

ECONOMIC CODE OF UKRAINE

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The Economic Code of Ukraine establishes pursuant to the Constitution of Ukraine legal fundamentals of economic activity, based on the diversity of business entities of different ownership forms.

The Economic Code of Ukraine has as its purpose to ensure growth of business activity of business entities, development of entrepreneurship, and on this basis increase of efficiency of social production, its social orientation pursuant to the requirements of the Constitution of Ukraine, strengthen social order in the economic system of Ukraine, facilitate harmonization with other economic systems.

Section I BASIC FUNDAMENTALS OF ECONOMIC ACTIVITY

Chapter 1. GENERAL PROVISIONS

Article 1. Object of Regulation

1. This Code determines basic fundamentals of activity in Ukraine and regulates business relationships, arising in the process of organization and exercising economic activity between business entities, as well as between these entities and other parties to economic activity.

Article 2. Parties to Economic Activity

1. Parties to economic activity shall be business entities, consumers, bodies of state power and local governments, vested with economic supervision, as well as individuals, public and other organizations being co-founders of business entities, or exercising with respect to those organizational and economic powers on the basis of ownership relationships.

Article 3. Economic Activity and Economic Relationships

1. Economic activity in this Code shall be understood as the activity of business entities in the area of social production, aimed at manufacturing and sale of products, execution of works or providing services of value character that have price distinction.

2. Economic activity, carried out to achieve economic and social results and in order to generate profit shall be deemed entrepreneurship, and business entities shall be deemed entrepreneurs. Economic activity may be carried out without the purpose to generate profit (non-profit economic activity).

3. Activity of non-business entities, aimed at creation and maintaining of the required material and technical conditions of their functioning, conducted with or without involvement of business entities, shall be deemed economic support of non-business entities.

4. The sphere of business relationships shall be comprised of economic and production, organizational and economic, and internal economic relationships.

5. Economic and production relationships shall be deemed those, arising between business entities in the course of economic activity.

6. Organizational and economic relationships in this Code shall be deemed those, established between business entities and subjects of organizational and economic powers in the course of management of business activity.

7. Internal economic relationships shall be deemed those, established between structural units of a business entity, and relationships of the business entity with its structural units.

Article 4. Delimitation of Relationships in the Sphere of Economic Activity from Other Types of Relationships

1. The following shall not be regulated by this Code:

property and personal non-property relationships, regulated by the Civil Code of Ukraine;
land, mountain, forest and water relationships, and those associated with the use and protection of flora and fauna, territories and objects of natural reserve fund, atmospheric air;

labor relationships;

financial relationships with participation of business entities, arising in the process of forming and controlling implementation of budgets of all levels;

administrative and other management relations with participation of business entities, where a body of state power or local government is not a subject, vested with economic supervision, and is not directly involved in organizational and economic powers with relation to the business entity.

2. Peculiarities of regulation of property relationships of business entities shall be determined by this Code.

3. Economic relationships, arising from trade seafaring, and not adjusted by the Code of Trade Seafaring of Ukraine, shall be governed by the rules of this Code.

Article 5. Constitutional Fundamentals of Legal Order in the Sphere of Economic Activity

1. Legal economic order in Ukraine shall be secured on the basis of optimal combination of market self-regulation of economic relationships between business entities and state regulation of macroeconomic processes, pursuant to the constitutional requirement of responsibility of the state before an individual for its activity, and declaration of Ukraine as a sovereign, independent, democratic, social and constitutional state.

2. Constitutional fundamentals of legal economic order in Ukraine shall be comprised of: the ownership right of the Ukrainian people to land, its depths, atmospheric air, water and other natural resources, located within the territory of Ukraine, natural resources of its continental shelf, exclusive (sea) economic area, exercised on behalf of the Ukrainian people by bodies of the state power and local governments within the limits, determined by the Constitution of Ukraine; the right of each citizen to use natural objects of the ownership right of the nation pursuant to the law; securing by the state of protection of rights of all subjects of the ownership right and business activity, social orientation of economy, nonadmission of the use of property to the detriment of a person and the society; the right of each person to possess, use and manage his/her property, results of his/her intellectual, creative activity; recognition of equality of all subjects of ownership right against the law, inviolability of private property right, nonadmission of illegal deprivation of property; economic diversity, the right of each person to entrepreneurial activity, allowed by the law, exclusive law determination of legal fundamentals and guarantees of entrepreneurship; securing by the state of protection of competition in entrepreneurial activity, nonadmission of abuse of the monopoly state at the market, illegal restriction of competition and unfair competition, establishing the rules of competition and norms of antimonopoly regulation exclusively by the law; securing by the state of ecological safety and preserving the ecological balance throughout the territory of Ukraine; securing by the state of due safe and sound labor conditions, protection of consumer rights; reciprocal partnership with other states; recognition and practicing of the principle of supremacy of law in Ukraine.

3. Business entities and other parties to business activity shall conduct their activity within the limits of the established legal economic order, in keeping with the legislative requirements.

Article 6. General Principles of Business Activity

1. The following shall be general principles of business activity:

securing economic diversity and equal protection by the state of all business entities;

freedom of entrepreneurial activity with the limits, established by the law;

free flow of capital, products and services throughout the territory of Ukraine;

restriction of state regulation of economic processes in view of the necessity to ensure the social orientation of economy, fair competition in entrepreneurial activity, ecological protection of the public, protection of consumer rights and safety of the society and state;

protection of domestic producer;

ban on illegal intrusion of state authorities and local governments and their officials into economic relationships.

Article 7. Normative and Legal Regulation of Business Activity

1. Relationships in the sphere of economic activity shall be governed by the Constitution of Ukraine, laws of Ukraine, normative and legal acts of the President of Ukraine, the Cabinet of Ministers of Ukraine, other state authorities and local governments, as well as other normative acts.

Chapter 2. MAIN DIRECTIONS AND FORMS OF PARTICIPATION OF THE STATE AND LOCAL GOVERNMENTS IN THE SPHERE OF ECONOMIC ACTIVITY

Article 8. Participation of the State, State Authorities, Local Governments in Economic Activity

1. The state, state authorities and local governments shall not be deemed business entities.

2. Decisions of state authorities and local governments on financial issues, arising in the process of forming and controlling of implementation of budgets of all levels, as well as on administrative and other managerial relations, except for organizational and economic, where a state authority or a local government is an agency, vested with economic supervision, shall be made on behalf of such authority and within its powers.

3. Economic competence of state authorities or local governments shall be exercised on behalf of the relevant state or municipal institution. Direct participation of the state, state authorities or local governments in economic activity may occur only on the basis, within powers and in a way as established by the Constitution and laws of Ukraine.

Article 9. Forms of Implementation of the State Economic Policy

1. In the sphere of business activity the state shall implement a long-term (strategic) and current (tactical) economic and social policy, aimed at exercising and optimal balance of interests of business entities and consumers, as well as various levels of the public in general.

2. Economic strategy shall be understood as the state-determined line of the economic policy, designed for a long perspective and targeted upon resolving of large-scale economic, social and cultural tasks, securing economic safety of the state, preserving and augmentation of its economic potential and national wealth, increase of the public well-being. The economic strategy shall determine priority goals of the national economy, means and ways of their achievement, judging from the content of objective processes and tendencies going on in the national and global economy, and taking into consideration lawful interests of business entities.

3. Economic tactics shall be understood as the integrity of short-term goals, tasks, means and ways of their achievement to implement the strategic line of the economic policy in the competitive environment, established in the current period of development of the national economy.

4. Legal exercising of the economic policy shall be carried out through determination of the grounds of internal and external policy in forecasts and programs of the economic and social development of Ukraine and its separate regions, activity programs of the Cabinet of

Ministers of Ukraine, target programs of economic, science and research development, as well as in relevant legislative acts.

Article 10. Main Directions of the State Economic Policy

1. Main policies, determined by the state shall be as follows:

structural and branch policy, aimed at performing progressive changes by the state in the structure of the national economy, improvement of interbranch and internal branch proportions, stimulation of the development of branches that determine scientific and technical progress, ensure competitiveness of domestic products and growth of the life standard of the public. The components of this policy shall be industrial, agricultural, construction and other spheres of economic policy, with respect to which a relevantly independent set of incentive measures is carried out by the state;

investment policy, aimed at creating conditions for business entities, required for generating and concentration of funds for extensive reproduction of major means of production, predominantly in branches, development of which is deemed first priority of the structural and branch policy, as well as ensuring efficient and responsible use of such funds and performing control over such use;

amortization policy, aimed at creating most favorable and equal conditions for business entities to ensure the process of regular reproduction of main production and non-production assets predominantly on a new technical and technological basis;

policy of institutional changes, aimed at forming of efficient, multistructural economic system through transformation of ownership relationships, denationalization of economy, privatization and nationalization of production assets, securing development various sustainable ownership and management, equivalency of relationships between business entities, state support and protection of all forms of effective business and elimination of any unlawful economic entities;

pricing policy, aimed at state regulation of exchange relationships between market players in order to secure equivalence in the process of selling the national product, observing due parity of prices among branches and types of economic activity, as well as ensuring stability of wholesale and retail prices;

antimonopoly and competition policy, aimed at creating optimal competitive environment of business entities activity, ensuring their interaction on condition of non-admission of discrimination, first of all in the sphere of monopoly pricing and at the expense of decrease of products and services quality, facilitating growth of effective socially oriented economy;

budget policy, aimed at optimization and efficiency of generating incomes and utilization of state financial resources, increase of effectiveness of state investments in the national economy, reconciliation of state and local interests in the sphere of interbudget relations, regulation of the state debt and ensuring social justice while redistributing the national income;

tax policy, aimed at securing economically substantiated tax burden on business entities, stimulation of socially necessary economic activity of entities, as well as observing the principle of social justice and constitutional guarantees of citizens' rights while taxing their incomes;

monetary and credit policy, aimed at ensuring required monetary supply in the national economy, achieving efficient monetary turnover, attraction of funds of business entities and the public to the banking system, stimulation of using credit resources for the needs of functioning and development of the economy;

international monetary policy, aimed at establishing and maintaining a parity exchange rate of the national currency against foreign currencies, stimulation of growth of state international currency reserves and their efficient use;

foreign economic policy, aimed at regulation by the state of relationships between business entities and foreign companies, and protection of the domestic market and domestic producers.

2. The state shall carry out ecological policy to ensure efficient use and full-value reproduction of natural resources, securing safe conditions for vital activity of the public.

3. The state in the social and economic area shall carry out social policy to protect consumer rights, salary and personal income policy, employment policy, social protection and security policy.

Article 11. Forecasting and Planning of Economic and Social Development

1. Implementation of the economic strategy and tactics by the state in the sphere of economic activity shall be aimed at securing economic, organizational and legal conditions, whereby business entities take into consideration in their activities indicators of forecast and program documents of economic and social development.

2. Legislation determines principles of state forecast and elaboration of programs of economic and social development of Ukraine, the system of forecast and program documents, requirements to their contents, as well as a general procedure of writing, approval and execution of forecast and program documents of economic and social development, powers and responsibilities of state authorities and local governments with respect to this issues.

3. Main forms of state regulation of business activity shall be the State program of economic and social development of Ukraine, the State Budget of Ukraine, as well as other state programs on economic and social development, procedure of elaboration of those, tasks and implementation of which are determined by the law on state programs.

4. Authorities of the Autonomous Republic of Crimea and local governments shall elaborate and approve of - pursuant to the Constitution of Ukraine - programs of social and economic, and cultural development of relevant administrative and territorial units, and carry out planning of economic and social development thereof.

5. Business entities that do not take into account social interests, reflected in program documents of economic and social development, may not be granted the law-established benefits and privileges in carrying out business activity.

Article 12. Means of State Regulation of Business Activity

1. The state – to implement its economic policy, target economic and other programs, as well as economic and social development programs – shall employ various means and mechanisms of regulation of business activity.

2. The following shall be deemed main means of regulating influence of the state on business entities activities:

state order, state task;

licensing, patenting, quoting;

certification and standardization;

applying standards and limits;

regulation of prices and tariffs;

providing investment, tax and other benefits;

providing grants, compensations, target innovations and subsidies.

3. Terms, extents, areas and procedures of application of certain means types of state regulation shall be governed by this Code, other legislative acts, as well as economic and social development programs. Introduction and cancellation of benefits and privileges in business

activity of certain categories of business entities shall be done pursuant to the present Code and other laws.

4. Restrictions to carrying out entrepreneurial activity, as well as the list of types of activities, wherein entrepreneurship is banned shall be established by the Constitution of Ukraine and the law.

Article 13. State Order, State Task

1. State order is a means of state regulation of the economy through forming on a contractual basis of the structure of volumes of products (works, services), required for state needs, placement of state contracts for supply (purchase) of these products (execution of works, providing services) among business entities irrespective of their ownership form.

2. State contract shall be understood as a contract concluded by and among a state customer on behalf of the state and a business entity – contractor of the state order, which provides for economic and legal obligations of parties and regulates their business relationships.

3. Supplies of products for state needs shall be secured at the expense of the State Budget of Ukraine and other sources of funding, attracted for such purposes in keeping with the procedures, established by the law.

4. In cases, envisaged by this Code and other laws, the Cabinet of Ministers of Ukraine, as well as other state authorities may determine state tasks, which shall be deemed mandatory for business entities.

5. Fundamentals and general procedure of forming the state order for supply (purchase) of products, execution of works, providing services to satisfy state needs shall be established by the law.

6. Peculiarities of relations, arising from supplies (purchase) for state needs of agricultural products, foodstuffs, munitions and military machinery, as well as other specially defined (specific) products, shall be regulated in compliance with the law.

Article 14. Licensing, Patenting, Quoting in Business Activity

1. Licensing and patenting of certain types of business activity, as well as quoting shall be means of state regulation in the sphere of business activity, aimed at securing the unified state policy in this sphere, and protection of economic and social interests of the state, society and individual consumers.

2. Legal fundamentals of licensing and patenting of certain types of business activity, as well as quoting shall be determined on the assumption of the constitutional right of everybody to carry out entrepreneurial activity, not banned by the law, as well as principles of business activities, provided by Article 6 hereof.

3. License shall be understood as a state standard document, confirming to the right of a business entity, the licensee, to performing the type of activity during the term specified in this document on condition of compliance with the terms of licensing. Relationships associated with licensing of certain types of business activity shall be regulated by the law.

4. Patenting of entrepreneurial activity of business entities in the spheres associated with trade for monetary notes (cash, checks, as well as other forms of settlement and payment cards throughout the territory of Ukraine), exchange of international currency cash valuables (including transactions with cash circulation media in international currency, and payment cards), in the sphere of gambling business and domestic personal services, other spheres provided by the law.

Trade patent shall be understood as a state certificate confirming to the right of a business entity to practice certain types of entrepreneurial activity during a specified term. Special trade patent shall mean a state certificate confirming to the right of a business entity to

the special procedure of taxation pursuant to the law. The procedure of patenting of certain types of entrepreneurial activity shall be determined by the law.

5. Whenever necessary the state shall apply quoting, establishing limits of volume (quotas) of production or turnover of certain products and/or services. The procedure of quoting of production and/or turnover (including export and import), as well as distribution of quotas shall be established by the Cabinet of Ministers of Ukraine in compliance with the law.

Article 15. Standardization and Certification in Business Activity

1. The following shall be applied in the area of business activity:

state standards of Ukraine;

codes of existing practice;

classifiers;

technical conditions;

international, regional and national standards of other states (applied in Ukraine pursuant to international treaties of Ukraine).

2. Application of standards of their separate provisions shall be mandatory for:

business entities, if there is a reference to such standards in normative and legal acts;

parties to the agreement (contract) on designing, manufacturing or supply of products, if such agreement (contract) contains a reference to certain standards;

manufacturer or supplier of products, if it composed the declaration of conformity of products to certain standards, or applied indications of such standards in labeling;

manufacturer or supplier, if its products were certified according to the standard requirements.

3. Should products be manufactured for exporting, and the agreement (contract) provides for other requirements than those, established by normative and legal acts of Ukraine, application of the agreement (contract) provisions shall be allowed inasmuch as they do not contradict Ukrainian legislation on the process of product manufacturing, storage and transportation within the territory of Ukraine.

4. In order to prevent providing services and selling products hazardous for the life, health and property of individuals and the environment, facilitate consumer's choice of products, create conditions for participation of business entities in international economic, academic and technical cooperation and international trade, certification shall be conducted, i.e. confirmation of conformity of product quality to the standard requirements.

5. Types and procedure of products and services certification shall be established by the law.

Article 16. Grants and Other Means of State Support of Business Entities

1. The state may provide grants to business entities: to support production of vital foodstuffs, medicines and means of rehabilitation of the disabled, for importation of certain types of products, transportation services that secure socially important transportation, as well as to business entities that fell into critical social and economic, or ecological situation, in order to fund capital investments on the level required for maintaining their activity, for the purposes of technical development that are to bring significant economic effect, as well as in other cases, provided by the law.

2. The state may provide compensations or additional payments to agricultural producers for their products sold by them to the state.

3. Grounds and the procedure of application of the means of state support of business entities shall be established by the law.

Article 17. Taxes in the Mechanism of State Regulation of Economic Activity

1. The system of taxation in Ukraine, taxes and fees shall be established exclusively by laws of Ukraine. The system of taxation is based on the principles of economic expediency, social justice, combination of interests of the society, the state, territorial communities, business entities and individuals.

2. In order to resolve most important economic and social tasks of the state, the laws that regulate taxation of business entities should provide for:

optimal combination of fiscal and incentive functions of taxation;

stability (invariability) of general taxation rules during several years;

elimination of double taxation;

conformity with taxation systems of other states.

