoes that are deliberately submitted for transportation with incorrect title, shall not be considered a general average. In case when such property is salvaged, its owners will be obliged to share general average payments. Owners of cargoes value of that is announced lower than actual value, shall participate in general average in accordance with actual value of cargoes, but will receive compensation in accordance with announced value of cargoes.

**Article 240. Interest rate for losses compensated within the general average arrangements**

For costs and other amounts to be compensated within the general average arrangement, annual seven percent of interest shall be accrued within three months of claims adjustment development.

**Article 241. Contributory value of property**

241.1. The total value of property (ship, cargo and charter), for that loss compensation payments are established within general average arrangements (contributory value of property), shall be determined of the basis of actual net value of property upon the end of the ship sailing. To such value the amount to be compensated within the general average arrangement for sacrificed property shall be added only if this amount was not included.

241.2. In determination of the contributory value of the property all additional costs incurred in respect of such property shall upon the general average act shall be deducted, with exception of those costs that are classified as general average or associated with ship on the basis of decision on payment of special compensation in accordance with article 271 of this Code.

241.3. Contributory value of cargo shall be determined at the period of cargo unloading based of value indicated in the trade invoice submitted to the consignee, or in absence of invoice on the basis of cargo value at the period of its dispatching. Value of cargo shall include all costs associated with insurance and charter, only if charter does not constitute ship owner’s risk. Amounts of all losses from cargo damage or destruction shall be deducted from cargo value before or during its unloading.

241.4. Contributory value of cargo sold in proximity of the destination point shall be determined based on net income value from cargo sells surplus the amount compensated within the general average arrangements.

241.5. Contributory value of the ship shall be determined without consideration whether ship was chartered on the basis of bareboat-charter or time-charter at the period of general average.

241.6. In determination of the contributory value of property costs associated with charter obtain and passenger fees, including costs associated with the crew
member wages shall be deducted from charter and passenger fee amounts that constitute ship owner’s risk. These are costs that would not occur if ship or cargo was destroyed under circumstances, that had initiated the general average and that can not be classified as general average.

241.7. Passenger luggage, including cars and other personal belongings of passengers, that are not transported based on bill of lading, shall not be considered during determination of contributory value of property or fees on compensation of losses within general average arrangements.

**Article 242. Claims adjustment and average adjuster**

On notification of stakeholder parties the fact of general average and its payment arrangements (claims adjustment) shall be determined by persons with knowledge and experience in Ship’s legislation (average adjusters).

**Article 243. Materials and evidences necessary for claims adjustment preparation**

243.1. Party that claims for general average arrangements shall prove that announced losses shall be classified as general average.

243.2. Person, whose interests can be affected by preparation of claims adjustment, shall submit to claims adjuster written notification on losses or costs that he claims shall be compensated within twelve months from the end date of sea operations. Should he fail to submit such notification, claims adjuster shall be authorised to prepare the claims adjustment based on existing information. In this claims adjustment can be argued only if its clearly incorrect.

243.3. Should preparation of claims adjustment raise issues that will require special expertise, claims adjuster shall be authorised to assign selected expert to prepare the appropriate expert conclusion. Such conclusion shall be evaluated by the claims adjuster along with other evidences.

243.4. Materials that form basis for claims adjustment preparation shall be open for revision, and claims adjuster upon the enquiry of stakeholder parties shall provide them with notary approved copies developed at enquirer’s Cost.

**Article 244. Claims adjustment preparation fees**

Fees for claims adjustment preparation shall be collected and included to claims adjustment. Such fee shall be distributed between all stakeholder parties pro-rata their participation shares in general average.

**Article 245. Claims adjustment correction and disputing**

245.1. Mistakes in calculations found in claims adjustment upon registration in claims adjustment log, shall be corrected by the claims adjuster on own initiative or
claims of persons general average will be distributed between, by preparation of supplement to claims adjustment. Such supplement shall constitute the part of claims adjustment.

245.2. Stakeholder parties can dispute the claims adjustment in court within six months from the date of obtaining the claims adjustment or its supplement with liability to notify the claims adjuster by sending him the copy of court appeal.

245.3. Claims adjuster shall be authorised, and if necessary must participate in court disputes on claims adjustment and provide necessary clarifications.

Chapter XVII

Compensation of losses from ship collisions

Article 246. Application of laws stipulated under this chapter

246.1. In collisions of sea ship, as well collisions of sea ships with other ships losses caused to such ships, persons on board, cargoes and property shall be compensated in accordance with procedures established under this chapter. Indicated rules are also applicable if losses caused by one ship to another, or people on board, as well as cargoes or other property as a result of performance or failure to perform a manoeuvre or failure to follow navigation procedures, even if the collision did not take place.

246.2. Rules established under this Code shall be applicable for navy and navy support ships (with exception of border patrol ships), ships that form the property of the Republic of Azerbaijan and used during collision for government non-commercial service.

Article 247. Circumstances that release from liability

247.1. Damaged party shall take the liability for losses in events when ship collisions had taken place by accident, as a result of force-major or when it is not possible to establish the reasons of collision.

247.2. Procedure established in article 247.1 of this Code shall also be applicable if ships or one of the ships were anchored or otherwise fastened at the period of collisions.

Article 248. Liability for ship collision

248.1. In events when the ship collision was caused by one of the ships, party responsible for collision shall be liable for losses.

248.2. In case that ship collision was caused by two or more ships, liability of each party is determined by the level of its liability for collision. When it is not possible to determine the level of Liability for each ship due to circumstances of collision, liability for collision is distributed evenly.
248.3. Owners of ships responsible for collision shall take the liability before third parties for impacts caused due to human fatality or health deterioration. The ship owner who has paid a higher amount than he should have paid in accordance with article 248.2 of this Code shall be authorised for regress to other ship owners.

248.4. Liability stipulated under article 248.2 of this Code shall also be applicable if collision had resulted from pilot actions.

**Article 249. Presumption of innocence**

None of the ships shall be deemed responsible unless otherwise is evidenced.

**Chapter XVIII**

**Liability for damage caused from oil pollution from ships**

**Article 250. Basis for liability of ship owner**

250.1. From the moment of incident occurrence the ship owner shall be liable for any damage from pollution caused by the ship, with exception of events stipulated under Article 251 of this Code.

250.2. Following definitions shall be applicable for the purposes of this chapter:

250.2.1. Ship—any ship designated or used for the transportation of oil as cargo, that actually transports oil as cargo, as well as for any following sailing unless the absence of oil transportation traces are proved;

250.2.2. survivor—citizen, legal entity, state or any state subject;

250.2.3. ship owner—person registered as ship owner. If the ship belongs to state and is operated by the entity that is registered as ship owner such entity shall be deemed a ship owner;

250.2.4. oil—any mineral hydrocarbon mixture, including crude oil, fuel oil, heavy diesel fuel and lubricants, independent whether transported on the board of the ship or ship fuel tanks;

250.2.5. damage from contamination,—damage, caused outside of ship as a result of oil leak or spill from ship, independent from location of the leak or spill, under condition, if compensation for the environmental impact is limited to costs for reasonable reinstatement activities; as well as costs on preventive measures and future impact caused by such measures;

250.2.6. preventive measures—any reasonable measures, taken by any person upon the incident to minimise impacts of pollution;

250.2.7. incident—any event or number of events of the same nature that resulted in contamination damage or has caused the serious and direct threat for such damage.

**Article 251. Release of ship owner from liability**
251.1. Ship owner shall not be responsible for pollution damage if following is evidenced:
  251.1.1. damage is caused by military and hostile actions, civil unrest or force-major;
  251.1.2. damage is caused by actions or failure to take actions by third parties with intention to cause pollution damage;
  251.1.3. damage is caused as a result of negligence or other illegal actions of state authorities responsible for maintenance or lights and other navigational aids during execution of specified functions.
  251.2. In case if ship owner will prove that contamination damage is caused deliberately or as a result of negligence of the survivor party, ship owner will completely or partially release from liability before such person.

**Article 252. Common liability of two or more ship owners**

252.1. In the event of pollution damage resulting from incident with involvement of two or more ships, owners of all ships involved in incident unless released from liability in accordance with article 251 of this Code shall take a common liability for entire pollution damage that cannot be reasonably split between them.
  252.2. Owners of ships involved in incident shall be authorised to limit their liability applicable to each of them in accordance with article 253 of this Code.

**Article 253. Ship owner’s right for limitation of liability and lose of such right**

253.1. Ship owner shall be authorised to limit his liability for one incident by general amount calculated in following order:
  253.1.1. 3 000 000 calculation units for the ship with capacity not greater than 5 000 tonnes;
  253.1.2. for the ship with capacity exceeding 5 000 tonnes, to the amount indicated in article 253.1.1 of this Code, 4 200 calculation units shall be added for each additional tonne, however the total amount shall not exceed the amount of 59,7 million calculation units.
  253.2. Ship owner shall lose his right for limitation of liability stipulated under article 253.1 of this Code, if it is evidenced that contamination damage was caused by his own actions or failure to take actions, performed deliberately or as a result of negligence.

**Article 254. Liability limitation fund**

254.1. In order to limit its liability for pollution damage in accordance with article 253.1 of this Code, ship owner shall establish a liability limitation fund for the amount that is equivalent of his liability limit, in the court where claim for compensation of
pollution damage is raised, or if such claim is not raised in the court where claim can be
raised, such fund can be established via making of deposit to court or submission of
viable bank guarantee or other funding provisions.

254.2. Reasonable and voluntary costs incurred by the registered ship owner in
order to prevent or minimise pollution damage and lost property associated with such
actions shall provide him with equal rights with other creditors in respect of the liability
limitation fund.

254.3. Rules on distribution of the liability limitation fund established in article
284 of this Code shall be applicable for the liability limitation fund established in
accordance with article 254.1 of this Code.

254.4. If after the incident the registered ship owner has established the liability
limitation fund and is authorised for limitation of liability:

254.4.1. no person claiming for compensation of pollution damage caused as a
result if incident is authorised for satisfaction of such claim at the Cost of the registered
ship owner’s property;

254.4.2. court takes a verdict on release of the ship or any property of the
registered ship owner that can be arrested based on claim for compensation of pollution
damage caused by the incident, as well as of any mortgage or other provision made for
prevention of such arrest.

254.5. Rules stipulated in article 254.4 of this Code shall be applicable in case that
person claiming compensation for pollution damage is authorised to protect his rights
in the court that controls the liability limitation fund.

Article 255. Insurance or other financial provision for liability

255.1. To cover for its liabilities for pollution damage in accordance with rules
stipulated under this chapter, the owner of the ship that loads and transports as cargo
more than 2000 tons of oil shall have an insurance or submit other financial provision
(bank or other financial entity guarantee) for the amount that is equal to the maximum
limit of liability for pollution damage in accordance with Article 253.1 of this Code.

255.2. Any amounts guaranteed in accordance with article 255.1 of this Code by
the insurance or other financial provision, shall be used only for satisfaction of
requirements raised on the basis of rules stipulated under this article.

Article 256. Certificate of insurance or other financial provision of civil
liability for the damage caused by oil pollution

256.1. Certificate of insurance or other financial provision of civil liability for the
damage caused by oil pollution (hereinafter referred to as certificate), that verifies the
existence of insurance or other financial provision of liability with legal force in
accordance with rules established under this chapter shall be issued to each ship by the
registration authority if all requirements stipulated in article 255.1 of this Code are
followed.

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256.2. Certificate shall contain the following information:
256.2.1. name of the ship and port (point) of registration;
256.2.2. name and headquarters of the ship owner;
256.2.3. type of liability financial provision;
256.2.4. name and location of the headquarters of the insurer or other person who submitted the financial provision, and, as needed location where insurance or financial provision was registered;
256.2.5. validity period of certificate that cannot exceed the period of insurance or financial provision.

256.3. Certificate shall be kept in court with copy submitted to registration authority.

256.4. Conditions, provisions for issue and revision of certificates shall be approved by the relevant authority of executive power.

**Article 257. Claim on compensation of pollution damage**

257.1. Claims on compensation of pollution damage can be submitted to ship owner only in accordance with rules established under this article.

257.2. In compliance with the rule established in article 257.3 of this Code, claim on compensation of pollution damage on the basis of the rules established under this chapter cannot be raised against following:
257.2.1. employees, including crew members of agents of the ship owner;
257.2.2. pilot or any other person who is not a crew member but performs services on the ship;
257.2.3. any freighter, including the charterer under bareboat-charter and authorised manager;
257.2.4. any party conducting salvage operations with ship owner’s consent or under instructions of relevant state authorities;
257.2.5. any person performing preventive measures;
257.2.6. servants, ship’s agents of persons specified in articles 257.2.3—257.2.5 of this Code, if pollution damage was not resulted from their own deliberate or negligent actions or failure to take actions.

257.3. Rules established under this article do not affect the ship owner’s rights for regress to third parties.

257.4. Claim on contamination damage compensation can be raised directly towards the insurer or party that submits the financial provision for ship owner’s liability on contamination damage. In all events the defendant can require ship owner’s involvement as co-defendant.

**Chapter XIX**

*Liability for damage caused by transportation of hazardous*
and harmful substances

Article 258. Application of provisions stipulated under this chapter

258.1. Rules established under this chapter shall be applicable to requirements on compensation of pollution damages caused by sea transportation of hazardous and harmful substances with exception of requirements of the cargo sea transportation contract and passenger sea transportation contract.

258.2 Rules established under this article shall not be applicable to:

258.2.1. contamination damage as defined in article 250.2.5 of this Code independent from compensation payment;

258.2.2. damages caused by class 7 radioactive substance indicated in the International Marine Code for transportation of hazardous cargoes.

Article 259. Basis for ship owner’s liability

From the moment of incident occurrence the ship owner shall be liable for any damage from contamination caused by hazardous and harmful substances during their transportation, with exception of events stipulated under Article 260 of this Code.

Article 260. Release of the ship owner from liability

260.1. Ship owner shall not be responsible for contamination damage caused by hazardous or harmful substances, if following is evidenced:

260.1.1. damage is caused by military and hostile actions, civil unrest or force-major;

260.1.2. damage is caused by actions or failure to take actions by third parties with intention to cause contamination damage;

260.1.3. damage is caused as a result of negligence of state authorities responsible for maintenance or lights and other navigational aids during execution of specified functions.

260.1.4. failure by the shipper or other party to submit the information on hazardous or harmful nature of substances loaded on ship had resulted in general or partial damage or the ship owner did not receive the insurance payment in accordance with article 264 of this Code. Ship owner can be released from liability for damage under condition that neither he, his employees nor agents have been aware or should have been aware under normal circumstances about the hazardous or harmful nature of substances loaded on ship.

260.2. In case if ship owner will prove that contamination damage is caused deliberately or as a result of negligence of the survivor party, ship owner will completely or partially release from liability before such person.
Article 261. Common liability of two or more ship owners

261.1. In the event of damage resulting from incident with involvement of two or more ships, each transporting hazardous or harmful materials, owners of all ships involved in incident unless released from liability in accordance with article 260 of this Code shall take a common liability for entire damage that cannot be reasonably split between them.

261.2. Owners of ships involved in incident shall be authorised to limit their liability applicable to each of them in accordance with article 262.1 of this Code.