3. Tax rates shall bear a normative character, and may not be established individually for each business entity.

4. Taxation system in Ukraine shall provide for limit sizes of taxes and fees that may be collected from business entities. Tax and other mandatory payments, included to the price of products (works, services) or attributed to their total cost shall be paid by business entities irrespective of the results of their business activity.

Article 18. Limitation of Monopoly and Facilitation of Competitiveness in Economic Activity

1. The state shall exercise the antimonopoly and competitive policy, and contribute to the development of competitiveness in the area of economic activity on the basis of national programs, approved of by the Verkhovna Rada of Ukraine upon the proposal of the Cabinet of Ministers of Ukraine.

2. The state policy in the area of economic competition, restriction of monopoly in business activity, and protection of business entities and consumers against unfair competition shall be carried out by authorized bodies of state power and local governments.

3. State authorities and local governments, their officials shall be prohibited from adopting acts and taking actions that eliminate competition or unreasonably support certain competitors in business activity, or introduce restrictions on the market, not envisaged by the law. The law may provide for certain exceptions from this regulation in order to ensure national security, defense or other general public interests.

4. Rights and norms of antimonopoly regulation shall be established by this Code and other laws.

Article 19. State Control and Supervision over Economic Activity

1. Business entities shall have the right with no restriction to independently practice business activity, not banned by the law.

2. Business entities shall be subject to state registration pursuant to the present Code and the law.

3. The state shall perform control and supervision over business activity in the following areas:

storage and use of funds and material values by business entities – over the state and authenticity of accounting and reporting;

financial, credit relations, international currency regulation and tax relations – over observance by business entities of credit obligations before the state, and payment discipline, observance of the currency legislation requirements and the tax discipline;

prices and pricing – over observance by business entities of state prices for products and services;

monopoly and competition – over observation of antimonopoly and competitive legislation;

land relationships – over the use and protection of lands; water relationships and forestry, reproduction of water resources and forests;

production and labor – over safety of production and labor, observation of labor legislation; over fire, ecological, sanitary and hygienic safety; over keeping with standards, norms and rules that establish requirements as to conditions of performing business activity;

consumption – over the quality and safety of products and services;

foreign economic activity – over technological , economic, ecological and social safety.

4. State authorities and officials, authorized to carry out control and state supervision over business activity, their state and general conditions and procedure of carrying out control and supervision shall be established by the law.

5. Unlawful intrusion into and impeding economic activity of entities from state authorities, their officials while conducting state control and supervision by those shall be prohibited.

6. State authorities and officials shall be obligated to carry out inspections of activities of business entities in an unbiased, unprejudiced and operational manner, in keeping with legislative requirements, and respecting rights and lawful interests of business entities.

7. A business entity shall have the right to receive information on the results of inspections of its activity not later than thirty days after completion of the inspection, unless otherwise provided by the law. Actions and decisions of state controlling and supervision authorities, as well as officials involved in inspections may be appealed by the business entity in keeping with the procedure established by the law.

8. All business entities shall be bound to perform primary (operational) and business accounting of their activities, compose statistical information, provide financial reporting and statistical information, as well as other data, established by the law. Demanding other statistical information and data from business entities than those established by the law shall be prohibited.

Article 20. Protection of Rights of Business Entities and Consumers

1. The state shall secure protection of rights and lawful interests of business entities and consumers.

2. Each business entity and consumer shall have the right to protect its rights and lawful interests. Rights and lawful interests of the said sides shall be protected by means of:

recognition of presence or absence of rights;

recognition of full or partial invalidity of acts of state authorities and local governments, as well as other agencies that run counter to the law, violate rights and lawful interests of business entities or consumers; invalidation of business agreements on the grounds, envisaged by the law;

resumption of the status quo that existed before violation of rights and lawful interests of business entities;

discontinuance of actions that violate a right or pose a threat of its violation;

adjudgement to performing an obligation in kind;

compensation of losses;

application of penalty sanctions;

application of operational and economic sanctions;

application of administrative and economic sanctions;
establishment, amendment and termination of business relationships;
other means, envisaged by the law.

3. The procedure of protection of business entities and consumers shall be determined by this Code and other laws.

Article 21. Associations of Entrepreneurs

1. In order to facilitate the national economy development, its integration in the global economy, and securing favorable environment for entrepreneurial activity, chambers of commerce and industry may be established in Ukraine as voluntary associations of entrepreneurs and organizations. A chamber of commerce and industry shall be a non-governmental self-governing charter organization, set up on a membership basis and has the status of a legal entity.

2. The state shall assist chambers of commerce and industry in accomplishing their charter objectives.

3. The procedure of establishment and activity of chambers of commerce and industry shall be determined by the law.

4. Business entities – employers, shall have the right to set up employers' associations to exercise and protect their rights.

5. Employers' organizations shall be self-governing charter organizations established on voluntary and equal grounds in order to represent and protect lawful interests of employers. Employers' organizations may group into unions and other charter associations of employers.

6. The procedure of establishment and functioning of organizations and associations of employers shall be determined by the law.

Article 22. Peculiarities of Managing Economic Activity in the State Sector of Economy

1. The state shall conduct management of the state sector of the economy pursuant to the internal and external policies.

2. Business entities of the state sector of the economy shall be entities that act only on the basis of state ownership, as well as those, where the state share of the authorized fund exceeds fifty per cent or is equal to the value that provides the right of decisive influence on the economic activity of these entities.

3. Powers of subjects of management in the state sector of the economy – the Cabinet of Ministers of Ukraine, ministries, other state authorities and organizations with regard to business entities shall be determined by the law.

4. The law may determine types of business activities that may be performed exclusively by state-owned enterprises, institutions and organizations.

5. The state shall exercise the state ownership right in the state sector of the economy through the system of organizational and economic powers of relevant management bodies with regard to business entities belonging to this sector, and carry out their activities based on the right of economic supervision or the right of operational management.

6. The legal status of an individual business entity in the state sector of the economy shall be determined by authorized management bodies pursuant to this Code requirements and other laws. Relationships between management bodies and the said business entities in cases envisaged by laws may be exercised on contractual basis.

7. The state in the state sector of the economy shall apply all means of state regulation of business activity as provided by this Code, taking into account peculiarities of the legal status of entities.

8. The law determines peculiarities of implementing the antimonopoly and competition policy, and development of competitiveness in the state sector of the economy that must be taken into consideration while elaborating relevant state programs.

9. The bankruptcy procedure with regard to state-owned enterprises shall apply in consideration of the requirements set forth in Chapter 23 hereof.

10. Management bodies that exercise organizational and economic powers with regard to business entities of the state sector of the economy shall be prohibited from passing their powers as to disposal of the state property and management of business entities' activity to other entities, except for passing such powers according to the law to local governments, and in other cases, envisaged by this Code and other laws.

Article 23. Relationships Between Business Entities and Local Governments

1. Local governments shall exercise their powers with regard to business entities exclusively within the Constitution of Ukraine, laws on local government and other laws, providing for peculiarities of local governing in the cities of Kiev, Sevastopol, and other laws. Local governments may also exercise with regard to business entities such other powers of executive authorities as vested in them by the law.

2. Relationships between local governments and business entities in cases, provided by the law, may also be exercised on the contractual basis.

3. Legislative acts of bodies and officials of local governments adopted within their powers shall be mandatory for all parties of economic relationships, located or acting in the given jurisdiction.

4. Unlawful intrusion of bodies and officials of local governments in economic activity of business entities shall be prohibited. Adoption of legislative acts of local governments that establish restrictions as to the turnover of certain products/services within corresponding administrative and territorial units, which is not stipulated by the law, shall be prohibited.

5. Bodies and officials of local governments shall have the right to apply to the court to invalidate acts of enterprises, other business entities that restrict the rights of local communities, and powers of local governments.

6. Bodies and officials of local governments shall be held liable for their activity before business entities. Grounds, types and procedure of such liability shall be determined by the Constitution of Ukraine and the law.

7. Disputes as to resumption of the violated rights of business entities and compensation of damage caused in the result of actions, or inactivity of bodies and officials of local governments while exercising their powers shall be resolved in court.

Article 24. Peculiarities of Managing Economic Activity in the Municipal Sector of Economy

1. Management of economic activity in the municipal sector of the economy shall be exercised through the system of organizational and economic powers of territorial communities and local governments with regard to business entities belonging to the municipal sector of the economy, and perform their activity based on the right of economic jurisdiction or the right of operational management.

2. The legal status of an individual business entity in the municipal sector of the economy shall be determined by authorized management bodies pursuant to this Code requirements and other laws. Relationships between management bodies and the said business entities in cases envisaged by laws may be exercised on the contractual basis.

3. Business entities of the municipal sector of the economy shall be entities that act only on the basis of municipal ownership, as well as those, where the state share of the authorized

fund exceeds fifty per cent or is equal to the value that provides local governments with the right of decisive influence on the economic activity of these entities.

4. The law may determine peculiarities of implementing the antimonopoly and competition policy with regard to the municipal sector of the economy, as well as additional requirements and guarantees to the ownership right of the Ukrainian people and the right of municipal ownership during bankruptcy proceedings of business entities of the municipal sector of the economy.

5. Local governments shall be held liable for the consequences of activity of business entities belonging to the municipal sector of the economy on the grounds, within the limits, and according to the procedure, established by the law.

Chapter 3. RESTRICTION OF MONOPOLISM AND PROTECTION OF BUSINESS ENTITIES AND CONSUMERS AGAINST UNFAIR COMPETITION

Article 25. Competition in Economic Activity

1. The state shall support competition as a contest between business entities, which ensures – due to their own achievements – gaining by those certain economic advantages, allowing consumers and business entities to choose the desired product, with business entities not determining terms of selling their products at the market.

2. State authorities and local governments, regulating relationships in the area of business activity may not adopt acts or take actions that establish a privileged status of business entities of certain ownership forms, or put into unequal condition certain categories of business entities, or otherwise violate the rules of competition. Should this requirement be violated, state authorities that control and supervise observance of the antimonopoly and competition legislation, as well as business entities may appeal against such acts in keeping with the established procedure.

3. State authorities and local governments shall perform analysis of the market state and the competition level, and take law-established measures as to adjustment of competition between business entities.

4. The state shall secure protection of the commercial secret of business entities according to the requirements of the present Code and other laws.

Article 26. Restriction of Competition

1. Decisions or actions of state authorities and local governments that are aimed at restriction of competition, or may result in such restriction, shall be deemed reasonable in the following cases:

providing social aid to certain business entities on condition that such aid is provided with no discrimination of other business entities;

providing aid at the expense of state funds with the purpose of compensating losses, caused by natural disasters or other emergencies at the specified product or service markets, the list of which is established by the law;

providing aid, including beneficial economic conditions, to certain regions with the purpose of compensating social and economic losses, caused by severe ecological situation;

conducting state regulation, associated with implementation of projects of national importance.

2. Terms and procedure of restriction of competition shall be established by the law in compliance with the present Code.

Article 27. Restriction of Competition in the Economy

1. Monopolistic shall be deemed the state that gives business entity the opportunity to individually or jointly with other business entities restrict competition at the market of certain products (works, services).

2. Monopolistic shall be deemed the state of a business entity, whose share at the market of a certain product exceeds the size, established by the law.

3. The state of business entities at the market may be also declared monopolistic in the presence of other conditions established by the law.

4. In the event of social need, and in order to eliminate negative influence state authorities shall conduct - with regard to monopolistic formations - measures of antimonopoly regulation as determined by the law, and demonopolization measures, provided by relevant state programs, except for natural monopolies.

5. State authorities and local governments may not adopt acts or take actions, aimed at economic strengthening of the existing monopolistic business entities, nor establish new monopolistic formations without sufficient grounds, nor make decisions on exclusively centralized product distribution.

Article 28. Natural Monopolies

1. The state of a product market, whereby demand is satisfied most efficiently on condition of the absence of competition resulting from technological peculiarities of production (due to significant reduction of product costs per product unit with an increase of production output), and products/services, produced/rendered by business entities may not be replaced by others in consumption, which results in the demand for such products being less dependent on change of prices for such products than the demand for such other products/services shall be deemed natural monopoly.

2. Subjects of natural monopoly may be business entities of any ownership form (monopoly formations) that produce (sell) products at the market being in the state of natural monopoly.

3. The law on natural monopolies determines spheres of activity of subjects of natural monopolies, state authorities, local governments, other agencies that regulate activities of the said subjects, as well as other issues, associated with regulation of relationships, arising at product markets of Ukraine being in the state of natural monopoly, and at related markets with participation of subjects of natural monopolies.

Article 29. Abuse of Monopoly at the Market

1. The following shall be classified as an abuse of monopoly positions:

imposing of contract terms that put contractors into unequal conditions, or additional terms unrelated to the subject of the contract, including imposing the product not necessary for the contractor;

restriction or discontinuance of production, and withdrawal products from turnover in order to create or maintain deficit at the market, or to fix monopoly prices;

other actions, committed to impede business entities' access to or exit from the market;

fixing of monopoly high or discriminating prices (tariffs) for their products, which results in violation of consumers' rights or restricts the rights of certain consumers;

fixing of monopoly low prices (tariffs), which results in restriction of competition.

Article 30. Unlawful Agreements between Business Entities

1. Unlawful shall be deemed agreements between business entities, aimed at:

fixing (maintaining) monopoly prices (tariffs), discounts, increases (surcharges), markups;
distribution of markets by the territorial principle, sales or purchasing volume, product line, consumer range or otherwise with the purpose of their monopolization;
elimination from or restriction of access to the market for sellers, customers, other business entities.

Article 31. Discrimination of Business Entities

1. The following shall be classified as discrimination of business entities by state authorities in the present Code:

prohibition to set up new enterprises or other organizational forms of activity in any sphere of business activity, as well as imposing restrictions on carrying out certain types of business activity or production of certain products in order to restrict competition;

forcing business entities to enter into priority contracts, first-priority sales of products to certain consumers, or joining business organizations or other associations;

making decisions on centralized distribution of products that results in a monopoly position at the market;

imposing a ban on sales of products from one region of Ukraine to another;

providing certain entrepreneurs with tax and other benefits that place them in a privileged position against other entities, which results in monopolization of a certain product market;

restriction of rights of business entities as to purchasing and sales of products;

imposing bans or restrictions with regard to certain business entities or groups of entrepreneurs.

2. Discrimination of business entities shall be prohibited. The law may establish exceptions from this Article's provisions in order to ensure national safety, defense, general public interests.

Article 32. Unfair Competition

1. Unfair competition shall be deemed any actions in competition that run counter to the rules, trade and other fair customs in business activity.

2. Unfair competition shall be deemed unlawful use of business reputation of a business entity, creating impediments to business entities in the process of competition, and achievement of unlawful advantages in competition, as well as unlawful gathering, disclosure and use of the commercial secret, or such other actions that fall under the incidence of part one of this Article.

3. Unfair competition shall entail legal liability of entities, providing their actions have negative influence on the competition within the territory of Ukraine, irrespective of the place such actions were committed.

Article 33. Unlawful Use of Business Reputation of a Business Entity

1. The following shall be qualified as unlawful use of business reputation of a business entity: unlawful use of somebody else's indications, advertising materials, packaging; unlawful use of products of another producer; copying of an external design of a product of another producer; comparative advertising.

2. Unlawful shall be use, without authorized permission, of somebody else's personal name, commercial name, trademark, other indications, and advertising materials belonging to such other person, which may result in confusion with regard to activities of the entity that has the priority right to such use.

3. Use of a personal name of an individual in a commercial name shall be deemed lawful, if any distinctive element is added to the personal name, which excludes the possibility of confusion with activity of another business entity.

4. Putting into turnover of products of another producer under someone's own indication by means of alteration or removal of original producer's indication without authorized permission shall be deemed unlawful use of a product.

5. Reproduction of the external design of the product of another business entity, and putting it into the commercial turnover without unequivocal indication of the copy's producer, which may result in confusion with regard to another entity's activity shall be deemed copying of the external design of the product. Copying of the external design of the product or any of its parts shall not be deemed copying of the external design, if such copying is conditioned exclusively by the functional use of such product.

6. The force of part five of this Article shall not apply to products, protected as objects of intellectual property right.

7. Comparative shall be deemed advertising that contains comparison with products (works, services) or activities of another business entity. Comparison in cases, established by the law shall not be deemed unlawful.

Article 34. Impediments to Business Entities in the Process of Competition

1. The following shall be qualified as impediments in the process of competition: discredit of a business entity, imposing of product (work, service) assortment on consumer, instigation to boycott a business entity or discriminate a buyer (customer), or to terminate a contract with the competitor, subornation of supplier's or buyer's (customer's) employee.

2. Dissemination in any form of inauthentic, inaccurate or incomplete information, related to a business entity or its activities that caused or might have caused damage to the business reputation of an entity shall be deemed discredit of a business entity.

3. Purchase and sale of one products, execution of works, providing services on condition of purchase and sale of other products, works, services not needed by the consumer or contractor shall be deemed purchase and sale of products, works, services with forced assortment.

4. Dissuasion of a person directly by the competitor or through the mediator from contractual relationships with a business entity shall be deemed instigation to boycott the business entity.

5. Persuasion of a supplier directly or through the mediator into providing certain unreasonable benefits to the competitor shall be deemed instigation of the supplier to discriminate the buyer.

6. Persuasion of a business entity – a party to the agreement – committed from lucrative motives or in the interest of third persons into failure to perform or improper performance of contractual obligations before the competitor, by means of offering to the business entity – a party to the agreement, directly or through the mediator, of a material remuneration, compensation or other benefits shall be deemed instigation of the business entity to terminate the agreement with the competitor of another business entity.

7. Subornation of supplier's employee shall be understood as providing or offering to such employee directly by the buyers' (customer's) competitor or through the mediator of material values, property or non-property benefits for improper fulfillment or non-fulfillment by the supplier's employee of his/her duties, arising from or related to the concluded agreement between the supplier and the buyer on supply of products, execution of works, or rendering services, which have or might have resulted in gaining by the buyer's (customer's) competitor of certain benefits before the buyer (customer).