Article 262. Ship owner’s right for limitation of liability and loss of such right

262.1. Ship owner shall be authorised to limit his liability for one incident by general amount calculated in following order:

262.1.1. 10000000 calculation units for the ship with capacity not greater than 2000 tonnes;

262.1.2. for the ship with capacity exceeding 2000 tonnes, to the amount indicated in article 262.1.1 of this Code, for each additional tonne of capacity from 2001 to 50000 tonnes, 1.5 thousand calculation units shall be added, and for the ship with capacity exceeding 50000 tonnes—360 calculation units shall be added.

262.2. Ship owner shall lose his right for limitation of liability stipulated under article 262.1 of this Code, if it is evidenced that contamination damage was caused by his own actions or failure to take actions, performed deliberately or as a result of negligence.

Article 263. Liability limitation fund

263.1. In order to limit its liability in accordance with article 262 of this Code ship owner shall establish a liability limitation fund for the amount that is equivalent of his liability limit, in the court where claim for compensation of contamination damage is raised, or if such claim is not raised in the court where claim can be raised.

263.2. Rules stipulated under article 254 of this Code shall be applicable to liability limitation fund.

Article 264. Insurance or other financial provision for liability

264.1. To cover for its liabilities for contamination damage in accordance with rules stipulated under this chapter owner of the ship that transports hazardous or detrimental substances shall have an insurance or submit other financial provision (credit entity guarantee) for the amount that is equal to the maximum limit of liability in accordance with article 262.2 of this Code.

264.2. Any amounts guaranteed in accordance with article 264.1 by the insurance or other financial provision, shall be used only for satisfaction of requirements raised on the basis of rules stipulated under this chapter.
Article 265. Certificate of insurance or other financial provision of civil liability for the damage caused by hazardous or detrimental substances

265.1. Certificate of insurance or other financial provision of civil liability for the damage caused by hazardous and detrimental substances (hereinafter referred to as certificate), that verifies the existence of insurance or other financial provision of liability with legal force in accordance with rules established under this chapter shall be issued to each ship by the registration authority if all requirements stipulated in article 264.1 of this Code are followed.

265.2. Certificate shall contain the following information:
   265.2.1. name of the ship, its signal coding and port (point) of registration;
   265.2.2. name and headquarters of the ship owner;
   265.2.3. identification number of the ship assigned by the International Sea Organization;
   265.2.4. type of liability financial provision and period of validity;
   265.2.5. name and location of the headquarters of the insurer or other person who submitted the financial provision, and, as needed location where insurance or financial provision was registered;
   265.2.6. validity period of certificate that cannot exceed the period of insurance or financial provision.

265.3. Certificate shall be kept on the board of ship with copy submitted to registration authority.

265.4. Conditions, provisions for issue and revision of certificates shall be approved by the relevant authority of executive power.

Article 266. Claim on compensation of damage

266.1. Claims on compensation of damage can be raised against ship owner only in accordance with rules established under this article.

266.2. Rules established under articles 257 of this Code shall be applied to claim on compensation of damage.

Chapter XX

Ship and property salvage

Article 267. Application of rules established under this article

267.1. Rules established under this article shall be applicable to any salvage operations unless otherwise directly or indirectly stipulated under the contract. Parties are not authorised to exclude by their contract application of article 268.2 of this Code and fail to follow their liabilities on prevention or minimization of environmental impact stipulated under article 269 of this Code.

267.2. Following definitions used for the purposes of this Article:
267.2.1. salvage operation—any action or any activity taken for provision of assistance to any ship or other property that are endangered in any waters;
267.2.2. property—risk property and charter not permanently or deliberately assigned to chore;
267.2.3. environmental damage is any significant actual impact caused to human health or offshore flora or fauna, adjacent water resources, contained water sources or areas adjacent as a result of pollution, fire, explosion or other similar incidents.
267.3. Rules stipulated under this article with exception of rule established in article 272.2 of this Code shall also be applied for:
267.3.1. nave ships, navy support ships and other ships that form the property of the Republic of Azerbaijan, as well as those operated or used at the period of salvage operations only for state non-commercial services;
267.3.2. non-commercial cargoes that form a state property.
267.4. Rules established by this chapter shall not be applicable for:
267.4.1. fixed or floating platforms, or mobile offshore rigs if such platforms or rigs conduct operations on exploration, development or production of offshore mineral resources;
267.4.2. cultural sea property, that carries an historic or archaeological if located on seabed.

Article 268. Salvage contracts

268.1. Captain shall be authorised to make contracts on performance of salvage operations on behalf of the ship owner. Captain or ship owner shall be authorised to make such contracts on behalf of the owner of property on board of the ship.
268.2. Salvage contract or any conditions of it can be deemed invalid or amended due to following circumstances:
268.2.1. contract is made under pressure or impact of hazard and its provisions are unfair;
268.2.2. payment stipulated under the contract is exceedingly high or low in relation to actual services.

Article 269. Liabilities of salvor, ship owner and captain

269.1. Salvor shall have following liabilities before the owner of the endangered ship or property:
269.1.1. to conduct salvage operations with appropriate care;
269.1.2. in conducting of liabilities stipulated under article 269.1.1 of this Code to take appropriate measures on prevention or minimization of environmental impacts;
269.1.3. to apply to other salvors if required by circumstances;
269.1.4. agree with participation of other salvors if requested by the captain of endangered ship or its owner, or the owner of the endangered property, providing that it will not affect the value of reward.
269.2. Captain or owner of the endangered ship or owner of other endangered property shall have following liabilities before the salvor:

269.2.1. provide complete cooperation during salvage operations;

269.2.2. in execution of liabilities stipulated under article 269.2.1 of this Code to demonstrate necessary care on prevention or minimization of environmental impacts;

269.2.3. to accept ship or other property after it is taken to safe location as reasonably required by the salvor.

**Article 270. Reward**

270.1. Salvage operations with positive outcomes shall entitle the salvor for a reward.

270.2. No payment shall be made if salvage operations did not have any positive results with exception of case stipulated under article 271 of this Code.

270.3. Reward is established for motivation of salvage operations and consideration of following criteria (independent from order):

- 270.3.1. value of saved ship or other property;
- 270.3.2. professionalism and efforts of salvors in prevention or minimisation of environmental impacts;
- 270.3.3. success achieved by the salvor;
- 270.3.4. hazard types and levels;
- 270.3.5. professionalism and efforts of salvors in saving the ship, property and human lives;
- 270.3.6. losses, period consumption and costs incurred by the salvors;
- 270.3.7. liability risk and other risks salvor or his equipment were exposed to;
- 270.3.8. timing in performance of salvage services;
- 270.3.9. existence and use of ships and other equipment intended for salvage operations;
- 270.3.10. level of alert of salvor’s equipment, efficiency and value of the equipment.

270.4. Reward established in accordance with article 270.3 of this Code shall be paid by all parties interested in ship and other property pro-rata to the value of saved ship or property.

270.5. Reward with exception of court costs and other interest that can be subject to payment in association with reward shall not exceed the value of saved ship or equipment.

**Article 271. Special compensation**

271.1. In case that the salvor performed the salvage operations on ship or cargo that created a risk of environmental impact and was not able to earn the reward in accordance with articles 270.3-270.5 of this Code, he shall be authorised to receive a
special compensation stipulated under article 271 of this Code, that will be equal to
costs incurred by the salvor indicated in accordance with article 271.3 of this Code.

271.2. If under circumstances stipulated under article 271.1 of this Code exist, the
salvor has prevented or minimized the environmental impact as a result of performed
salvage operation, the value of special compensation paid by the ship owner on the
basis of article 271.1 of this Code, can be increased to the maximum level of 30 percent
of all incurred costs. Court shall be authorised to increase the special compensation
with consideration of criteria specified under article 270.3 of this Code, however the
general increase shall not exceed 100 percent of costs incurred by the salvor.

271.3. For the purposes of articles 271.1 and 271.2 of this Code salvor’s costs are
reasonable costs of the salvor in implementation of special operation, as well as fair
payments for equipment and personnel that is actually and reasonably used within the
salvage operation with consideration of criteria specified in articles 270.3.8-270.3.10 of
this Code.