8. Such other person that in view of his/her duties makes decisions on behalf of the supplier on supply of products, execution of works, rendering services, has an influence on making such decision, or is otherwise related to it shall be deemed equal to the supplier's employee.

9. Subornation of buyer's (customer's) employee shall be understood providing or offering to such employee directly by the supplier's competitor or through the mediator of material values, property or non-property benefits for improper fulfillment or non-fulfillment by the buyer's employee of his/her duties, arising from or related to the concluded agreement between the supplier and the buyer on supply of products, execution of works, or rendering services, which have or might have resulted in gaining by the buyer's (customer's) competitor of certain benefits before the supplier.

10. Such other person that in view of his/her duties makes decisions on behalf of the buyer (customer) on supply of products, execution of works, rendering services, has an influence on making such decision, or is otherwise related to it shall be deemed equal to the buyer's (customer's) employee.

Article 35. Achieving Unlawful Benefits in Competition

1. Achieving unlawful benefits in competition shall be understood as receiving certain advantages with regard to another business entity through violation of legislation, which is confirmed by the decision of a relevant state authority.

Article 36. Unlawful Gathering, Disclosure and Use of Information Being Commercial Secret

1. Information, associated with production, technology, management, financial or other activity of a business entity, not being a state secret, and disclosure of which may damage the interests of a business entity, may be declared its commercial secret. The composition and volume of information classified as a commercial secret, as well as a means of its protection shall be determined by the economic entity in compliance with the law.

2. Unlawful gathering of information being a commercial secret shall be understood as obtaining through illegal means of the said information, if this has or might have caused damage to the business entity.

3. Disclosure of the commercial secret by a person that was trusted with such secret in due procedure, or which became familiar to him/her in line of his/her business duties shall be understood as familiarization by another person – without the authorized person's consent – with the information classified as a commercial secret under the law, if this has or might have caused damage to the business entity.

4. Instigation to disclosure of a commercial secret shall be understood as persuasion of a person that was trusted with such secret in due procedure, or which became familiar to him/her in line of his/her business duties into divulging of such secret, if this has or might have caused damage to the business entity.

5. Unlawful use of a commercial secret shall be understood as introduction into production or taking into account while planning or conducting business activity – without authorized persons' consent - of unlawfully obtained information, classified as a commercial secret under the law.

6. Persons in fault shall be held liable as established by the law for unlawful gathering, disclosure or use of information being a commercial secret.

Article 37. Liability for Unfair Competition

1. Committing actions, classified as unfair competitions, shall entail liability of a business entity pursuant to this Code or administrative, civil or criminal liability of persons in fault in cases, envisaged by the law.

Article 38. Rules of Professional Ethics in Competition

1. Business entities with support of interested organizations may develop rules of professional ethics in competition for relevant areas of business activity, as well as certain industries. The rules of professional ethics in competition shall be agreed upon with the Antimonopoly Committee of Ukraine.

2. The rules of professional ethics in competition may be used while entering into contracts, developing establishment and other documents of business entities.

Article 39. Protection of Consumer Rights

1. Consumers being in Ukraine while ordering or using products (works, services) to satisfy their needs shall the rights to the following:

protection of their rights by the state;

guaranteed level of consumption;

due quality of products (works, services);

safety of products (works, services);

necessary, accessible and reliable information on the quality and assortment of products (works, services);

compensation of losses, caused by products (works, services) of undue quality, as well as the damage, caused by products (works, services) hazardous for the life and health of individuals, in cases, envisaged by the law;

applying to the court and other state authorities for the protection of violated rights or lawful interests.

With the purpose of protection of their rights and lawful interests, individuals may voluntarily unite into public consumer organizations (consumer unions).

2. The state shall secure protection of the rights of individuals as consumers, provide an opportunity of free choice of products (works, services), acquiring knowledge and qualification, required for making independent decisions while purchasing and using products (works, services) according to their needs, and guarantees purchasing or receiving by such other means of products (works, services) within volumes ensuring the consumption level sufficient for sustention of life and vital activity.

3. The rights of consumers, the mechanism of exercising the protection of such rights and relationships between consumers of products (works, services) and producers (contractors, sellers) shall be regulated by the law on protection of consumer rights and other legislative acts.

4. Should an international treaty, approved by the Verkhovna Rada of Ukraine provide for other rules, different to those, stipulated by Ukrainian legislation, the rules of an international treaty shall apply.

Article 40. State Control over Observance of Antimonopoly and Competition Legislation

1. The state control over observance of the antimonopoly and competition legislation, the protection of interests of entrepreneurs and consumers from their violation shall be exercised by the Antimonopoly Committee of Ukraine in compliance with its powers, established by the law.

2. In order to prevent the monopoly position of business entities at the market, establishment, reorganization and liquidation of business entities, acquisition of their assets, shares, portions of partnerships, as well as setting up associations of enterprises or transforming state authorities into the said associations in cases, provided by legislation, shall be conducted upon a relevant consent from the Antimonopoly Committee of Ukraine. Grounds for providing consent for concentration of business entities shall be established by the law.

3. In the event business entities abuse their monopoly positions at the market, the Antimonopoly Committee of Ukraine shall be entitled to make a decision of forced split-up of monopoly formations. The term of execution of such decision may not be less than six months.

4. Forced split-up shall not apply in the following cases:

impossibility of organizational or territorial separation of enterprises or structural units;

availability of close technological links between enterprises, structural units, if the share of internal turnover in the total volume of gross output of an enterprise (association, etc.) is less than thirty per cent.

5. Reorganization of a monopoly formation subject to forced split-up, shall be conducted at the discretion of a business entity on condition of the monopoly position of this formation at the market.

6. The Antimonopoly Committee of Ukraine and its regional divisions in keeping with the established procedure shall consider cases on unfair competition and such other cases as to violation of the antimonopoly and competition legislation, as envisaged by the law.

7. Decisions of the Antimonopoly Committee of Ukraine and its regional divisions may be appealed in the court. Losses, incurred by illegitimate decisions of the Antimonopoly Committee of Ukraine or its regional divisions shall be compensated at the expense of the State Budget of Ukraine upon the claim of interested persons in keeping with the procedure, established by the law.

Article 41. Antimonopoly and Competition Legislation

1. Legislation that regulates relationships that result from unfair competition, restriction and prevention of monopolism in business activity shall consist of the present Code, the Law on the Antimonopoly Committee of Ukraine, and other legislative acts.

2. Provisions of this Article of the Code shall not apply to relationships, parties to which are business entities and other participants of economic relationships, if the results of their activities become apparent only outside Ukraine, unless otherwise provided by the current international treaty, approved by the Verkhovna Rada of Ukraine.

3. The law may determine peculiarities of regulation of relationships, associated with unfair competition and monopolism at financial and securities markets.

Chapter 4. COMMERCIAL ECONOMIC ACTIVITY (ENTREPRENEURSHIP)

Article 42. Entrepreneurship as a Type of Business Activity

1. Entrepreneurship, to be understood as a separate, initiative, systematic, own-risk economic activity, carried out by business entities (entrepreneurs) with the purpose of achieving economic and social results, and generating profit.

Article 43. Freedom of Entrepreneurial Activity

1. Entrepreneurs shall have the right to perform independently without any limitations any such entrepreneurial activity that is not banned by the law.

2. Peculiarities of performing certain types of entrepreneurship shall be established by legislative acts.

3. The list of types of entrepreneurial activity subject to licensing, as well as the list of activities, wherein entrepreneurship is banned shall be established exclusively by the law.

4. State authorities and local governments may not carry out entrepreneurial activity.

Entrepreneurial activity of officials of state authorities and local governments shall be restricted by the law in cases, provided by part two, Article 64 of the Constitution of Ukraine.

Article 44. Principles of Entrepreneurial Activity

1. Entrepreneurship shall be conducted on the basis of:

free choice by the entrepreneur of a type of entrepreneurial activity;

independent development by the entrepreneur of his/her activity program, selection of suppliers and consumers of products manufactured, employment of material and technical, financial and other resources, the use of which is not limited by the law, fixing of prices for products and services in compliance with the law;

free employment of personnel by the entrepreneur;

commercial calculation and own commercial risk;

free disposal of retained profit, left after payment of taxes, fees and other payments, envisaged by the law;

independent performing by the entrepreneur of foreign economic activity; the use by the entrepreneur of an international currency share of proceeds at his/her own discretion.

Article 45. Organizational Forms of Entrepreneurship

1. Entrepreneurship in Ukraine shall be conducted in any organizational forms, envisaged by the law, at entrepreneur's discretion.

2. The procedure of setting up, state registration, reorganization and liquidation of subjects of entrepreneurship of certain organizational forms shall be determined by this Code and other laws.

3. As to individuals and legal persons, for which entrepreneurship is not their major activity, the provisions of this Code shall apply to the part of their activity, which is entrepreneurial in its nature.

Article 46. The Right to Hire Employees and Social Guarantees of the Use of Their Labor

1. Entrepreneurs shall have the right to enter into labor contracts with individuals on using their labor. While entering into a labor contract (agreement) the entrepreneur shall be obligated to secure due and safe working conditions, labor remuneration not lower than that established by the law and its timely payment to the employee, as well as other guarantees, including social and medical insurance and social security as provided by Ukrainian legislation.

Article 47. General Guarantees of Entrepreneurs' Rights

1. The state shall guarantee to all entrepreneurs irrespective of their organizational forms of entrepreneurial activity, equal rights and opportunities for attraction and use of material and technical, financial, labor, informational, natural and other resources.

2. Providing the entrepreneur with material and technical, and other resources distributed by the state, shall be conducted for the purpose of carrying out by the entrepreneur of supplies, works or services for the state needs.

3. The state shall guarantee the inviolability of property and ensure protection of property rights of the entrepreneur. Withdrawal by the state or local governments of fixed and operating assets, as well as other property shall be allowed according to Article 41 of the Constitution of Ukraine on the grounds and in keeping with the procedure, established by the law.

4. Losses suffered by the entrepreneur in the result of violation by individuals or legal entities, state authorities or local governments of his/her property rights, shall be reimbursed to the entrepreneur pursuant to the present Code and other laws.

5. The entrepreneur or an individual employed by the former in cases envisaged by legislation may in working hours be attracted to fulfillment of state or public duties, with following compensation to the entrepreneur of relevant losses by the authority that takes such decision. Any such disputes as may arise on compensation of losses shall be resolved in the court.

Article 48. State Support of Entrepreneurship

1. In order to ensure favorable organizational and economic conditions for the development of entrepreneurship, state authorities on conditions and in keeping with the established procedure shall:

provide entrepreneurs with land parcels, state property, required for conducting entrepreneurial activity;

facilitate in material and technical supplies of entrepreneurs, informational servicing of their activities and training their personnel;

conduct primary equipment of undeveloped territories with objects of production and social infrastructure, by means of sales or other transfer of those to entrepreneurs as established by the law;

stimulate modernization of technologies, innovation activity, development of new kinds of products and services by entrepreneurs;

provide such other assistance to entrepreneurs.

2. The state shall foster the development of small entrepreneurship, secure necessary conditions for this.

Article 49. Liability of Subjects of Entrepreneurship

1. Entrepreneurs shall be obligated not to cause damage to the environment, not to violate rights and lawful interests of individuals and their associations, other business entities, institutions, organizations, rights of local governments and the state.

2. The entrepreneur shall suffer property and other liability as established by the law for caused losses and damage.

Article 50. Activity of Foreign Entrepreneurs in Ukraine

1. Peculiarities of carrying out entrepreneurial activity within the territory of Ukraine, on its continental shelf and in the exclusive (sea) economic zone by foreign legal entities and individuals shall be established by this Code and other laws of Ukraine.

2. Should a current international treaty, approved by the Verkhovna Rada of Ukraine provide for other rules of entrepreneurship, different to those established by Ukrainian legislation, the rules of the international treaty shall apply. The rules of international treaties of Ukraine, effective at the moment of adoption of the Constitution of Ukraine shall apply in accordance with the Constitution of Ukraine in keeping with the procedure established by these international treaties.

Article 51. Termination of Entrepreneurial Activity

1. Entrepreneurial activity shall be terminated:

on entrepreneur's own initiative;

in the event of expiry of the license;

in the event of discontinuance of existence of the entrepreneur;

on the ground of a court judgment in cases envisaged by the present Code and other laws.

2. The procedure of termination of entrepreneur's activity shall be determined by the law in compliance with the present Code requirements.

Chapter 5. NON-PROFIT ECONOMIC ACTIVITY

Article 52. Non-Profit Economic activity

1. Non-profit economic activity shall be understood as an independent systematic economic activity carried out by business entities, and aimed at achievement of economic, social and other results without the purpose of generating profit.

2. Non-profit economic activity shall be carried out by business entities of the state or municipal sectors of the economy in industries (types of activity), wherein entrepreneurship is prohibited under Article 12 of this Code, based on the decision of a relevant state authority or local government. Non-profit economic activity may be conducted also by other business entities that may not be involved in business activity in the form of entrepreneurship by the law.

3. State authorities, local governments and their officials may not carry out non-profit activity.

Article 53. Organizational Forms of Non-Profit Activity

1. Non-profit economic activity may be conducted by business entities on the basis of the right of ownership or the right of operational management in the organizational forms, determined by the owner or a relevant management body or local government authority in consideration of requirements, envisaged by this Code and other laws.

2. The procedure of setting up, state registration, reorganization and liquidation of business entities of certain organizational forms of non-profit activity shall be determined by the present Code and other laws.

3. Should an economic activity of an individual or a legal entity registered as a non-profit economic entity, acquire a character of entrepreneurial activity, its activities shall be governed by the provisions of this Code and other laws regulating entrepreneurship.

Article 54. Regulation of Non-Profit Activity

1. Activities of business entities that conduct non-profit activity shall be governed by general requirements as to regulation of economic activity in consideration of peculiarities of its performance by various business entities, established by the present Code and other legislative acts.

2. While entering into a labor contract (agreement) the business entity that carries out non-profit economic activity shall be obligated to secure due and safe working conditions, payment of remuneration not lower than the minimal size established by the law, and to ensure such other guarantees as provided by the law.

Section II. BUSINESS ENTITIES

Chapter 6. GENERAL PROVISIONS

Article 55. Notion of a Business Entity

1. Business entities shall be understood to be parties to economic relationships that carry out economic activity, exercising their economic competence (integrity of economic rights and obligations), have separate property and suffer liability by their obligations within this property, except for cases, envisaged by the law.

2. The following shall be deemed business entities:

1) economic organizations – legal entities, established pursuant to the Civil Code of Ukraine, state, municipal and other enterprises, set up in accordance with the present Code, as well as other legal entities that practice economic activity, and are registered in keeping with the procedure established by the law;

2) citizens of Ukraine, foreigners and stateless persons that conduct business activity and are registered as entrepreneurs according to the law;

3) affiliates, representative offices, other separated divisions of economic organizations (structural units), established by those for conducting business activity.

3. Business entities shall exercise their economic competence based on the ownership right, the right of economic conduct, the right of operational management, and the right of operational and economic use of property as determined by this competence in the present Code and other laws.

4. Business entities shall be understood as economic organizations that act on the basis of the ownership right, the right of economic or operational management, have the status of a legal entity as established by civil legislation and the present Code.

5. Business entities shall be understood as separated divisions (structural units) of economic organizations that may act only on the basis of the right of operational and economic use of property having no status of a legal entity.

Article 56. Establishment of a Business Entity

1. A business entity may be set up upon the decision of the owner (owners) of property or a body authorized by him/her/them, and in cases, specifically provided by the law, also upon the decision of other bodies, organizations and individuals by means of setting up a new, reorganization (merger, attachment, spin-off, split-up, transformation) of a functioning business entity in keeping with the established requirements.

2. Business entities may be established by means of forced split-up (spin-off) of the functioning business entity upon direction of antimonopoly authorities in accordance with the antimonopoly and competition legislation.

3. Setting up business entities shall be conducted pursuant to the requirements of antimonopoly and competition legislation.

Article 57. Constituent Documents

1. Constituent documents of a business entity shall be understood as a decision on its establishment or constituent contract, and in cases, provided by the law, a charter (regulations) of a business entity.

2. Constituent documents shall contain the name and location of a business entity, the purpose and subject of economic activity, composition and competence of its management bodies, the procedure of decision-making, the procedure of forming property, distribution of profits, terms of its sale and liquidation, unless otherwise provided by the law.

3. Founders in a constituent contract shall be obligated to establish a business entity, determine the procedure of joint efforts as to its establishment, terms of property transfer, the procedure of distributing profits and losses, management of business entity's activity and participation of founders in such management, the procedure of exit and entry of new founders, other conditions of activity of the business entity, envisaged by the law, as well as the procedure of its reorganization and liquidation in compliance with the law.

4. The charter of a business entity shall contain information on its name and location, purpose and subject of activity, size and procedure of distributing profits and losses, on management and controlling bodies, their competence, as well as information, associated with peculiarities of the organizational form of a business entity envisaged by the law. The charter may as well contain other information that is not conflict with the law.

A special regulation shall determine the economic competence of state authorities, local governments or other subjects in cases provided by the law.

5. The charter (regulations) shall be approved of by the owner of the property or his/her representatives, bodies or other subjects as established by the law.

Article 58. State Registration of Business Entities

1. A business entity shall be subject to the state registration, except for cases established by the present Code.

2. The state registration of business entities shall be conducted at the executive committee of a city, district council or a district administration at the location or place of residence of a given entity, unless otherwise envisaged by the law.