271.4. General special compensation shall be paid in accordance with article 271
of this Code only in case and at the volume when such compensation exceeds any other
rewarding that can be obtained by the salvor in accordance with articles 270.3-270.5 of
this Code.

271.5. Should salvor demonstrate negligence and as a result was not capable to
prevent or minimize environmental impacts he can be deprived partially or in complete
from the special compensation.

**Article 272. Distribution of reward**

272.1. Reward distribution stipulated in accordance with articles 270.3-270.5 of
this Code between salvors shall be carried out with consideration of criteria specified in
the above articles.

272.2. Distribution of any reward between the ship owner and crew members
paid for implementation of salvage operation shall be carried out in following order
upon deduction of costs incurred as a result of salvage operation:

272.2.1. three fifth of the net value of reward shall be paid to the ship owner and
two fifth shall be shared between crew members;

272.2.2. share to be paid to the crew members on the basis of article 272.2.1 of this
Code shall be distributed between them with consideration of efforts applied by each
crew member during the salvage operation and the his wage.

272.3. Rules established in article 272.2 of this Code shall not be applicable to
reward distribution earned for implementation of salvage operations by ships that
conduct such operations within their professional activities.

**Article 273. Saving of human lives**

273.1. No reward shall be expected from saved persons.
273.2. Salvors of human lives that took a part in provision of services in relation with event that caused the need for such salvage, shall be authorised for fair share in the amount, rewarded to salvors for rescuing the ship or other property, prevention or mitigation of potential environmental impacts.

Article 274. The liability to provide the salvor’s claims

274.1. On salvor’s request person responsible for reward or special compensation payment shall make provisions for salvor’s claims including interest and court costs.

274.2. Irrespective of the rule established under article 274.1 of this Code owner of the saved ship shall apply all efforts to satisfy all requirements (including interest and court costs) by the owners of cargo before its handover.

274.3. Without salvor’s consent the salvaged ship or other property can not be moved from the port or location, to that such ship or property were delivered upon the salvage operations until appropriate provision of salvor’s requirements are satisfied to this ship or property.

Article 275. Salvage operations controlled by competent State authorities

275.1. In execution of salvage operations by competent State authorities or under their control, implementing such operations can apply rights and protection instruments stipulated under this chapter.

275.2. Competent state authorities performing salvage operations can apply rights and protection instruments stipulated under this chapter, unless it is related with execution of their normal duties.

Chapter XXI

Limitation of liability on marine claims

Article 276. Persons authorised to limitation of liability

276.1. In accordance with rules established under this chapter, liability of the ship owner and salvor shall be limited on claims stipulated in article 277 of this Code.

276.2. For the purposes of application of rules established under this chapter, salvor is any person providing services in direct relation with salvage operations, including operations stipulated in article 277.1 of this Code.

276.3. If any of the claims stipulated under article 277 of this Code is raised against person, whose liability for taking or failure to take actions is specified in articles 276.1 and 276.2 of this Code, such person shall be authorised to apply liability limitation in accordance with rules established under this chapter.

276.4. Insurer of liabilities stipulated under article 277 of this Code shall be authorised to apply the liability limitation rights in accordance with rules established
under this chapter to the same degree in accordance with on whose liabilities are insured.

276.5. Actions intended for limitation of liability shall not be considered as recognition of liability.

**Article 277. Claims subject for liability limitation**

277.1. If rules established in article 278 of this Code are followed, future claims irrespective of the basis of liability shall fall under limitation of liability:

277.1.1. claims resulted in relation with death or health deterioration of a person, or damage to property, including damages to port facilities, water basins, navigational routes and means of navigation equipment, occurred on board directly connected with the ship operation or salvage operations, as well as claims for compensation of any damages as a result of such consequent damage;

277.1.2. claims for compensation of damage caused as a result a result of delay in the delivery during sea transportation of cargoes, passengers and their luggage;

277.1.3. claims for compensation of damage caused as a result of violation of any statutory rights associated directly with ship operations or salvage activities;

277.1.4. claims of the person other than person responsible for damage caused by damage prevention or minimisation measures, for that the person responsible for damage shall be authorised to limit his liability in accordance with rules established under this chapter and future damage caused by such measures.

277.2. Claims stipulated under article 277.1 of this Code shall fall under limitation of liabilities, even if they raised as regress on the basis of guarantees resulting from the contract. Claims stipulated under article 277.1.4 of this Code shall not fall under limitation of liability at the part that is associated with reward on contract made with person liable for damage.

**Article 278. Exceptions from limitation of liability**

278.1. Rules established under this chapter shall not be applicable to following claims:

278.1.1. reward for implementation of salvage operation, including payment of special compensation or general average payment;

278.1.2. compensation for oil pollutions from ships;

278.1.3. compensation of damage in association with sea transportation of hazardous and detrimental substances;

278.1.4. associated with lifting, towing or destruction of the sank ship, including every thing what is or was left on the ship;

278.1.5. compensation of nuclear damage;

278.1.6. associated with removal, destruction or disposal of the cargo from the ship;
278.1.7. compensation for damage caused to life, health or property of ship owner’s or salvor’s employees, performing their duties on ship or in association with salvage operations, as well as heirs of such employees, persons supported by these employees, if employment contract of such employees was developed under the legislation of the Republic of Azerbaijan;

278.1.8. compensation for damage caused to life or health of the passenger, if ship owner and passenger are legal entities or citizens of the Republic of Azerbaijan;

278.1.9. compensation of damage caused to lives, health or property of the citizen as a direct outcome of salvage operations in events when ship owner and citizen or salvor and citizen are legal entities or citizens of the Republic of Azerbaijan.

278.2. Person responsible for damage shall not be authorised to any rights for limitation of liability, if evidenced that damage was caused by his own actions or failure to take action (deliberate or negligent)

Article 279. Counterclaims

In case that person who holds the right for limitation of liability in accordance with rules established under this article, raises a counterclaim to claiming party, initial claim and counterclaim shall be registered and rules established under this article shall be applied to formed difference.

Article 280. General limits of liability

280.1. Liability limits on claims other than those that indicated in article 280.3 of this Code and resulted from the same event shall be calculated in following order:

280.1.1. on claims associated with compensation of damage caused to life or health of the citizen:

280.1.1.1. 333 thousand calculation units for the ship with capacity of no more than 500 tonnes;

280.1.1.2. for the ship with capacity from 501 to 3000 tonnes, 500 calculation units shall be added to the amount indicated in article 280.1.1.1 of this Code for every additional tonne above 500 tonnes;

280.1.1.3. for the ship with capacity from 3001 to 30000 tonnes, 333 calculation units shall be added to the amount indicated in article 280.1.1.1 of this Code for every additional tonne above 500 tonnes;

280.1.1.4. for the ship with capacity from 30001 to 70000 tonnes, 250 calculation units shall be added to the amount indicated in article 280.1.1.1 of this Code for every additional tonne above 500 tonnes;

280.1.1.5. for the ship with capacity above 70000 tonnes, 167 calculation units shall be added to the amount indicated in article 280.1.1.1 of this Code for every additional tonne above 500 tonnes;

280.1.2. on any other claims:
280.1.2.1. 167 thousand calculation units for the ship with capacity not greater than 500 tonnes;

280.1.2.2. for the ship with capacity from 501 to 3000 tonnes, 167 calculation units shall be added to the amount indicated in article 280.1.2.1 of this Code for every additional tonne above 500 tonnes;

280.1.2.3. for the ship with capacity from 3001 to 70000 tonnes, 125 calculation units shall be added to the amount indicated in article 280.1.2.1 of this Code for every additional tonne above 500 tonnes;

280.1.2.4. for the ship with capacity above 70000 tonnes, 83 calculation units shall be added to the amount indicated in article 280.1.2.1 of this Code for every additional tonne above 500 tonnes;

280.2. In case that amount calculated on claims for damage compensation caused to life or health of the citizen, in accordance with article 280.1 of this Code is not sufficient for complete payment of such claims, amount calculated on any other claims based on article 280.2 of this Code shall be used for the payment of unpaid portion of the claims for damage compensation caused to life or health of the citizen.