3. The following documents shall be furnished for the state registration:

decision of the owner (owners) of property or his/her/their authorized body in cases provided by the law;

constituent documents determined by the law for certain types of legal entities;

decision of the Antimonopoly Committee of Ukraine approving of setting up, reorganization (merger, attachment) of business entities in cases, provided by the law;

document (documents) confirming to payment of the fee by the owner (owner) to the authorized fund of a business entity in the size determined by the law;

registration card of the established standard;

document confirming payment for the state registration.

While setting up public joint-stock companies in the process of privatization and/or corporatization it shall also be required to submit a report on consequences of subscription for shares, approved by the State Commission for Securities and Stock Market.

4. Individuals that have an intention to carry out entrepreneurial activity without establishing a legal entity shall submit a registration card of the established standard, which at the same time shall be deemed the application for the state registration, a copy of certificate on identification number of an individual – a payer of taxes and other obligatory payments, and the document confirming to payment of the fee for the state registration.

5. The owner (owners) or his/her/their authorized persons shall be held liable for unconformity to the legislative requirements and inauthenticity of the documents submitted for registration.

6. The state registration of business entities shall be completed within the term not exceeding ten days upon filing the documents specified hereinabove. The registration agency shall be obligated within this term to issue the state registration certificate of the applying business entity.

7. Seals and stamps of a business entity shall specify the identification code, by which such entity is entered in the state registry of business entities, or the identification code of an individual entrepreneur.

8. The state registration certificate of a business entity and a copy of the document confirming its registering with the state tax service shall be sufficient grounds for opening accounts in banking institutions.

9. Information as to the state registration of a business entity shall be entered in the unified state registry accessible for the general public.

10. Information on the state registration of a business entity, making changes thereto shall be subject to publication by the registration body in a special supplement to the newspaper "Uriadovy Courier" and/or the official printing edition of the state power, or a local government at the location of a business entity within ten days from the state registration of a

business entity (making changes to the state registration) in keeping with the procedure, established by the Cabinet of Ministers of Ukraine.

11. Violations of the established procedure of setting up a business entity or inauthenticity or inconformity to the legislative requirements of the documents filed for the state registration of a business entity shall be sufficient grounds for denying a business entity the state registration. Denying the state registration to a business entity for other reasons shall not be allowed.

12. Denying a business entity the state registration may be appealed in court.

13. Activity of an unregistered business entity subject to registration is prohibited. Proceeds received by such entity shall be seized in favor of the State Budget of Ukraine in keeping with the established procedure.

14. Re-registration of a business entity shall be done in the event of change of the ownership form, on the basis of which the entity was set up, or the organization form of economic activity, or name of the business entity, and shall be effected according to the procedure of registration.

15. Cancellation (discontinuance) of the state registration of a business entity shall be effected upon its personal application, as well as on the grounds of a court judgment in cases of invalidation or recognizing as being in conflict with the law, of the constituent documents, or carrying out activity being in conflict with the law or the constituent documents, or other cases, provided by the law.

Cancellation of the state registration shall discontinue the economic activity and shall be deemed grounds for taking measures to liquidate a business entity.

16. Ukrainian legislation may establish special rules of the state regulation of certain organizational forms of economic activity.

17. Business entities specified in item 1, part two, Article 55 hereof shall be entitled to set up their affiliates (divisions), representative offices without establishing a legal entity. Setting up the said divisions shall not require their registration. A business entity shall only be obligated to inform the registration body of their establishing by means of entering additional information in its registration card.

18. Regulation as to the state registration of business entities shall be approved by the Cabinet of Ministers of Ukraine.

Article 59. Discontinuance of Activity of a Business Entity

1. Discontinuance of activity of a business entity shall be effected through its reorganization (merger, attachment, split-up, transformation) or liquidation – upon a decision of the owner (owners) or its authorized bodies, upon a decision of other persons – co-founders of a business entity or their assigns, and in cases envisaged by the present Code upon a court judgment.

2. In the event of merger of business entities all property rights and obligations of each of them shall pass to the entity created in the result of such merger.

3. In the event of attachment of one or more business entities to another entity, all rights and liabilities of attached entities shall pass to the latter.

4. In the event of split-up of a business entity all its property rights and obligations shall pass according to the split-up act (balance) in relevant shares to each of the new entities, created in the result of such split-up. In the event of spin-off of one or more entities, each of those shall acquire - under the split-up act (balance) in relevant shares - property rights and obligations of the reorganized entity.

5. In the event of transformation of one business entity into another, the newly formed entity shall acquire all property rights and obligations of the original business entity.

6. A business entity shall be liquidated:

upon the initiative of the persons specified in part one of this Article;
upon expiry of the term for which it was set up, or in the event of achieving its purpose;
in the event it is declared bankrupt in due procedure, except for cases, envisaged by the law;
in the event of cancellation of its state registration in cases provided by the law.

7. Cancellation of the state registration shall deprive a business entity of the legal entity status, and shall be grounds for its removal from the state registry. A business entity shall be deemed liquidated from the date the note on discontinuance of its activity is made in the state registry. Such note shall be made upon approval of the liquidation balance pursuant to the present Code requirements.

8. Announcement on reorganization or liquidation of an economic organization or discontinuance of activity of a private entrepreneur shall be subject to publication by the registration body in a special supplement to the newspaper "Uriadovy Courier" and/or the official printing edition of the state power or a local government at the location of a business entity within ten days from the discontinuance of activity of a business entity.

Article 60. General Procedure of Liquidation of a Business Entity

1. Liquidation of a business entity shall be conducted by the liquidation commission set up by the owner (owners) of a business entity or his/her/their representatives (authorities), or other body, established by the law, unless other procedure of its creation is stipulated by the present Code. Liquidation of a business entity may be as well vested in the management body of the entity being liquidated.

2. The body (person) that took a decision on liquidation of a business entity shall determine the procedure and terms of the liquidation, as well as the deadline for creditors' claims, which may not be less than two months from the date of the liquidation announcement.

3. The liquidation commission or other body conducting liquidation of a business entity shall place an announcement in the printing editions specified in part ten, Article 58 hereof on its liquidation, and the procedure and terms of filing claims by creditors. It shall notify obvious (known) creditors in person, and in writing within the terms provided by this Code or a special law.

4. At the same time the liquidation commission shall take necessary steps to collect receivables from the business entity being liquidated, and process creditors' claims with written notification of each creditor on the liquidation of the business entity.

5. The liquidation commission shall appraise the property of a business entity being liquidated, and satisfy creditors' claims, write the liquidation balance sheet and submit it to the owner or the body that appointed the liquidation commission. Credibility and completeness of the liquidation balance sheet shall be verified in keeping with the established procedure.

Article 61. Procedure of Settlement with Creditors in Case of Liquidation of a Business Entity

1. Creditors' claims to a business entity being liquidated, shall be satisfied through the entity's property, unless otherwise provided by this Code and other laws.

2. Sequence and procedure of satisfying creditors' claims shall be determined pursuant to the law.

3. Claims not satisfied due to the absence of business entity's property, which are not recognized by the liquidation commission if their claimants within a month from receiving the notification on full or partial rejection of a claim failed to apply to the court with a relevant claim, as well as claims rejected by the court judgment, shall be deemed satisfied.

4. Property left after satisfaction of creditors' claims shall be disposed of as directed by the owner.

Chapter 7. ENTERPRISE

Article 62. Enterprise as an Organizational Form of Economic Activity

1. Enterprise, to be understood as an independent business entity set up by a competent state authority or local government, or other parties for the purpose of satisfaction of public or personal needs through regular production, academic and research, trade, and other activity in keeping with the procedure established by the present Code and other laws.

2. Enterprises may be set up both for entrepreneurship and non-profit economic activity.

3. An enterprise shall act based on its charter unless otherwise established by the law.

4. An enterprise shall be classified as a legal entity, shall have separated property, independent balance, accounts in banking institutions, stamp bearing its name and identification code.

5. An enterprise may not have other incorporated legal entities.

Article 63. Types and Organizational Forms of Enterprises

1. Enterprises in Ukraine may be of the following types depending on ownership forms established by the law:

private enterprise that acts on the basis of private property of individuals or a business entity (a legal entity);

enterprise that acts on the basis of collective property (a collective property enterprise);

municipal enterprise that acts on the basis of municipal property of a territorial community;

state enterprise that acts on the basis of state property;

enterprise set up on a mixed ownership form (on the basis of combination of property of various ownership forms).

Other types of enterprises envisaged by the law may also operate in Ukraine.

2. In the event a share of a foreign investment in the enterprise's authorized fund is at least ten per cent, it shall be deemed an enterprise with foreign investments. An enterprise, where a share of foreign investments in the authorized fund is one hundred per cent shall be deemed foreign enterprise.

3. Depending on the way of establishment and forming of the authorized fund, there shall be unitary and corporate enterprises.

4. Unitary enterprise shall be set up by one founder that allocates the required property, forms the authorized fund not divided into shares as provided by the law, approves of the charter, distributes incomes, manages the enterprise directly or through the appointed manager, and forms enterprise personnel on the employment basis, resolves the issues of reorganization and liquidation of the enterprise. Unitary shall be deemed to be state, municipal enterprises, and those established on the property of individuals' associations, religious organizations or private property of the founder.

5. Corporate enterprise shall be commonly set up by two or more co-founders upon their joint decision (contract), and act on the basis of combination of property and/or entrepreneurial or labor activity of co-founders (participants), their joint management, on the basis of corporate rights, including management through the bodies they establish, participation of co-founders (participants) in the distribution of incomes and risks of the enterprise. Corporate shall be deemed cooperative enterprises, those set up in the form of business partnerships, as well as such other enterprises, including those set up on the private property of two or more persons.

6. Peculiarities of the legal status of unitary and corporate enterprises shall be established by the present Code and other legislative acts.

7. Enterprises – depending on a number of employees and the volume of annual gross sales returns may be classified as small, medium-size or big enterprises.

Small (irrespective of the ownership form) shall be recognized enterprises, where an average accounting number of employees per reporting (financial) year does not exceed fifty, and the amount of gross product (works, services) sales returns for such period does not exceed the amount equivalent to EUR500,000 at the average annual rate of the National Bank of Ukraine against the hryvnia.

Big shall be deemed enterprises, where an average accounting number of employees per reporting (financial) year exceeds one thousand, and the amount of gross product (works, services) sales returns for such period does not exceed the amount equivalent to EUR5,000,000 at the average annual rate of the National Bank of Ukraine against the hryvnia.

All the remaining enterprises shall be deemed medium-size.

8. In the event of dependence on another enterprise, envisaged by Article 126 hereof, the enterprise shall be deemed a subsidiary.

9. For enterprises of certain types and organizational forms the law may establish peculiarities of conducting economic activity.

Article 64. Organizational Structure of an Enterprise

1. An enterprise may consist of production structural units (production areas, workshops, departments, divisions, groups, bureaus, laboratories, etc.), as well as functional structural units of the management office (administrations, departments, bureaus, services, etc.).

2. Functions, rights and obligations of structural units of an enterprise shall be established by special provisions, approved of in keeping with the procedure, determined by the charter of an enterprise or other constituent documents.

3. An enterprise shall independently determine its organizational structure, the number of employees and the personnel arrangements.

4. An enterprise shall be entitled to set up affiliates, representatives, departments and other separate units, coordinating issues as to location of such units with relevant local governments in keeping with the procedure established by the law. Such separate units shall not have the legal entity status, and act on the basis of a relevant provision, approved by an enterprise. They may open accounts in banking institutions pursuant to the law.

5. Activities within the territory of Ukraine of such separated units of enterprises, located outside Ukraine, shall be regulated by the present Code and other laws.

Article 65. Enterprise Management

1. Enterprise management shall be performed according to its constituent documents based on the combination of the owner's rights as to the economic disposal of his/her property, and participation of the personnel in management.

2. The owner shall exercise his/her rights as to enterprise management directly or through authorized bodies in accordance with the enterprise charter or other constituent documents.

3. To manage the economic activity of the enterprise the owner (owners) or the authorized body shall appoint (elect) an enterprise manager.

4. In the event of employment of the enterprise manager an agreement (contract) shall be signed with him/her, which stipulates the term of employment, rights, obligations and liability of the manager, terms of his/her material supply, terms of his/her dismissal from office, other terms of employment as agreed upon by the parties.

5. The enterprise manager shall without any authorization act on behalf of the enterprise, represent its interests in state authorities and local governments, other organizations, in relationships with legal entities and individuals, form enterprise administration and resolve issues of enterprise activity within the limits and according to the procedure stipulated by the constituent documents.

6. The enterprise manager may be dismissed from office ahead of time on the grounds envisaged by the agreement (contract) pursuant to the law.

7. All the enterprises that use employed labor shall enter into a collective agreement between the owner or the authorized body and labor personnel or the authorized body, which is to regulate production, labor and social relationships of labor personnel with the enterprise administration. Requirements to the contents and the procedure of entering into collective agreements shall be established by the law on collective agreements.

8. Labor personnel of the enterprise shall include all individuals that through their labor participate in enterprise activity on the basis of a labor agreement (contract) or other forms that regulate labor relationships between an employee and the enterprise. Powers of the personnel as to its participation in enterprise management shall be stipulated by the charter or other constituent documents in compliance with the requirements of the present Code, legislation on certain types of enterprises, the law on labor personnel.

9. Decisions on social and economic issues related to enterprise activities shall be processed and made by its management bodies with participation of the personnel and its authorized bodies.

10. Peculiarities of management of certain types of enterprises (organizational forms of enterprises) shall be established by the present Code and laws on such enterprises.

Article 66. Enterprise Property

1. Enterprise property shall include production and non-production assets, as well as other values, the cost of which shall be reflected in a separate balance sheet of the enterprise.

2. Following are sources of forming enterprise property:

monetary and material contributions of its co-founders;

proceeds, generated from sales of products, services, other types of economic activity;

securities yields;

credits from banks and other lenders;

capital investments and budget subsidies;

property, purchased from other business entities, organizations and individuals in keeping with the procedure established by the law;

other sources, not banned by Ukrainian legislation.

3. Integral property complex shall be deemed immovable property and may serve as an object of purchase and sale and other agreements on terms and in keeping with the procedure established by the present Code and laws adopted according to the Code.

4. Exercising of property rights of an enterprise shall be performed in keeping with the procedure, established by this Code and other legislative acts of Ukraine.

5. Possession and use of natural resources shall be exercised by an enterprise in keeping with the law-established procedure for a certain charge, and in cases, envisaged by the law on beneficial terms.

6. The enterprise shall issue, sale and purchase securities as prescribed by the law.

7. The state shall guarantee the protection of property rights to an enterprise. Seizure of property by the state from the enterprise shall only be conducted in the events and in keeping with the procedure established by the law.

Article 67. Economic Relationships of an Enterprise with Other Enterprises, Organizations, Individuals

1. Relationships of an enterprise with other enterprises, organizations, and individuals in all forms of economic activity shall be exercised on a contractual basis.

2. Enterprises shall be free to choose the subject of the agreement, determine obligations and other terms of economic relationships that do not contradict Ukrainian legislation.

3. An enterprise shall be entitled to independently sale its products that were not included in the state order or state task, within and outside the territory of Ukraine, unless otherwise provided by the law.

Article 68. Foreign Economic Activity of an Enterprise

1. An enterprise shall independently conduct foreign economic activity, which is a part of foreign economic activity of Ukraine, and shall be regulated by laws of Ukraine, other normative and legal acts, adopted pursuant to these laws.

2. The procedure of use of enterprise funds in foreign currency shall be established by the present Code and other laws.

3. An enterprise that conducts foreign economic activity may open outside Ukraine its representative offices, affiliates and production facilities, maintenance of which shall be at the expense of the enterprise.

Article 69. Social Activity of an Enterprise

1. Issues of improvement of conditions of work, life and health, guarantees of mandatory medical insurance of enterprise employees and their families, as well as other issues of social development shall be resolved by the personnel with participation of the owner or the authorized body pursuant to legislation, the constituent documents of an enterprise, and the collective agreement.

2. An enterprise shall ensure training of qualified workers and specialists, their economic and professional studies both in own and other educational institutions as stipulated by relevant agreements. An enterprise shall grant law-established benefits to its employees, who study on-the-job.

3. Retirees and the disabled that worked at the enterprise before they retired shall enjoy the same opportunities as currently working personnel in terms of medical insurance, housing, treatment in health-improving and prophylactic institutions, other social services and benefits, provided by the enterprise charter.

4. The owner, bodies of enterprise management shall be obligated to ensure proper and safe working conditions to all employees. The enterprise shall be held liable as established by the law for the damage that may be caused to the health and working ability of its employees.

5. An enterprise shall be obligated to ensure due working conditions for women and the under-age, secure their working preferably in day hours; to ensure easier work with non-hazardous working conditions for women with infants and pregnant women, provide them with such other benefits, as established by the law. An enterprise with hazardous working conditions shall set up special workshops, sections for securing easier work for women, the under-age and other certain categories of employees.

6. An enterprise shall independently establish for its employees additional vacations, shortened working days and other benefits, and be entitled to encourage employees of other enterprises, institutions, organizations that provide services to the enterprise.

7. An enterprise shall be entitled to provide additional pension – irrespective of the size of the state pension – to the employee that became disabled at the enterprise in the result of an accident or professional disease. In the event of the death of the employee while performing his/her duties, the enterprise owner shall voluntarily or upon a court judgment provide aid to such employee's family pursuant to the law.

8. An enterprise entitled to employ the working force shall ensure a number of working places as established by the law for employment of the under-age, disabled, other categories of individuals that need social protection. Liability of the enterprise for the failure to comply with this requirement shall be established by the law.

Article 70. Association of Enterprises

1. Enterprises shall have the right to voluntarily associate its economic activity (production, commercial, etc.) on terms and in keeping with the procedure, established by the present Code and other laws.

2. Associations of enterprises on terms and in keeping with the procedure established by the present Code and other laws may be set up upon decisions of the Cabinet of Ministers of Ukraine or authorities responsible for management of state or municipal enterprises.

3. Types of enterprise associations, their general status, as well as major requirements to performing economic activity by those, shall be established by this Code; other aspects of their activity shall be regulated by Ukrainian legislation.

Article 71. Accounting and Reporting of an Enterprise

1. Accounting and reporting of an enterprise shall be carried out pursuant to the requirements of Article 19 hereof, and other normative and legal acts.

2. Information not required by the law shall be provided by the enterprise to state authorities, local governments, other enterprises, institutions and organizations on a contractual basis or in keeping with the procedure envisaged by the constituent documents of the enterprise.

Article 72. Legislation on Enterprises

1. Enterprises in Ukraine shall conduct their activities according to Articles 62-71 of the present Code, unless otherwise provided by this Code and other laws, adopted pursuant to this Code with regard to certain types of enterprises.

2. Should an international treaty of Ukraine, approved of by the Verkhovna Rada of Ukraine provide for other rules different to those established by legislation on enterprises, the rules of the international treaty shall apply.

Chapter 8. STATE AND MUNICIPAL UNITARY ENTERPRISES

Article 73. The Notion of a State Unitary Enterprise

1. A state unitary enterprise shall be set up by the competent state authority in the directive procedure on the basis of a separated part of state property, commonly without dividing it into parts, and be in the jurisdiction of such authority.

2. The state authority in whose jurisdiction such enterprise is, shall be a representative of the owner and perform his/her functions within the limits, provided by the present Code and other legislative acts.

3. Property of the state unitary enterprise shall be in state ownership, and assigned to such enterprise on the right of economic supervision or operational management.

4. The name of a state unitary enterprise shall contain the words "state enterprise".

5. A state unitary enterprise shall not be held liable by the obligations of the owner and the state authority, in whose jurisdiction is such enterprise.

6. The management body of a state unitary enterprise shall be deemed the enterprise manager, appointed by the authority, in whose jurisdiction is the enterprise, and shall be accountable to such authority.

7. The law may determine peculiarities of the status of the state unitary enterprise manager, including introduction of a higher liability of the manager for the results of enterprise activity.

8. State unitary enterprises shall act as state commercial enterprises or official government enterprises.

Article 74. State Commercial Enterprise

1. A state commercial enterprise shall be a business entity, act on the basis of the charter, on the principles of entrepreneurship, laid out in Article 44 hereof, and be held liable for the consequences of its work by all property belonging to it on the right of economic supervision, as established by the present Code and other laws, adopted pursuant to the present Code.

2. Property of the state commercial enterprise shall be assigned to it on the right of economic supervision.

3. The authorized fund of the state commercial enterprise shall be formed by the authority, in whose jurisdiction is such enterprise, prior to the registration of such enterprise as a business entity. The minimal size of the authorized fund of the state commercial enterprise shall be established by the law.

4. Should the value of assets of the state commercial enterprise by the results of its activity prove less than the size of the authorized fund, envisaged by the enterprise charter, the authority, in whose jurisdiction is the enterprise shall decrease its authorized fund as prescribed by the law, but not less than the established minimal size of the authorized fund.

5. The state and the authority, in whose jurisdiction is the state commercial enterprise shall not suffer any liability for its obligations, except for cases, envisaged by the present Code and other laws.

6. Losses, incurred by the state commercial enterprise in the result of execution of resolutions of state authorities or local governments, which were declared unconstitutional or invalid by the court, shall be subject to compensation by the said authorities voluntarily or upon a court judgment.

7. The state unitary commercial enterprise may be transformed in cases and in keeping with the procedure, envisaged by the law, into a corporate enterprise (state joint-stock company). Peculiarities of activity of corporate enterprises shall be determined by the present Code and other laws.

Article 75. Peculiarities of Economic Activity of State Commercial Enterprises

1. The state commercial enterprise shall be obligated to accept and fulfill state orders and tasks placed with such enterprise in the established procedure, and also take them into account while developing a production program, determination of perspectives of its economic and social development, and choosing contractors.

2. The state commercial enterprise shall not have the right to transfer free of charge the property that belongs to it to other legal entities or individuals, except for cases, envisaged by the law. Alienation, mortgage of property objects, classified as fixed assets, lease of integral property complexes of structural units and divisions may be conducted by the state commercial enterprise only upon prior consent of the authority, in whose jurisdiction is such enterprise, and commonly on a competitive basis.

3. Funds received from the sale of property objects, classified as fixed assets of the state commercial enterprise, shall be invested in the enterprise production.

4. Writing off not fully depreciated assets from the balance, as well as accelerated depreciation of fixed assets of the state commercial enterprise shall only be possible upon consent of the authority, in whose jurisdiction is such enterprise.

5. State commercial enterprises at the account of their profits (incomes) shall form special (purpose-oriented) funds to cover the cost of their activities:

amortization fund;

production development fund;

consumption fund (cost of labor);

reserve fund;

other funds, envisaged by the enterprise charter.

6. The procedure of determining norms of deductions to the special funds of state commercial enterprises, their size limits, procedure of forming and use of these funds shall be established by the law.

7. Should there be a change of the manager of the state commercial enterprise, auditing of financial and economic activities of the enterprise shall be required in keeping with the procedure, envisaged by the law.

8. Other peculiarities of economic and social activity of state commercial enterprises shall be established by the law.

Article 76. Official Government Enterprise

1. Official government enterprises shall be set up in the industries of the national economy, in which:

it is allowed by the law to conduct economic activity only to state enterprises;

the main (over fifty per cent) consumer of products (works, services) is the state;

free competition of producers or consumers is impossible under conditions of activity;

production of socially required products (works, services) is prevailing, which by its conditions and nature of needs, satisfied by such enterprise, commonly cannot be profitable;

privatization of property complexes of state enterprises is prohibited by the law.

2. An official government enterprise shall be set up upon the resolution of the Cabinet of Ministers of Ukraine. The resolution on establishment of an official government enterprise shall specify the volume and character of principal activity of the enterprise, as well as the authority, in whose jurisdiction the enterprise being organized will be. Reorganization and liquidation of the official government enterprise shall be conducted in compliance with the requirements of the present Code, and the decision of the authority responsible for establishment of such enterprise.

3. Property of the official government enterprise shall be assigned to it on the right of operational management in the volume, established in the enterprise charter.

4. The official government enterprise shall be a legal entity, have accounts in institutions of a state bank, and a stamp bearing its name.

5. The authority, in whose jurisdiction is the official government enterprise, shall approve of the enterprise charter, appoint the manager, provide permission for conducting economic activity by the official government enterprise, determines types of products (works, services), production and sale of which fall under such permission.

6. The name of the official government enterprise shall contain the words “official government enterprise”.

Article 77. Peculiarities of Economic Activity of Official Government Enterprises

1. The official government enterprise shall conduct its economic activity according to the production tasks of the authority, in whose jurisdiction is such enterprise.

2. The official government enterprise shall independently organize manufacturing of products (works, services), and sale those for prices (tariffs), determined in keeping with the procedure, established by the Cabinet of Ministers of Ukraine, unless otherwise provided by the law.

3. The authority, in whose jurisdiction is the official government enterprise, shall conduct control over the use and maintenance of the property belonging to the enterprise, and shall have the right to withdraw from the official government enterprise the property, which is not used, or used not according to its destination, and dispose of it within its powers.

4. The official government enterprise shall not be entitled to alienate or otherwise dispose of the property assigned to it, and belongs to fixed assets, without prior consent from the authority, in whose jurisdiction is such enterprise.

5. Sources of forming property of the official government enterprise shall be:

state property, transferred to the enterprise pursuant to the decision on its establishment;

funds and other property, received from sales of products (works, services) of the enterprise;

special-purpose funds, allocated from the State Budget of Ukraine;

banking credits;

portion of enterprise incomes, received by the enterprise from its economic activity envisaged by the charter;

other sources not banned by the law.

6. The official enterprise shall receive credits to fulfill its charter assignments under the guarantee of the authority, in whose jurisdiction is such enterprise.

7. The official government enterprise shall be liable for its obligations only by the funds being in its disposal. In the event of inadequacy of the said funds, the state, represented by the authority, in whose jurisdiction is such enterprise, shall suffer full secondary liability for obligations of the official enterprise.

8. The procedure of distributing and disposing of the official enterprise profit shall be determined by its charter in keeping with the procedure, established by the Cabinet of Ministers of Ukraine pursuant to the law.

9. Other peculiarities of economic and social activity of official enterprises shall be determined by the present Code, the law on state enterprises and other legislative acts.

Article 78. Municipal Unitary Enterprises

1. The municipal unitary enterprise shall be set up by the competent local government under the directive procedure, on the basis of a separated part of municipal property, and belong to its jurisdiction.

2. The authority, in whose jurisdiction is such enterprise, shall be a representative of the owner – a relevant territorial community, and perform its functions within the limits, established by this Code and other legislative acts.

3. Property of the municipal enterprise shall be in municipal ownership and shall be assigned to such enterprise on the right of economic jurisdiction (municipal commercial enterprise), or on the right of operational management (municipal non-profit enterprise).

4. The authorize fund of the municipal unitary enterprise shall be formed by the authority, in whose jurisdiction is such enterprise, prior to registration of the enterprise as a business entity. The minimum size of the authorized fund of the municipal unitary enterprise shall be determined by the relevant local council.

5. The name of the municipal unitary enterprise shall contain the words “municipal enterprise” and a reference to the local government, in whose jurisdiction is such enterprise.

6. The municipal unitary enterprise shall not be held liable for obligations of the owner and the local government, in whose jurisdiction is such enterprise.

7. The municipal unitary enterprise shall be administered by the manager, appointed by authority, in whose jurisdiction is such enterprise, and shall be accountable to such authority.

8. Losses, incurred by the municipal unitary enterprise in the result of execution of decisions of state authorities or local governments, shall be subject to compensation by the said authorities and governments voluntarily or upon a court judgment.

9. Peculiarities of economic activity of municipal unitary enterprises shall be determined in compliance with the requirements, established by the present Code as to activity of state commercial or official enterprises, as well as other requirements, envisaged by the law.

Chapter 9. BUSINESS PARTNERSHIPS

Article 79. The Notion of a Business Partnership

1. Business partnerships shall be deemed enterprises or other business entities, set up by legal entities and/or individuals by means of uniting their property and participating in entrepreneurial activity of the partnership with the purpose of generating profit. The business partnership in cases envisaged by the present Code may consist of one participant.

2. Co-founders and participants of the partnership may be business entities, other parties of economic relationships, indicated in Article 2 hereof, as well as individuals that are not business entities. Restrictions as to the establishment and participation in business partnerships of business entities or other persons shall be established by the present Code and other laws.

3. Business partnerships shall be deemed legal entities.

4. Business entities – legal entities that became founders or participants of a business partnership, shall retain the legal entity status.

5. Business partnerships may conduct any entrepreneurial activity unless otherwise provided by the law.

Article 80. Types of Business Partnerships

1. The following shall be classified as business partnerships: joint-stock companies, limited liability companies, superadded liability companies, full partnerships, limited partnerships.

2. Joint-stock company shall be deemed a business partnership that has an authorized fund, is divided into a certain number of shares of the same face value, and is held liable for its obligations only with the property of the company, whereas shareholders suffer the risk of losses, associated with company activities, within the value of their shares.

3. Limited liability company shall be deemed a business partnership that has an authorized fund, divided into portions, the size of which is determined by the constituent documents, and shall be held liable for its obligations only with its property. Members of the company that paid their contributions in full shall suffer the risk of losses, associated with company's activities within their contributions.

4. Superadded liability company shall be deemed a business partnership, the authorized fund of which is divided into portions, the size of which is determined by the constituent documents, and which shall be held liable for its obligations with its own property, and in the event of its inadequacy, members of such company shall suffer joint and several liability within the equally multiple size as determined by the constituent documents, proportionally to each member's fees.

5. Full partnership shall be deemed a business partnership, all the members of which according to the agreement concluded among them conduct entrepreneurial activity on behalf of the partnership, and suffer additional joint and several liability for partnership's obligations with all their property.

6. Limited partnership shall be deemed a business partnership, where one or more owners conduct entrepreneurial activity on behalf of the partnership, and suffer additional joint and several liability for partnership's obligations with all their property, which may be seized under the law (full members), and other members participating in partnership activity shall be liable only with their contributions (contributors).

7. Members of a full partnership, full owners of a limited partnership may only be persons registered as subjects of entrepreneurship.

Article 81. Joint-Stock Companies

1. Joint-stock companies may be public or private.

2. Shares of a public joint-stock company shall be distributed through an open subscription and purchase and sale at stock exchanges. Shareholders of a public joint-stock company may alienate their shares without prior consent of other shareholders and the company.

3. Shares of a private joint-stock company shall be distributed among co-founders or among predetermined range of persons, and may not be distributed through the subscription, purchased and sold at a stock exchange. Shareholders of a private joint-stock company shall have a prior right to purchase shares, sold by other joint-stock companies.

4. To be able to form a joint-stock company, co-founders shall make an announcement on their intention to set up a joint-stock company, arrange a share subscription, conduct a constituent assembly and the state registration of the joint-stock company.

5. The total face value of the issued shares shall be equal to the size of the authorized fund of a joint-stock company, which may not be less than that established by the law.

6. Co-founders of the company shall enter into an agreement that determines the procedure of their joint activity as to forming a company, liability before the persons that subscribed to company's shares, and third persons. In the event individuals are involved in setting up a company, the agreement shall be notarized.

7. Co-founders shall bear joint and several liability for obligations that arose according to the constituent agreement.

8. Co-founders, while forming a company, shall arrange for an open share subscription. Co-founders shall under any circumstances be obliged to be shareholders in the amount at least twenty-five per cent of the authorized fund, for the term at least two years.

9. The procedure of forming joint-stock companies, including arrangement of a constituent assembly, shall be established by the law.

10. A private joint-stock company may be transformed into public in keeping with the procedure, prescribed by the law.

11. Peculiarities of setting up and functioning of state joint-stock companies shall be established by the present Code, the law on state enterprises, and other laws.

12. Other peculiarities of activity of joint-stock companies shall be established by the present Code, the law on business partnerships, and other laws.

Article 82. Constituent Documents of a Business Partnership

1. Constituent document of a full partnership and a limited partnership shall be a constituent contract. Constituent document of a joint-stock company, a limited liability company, and a superadded liability company shall be a charter.

2. Constituent documents of a business partnership shall contain information on the type of partnership, the subject and purpose of its activities, the composition of its founders and participants, the composition and competence of partnership bodies and the procedure of making decision by those, including the list of questions that require unanimity or a qualified majority of votes, other information provided by Article 57 hereof.

3. The charter of a joint-stock company, in addition to the information stated in part two of this Article, shall also contain the information on the type of shares issued, their face value, ratio of different types of shares, the number of shares, purchased by co-founders, the implications of the failure to fulfill obligations as to redemption of stock.

4. The charter of a limited liability company, in addition to the information stated in part two of this Article, shall contain the information on the size of stock of each member, the size, composition and procedure of making contributions by those.

The charter may determine the procedure of calculation of the size of members' holdings depending on the change of the cost of property, invested as a contribution, and additional contributions of the members.

5. The constituent contract of a full partnership and a limited partnership, in addition to the information, stated in part two of this Article, shall determine the size of holding of each owner, and the form of their participation in partnership activities, the size, composition and procedure of making contributions by those. As to the contributors of a limited partnership, the constituent contract shall only specify the total size of their holdings in the partnership property, as well as the size, composition and procedure of making contributions by those.

6. The name of a business partnership shall contain an indication of the type of partnership, for full partnerships and limited partnerships – (last names (names) of partnership members) that bear additional liability for partnership obligation with all their property, as well as such other required information. The name of a business partnership may not refer to the belonging of a partnership to state authorities or local governments.

7. Constituent documents may also specify the information on other conditions of activity of a business partnership that is not in conflict with the law. If the constituent documents do not specify the term of activity of a business partnership, it shall be deemed established for an indefinite term.

8. Constituent documents of a business partnerships in cases provided by the law shall be approved of by the Antimonopoly Committee of Ukraine.

9. Violation of the requirements established by this Article as to the contents of the constituent documents shall be grounds for denying the state registration to a partnership.

Article 83. State Registration of a Business Partnership

1. The state registration of a business partnership shall be conducted in keeping with the procedure, established by Article 58 of the present Code.

2. Peculiarities of registration of business partnerships, performing banking and insurance activity, as well as a professional activity at the stock market, shall be determined by the present Code and the relevant laws.

3. A business partnership shall acquire the legal entity status from the date of its state registration.

4. Changes that occurred in the constituent documents of a business partnership, and those made to the state registry, shall be subject to the state registration under the same rules that established for the state registration of a partnership. A business partnership shall be obligated within five-day term to notify the registration body of changes in the constituent documents of a partnership.

Article 84. Consequences of Entering into Agreements before the State Registration of a Business Partnership

1. A business partnership may open accounts in banks, and enter into contracts and other agreements only after its state registration. Agreements concluded by co-founders of a partnership before the day of its registration shall be deemed valid only on condition of their further approval by the partnership in keeping with the procedure established by the law and the constituent documents.

2. Agreements concluded by co-founders before the day of partnership registration, and not approved by the partnership on a later date, shall entail legal implications only for persons that entered into such agreements.

Article 85. Property of a Business Partnership

1. A business partnership shall be deemed the owner of:
the property, transferred in its ownership by co-founders and members as contributions;
products produced in the result of economic activity of a partnership;
proceeds, received from economic activity of a partnership;
other property, acquired by a partnership on the grounds, not banned by the law.

Article 86. Contributions of Members and Founders of a Business Partnership

1. Contributions of members and founders of a business partnership may be houses, buildings, equipment and other material values, securities, the right to use land, water and other natural resources, houses, buildings, as well as other property rights (including property rights to intellectual property rights), funds, including those in foreign currency.