280.3. For claims on damage compensation caused to lives or health of passengers of the ship, should they occur in the result of same event, the liability limit of the ship owner shall be established by multiplication of 175.000 units of account by number of passengers ship is eligible to transport in accordance with passenger certificate.

**Article 281. Association of claims**

281.1. Liability limits determined on the basis of articles 280.1 and 280.2 of this Code shall be applicable to the association of all claims resulted from any one event to:

281.1.1. ship owner as well as any person for whose actions or failure to take actions ship owner is responsible for;

281.1.2. owner of the ship that renders rescuing services from the ship, salvor operating from such ship as well as any person whose actions or failure to take actions the ship owner or salvor are responsible for;

281.1.3. salvor not operating from the ship or operating on ship salvage services are provided to, as well as any person whose actions or failure to take actions the salvor is responsible for;

281.1.4. to ship owner as well as any person, whose actions or failure to take actions the ship owner is responsible for, limitations of liability determined under article 280.3 of this Code shall be applicable to association of claims that can arise from any one event.

**Article 282. Limitation of liability without establishment of liability limitation fund**
282.1. Ship owner and salvor shall be authorised to limit their liabilities in accordance with rules established under this article without establishment of the liability limitation fund stipulated under article 283 of this Code.

282.2. If limitation of liability is performed without establishment of the liability limitation fund, rules of the article 284 of this Code shall be applicable.

**Article 283. Liability limitation fund**

283.1. Person, liability can be claimed to is authorised to establish a liability limitation fund in the court where claim is raised from and liability of such person under the claim can be limited.

283.2. Liability limitation fund shall be established at the amount calculated in accordance with article 280 of this Code along with interest for such amount calculated from the date of event to the date fund establishment. Any fund established in such manner shall be used to compensate the claims for that the liability can be limited.

283.3. Liability limitation fund can be established by payment of amount indicated in article 283.2 of this Code to court deposit or by provision of bank guarantee or financial provisions in accordance with legislation of the Republic of Azerbaijan.

283.4. If a number of ship owners or salvors are authorised to limit the liability on claims resulting from the same event, the fund established by one of the parties shall be deemed as established by all parties of the event.

**Article 284. Distribution from the liability limitation fund**

284.1. All issue related with distribution from the liability limitation fund shall be resolved by the court where such fund is established.

284.2. Liability limitation fund is distributed between parties that have claims, pro-rata to amount of their claims to the fund.

284.3. If prior the distribution from the liability limitation fund person liable for claim or his insurer paid the compensation on claims to such fund, such person shall hold the rights of the person who received the compensation within amount he paid.

**Article 285. Obstacles for other claims**

In case when the liability limitation fund is established no person is authorised to take any actions against any other property of the persons or persons who had established such fund. Upon the establishment of the liability limitation fund, ship or other property of the person or persons arrested under claims shall be released by court order.

**Article 286. Application of rules established under this article**

286.1. Rules established under this article, shall also be applied for:
286.1.1. ships, that belong to the Republic of Azerbaijan or operated for state non-commercial service at the period of requirement, with exception of military ships, military support ships and border patrol ships;
286.1.2. ships build or adopted for drilling activities and performing such activities..
286.2. Rules established under this Code shall not be applicable for floating rigs, used for exploration of mineral and other resources of seabed and strata.

Chapter XXII

Ship hypothecation. Mortgage of ship or of ship being under construction

Article 287. Requirements (claims) ensured by maritime lien
287.1. Requirements related to the owner of a ship are ensured (guaranteed) by maritime lien:
287.1.1. Salaries and other amounts (or payments) of the captain and other members of a ship for works executed within the ship, including repatriation costs and social insurance payments on behalf of the captain and other members of a ship;
287.1.2. Compensation of a harm caused to a citizen’s life or his health as a direct result of ship’s exploitation;
287.1.3. Salvage reward;
287.1.4. Harbour, channel and pilot fees;
287.1.5. Compensation of the real damage caused as a result of loss or damage of property, other than cargoes, container and belongings of passengers being shipped by a ship in the course of ship’s exploitation.
287.2. Requirements (claims) provided for under Articles 287.1.2 and 287.1.5 of this Code will not be guaranteed by maritime lien in events if they are formed as a result of the following:
287.2.1. As provided for by Chapters 18 and 19 of this Code, damages in relation with pollution with oil from ship and shipment of hazardous and harmful items (substances) by sea;
287.2.2. Impacts of radioactive properties of the nuclear fuel or other radioactive substances.

Article 288. Privileged settlement of claims guaranteed by a maritime lien

288.1. Claims guaranteed by maritime lien in compliance with Article 287 of this Code have priority over claims arisen from liabilities guaranteed by ship mortgages registered in conditions of payments. Except for requirements provided for under Article 298.3 of this Code, no claim has a priority over other mentioned claims in conditions of payments.
288.2. Claims guaranteed by maritime lien of the relevant ship in accordance with to Article 287.1 of this Code, are settled by turns, in the order mentioned by the same article.

Article 289. Features of maritime liens

Excluding events when ship has to be forcibly sold, regardless of transfer of the property right, replacement of its registration or the flag, the maritime lien makes the ship continue to be charged (burdened).

Article 290. Termination of maritime lien

290.1. The maritime lien shall be terminated in one year after claims guaranteed by the maritime lien, provided for under Article 287.1 of this Code occur, provided that till expiration of the mentioned period the ship was under arrest, that has lead to its forced sale.

290.2. Period (period) provided for under Article 290.1 of this Code is calculated (estimated) as follows:

290.2.1. On claims guaranteed by the maritime lien provided for under Article 287.1.1 of this Code — since the member of a crew having such a claim is dismissed from the ship;

290.2.2. On claims guaranteed by the maritime lien provided for under Articles 287.1.2 — 287.1.5 — since such a claim has occurred.

Article 291. Concession or transfer of claims

291.1. Concession or transfer of claims guaranteed by the maritime lien results, at the same period in concession and transfer of maritime lien rights.

291.2. Concession or transfer of claims on payment (compensation) of damages caused to the life or health of a citizen, as well as claims on payment of insurance coverage due to the ship owner in accordance with to a marine insurance contract, to the person having the maritime lien rights, is not allowed.

Article 292. Rights on detention (arrest) of ships or of that being under construction

292.1. To settle the claims occurred in connection with ship construction, as well as its repair, shipbuilding and reconstruction companies have the right to keep the ship for the period while the ship is under their ownership.

292.2. After the ship or that being under reconstruction is freed from the ownership of the shipbuilding or ship reconstructing companies, the right on maintenance ship pursuant to Article 292.1 of this Code, except for case if the ship is under arrest, ceases.
293.3. In events if the ship or that being under construction has been forcibly sold, the shipbuilding or ship-reconstruction companies have the right to satisfy their own needs using the money received from sale of the ship.

**Article 293. Mortgage of the ship or of that being under construction**

293.1. Mortgage of a ship or of that being under construction is determined for the purpose of ensuring money liabilities in accordance with to contracts between the owner of the ship or of that being under construction (mortgager) and creditor (mortgagee).

293.2. The person having the rights on economic management of the ship, by consent of the owner of the ship or of that being under construction, can act as the mortgager.

293.3. A mortgage contract has to be notarised and registered in the register where the ship was registered.

**Article 294. Mortgage subject of the ship or of that being under construction**

294.1. Unless otherwise provided for by the contract, the mortgage of the ship concerns belongings of the ship owner, as well as the insurance payments (coverage) payable in compliance with the marine insurance contract concluded under liability conditions in connection with loss or damage of the same ship. The mortgage does not include the freight.