2. A contribution, appraised in hryvnias shall be a part of a member and a founder in the authorized fund of a partnership. The procedure of contribution appraisal shall be determined in the constituent documents of a business partnership, unless otherwise provided by the law.

3. It is prohibited to use for the purposes of forming the authorized fund of a partnership budget funds, funds received in credit against mortgage. The financial state of founders – legal entities as to their ability to make required contributions to the authorized fund of a business partnership in cases envisaged by the law, shall be examined by a qualified auditor (auditing organization) in keeping with the established procedure, and the property state of individual founders shall be confirmed by the income and property declaration, certified by a relevant tax authority.

Article 87. Business Partnership Funds

1. The amount of contributions of founders and participants of a business partnership shall constitute an authorized fund of a partnership.

2. The partnership shall have the right to change (increase or decrease) the size of the authorized fund in keeping with the procedure, established by the present Code and the law, adopted pursuant to the Code.

3. Decisions of the partnership as to change of the size of the authorized fund shall take force from the day such changes are entered in the state registry.

4. A reserve (insurance) fund shall be formed in the business partnership in the size determined by the constituent documents, but at least twenty-five per cent of the authorized fund, as well as other funds, envisaged by Ukrainian legislation or the constituent documents of the partnership. The size of annual deductions to the reserve (insurance) fund shall be determined by the constituent documents, but shall be at least five per cent of the partnership profit.

5. Profit of the business partnership shall be formed from receipts from its economic activities after covering material and similar expenses and the cost of labor. The partnership from the economic profit generated shall pay the law-established taxes and other obligatory payments, as well as interests on banking credits and bonds. Profit, received after the said payments shall be retained by the partnership that allocates it pursuant to the constituent documents of the partnership.

Article 88. Rights and Obligations of Business Partnership Members

1. Members of a business partnership shall have the right to:

take part in administering partnership affairs in keeping with the procedure, established in the constituent documents, except for cases, envisaged by the present Code and other laws;

take part in the distribution of the partnership profit and receive a certain part of it (dividends);

receive information on partnership activities. As may be demanded by the member, the partnership shall be under obligation to provide for familiarization by the former annual balance sheets, reports on financial and economic activity of the partnership, audit reports, minutes of partnership management meetings, etc.;

discontinue his/her membership in the partnership as established by the constituent documents of the partnership.

2. Members of the partnership shall also have other rights, envisaged by the present Code, other laws and the constituent documents of the partnership.

3. Members of the business partnership shall be under obligation to:

comply with the requirements laid out in the constituent documents of the partnership, execute decisions made by the management;

make contributions (pay up shares) in the size, in keeping with the procedure, and by funds (means), envisaged by the constituent documents, pursuant to the present Code and the law on business partnerships;

bear such other obligations, provided by the present Code, other laws and the constituent documents of the partnership.

Article 89. Management of a Business Partnership

1. Management of business partnership activities shall be conducted by its bodies and officials, the composition and the election (appointment) procedure of which shall be determined depending on the type of partnership. In cases established by the law partnership management shall be carried out by its members.

2. Officials of the partnership shall be deemed the chair and members of the executive body, the chair of the audit commission (auditor), and in the event a partnership board is set up (supervisory board) – the chair and members of such board. Restrictions as to taking several positions by one person shall be determined by the law.

3. Persons, whose office or other activity is declared by the Constitution of Ukraine and the law as incompatible with these positions, as well as persons prohibited from occupying such positions by a court judgment may not be officials of the business partnership.

4. Officials shall be held liable for the damage, caused by them to the partnership within the limits and in keeping with the procedure, established by the law and constituent documents of the partnership.

Article 90. Accounting and Reporting of a Business Partnership

1. Accounting and reporting of business partnerships shall be conducted in compliance with the requirements of Article 19 hereof, and other normative and legal acts.

2. Audits of financial activity of the partnership shall be conducted by state tax authorities, other state authorities within the powers established by the law, the inspection commission (inspector) of the business partnership and/or auditors.

3. Authenticity and completeness of the annual balance and reporting of the business partnership in cases, established by the law, shall be confirmed by the auditor (audit organization).

Article 91. Discontinuance of Business Partnership Activity

1. Discontinuance of business partnership activity shall be done through its liquidation or reorganization as established by Article 59 of the present Code.

2. Liquidation of the business partnership shall be carried out by the liquidation commission appointed by the superior body, and in the event of discontinuance upon the court judgment – by the liquidation commission, formed under such judgment.

3. From the day of setting up the liquidation commission, it shall assume the powers as to management of the partnership. The liquidation commission within three days from the day it is set up shall publish the information on the partnership liquidation, and take other actions as required by Articles 58-61 of the present Code and other laws.

4. Settlements with creditors in the event of liquidation shall be performed according to Article 61 hereof in consideration of the following peculiarities:

funds belonging to the partnership, including those from sale of property in the event of liquidation, once the cost of employed labor is paid, and liabilities before the budget, banks, holders of bonds issued by the partnership, and other creditors are discharged, shall be distributed between members of the partnership in keeping with the procedure and on conditions, envisaged by the present Code, the law on business partnerships and the constituent documents of the partnerships within six months after the information on partnership liquidation is published;

property transferred to the partnership by its founders or participants for use, shall be returned in kind with no compensation. Should there arise any disputes as to discharging the partnership debts, its funds shall not be subject to distribution between the members of the partnership before such disputes are settled, or before creditors receive adequate guarantees of debt recovery.

5. Liquidation of the business partnership shall be deemed completed, and the partnership as discontinued from the day the note on its liquidation is entered in the state registry.

Article 92. Legislation on Business Partnerships

1. The procedure of forming and functioning of certain types of business partnerships shall be governed by the present Code, the Civil Code of Ukraine and other Laws.

Chapter 10. COLLECTIVE OWNERSHIP ENTERPRISES

Article 93. Notion of a Collective Ownership Enterprise

1. Collective ownership enterprise shall be deemed a corporate or unitary enterprise, acting on the basis of collective ownership of the founder (co-founders).

2. Collective ownership enterprises shall be deemed production cooperatives, enterprises of consumer's cooperation, enterprises of public and religious organizations, other enterprises envisaged by the law.

Article 94. Economic Activity of Cooperatives

1. Cooperatives as voluntarily unions of individuals with the purpose of resolving by those of economic, social and everyday issues may be set up in different industries (production, consumer's, housing, etc.). Activity of different types of cooperatives shall be governed by the law.

2. Economic activity of cooperatives shall be conducted in compliance with the present Code, and other legislative acts.

Individuals in order to carry out economic activity on the grounds of entrepreneurship may set up production cooperatives (cooperative enterprises).

Article 95. Production Cooperative

1. A production cooperative shall be deemed voluntarily union of individuals on a membership basis with the purpose of common production or other economic activity, based on their personal labor participation and the combination of property contributions, participation in enterprise management, and distribution of the income between the cooperative members in accordance with their participation in its activity.

2. Production cooperatives may perform production, processing, storage and sales, supplies, service and any other entrepreneurial activity, not banned by the law.

3. The production cooperative shall be deemed legal entity and act on the basis of its charter.

4. The name of the production cooperative shall contain the words "production cooperative" or "cooperative enterprise".

Article 96. Principles of Activity of a Production Cooperative

1. Production cooperatives shall be set up and conduct their activities under the following principles:

voluntary membership of individuals in the cooperative and free exit from it;

personal labor participation of cooperative members in enterprise activities;

openness and accessibility of membership for those, who acknowledge the cooperative charter, wish to take part in its activities on terms, established by the cooperative charter;

democratic character of cooperative management, equal rights of members while making decisions;

distribution of the income between the members according to their labor and property participation in cooperative activities;

control of cooperative members over its work according to the procedure, established by the charter.

Article 97. General Conditions of Forming a Production Cooperative

1. Citizens of Ukraine, foreigners and stateless individuals may be founders (members) of the production cooperative. The number of members of the production cooperative shall be at least three persons.

2. Decision to set up a production cooperative shall be made by the constituent assembly.

3. Production cooperative shall be deemed set up, and acquire the legal entity status from the day of its state registration pursuant to the requirements of this Code.

Article 98. Membership in a Production Cooperative

1. Members of the production cooperative may be citizens that reached the age of 16, acknowledge the charter of the cooperative, comply with its requirements, take property and labor part in cooperative activities.

2. Individuals may at the same time be members of production cooperatives, and members of other types of cooperatives (consumer's, housing, etc.).

3. Joining the production cooperative shall be performed based on a written application of an individual. A cooperative member shall make an entrance fee and a share in keeping with the procedure established by the charter of the production cooperative. Decision of the board (chair) of the cooperative on enrolling a new member shall be subject to approval by the general meeting. The procedure of making such decision and its approval shall be determined by the charter of the cooperative.

4. Membership in the production cooperative shall be discontinued in the event of:

voluntary exit from the cooperative;

termination of labor participation in cooperative activities;

exclusion from the cooperative in cases and in keeping with the procedure, determined by the charter;

non-approval by the general meeting of the decision of the board (the chair) on accepting a new member;

death of the cooperative member.

5. The procedure and property consequences of discontinuance of membership in the production cooperative shall be determined by the present Code and the cooperative charter.

6. Exclusion from the production cooperative (dismissal of the member from the cooperative enterprise) may be appealed in court.

Article 99. Rights and Obligations of Production Cooperative Members

1. The main rights of the production cooperative shall be the following:

participation in cooperative management, the voting right at the general meeting, the right to elect and be elected in cooperative management bodies;

use of cooperative services;

receiving cooperative payment and a part of a yield on share;

receiving reliable and complete information on financial and economic activity of the cooperative;

receiving a share in the event of exit from the cooperative according to the procedure and within the terms, determined by the charter.

2. The main obligations of production cooperative members shall be observance of the charter and execution of management decisions.

3. The charter of the production cooperative may as well provide for other rights and obligations of cooperative members.

Article 100. Property of a Production Cooperative

1. Property of a production cooperative shall constitute collective property of the cooperative. The production cooperative shall be deemed the owner of buildings, constructions, property contributions of its members, products manufactured by such cooperative, returns from sales and other activities, envisaged by the cooperative charter, other property, purchased on the grounds not banned by the law.

2. Members of the cooperative may transfer both the share contribution, and the right to use their land parcel in keeping with the procedure established by land legislation. A fee may be charged to the cooperative for a land parcel transferred in use to the production cooperative in the size determined by the general meeting of the cooperative.

3. To conduct economic and other activity the production cooperative at the expense of its own property shall form relevant funds.

4. Property of the production cooperative pursuant to its charter shall be divided into share and common funds. The common fund shall be formed at the account of entrance fees and property of the cooperative (except for land), Share contributions of the cooperative members shall not be included in such fund. The procedure of forming and the size of the common fund shall be established by the charter.

5. Sizes of share contributions to the cooperative shall be determined in equal parts and/or in proportion to the expected participation of a cooperative member in economic activity of the cooperative.

6. Financial resources of the production cooperative shall be formed at the account of product (works, services) sales returns, share and other contributions of the cooperative members, credits and other receipts not banned by the law.

Article 101. Management of a Production Cooperative

1. Management of the production cooperative shall be carried out based on self-administration, publicity, participation of its members in resolving issues of the cooperative activity.

2. The superior management body of the production cooperative shall be the general meeting of the cooperative members. The cooperative management bodies shall include the board (the chair) and the inspection commission (an inspector) of the cooperative.

3. The charter of the production cooperative may provide for the supervisory board. Members of the inspection commission (an inspector) of the cooperative may not be members of its board (the chair of the cooperative) or the supervisory board.

Article 102. General Meeting of the Production Cooperative

1. The general meeting shall:

make changes to the cooperative charter;

elect through direct secret vote the chair of the cooperative, members of the board, members of the inspection commission (an inspector), members of the supervisory board;

approve of the directions of development of the cooperative;

consider report of the management bodies on their activities;

determine types and sizes of the cooperative funds, the procedure of their forming and disposal;

approve of the in-house rules of the cooperative enterprise, the annual report and balance, the procedure of forming and distribution of cooperative incomes, decisions of the board (the chair) on accepting new members;

resolve issues as to joining by the cooperative enterprise (cooperative) associations, participation in setting up other business entities;

make decisions on reorganization or liquidation of the cooperative.

2. General meeting shall have the right to make any other decisions associated with the charter activity of the production cooperative.

3. General meeting of the cooperative members shall be arranged once a year at the end of the financial year. It may be also called up at any other time as may be decided by the board (the chair) of the cooperative, or on the initiative of at least one third of the cooperative members, unless otherwise provided by the charter.

4. General meeting shall be authorized to make decisions, if more than a half of the cooperative members are present at the meeting. Decisions on issues stated in part one of this Article shall be made by the majority of votes from the total number of the cooperative members.

Article 103. The Board of a Production Cooperative

1. The board of a production cooperative shall be set up in the cooperative, which shall count at least ten members.

2. The board of the cooperative shall:

develop and submit for approval of the general meeting directions of the cooperative development;

call up the general meeting of the cooperative and control execution of decisions made by the board;

submit for approval of the general meeting decisions on accepting new members and discontinuance of membership;

ensure safety of the cooperative property;

arrange independent audit inspections of the cooperative activity;

resolve training issues of members of the cooperative, cooperation with domestic and foreign organizations;

assigns to the executive director the right to make relevant decisions on the competence of the board if this is envisaged by the cooperative charter;

resolve other issues of the cooperative activity.

3. The board shall be managed by the chair that is elected by the general meeting of the cooperative members. Functions of the chair of the cooperative and the procedure of his/her recall shall be determined by the cooperative charter.

4. Members of the board may elect from themselves the deputy chair and the secretary of the board pursuant to the charter of the cooperative.

5. Members of the board of the cooperative shall work predominantly on a voluntary basis. The charter of the cooperative may provide for remuneration for the work of members of the board.

6. Regularity of meetings of the board shall be determined by the charter. Decisions shall be made by the majority of votes in the presence at the meeting of at least two thirds of the board members.

7. Should the board of the cooperative include less than ten members, functions and powers of the board shall be carried out by the general meeting and the chair of the cooperative pursuant to the charter.

Article 104. Executive Director of a Production Cooperative

1. The board of the production cooperative may employ an executive director to manage the enterprise activities. The executive director may not be a member of the cooperative.

2. The executive director shall carry out his/her activity on terms of the contract, concluded between him/her and the board of the cooperative, perform functions under the charter.

3. The executive director shall be held liable for his/her activity before the cooperative.

4. In the event of absence of the position of an executive director in the cooperative, the enterprise activities shall be managed by the chair of the cooperative.

Article 105. Supervisory Board of a Production Cooperative

1. In case the number of members of the production cooperative constitutes more than fifty, the cooperative may set up a supervisory board to control activities of the executive director of the cooperative enterprise.

2. The supervisory board shall be elected by the general meeting from members of the cooperative in the number of five persons. A member of the supervisory board may not be a member of the board or the inspection commission.

3. The procedure of electing the supervisory board and its chair, as well as the procedure of activity of the supervisory board shall be determined by the charter of the cooperative.

Article 106. Inspection Commission (Inspector) of a Production Cooperative

1. For the purpose of control of the financial and economic activity of the production cooperative, an inspection commission shall be elected, and in case the cooperative counts less than ten members, an inspector shall be elected.

2. The inspection commission (inspector) shall be elected by the general meeting from the members of the cooperative pursuant to its charter. Members of the inspection commission (inspector) may not be members of the board or the supervisory board of the production cooperative.

3. The inspection commission (inspector) shall be reporting to the general meeting of the production cooperative.

Article 107. Economic Activity of a Production Cooperative

1. The production cooperative pursuant to its charter shall independently determine main directions of economic activity, conduct its planning and organization.

2. The production cooperative shall sell its products, provide services for prices and tariffs, determined by the cooperative independently or on the contractual basis, and in cases envisaged by the law – for state-fixed prices and tariffs.

3. Relationships of the production cooperative with other enterprises, institutions, organizations and individuals in all spheres of economic activity shall be established on the contractual basis.

4. The income of the production cooperative shall be formed from its economic activity receipts after paying off material and similar expenses, and the cost of employed labor. The income shall be directed at paying taxes and other obligatory payments, repayment of credits, covering losses, performing deductions to the cooperative funds, cooperative payments, share yields, etc.

5. Cooperative payments shall be understood as a part of the cooperative income, distributed between members of the cooperative in consideration of their labor and other participation in the cooperative activities. Calculation and payment of parts of the share yields shall be performed by the results of the financial year from the income remaining at the disposal of the cooperative in consideration of the necessity to form its funds. According to the decision of the general meeting, payment of the parts of share yields may be conducted in the monetary form, by means of products, securities, etc.

6. The procedure of using the income of the production cooperative shall be determined by the charter of the cooperative as prescribed by the law.

7. The production cooperative shall independently perform its foreign economic activity pursuant to the law. The procedure of using funds of the cooperative in a foreign currency shall be determined by the law and the cooperative charter.

8. Property relationships of a member of the production cooperative with the cooperative in case of discontinuance of the cooperative membership, and those related to passing the share shall be governed by civil legislation.

Article 108. Property Liability of a Production Cooperative

1. The production cooperative shall be liable for its obligations with all property belonging to it. Members of the production cooperative shall be under secondary (additional) liability with its property in the size not less than the share contribution, unless bigger liability is provided by the law or the charter of the cooperative. The production cooperative shall not be held liable for obligations of the cooperative members.

2. The production cooperative may insure its property and property rights upon the decision of the general meeting of the cooperative, unless other procedure is established by the law.

Article 109. Discontinuance of a Production Cooperative

1. The production cooperative upon the decision of the general meeting may be transformed into another enterprise in keeping with the procedure, established by the charter in compliance with the requirements of the present Code.