294.2. Unless otherwise provided for by the contract, the mortgage of the ship being under construction concerns the material and equipment, designed for the construction of the ship, being in the territory of the shipbuilding company and clearly marked and identified. This also concerns the insurance payments (coverage) payable in compliance with the marine insurance contract concluded under liability conditions associated with loss or damage of the ship being under construction.

**Article 295. Types of payments on claims of mortgage holders**

If there are a few mortgage holders, the net profit derived from the sale of the ship or of that being under construction will be used to settle the claims of the mortgage holders by turns in accordance with registration dates of their rights. The earlier registered mortgage has the advantage over the one that was registered later in terms of payment. Mortgages registered at the same day have equal force.

**Article 296. Grounds for a forced sale of ship or of that being under construction**

In the event of non-execution of liabilities on payment under the mortgage, the ship or that being under construction charged with the mortgage liabilities can be sold
on the basis of the judgement of the court located in the territory of the ship or of that being under construction that are under arrest.

Article 297. Notification about forced sale of a ship or of that being under construction

297.1. For a forced sale of the ship or of that being under construction, the court has notify the followings:
   297.1.1. The official bodies that have registered the ship or the official bodies that have registered the property rights over the ship being under construction;
   297.1.2. Mortgage holders of the registered mortgage of the ship or of that being under construction, that have not been determined for a holder (bearer);
   297.1.3. Mortgage holders of the registered mortgage of the ship or of that being under construction, that have been determined for a holder (bearer), as well as the ship
Ship’s mortgage holders on claims provided for under Article 287.1 of this Code, if they have notified the court about their claims;
   297.1.4. The registered owner of the ship or of that being under construction;
   297.1.5. The official bodies of the state that has registered the ship and licensed the ship to navigate under its flag.

297.2. The person demanding a forced sale of the ship or of that being under construction, has to present to the court copies of the appropriate ships register or the register of the ships being under construction along with the name and addresses of the mortgage holders of the registered mortgages of the ship or of that being under construction.

297.3. Notification on forced sale of the ship or of that being under construction has to be sent not earlier than thirty days before the forced sale occurs and this must reflect the followings:
   297.3.1. Information on period and place of a forced sale, as well as information about forced sale or procedures that lead to a forced sale and information that is necessary for persons that have rights to receive notification to protect their rights;
   297.3.2. In events when period and place of a forced sale is impossible to determine, presumable information on period and place of a forced sale, as well as other information sufficient to protect the interests of persons that have rights to receive information on a forced sale;
   297.4. In events when information is sent in accordance with to Article 297.3 of this Code, information on the actual period and place of the forced sale shall be notified after they are known, but not later than seven days before the forced sale occurs.

Article 298. Results of the forced sale of a ship or of that being under construction
298.1. In the event that the ship or that being under construction was forcibly sold, all registered mortgages of the ship or of that being under construction, with the exception of those that were undertaken by the buyer by consent of the mortgage holder, and all mortages and other kinds of costs on the ship or on that being under construction become invalid.

298.2. Costs incurred in connection with the arrest or further sale of the ship or of that being under construction must by covered in the first place, using the amounts derived from the sale of thereof. These costs, particularly, include costs incurred in connection with maintenance of the ship and maintenance the crew, as well as their salary since the ship was put under arrest and other costs provided for under Article 287.1.1 of this Code. The balance of the amount derived from the sale of the ship or of that being under construction is distributed (allocated) for payments of other relevant needs, in accordance with to rules provided for by this Section, provided that the determined necessary limits for these purposes are observed. After all claims put forward are settled, the amount derived from the sale of the ship or of that being under construction, if there are such amounts left, they are assigned to the owner of the ship or of that being under construction and such amounts can freely be transferred.

298.3. In the event that, with the purposes of ensuring navigation security or protection from ship’s pollution, the sunken ship, salvaged by the harbour management, is forcibly sold, Costs incurred in connection with the ship salvage is paid from the amount derived from the forced sale before any claims guaranteed by the ship Ship’s mortgage are covered.

Article 299. Termination of the mortgage of a ship or of that being under construction

299.0. The maritime liens and the mortgage of a ship or of that being under construction is terminated in the following events:
   299.0.1. In events if the money liability is covered;
   299.0.2. In events when it is terminated by means other than when debts on money liabilities are paid (forced sale etc.)
   299.0.3. In the event of loss of a ship or of that being under construction, with the exception of events when the holder of the mortgage of the ship or of that being under construction may claim an insurance compensation, due to him in connection with the loss of the ship or of that being under construction, in compliance with the ship’s insurance contract.

Chapter XXIII

Ship arrest

Article 300. Ship arrest authority
300.1. Arrest of a ship confirms any ship’s detention or navigation restriction when it is within jurisdiction of the Republic of Azerbaijan that are performed on the basis of a court judgement or authorized by legislation person to arrest the ship on behalf of the court of arbitration on Ship’s affairs to ensure the Ship’s requirements observance, with the exception of events of ship arrest executed with the purpose of implementation of court decision or the judgement of the court of arbitration that were entered into force.

300.2. Ship can be arrested only on ship’s claims.

300.3. Ship can be arrested even when it is ready to leave the harbour.

300.4. Provisions (rules), provided for under this chapter do not restrict the Ship’s harbour captain’s rights to refuse issuing a license for the ship to leave the harbour in compliance with Article 64 of this Code.

**Article 301. Marine Claims**

301.0. Claims associated with the following are considered marine claims:

301.0.1. any damage as a result of a ship’s exploitation;

301.0.2. damages to a citizen’s life or his health on land or at sea directly associated with the ship exploitation;

301.0.3. costs associated with taking measures by any person on avoidance or mitigation of damages, including protection of the environment, if such a claim occurs by the act of the law or international contract of the Republic of Azerbaijan, as well as the damage, that was caused or may be caused as a result of such measures;

301.0.4. implementation of the salvage measures or any contract on salvage;

301.0.5. costs incurred in association with ship salvaging, taking it away or destruction;

301.0.6. provision of foodstuff, materials, fuel, equipment, including containers for the exploitation or provisions of a ship;

301.0.7. any contract on use of a ship;

301.0.8. any contract on sea shipping (cargoes or passengers);

301.0.9. loss or damage of cargoes, including luggage carried in a ship;

301.0.10. general average;
301.0.11. piloting;
301.0.12. towage;
301.0.13. ship construction, repair, modernization or re-equipment;
301.0.14. harbour, channel fees and other waterways payments;
301.0.15. salaries and other amounts due to the captain and other members of the crew for their work in a ship, including costs for repatriation and those being paid by the ship’s captain and by the other crew members of the ship as fees on social protection;
301.0.16. costs in foreign currency incurred in respect of the ship;
301.0.17. Insurance compensations;
301.0.18. any fee, broker or agency reward paid by the ship owner or his charterer on bareboat-charter on behalf of them;
301.0.19. any argument about property rights over the ship or its ownership;
301.0.20. any argument between the two or several owners of the ship in respect of use of ship and distribution of profit;
301.0.21. registered mortgage of the ship or registered charge of the ship of such type;
301.0.22. any argument arising from the purchase and sale contract.

**Article 302. Release of ship from arrest**

302.1. The ship may be released from arrest only on the basis of the court judgement or the decision of the court of arbitration upon submission of sufficient cover funds in an acceptable form.

302.2. In the absence of the contract between the parties about the form and amount of the cover fund, the court or the court of arbitration determines the form and amount of the cover fund, that has not to exceed the ship’s value.

302.3. Any request on release of a ship from arrest does not mean the acceptance of liability, refusal of security facilities or rights on limitation of liabilities.
302.4. The person presented cover funds in compliance with Article 302.2 of this Code, may any period apply to court or to the court of arbitration with the request to reduce, replacement or cancel such cover funds.