2. The production cooperative shall be liquidated in keeping with the general procedure of liquidation of a business entity, as established by the present Code in consideration of the following:

liquidation of the production cooperative shall be conducted by the liquidation commission appointed by the general meeting of the cooperative members, and in case of its liquidation upon a court judgment – by the liquidation commission formed in compliance with such judgment;

disposal of the land of the production cooperative under liquidation shall be carried out in keeping with the procedure and on terms envisaged by land legislation. The property of the cooperative left after settlement with the budget and creditors shall be distributed between the cooperative members proportionally to the cost of their shares.

Article 110. Other Issues of Production Cooperative Activity

1. Other issues of production cooperative activity shall be regulated by the present Code and other laws.

Article 111. Consumer's Cooperation. Enterprises of Consumer's Cooperation

1. Consumer's cooperation in Ukraine shall be understood as a system of self-administration organizations of individuals (consumer's partnerships, their associations, unions), as well as enterprises and institutions of these organizations, which is deemed an independent organizational form of the cooperative activity.

2. The primary element of consumer's cooperation shall be a consumer's partnership – a self-administration organization of individuals that associate on the basis of voluntary membership for a common economic activity for the purpose of collective organized satisfaction of their economic and social interests. Each member of a consumer's partnership shall have his/her share in the partnership's property.

3. The consumer's partnership shall be deemed a legal entity and act on the basis of the charter

4. Consumer's partnerships may on voluntary basis associate in unions, other forms of associations envisaged by the law, the unified association of consumer's partnerships in Ukraine, and shall have the right of free exit.

5. Property of consumer's cooperation shall consist of the property consumer's partnerships, unions (associations) and their common property, and shall be deemed one of the forms of collective property. Possession, use and disposal of consumer's cooperation property shall be conducted by its bodies in compliance with the constituent documents of partnerships, unions (associations).

Objects of consumer's cooperation property may be in common property of consumer's partnerships, unions (associations). Their share in property shall be determined by the contract.

6. Legal fundamentals of organization and functioning of consumer's cooperation shall be established by the law.

7. Consumer's partnerships, their unions (associations) may – for achievement of their charter goals – set up enterprises, institutions and other business entities in compliance with the requirements of the present Code.

8. Unitary or corporate enterprises set up by a consumer's partnership (partnerships) or a union (association) of consumer's partnerships pursuant to the requirements of the present Code and other legislative acts to achieve charter goals of such partnerships, unions (associations) shall be deemed enterprises of consumer's cooperation.

Article 112. Enterprises of Associations of Individuals, Religious Organizations

1. Enterprise of the association of individuals, religious organization shall be deemed a unitary enterprise set up on the property of the association of individuals (public organization, political party) or the property of the religious organization to carry out economic activity in order to accomplish the charter tasks.

2. The ownership right of the association of individuals shall be exercised by their superior charter authorities in keeping with the procedure envisaged by the charter and the constituent documents. The right of religious organizations shall be exercised by their management bodies in accordance with the law.

3. Founder of the enterprise of the association of individuals shall be deemed a relevant association of individuals that has the legal entity status, as well as the union (association) of public organizations in the event its charter provides for setting up enterprises. Political parties and legal entities set up such parties shall be prohibited from forming enterprises, except for mass media, enterprises selling public and political literature, other propagandistic and agitation materials, products with own symbols, arranging exhibits, lectures, festivals and other social and political events.

4. Religious organizations shall have the right to set up publishing, printing, production, construction and renovation, agricultural and other enterprises, required for securing activities of such organizations.

5. Enterprise of the association of individuals, religious organization shall act on the basis of the charter and shall be deemed a legal entity, carrying out its activity based on the right of operational management or economic supervision pursuant to the requirements of the present Code.

6. Restrictions as to forming and functioning of certain types of enterprises of individuals association, religious organization shall be determined by the law.

Chapter 11. PRIVATE ENTERPRISES. OTHER TYPES OF ENTERPRISES

Article 113. Private Enterprises

1. Private enterprise shall be deemed an enterprise that acts on the basis of private ownership of one or more citizens of Ukraine, foreigners, stateless persons and his/her/their labor or with the use of employed labor. Private shall also be deemed an enterprise that acts on the basis of private ownership of a business entity – a legal entity.

2. The procedure of forming and functioning of private enterprises shall be determined by the present Code and other laws.

Article 114. Farms

1. Farm shall be deemed a form of individuals' entrepreneurship with the purpose of production, processing and selling of commodity agricultural products.

2. Members of the farm may not be persons working at such farm under the labor contract (agreement).

3. Relationships, arising from forming and functioning of farms, shall be regulated by the present Code, as well as the law on farms, other laws.

Article 115. Leasehold Enterprise

1. Leasehold enterprise shall be deemed an enterprise set up by a leaseholder on the basis of an integral property complex of an existing state or municipal enterprise or a property complex of a production structural unit of such enterprise in order to carry out entrepreneurial activity.

2. Leaseholder shall be deemed a legal person set up by members of labor personnel of an enterprise or its structural unit, whose property complex is an object of lease.

3. Organization of members of labor personnel registered as a legal entity shall have a priority right to enter into lease contracts on property of the enterprise (structural unit), where this organization was set up.

4. Lessors of property complexes belonging to state or municipal ownership shall be the State Property Fund of Ukraine and its regional divisions, as well as agencies, authorized by the Verkhovna Rada of the Autonomous Republic of Crimea, local councils to manage property belonging to the Autonomous Republic of Crimea or being in municipal ownership respectively.

5. The law determines objects of state and municipal ownership, on the basis of which leasehold enterprises may be set up.

6. Transfer of property complexes in lease shall not discontinue ownership right to such property. Sublease of integral property complexes shall be prohibited.

7. The leaseholder shall be held liable for integrity and safekeeping of the property received for lease, and shall be under obligation to reimburse for the caused losses.

8. The leasehold enterprise may be declared bankrupt in keeping with the procedure established by the law.

9. The procedure of entering into a lease contract on the property complex, as well as other issues of forming and functioning of a leasehold enterprise shall be regulated by the present Code and other laws.

Article 116. Enterprise with Foreign Investments

1. Enterprise set up in compliance with the requirements of the present Code, and a share of a foreign investment in the authorized fund of which is at least ten percent, shall be deemed an enterprise with foreign investments. The enterprise shall acquire the status of an enterprise with foreign investments from the day foreign investments add to its balance.

2. Foreign investment shall be deemed valuables placed by foreign investors into objects of investment activity according to Ukrainian legislation with the purpose of generating profit or achieving social effect.

3. Foreign investments may be placed in objects, investments in which are not banned by Ukrainian legislation.

4. Enterprises with foreign investments shall have the right to be founders of subsidiaries, set up affiliates and representative offices within and outside the territory of Ukraine in keeping with Ukrainian legislation and legislation of relevant states.

5. The law may determine industries of economy and/or territories, where the total size of foreign investments shall be determined, as well as territories, where activities of enterprises with foreign investments shall be restricted or banned, judging from the requirements of the national security.

6. The legal status and the procedure of activity of enterprises with foreign investments shall be determined by the present Code, the law on the treatment of foreign investments in Ukraine, and other legislative acts.

Article 117. Foreign Enterprise

1. Foreign enterprise shall be deemed a unitary or corporate enterprise set up under Ukrainian legislation, which acts exclusively on the basis of property of foreigners or foreign legal entities, or a functioning enterprise acquired in full ownership by such persons.

2. Foreign enterprises may not be set up in industries being of strategic importance for the national security under the law.

3. Activities of affiliates, representative offices and other separated units of enterprises set up according to legislation of other states shall be performed within the territory of Ukraine in accordance with Ukrainian legislation.

4. Terms and procedure of forming, requirements to forming and functioning of foreign enterprises shall be determined by the present Code, the law on the treatment of foreign investments, other laws.

Chapter 12. ENTERPRISE ASSOCIATION

Article 118. Notion of Enterprise Association

1. Enterprise association shall be deemed an economic organization set up by two or more enterprises with the purpose of coordination of their production, academic and other activity to resolve common economic and social tasks.

2. Enterprise associations shall be set up by enterprises on a voluntary basis, or upon the decision by the bodies that under this Code and other laws have the right to establish an enterprise association. The enterprise association may include enterprises established under legislation of other states, and Ukrainian enterprises may be members of enterprise associations formed on the territory of other states.

3. Enterprise associations shall be formed for an indefinite term or as temporary associations.

4. Enterprise association shall be a legal entity.

5. The state registration of the enterprise association shall be done according to Article 58 hereof.

Article 119. Types of Enterprise Associations

1. Depending on the procedure of forming enterprise associations may be set up as business associations, or as state or municipal business associations.

2. Business association shall be understood as an association of enterprises established on the initiative of enterprises irrespective of their type, which combined their economic activity on a voluntary basis.

3. Business associations shall act on the basis of a constituent contract and/or charter, which shall be approved by their co-founders.

4. State (municipal) business association shall be understood as an association of enterprises formed by state (municipal) enterprises upon the decision of the Cabinet of Ministers of Ukraine, or in cases established by the law, the decisions of ministries (other authorities, whose jurisdiction include enterprises that form an association), or upon the decision of the competent local governments.

5. State (municipal) business association shall act on the basis of the decision on its establishment and the charter, which is approved by the authority that made a decision on setting up an association.

6. Provisions of this chapter shall also apply to associations of other business entities – legal entities or enterprise associations with participation of such entities, unless otherwise provided by the present Code and other laws.

Article 120. Organizational and Legal Forms of Enterprise Associations

1. Business associations shall be formed as unions, corporations, consortiums, concerns, other enterprise associations established by the law.

2. Association shall be understood as a contractual union set up with the purpose of permanent coordination of economic activity of enterprises that united by means of centralization of one or more production and managerial functions, development of specialization and cooperation of production, organization of common production on the basis of combining by parties of financial and material resources to satisfy predominantly economic needs of association members. The association charter shall specify the fact that it is a business association. The association shall not be entitled to intervene in economic activity of enterprises – members of the association. Upon members' decision the association may be authorized to represent their interests in relationships with state authorities, other enterprises and organizations.

3. Corporation shall be understood as a contractual union set up on the basis of the combination of production, academic and commercial interests of enterprises associated with delegating by those of certain powers of the centralized regulation of activity of each member to bodies of corporation management.

4. Consortium shall be understood as a temporary charter union of enterprises to achieve by members certain economic goal (implementation of special-purpose programs, academic and research, construction projects, etc.). The consortium shall use funds trusted to it by its members, centralized resources, allocated for funding of a relevant program, as well as funds, received from other sources in keeping with the procedure established by its charter. Once the goal of the consortium is achieved the consortium activity shall be discontinued.

5. Concern shall be understood as a charter union of enterprises and other organizations on the basis of their financial dependence on one or a group of participants of the union with centralized functions of academic and technical, and production development, investment, financial, foreign economic and other activities. Participants of the concern shall assign to it a certain part of their powers, including the right to represent their interests in relationships with

state authorities, other enterprises and organizations. Participants of the concern may not be at the same time participants of another concern.

6. State and communal business associations shall be set up primarily in the form of a corporation or concern, irrespective of the name of the union (industrial complex, trust, etc.).

Article 121. Status of an Enterprise – Member of an Enterprise Association

1. Enterprises – members of the enterprise association shall retain the state of a legal entity irrespective of the organizational and legal form of the association. Provisions of the present Code and other laws on governing enterprise activity shall apply to such enterprises.

2. Enterprise – member of the business association shall have the right to:

voluntarily exit from the association on terms and in keeping with the procedure established by the constituent contract or the charter of the association;

be a member of other enterprise associations, unless otherwise provided by the law, the constituent contract or the charter;

obtain information from the association related to enterprise interests;

receive a share of profit from enterprise association activities according to its charter. The enterprise may as well have other rights envisaged by the constituent contract or the charter of the business association as determined by the law.

3. Enterprise that is a member of a state or municipal business association shall not have the right to exit without the association's consent, nor unite on a voluntary basis its activity with other business entities, nor make decisions on discontinuance of its activity.

4. Decisions on forming enterprise association (the constituent contract) and the charter of the association shall be approved by the Antimonopoly Committee of Ukraine in keeping with the procedure provided by the law.

Article 122. Management of an Enterprise Association

1. Business associations shall have superior management bodies (general meeting) and set up executive bodies as envisaged by the charter of the business association.

2. The superior body of the business association shall:

approve of the charter of the business association, and make changes thereto;

resolve issues on accepting new members to the association and discontinuance of membership;

set up an executive body of the association according to its charter or contract;

resolve financial and other issues in accordance with the constituent documents of the association.

3. The executive body of the association (collective or personal) shall resolve current issues being in its competence under the charter or contract.

4. Management of the state (municipal) business association shall be conducted by the board of the association and the general manager of the association appointed and dismissed by the body that made a decision to set up the association. The composition of the board shall be determined by the charter of the association. The procedure of managing the state (municipal) business association shall be established by the charter of the association according to the law.

5. Management of the current activity of the enterprise association may be vested in the administration of one of the enterprises (chief enterprise of the association) on terms established by the constituent documents of the relevant association.

6. Disputes as may arise between the association members shall be resolved in keeping with the procedure envisaged by the charter, or in court as prescribed by the law.

Article 123. Property Relations in a Enterprise Association

1. Participants of the association may place property (entrance, membership, special-purpose, etc.) contributions envisaged by its constituent documents.

2. The property shall be assigned to the association in economic jurisdiction or operational management on the basis of the constituent contract, or the decision to set up the association. The cost of the association property shall be reflected in its balance.

3. The business association shall have the right - upon the decision of its superior body – to set up unitary enterprises, affiliates, representative offices, as well as to be a member (founder) of business partnerships. Enterprises set up by the business association shall act in compliance with the provisions of this Code, other laws and the enterprise charter, approved by the association.

4. The enterprise association shall not be held liable for obligations of its members, and member enterprises shall not be held liable for obligations of the association, unless otherwise stipulated by the constituent contract or the charter of the association.

Article 124. Exit from the Association. Discontinuance of Membership

1. Enterprises – members of the association may exit from the association retaining mutual obligations and concluded agreements with other business entities.

2. Exit of the enterprise from the state (municipal) business association shall be conducted upon the decision of the body that made a decision to set up the association.

3. Discontinuance of the enterprise association shall take place in the result of its transformation into another association or liquidation.

4. Reorganization of the business association shall be carried out upon the decision of member enterprises, and reorganization of the state (municipal) business association – upon the decision of the body that made a decision to set up the association.

5. Liquidation of the business association shall be conducted upon the decision of member enterprises, and liquidation of the state (municipal) association - upon the decision of the body that made a decision to set up the association. Liquidation of the business association shall be carried out in keeping with the procedure established by the present Code as to liquidation of enterprises. Property left after the liquidation shall be distributed between the association members according to the charter or the contract.

Article 125. Industrial and Financial Groups

1. Enterprise may be a member of an industrial and financial group (or a transnational industrial and financial group, if such group includes Ukrainian and foreign legal entities).

2. The industrial and financial group shall be deemed an association set up upon the decision of the Cabinet of Ministers of Ukraine for a definite term to implement state program of development of priority industries and structural reorganization of Ukrainian economy, including programs under international treaties of Ukraine, and in order to manufacture final products.

3. The industrial and financial group may include industrial and other enterprises, academic and design institutions, other institutions and organizations of all forms of ownership. A principal enterprise shall be identified in the industrial and financial group that shall act exclusively on behalf of the industrial and financial group as a participant of economic relationships.

4. The industrial and financial group shall not be a legal entity, nor shall it be subject to the state registration as a business entity.

5. The procedure of forming and other issues of industrial and financial groups shall be regulated by the law on industrial and financial groups, and other normative and legal acts.

Article 126. Associated Enterprises. Holding Companies

1. Associated enterprises (economic organizations) shall be understood as a group of business entities associated with one another through relationships of economic and/or organizational dependence in the form of participation in the authorized fund and/or management. Dependence between associated enterprises may be ordinary and decisive.

2. Ordinary dependence between associated enterprises shall arise if one of them has an opportunity to block decisions of another (dependent) enterprise, which must be made according to the law and/or constituent documents of such enterprise by the qualified majority of votes.

3. Decisive dependence between associated enterprises shall arise in the event there are control and subordination relationships at the account of dominant participation of the controlling body of the enterprise in the authorized fund and/or the general meeting or other management bodies of the other enterprise (subsidiary), in particular possession of a controlling block of shares. Relationships of decisive dependence may be determined on condition of consent from the relevant authorities of the Antimonopoly Committee of Ukraine.

4. Ordinary or decisive dependence shall be specified in the information on the state registration of the dependent enterprise (subsidiary), and published in media pursuant to Article 58 hereof.

5. Business entity that holds a controlling block of shares of the subsidiary (subsidiaries) shall be deemed a holding company. Relationships of control and subordination shall be established between the holding company and its subsidiaries in compliance with the requirements of this Article of the Code and other laws.

6. If a subsidiary entered into (executed) non-lucrative agreements or transactions through the fault of the controlling enterprise, the latter shall compensate to the former the losses suffered.

7. If a subsidiary becomes insolvent through the fault of the controlling enterprise, and is declared bankrupt, the secondary liability before creditors of the subsidiary shall be borne by the controlling enterprise.

Article 127. Other Forms of Uniting Enterprise Interests

1. The law may provide for other forms of uniting enterprise interests (unions, entrepreneur associations, etc.) not specified in Article 120 of the present Code.

Chapter 13. INDIVIDUAL AS A BUSINESS ENTITY. PECULIARITIES OF THE STATUS OF OTHER BUSINESS ENTITIES

Article 128. Individual in the Area of Economic Activity

1. An individual shall be deemed a business entity in the event he/she is involved in an entrepreneurial activity on condition of his/her state registration as an entrepreneur without the legal entity status pursuant to Article 58 hereof.