**Article 303. Liabilities for groundless arrest of a ship**

Liabilities for losses caused to the owner of the ship as a result of arrest or detention of the ship, in events of release of the ship from arrest due to failure to prove the indictment against the ship owner on the basis of marine claims, as well as the groundless detention of a ship at harbour, will fall on persons that have demanded arrest or detention of a ship.

**Chapter XXIV**

**Sea protest**

**Article 304. Sea protest**

304.1. In the event that during navigation or anchorage of the ship took place events, that can be the ground for putting in property claims, the captain of the ship, with the purposes of ensuring evidences, has to make a sea protest.

304.2. The purpose of the sea protest serves, as much as possible, to provide complete information concerning the circumstances of the event and reasons that have caused it, including information about the damage and measures taken on avoidance or mitigation of the damage.

**Article 305. Statement about sea protest**

305.0. A statement about sea protest shall be made:
305.0.1. at harbours of the Republic of Azerbaijan — to Notary.
305.0.2. at harbours of foreign countries — to the official of the consular service of the Republic of Azerbaijan or in the order as provided for by legislation of this foreign state — to a competent official of the same state.

**Article 306. Deadline for making statement about sea protest**

Statement about sea protest shall be made, if the event has occurred at the harbour, within 24 hours after this event occurred. If the event has occurred while the ship being in navigation, a statement about sea protest must be made within 24 hours after the ship or the captain has arrived at the first harbour after the event.

**Article 307. Making statement about sea protest with delay**

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307.1. In the event that the accident has happened during navigation, to avoid significant loss of period and costs with respect to entering the first harbour after the accident, a statement about sea protest may be made upon ship’s or captain’s arrival at harbour, that was not the first harbour after the accident had occurred;

307.2. In the event that it was impossible to make statement about sea protest in compliance with Article 306 of this Code, reasons that have lead to this must be mentioned on the statement.

Article 308. Making a statement about sea protest with respect to damage caused to cargoes

When there is a valid reason to presume that as a result of the accident was caused damage to cargoes being transported in the ship, a statement about sea protest must be made before the cargo space is opened. Unloading of cargoes until such statement is made can be executed only in the case of absolute necessity.

Article 309. Evidences

309.1. To prove circumstances, set forth on the statement about sea protest, the captain along with the statement must, either within seven days after his or the ship’s arrival at the harbour or the accident, that occurred at the harbour, present the ships register’s copy to the notary or to the official of the consular service of the Republic of Azerbaijan or to the official of the foreign state for familiarization.

309.2. In the event that the Marine Register was destroyed, circumstances, in that it was destroyed, must be shown on the sea protest.

Article 310. Compilation of an act on sea protest

The Notary or the official of the consular service of the Republic of Azerbaijan draws up an act on the sea protest in accordance with to the captain’s statement, the Ship’s Register notes, and inquiries hold with the captain and, if necessary, with other members of the crew, and approves it with his signature and the stamp.

Article 311. Compilation of an act on sea protest by consular services of foreign states

Statements from captains of foreign state ships about Sea protest can be accepted and acts drawn up by the consular services of the same states in the Republic of Azerbaijan on conditions of mutuality.

Chapter XXV

Claims, actions and limitation of action
**Article 312. Attestation of circumstances that may be the basis for liabilities of sea shipping participants**

312.1. Commercial acts or the acts of a general form certified the circumstances that can be basis for liability of carriers, senders, receivers and passengers. At foreign states’ ports this circumstances are verified in the order valid (available) at those ports.

312.2. A commercial act is drawn up to certify the following:

312.2.1. Discrepancies between the actual name, weight or number of events of cargoes or the luggage and the information shown on shipment documents;

312.2.2. Damage caused to cargoes or the luggage;

312.2.3. Disclosure of cargoes or luggage without documents or reveal of documents with no cargo or luggage;

312.2.4. Return of stolen cargoes or luggage to the carrier.

312.3. Form of acts and their compilation order, as well as rules of determination of circumstances where compilation of acts are not required, are determined in compliance with rules provided for under Article 3.2 of this Code.

**Article 313. Putting in a claim to carrier**

313.1. Before putting in a claim to the carrier with respect to shipment of cargoes in cabotage, first of all a claim must necessarily be presented to him.

313.2. Claim is presented to the carrier that have performed shipment of cargoes, and, if the shipment of cargoes has not been carried out yet, to the carrier, that in compliance with the contract must have carried it out.

313.3. Claim for circumstances as a result of mixed shipment of cargoes is presented to the carrier that has delivered cargoes to the final destination.

**Article 314. Transfer of claims and claim rights to others**

314.1. Transfer of claim or claim rights to other persons is not allowed, with the exception of events of transfer of these rights from a sender to receiver or vice-versa, as well as from a receiver or sender to a forwarding agent or insurer.

314.2. Transfer of claim or claim rights to other persons must be verified by the appropriate notes made on the bill of lading or other shipment documents.

**Article 315. Rules of putting in a claim**

315.1. Claim has to be presented in writing. In addition to claim for loss or damage of cargoes, must be annexed other documents approving the claim right, as well as documents verifying volume of cargoes sent and their value. Shipment documents must be presented in originals.

315.2. If documents provided for under Article 315.1 of this Code are not attached to the claim, the carrier has the right to return it within two weeks period without having considered it. In the event that the carrier has not returned within two
weeks period the claim presented in improper order, it is considered to be accepted by the carrier for consideration.

**Article 316. Conditions for putting in a claim arising from contracts on sea-shipments.**

Claim arising from contracts on sea-shipments can be presented to the carrier within the claim period (limitation of action).

**Article 317. Conditions for consideration of a claim arising from contracts on sea-shipments**

317.1. The carrier will consider the claim arising from contracts on sea-shipments within a month period and during this period it must notify in writing the claimant of its acceptance or refusal of claim;
317.2. Since the date when a claim was put in to the carrier arising from the contract on sea-shipping of cargoes, process (flow) of the claim period is suspended until receipt of an response to the claim or until the period established for response expires.

**Article 318. Claim period on requirements arising from contracts on sea-shipments**

318.1. Claim period on requirements arising from contracts on sea-shipments is established one year.
318.2. The mentioned period is calculated as follows:
318.2.1. on claims with respect to the payment of compensations to cover losses as a result of loss of cargoes — upon expiration of thirty days as of the date, on that cargoes must have been released - in four months after the date of cargoes receipt;
318.2.2. on claims associated with compensation of the damage as a result of cargoes damage, delivery delay and return of a surplus or withdrawal of an unpaid fees — as of the date of cargoes release, in the event that cargoes were not released - since the date, on that cargoes must have been released;
318.2.3. on claims associated with compensation of damages as a result of non-provision of a ship or its provision with delay, payment for ship’s standstill and reward for pre-schedule loading or unloading of a ship — since the last day of the month following that, in that shipment of cargoes has started or must have been started;
318.2.4. on claims associated with all other circumstances - since the date, on that the events has started, that were the basis for putting in a claim.

**Article 319. Claim period on other requirements**

319.1. Claim period on requirements, arising from the contract on sea-shipment via international passenger lines, from contract on marine insurance, as well as from
ship casualties and execution of salvage operations, is two years. This period is calculated as follows:

319.1.1. on claims with respect to contracts on sea-conveyance of passengers via international lines:

319.1.1.1. in the event that passenger’s health suffered — since the date, on that passenger made landing;

319.1.1.2. in the event that passenger died — since the date, on that he/she must have made landing;

319.1.1.3. in the event that the passenger died after he/she made landing, as result of damage received during conveyance — since the date of passenger’s death, provided that this happened not later than three years after the passenger made landing;

319.1.1.4. in the event that passenger’s luggage was lost — since the date on that it was released or must have been released, depending on that was the latest;

319.1.2. on claims arising from marine insurance contracts;

319.1.3. on claims for compensation of damages as a result of ships’ collision — since the date, on that ships collided;

319.1.4. on claims arising from the salvage operations — since the date, on that the salvage operations finished.

319.2. Claim period on claim arising from towage contract, sea-brokering contract, time-charter, bareboat-charter and general collision is one year. This period is calculated as follows:

319.2.1. Claim period on claim arising from towage contract, sea-brokering contract, time-charter, bareboat-charter — since the date, on that claim right was determined;

319.2.2. On claims associated with general collision — since the date, on that was drawn up a claims adjustment.

319.3. Claim period for regression claims provided for under Article 248 of this Code is one year. This period is calculated since the date on that the appropriate amount was paid.

**Article 320. Claim period on requirements associated with payment of compensation for damages as a result of pollution with oil from ships and shipment of hazardous and harmful substances at sea**

Claims for compensation of damages as a result of pollution with oil from ships and shipment of hazardous and harmful substances at sea are paid within three years since the date on that the victim knew or would have known about such a damage. However, claims for compensation of damages as a result of pollution with oil from ships cannot be raised later than in six years after the accident, that lead to pollution, had occurred. And claims for compensation of damages as a result of shipment of hazardous and harmful substances at sea cannot be raised later than in ten years after the accident, that caused such a damage, had occurred.
Article 321. Application of general conditions

Unless otherwise provided for by International Treaties wherein the Republic of Azerbaijan is one of the parties, for events, not determined in this Code, will be applied general claim conditions stipulated by the civil legislation of the Republic of Azerbaijan.

Article 322. Maximum suspension of a claim period at general average events

In the event that calculation of the claimed amount depends on settlements of a general average, duration of a claim period is suspended since the date on that the average adjuster has made decision till the interested party received the claims adjustment.

Article 323. Percents for use of others’ funds

323.1. In the event that claims arisen from relations stipulated under this Code are satisfied, the amount paid will be added with a bank percents applicable at the place of the creditor’s residence, and if the creditor is a legal person, at its location.

323.2. Percentages are calculated as of the date, on that a written claim on payment of the appropriate amount was assigned until such amount was paid;

323.3. Rules that provided for under Articles 323.1 and 323.2 of this code does not imply the claims on payment of compensations in events of sharing general averages.

Chapter XXVI

Applicable Laws

Article 324. Determination of the law applicable

324.1. The law applicable to relations associated with merchant shipping with participation of foreign citizens or foreign legal entities, including if the object of a civil right is located beyond the boundaries of the Republic of Azerbaijan, is determined in compliance with the International treaties of Republic of Azerbaijan, under this Code, and other laws accepted by the Republic of Azerbaijan on common practice of the merchant shipping.

324.2. Parties of the contract, provided for under this Code may, during conclusion of an contract or further, may choose, on mutual contract between them the law applicable to their liabilities under the this contract. In the event that such an contract does not exist, rules of this Code will be applied; availability of such an contract may not result in elimination or downturn of liabilities for damages caused to passenger’s life, for loss or damage of cargoes or luggage or their delay in compliance with this Code.

Article 325. Property right over ship and other proprietary interests
325.1. Property right over ship and other proprietary interests, as well as acquisition, giving or loss of such rights, are determined in accordance with to legislation of the state under that flag the ship navigates;

325.2. To propriety rights with respect to the ship that was assigned the right to temporarily navigate under the flag of other state are applied legislation of a state, that has registered the ship before its flag was replaced;

325.3. Unless otherwise provided for by the contract on construction of a ship, rights over the ship being under construction are determined by legislation of a state that has accepted the construction of or builds the ship.

**Article 326. Legal status of crew members**

326.1. Legal status of crew members and relations arising between the crew members with respect to exploitation of the ship is determined in accordance with to legislation of a state, under that flag the ship navigates;

326.2. Unless otherwise provided for by the contract regulating relations of crewmembers, relations between the ship owner and crewmembers are regulated by legislation of the state, under that flag the ship navigates. Choice of a labour contract of the law applicable by the ship owner and the crewmembers may not result in degradation of labour conditions of the crewmembers.

**Article 327. Property right over sunken properties**

327.1. Property rights over sunken properties in the Azerbaijan sector of the Caspian Sea are determined by legislation of the Republic of Azerbaijan;

327.2. To other sunken ships, their cargoes and other properties will be applied legislation of a state under that flag the ship was navigating.

**Article 328. Relations arising from contracts concluded in the sphere of the merchant shipping**

328.1. Relations arising from carriage of goods by sea contracts, towage contract, sea agency contracts, brokerage contracts, marine insurance contracts, time-charter, and bareboat-charter, are regulated by legislation of a state provided for by the contract of parties, and relations arising from contracts on marine transportation — by legislation of the state mentioned on the passenger ticket.

328.2. In the event that parties have not reached contract on the law applicable in their case, relations arising from their contracts are regulated by legislation of the state, in that the following person was established, have a permanent place of activity or place of residence:

328.2.1. in carriage by sea contracts — carrier;

328.2.2 in marine agency contract, time-charter and bareboat-charter — ship’s owner;

328.2.3. in towage contract — towing ship’s owner;
328.2.4. in marine agency contract — client;
328.2.5. in marine insurance contract — insurer.

Article 328. General average

329.1. In the event that parties have not reached contract on the law applicable, relations arising from general averages will be regulated by legislation of the state to that harbour the ship was taken after the incident took place. If all persons, that interests have been suffered as a result of the accident, are citizens of the same state, will be applied legislation of this state.

329.2. The order of sharing a general average, if this has happened in the Republic of Azerbaijan, will be determined as provided for by Chapter XVI of this Code.

Article 330. Relations arising from ships collision


330.2. In the event that ships have collided in the open sea and these relations are considered in the Republic of Azerbaijan, rules provided for by Chapter XVII of this Code will be applied.

330.3. In the event that ships of the same state (i.e. navigating under the same state’s flag) have collided, regardless of a place of collision, these relations are regulated by legislation of the same state.

Article 331. Relations arising from damages caused as a result of pollution with oil from ships

331.0. In events of pollution with oil from ships, rules provided for by Section XVIII of this Code will be applied to the followings:

331.0.1. Losses as a result of pollution with oil from ships navigating in the Azerbaijan sector of the Caspian Sea;
331.0.2. Preventive measures on avoidance or mitigation of such losses regardless of a place where they are taken.

Article 332. Relations arising from shipment of hazardous and harmful substances at sea

332.1. In events of causing damages as a result of shipment of hazardous and harmful substances at sea, rules provided for by Chapter XIX of this Code will be applied to the followings:

332.0.1. To any loss caused in the territory of the Republic of Azerbaijan;
332.0.2. Damages as a result of contamination of environment in the territory of the Republic of Azerbaijan;
332.0.3. Damages other than those caused as a result of contamination of the environment beyond the territory of the Republic of Azerbaijan, if such damages were caused by ships carrying hazardous and harmful substances under the state flag of the Republic of Azerbaijan;

332.0.4. Preventive measures on avoidance or mitigation of such losses regardless of a place where they are taken.

Article 333. Relations arising from ship or other properties’ salvage

331.1. In the event that parties do not have contract on application of the law applicable for relations arising from ship or other properties’ salvage, will be applied legislation of the state in the territory of that these rescue operations are executed.

331.2. If both the ship rescuing and that being rescued were navigating under the state flag of the same state, regardless of the place where these rescue operations were executed, will be applied legislation of the same country.

Article 334. Limitation of ship owner liability

Limits of the ship owner’s rights are determined by legislation of the state under that flag the ship navigates.

Article 335. International Treaties wherein the Republic of Azerbaijan is one of the parties

If the International treaties wherein the Republic of Azerbaijan is one of the parties, stipulate provisions not complying with provisions of this Code, provisions of International Treaties shall be applied.