2. An individual entrepreneur shall be liable for his/her obligations with all his/her property, which may be seized according to the law.

3. The individual may be involved in entrepreneurial activity:

directly as an entrepreneur or through a private enterprise set up by the individual;
with or without the employed labor;

independently or jointly with other persons.

4. The individual shall conduct management of the private enterprise set by him/her directly through the manager hired on the contractual basis. In case of entrepreneurial activity jointly with other individuals or legal persons, the individual shall have rights and obligations of a founder and/or partner of a business partnership, a cooperative member, etc., or rights and obligations stipulated by the contract made with his/her participation on joint activity without setting up a legal entity.

5. The individual entrepreneur shall perform his/her activity on the grounds of freedom of entrepreneurship and according to the principles laid out in Article 44 hereof.

6. The individual entrepreneur shall be under the obligation to:

obtain the license for performing certain types of economic activity in cases and according to the procedure established by the law;

inform state registration authorities of a change of address indicated in the registration documents, subject of activity, other essential terms of his/her entrepreneurial activity subject to specification in the registration documents;

comply with rights and lawful interests of consumers, secure proper quality of products (works, services) manufactured by him/her, observe the rules of mandatory product certification established by the law;

not to allow unfair competition, other violations of antimonopoly and competition legislation;

keep records of the results of entrepreneurial activity in compliance with legislative requirements;

provide to tax authorities in timely manner income statements, other required documents for charging taxes and other obligatory payments; pay taxes and other obligatory payments in keeping with the procedure and in sizes established by the law.

7. The individual entrepreneur shall be obligated to comply with the requirements envisaged by Articles 46 and 49 hereof, and other legislative acts, and shall bear property and other law-established liability for the damage and losses caused by him/her.

The individual entrepreneur may be declared bankrupt by the court pursuant to the requirements of the present Code and other laws.

Article 129. Peculiarities of the Status of Foreign Business Entities

1. Foreigners and stateless persons while performing economic activity in Ukraine shall enjoy the same rights and suffer the same obligations as citizens of Ukraine, unless otherwise provided by the present Code and other laws.

2. Foreign legal entities while performing economic activity in Ukraine shall have the same status as legal entities of Ukraine, with peculiarities envisaged by this Code, other laws, and international treaties, approved by the Verkhovna Rada of Ukraine.

Article 130. Credit Unions in Economic Activity

1. Individuals permanently residing within the territory of Ukraine may associate in credit unions.

2. Credit union shall be understood as a non-profit organization set up by individuals in keeping with the procedure established by the law, and on the basis of voluntary combining of monetary contributions with the purpose of satisfying the needs of its members in mutual crediting and providing other financial services. The credit union shall be a legal entity. The credit union shall acquire the legal entity status from the day of its state registration.

3. The credit union shall act on the basis of the charter, approved by the general meeting of the credit union.

4. Property of the credit union shall be deemed its property and consist of the credit union funds and other assets.

5. The credit union may not be a founder or partner of business entities.

6. The status, procedure of setting up and performing economic activity by the credit union shall be established by this Code, the law on credit unions and other laws.

Article 131. Peculiarities of the Status of Charitable and Other Non-Profit Organizations in Economic Activity

1. Legal entities irrespective of their ownership form, as well as adult individuals may set up charitable organizations (funds, member organizations, institutions, etc.).

2. Charitable organization shall be understood as a non-governmental organization, involved in charitable activity in the interests of the society, or certain categories of persons without the purpose of generating profit from such activity. Charitable organizations shall be set up and function by the territorial principle.

3. State authorities and local governments, as well as state and municipal enterprises, institutions, organizations fully or partially funded from the state budget may not be founders (founder) and/or members of the charitable organization.

4. The charitable organization shall act on the basis of the charter (regulations), approved by the superior management body of the charitable organization, and shall be deemed a legal entity.

5. The charitable organization shall have the right to perform non-profit economic activity aimed at the achievement of its charter goals and tasks. Performing activities by charitable organizations in the form of providing certain services (execution of works) subject to mandatory certification or licensing shall be allowed after such certification or licensing in keeping with the procedure established by the law.

6. Additional requirements as to setting up, state registration, performing economic activity and other issues of charitable organization activity shall be established by this Code, the law on charity and charitable organizations, and other laws.

7. Peculiarities of the status of other legal entities performing non-profit economic activity shall be determined by relevant laws that regulate the procedure of activity of such entities.

Article 132. Peculiarities of the Status of Separated Divisions (Structural Units) of Economic Organizations

1. Separated divisions (structural units) of economic organizations shall be deemed business entities, performing their activities on behalf of such economic organizations without the legal entity status.

2. Separated divisions (structural units) shall be deemed affiliates, representative offices and other structural units trusted with a part of property of economic organizations, exercising with regard to this property the right of operational use or other property right envisaged by the law. They may have an account (accounts) in banking institutions.

3. Affiliates, representative offices and other separated divisions of the organization shall act on the basis of the regulation, approved by such organization.

Section III. PROPERTY BASIS OF ECONOMIC ACTIVITY

Chapter 14. PROPERTY OF BUSINESS ENTITIES

Article 133. Legal Treatment of Business Entities' Property

1. The basis of the legal treatment of property of business entities, which is a foundation of their economic activity shall be the ownership right and other property rights – the right of economic supervision, the right of operational management, and the right of operational property use.

Economic activity may be also performed on the basis of other property rights (the right of possession, the right of use, etc.) envisaged by the Civil Code of Ukraine.

2. Property of business entities shall be legalized by another right according to the terms of contract with the property owner.

3. Business entities that perform economic activity on the basis of the operational property use may not have the legal entity status and exercise their economic competence within the status, determined by the economic organization of which they are members.

4. The state shall secure equal protection of property rights of all business entities.

Article 134. Ownership Right – the Main Property Right in the Sphere of Economic Activity

1. A business entity that performs economic activity on the basis of ownership right shall at its own discretion, individually or jointly with other entities possess, use and dispose of the property belonging to it/them, including the right to assign property to other entities for use on the ownership right, the right of economic supervision or operational management, or on the basis of other forms of the legal treatment of property envisaged by the present Code.

2. Property used in economic activity may be in joint ownership of two or more owners.

3. The legal treatment of property and legal forms of exercising ownership right in the sphere of economic activity shall be established by the present Code and the law.

Article 135. Organizational and Constituent Powers of the Owner

1. Property owner shall have the right to individually or jointly with other owners, on the basis of property belonging to him/her/them set up economic organizations or perform economic entity in other organizational and legal forms not banned by the law, independently identifying the purpose and the subject of economic activity, the structure of the established business entity, the composition and competence of its management bodies, the procedure of the use of property, other issues of managing a business entity, as well as make other decisions on discontinuance of economic activity of the established business entities pursuant to the law.

2. The owner shall have the right to personally or through authorized bodies – with the purpose of performing entrepreneurial activity – set up economic organizations, fixing with those ownership right belonging to him/her, the right of economic competence, and for non-profit economic activity – on the right of operational management, determine the purpose and the subject of activity of such organizations, the composition and competence of management bodies, the procedure of making decisions by those, the composition and procedure of using property, determine other terms of economic activity in the constituent documents of the economic organization approved by the owner (authorized body), as well as exercise directly or through an authorized body, and within the limits established by the law, other administrative powers as to the established organization and discontinue its activity pursuant to the present Code and other laws.

3. The owner shall have the right to exercise organizational and constituent powers also on the basis of the corporate rights vested in him/her according to this Code and other laws.

4. State and municipal enterprises may be united upon the owner's decision (body authorized by him/her) in state (municipal) business associations envisaged by this Code.

Article 136. The Right of Economic Supervision

1. The right of economic supervision shall be understood as a property right of business entity that possesses, uses and disposes of the property assigned to it by the owner (authorized body), with the restriction of legal powers with regard to certain types of property upon consent of the owner in cases envisaged by this Code and other laws.

2. The owner of the property assigned by the right of economic jurisdiction to a business entity shall exercise control over the use and maintenance of the property assigned to him/her directly or through the body authorized by him/her, not interfering with operational and economic activity of the enterprise.

3. As to the protection of the right of economic jurisdiction, provisions of the law on protection of the property right shall apply. A business entity involved in economic activity based on the right of economic jurisdiction shall have the right to protection of its property rights against but not limited to the owner.

Article 137. The Right of Operational Management

1. The right of operational management in this Code shall be understood as a property right of a business entity that possesses, uses and disposes of the property assigned to a relevant owner (authorized body) to exercise non-profit economic activity within the limits provided by the present Code and other laws, as well as by the property owner (authorized body).

2. The property owner assigned to him/her on the right of operational management shall exercise control over the use and maintenance of the property assigned in operational management directly or through an authorized body, and shall have the right to withdraw excess property from the business entity, as well as the property not used by the latter, or used not according to its destination.

3. The right of operational management shall be protected by the law according to the provisions on the protection of property rights.

Article 138. The Right of Operational Use of Property

1. A business entity – a separated division (structural unit) of an economic entity shall use the property assigned to it for carrying out economic activity on the right of operational property use.

2. The scope of property competence of a business entity within the right of operational use shall be determined by the economic organization that includes the said entity as prescribed by the law.

Article 139. Property in the Sphere of Economic Activity

1. Property in the present Code shall be understood as integrity of things and other valuables (including intangible assets) that have terms of value, are produced or used for activities of business entities, and reflected in their balance sheets or taken into consideration in other forms of property accounting of these entities as established by the law.

2. Depending on the economic form acquired by the property in the course of economic activity, property valuables shall be classified as fixed assets, floating assets, funds, and products.

3. Fixed production and non-production assets shall be deemed buildings, constructions, equipment and machinery, production inventory and devices, economic inventory and other property of long-term use classified as fixed assets by the law.

4. Floating assets shall be deemed raw materials, fuel, materials, non-valuable items and items of quick tear-and-wear, other production and non-production property classified as floating assets under the law.

5. Funds in the property of business entities shall be deemed money in the national and foreign currencies for exercising commodity relations of these entities with others, as well as financial relations as envisaged by the law.

6. Commodities in the property of business entities shall be deemed products (inventories), executed works and provided services.

7. Securities shall be deemed a special type of business entities' property.

Article 140. Sources of Forming Property of Business Entities

1. The following shall be deemed sources of forming of business entity's property:

monetary and material contributions of founders;

product (work, service) sales income;

returns on securities;

capital investments and subsidies from budgets;

earnings from sales (lease) of objects of property belonging to them, purchasing of other entities' property;

bank and other credits;

non-repayable and charitable contributions, donations from organizations and individuals;

other sources not banned by the law.

2. The legal treatment of property of business entities shall be established by this Code and other laws in consideration of the types of property specified in Article 139 hereof.

Article 141. Peculiarities of the Legal Treatment of State Property in the Sphere of Economic Activity

1. State property in the sphere of economic entity shall include integral property complexes of state enterprises or their structural units, immovable property, other specific separate property of state enterprises, shares (portions) of the state in the property of business entities of different ownership forms, as well as the property assigned to state institutions and organizations with the purpose of performing the necessary economic activity, and the property transferred for free use to self-administration institutions and organizations, or leased for use in economic entity. The state through its authorized bodies shall exercise the right of the owner also pertinent to the objects of the ownership right of the Ukrainian nation, specified in part one, Article 148 hereof.

2. Management of objects of state ownership according to the law shall be performed by the Cabinet of Ministers of Ukraine and, on its proxy, by central and local executive authorities. In cases envisaged by the law state property management may also be vested in other entities.

3. The Cabinet of Ministers of Ukraine shall make a list of its property assigned for free in the ownership of relevant territorial communities (municipal ownership). Transfer of objects of economic destination in municipal ownership shall be carried out in keeping with the procedure established by the law.

4. Enterprises carrying out activities allowed only to state enterprises, institutions and organizations may not be transferred in the municipal ownership.

5. Types of property that may be owned only by the state, alienation of which to non-state business entities is not admitted, as well as additional restrictions as to disposal of certain types of property classified as fixed assets of state enterprises, institutions and organizations shall be established by the law.

Article 142. Profit (Income) of a Business Entity

1. Profit (income) of a business entity shall be an indicator of results of its economic activity, calculated through decreasing the amount of a gross income of the economic entity for a certain period by the amount of total costs and capital allowances.

2. The composition of the gross income and the total costs of business entities shall be established by the law. For the purposes of taxation the law may provide for a special procedure of calculation of income as the object of taxation.

3. The procedure of using profit (income) of the business entity shall be determined by the owner (owners) or the body authorized by him/her as prescribed by the law and the constituent documents. The procedure of using profit of state enterprises shall be determined in compliance with the law.

4. The state may influence choosing directions and volumes of using profit by economic entities through standards, taxes, tax benefits and economic sanctions in compliance with the law.

Article 143. Securities in the Composition of the Property of Business Entities

1. A business entity shall have the right to issue own securities, sell them to individuals and legal entities, and to purchase securities of other entities. Types of securities, the terms and procedure of their issuance, sale and purchase by business entities shall be established by the present Code and other laws.

Article 144. Grounds for Arising of Property Rights and Obligations of a Business Entity

1. Property rights and obligations of a business entity may arise:

from agreements provided by the law, as well as from agreements not provided by the law, but not contradicting the law;

from acts of state authorities and local governments, their officials in cases envisaged by the law;

in the result of creation and purchasing of property on the grounds not banned by the law;

in the result of causing damage to another person, purchasing or storage of property at the expense of another person without sufficient grounds;

in the result of breach of legislative requirements while performing economic activity;

on other circumstances related to arising of property rights and obligations of business entities.

2. The right to property subject to the state registration shall arise from the date of the registration of such property or relevant rights to it unless otherwise provided by the law.

Article 145. Property State and Accounting of Business Entity's Property

1. The state of property of a business entity shall be determined by the integrity of its property rights and obligations reflected in accounting of its economic entity in compliance with the legislative requirements.

2. Change of the legal treatment of business entity's property shall be done upon property owner's (owners') decision in a way provided by this Code and other laws adopted according to the Code, except for cases such change is prohibited by the law.

3. The legal treatment of the property of a business entity set up on the basis of state (municipal) ownership may be changed by means of privatization of the property of a state (municipal) enterprise according to the law.

4. The legal treatment of the property of a business entity set up on the basis of state (municipal) ownership may be changed by means of leasing of the integral property complex of an enterprise or its structural unit.

5. The law may also provide for other grounds of changing the legal treatment of business entity's property.

6. Business entities shall be under the obligation, on the basis of accounting data, to compose financial reports by forms envisaged by the law, carry out inventory of the property belonging to them to ensure reliability of the accounting and reporting data, provide financial reports in keeping with the requirements of the law and their constituent documents.

Article 146. Privatization of State and Municipal Enterprises

1. Property of the unified integral complex of a state (municipal) enterprise or its separate units, classified as integral property complexes and spin off into separate enterprises, as well as objects of uncompleted construction and shares (portions) belonging to the state in the property of other business entities, may be alienated in favor of individuals or non-state legal entities, or privatized by such entities in accordance with the law.

2. Privatization of state (municipal) enterprises shall be carried out exclusively within the implementation of the state privatization program that determines goals, priorities and terms of privatization, and in keeping with the procedure established by the law.

3. Privatization of state (municipal) enterprises or their property shall be conducted by means of:

purchase and sale of objects of privatization at auctions, tenders, by such other means providing for competition among buyers;

buy-out of the leased integral property complex of a state (municipal) enterprise in cases and in keeping with the procedure envisaged by the law;

buy-out of the property of a state (municipal) enterprise in other cases envisaged by the law.

4. Each citizen of Ukraine shall have the right to purchase state property in the process of privatization in keeping with the procedure provided by the law.

5. General terms and procedure of carrying out the privatization of state (municipal) enterprises or their property shall be established by the law.

6. In certain industries of the national economy the law may provide for peculiarities of privatization of state enterprise property.

7. The rights of enterprise employees in the process of privatization of a state (municipal) enterprise under privatization shall be guaranteed by the law.

Article 147. Guarantees and Protection of the Rights of Business Entities

1. Property rights of business entities shall be protected by the law.

2. Seizure of property from a business entity by the state shall be allowed exclusively in cases, on the grounds and in keeping with the procedure provided by the law.

3. Losses caused to a business entity by violation of its property rights by individuals or legal entities, as well as state authorities or local governments, shall be compensated to it according to the law.

4. The ownership right and other property rights of a business entity shall be protected in a way set forth in Article 20 hereof.

Chapter 15. USE OF NATURAL RESOURCES IN THE SPHERE OF ECONOMIC ACTIVITY

Article 148. Peculiarities of Legal Treatment of the Use of Natural Resources in the Sphere of Economic Activity

1. According to the Constitution the land of Ukraine, its depths, atmospheric air, water and other natural resources, located within the territory of Ukraine, natural resources of its continental shelf, exclusive (sea) economic area shall be deemed objects of the ownership right of the Ukrainian nation. State authorities and local governments shall exercise owner's rights within the limits established by the Constitution of Ukraine.

2. Each citizen shall have the right to use natural objects of the ownership right of the Ukrainian nation according to the law.

3. Land shall be the main national wealth being under protection of the state. The ownership right in land is guaranteed. This right shall be acquired and enjoyed by individuals, legal entities and the state according to the Land Code of Ukraine and other laws.

4. Legal treatment of using certain types of natural resources (land, water, forests, depths, atmospheric air, fauna) shall be established by the law.

5. Natural resources may be assigned to business entities for use or acquired by those in ownership only in cases and in keeping with the procedure envisaged by the law.

Article 149. Use of Natural Resources by Business Entities

1. Business entities shall use natural resources in their economic activities according to the procedure of a special or general natural use in accordance with the present Code and other laws.

2. The Cabinet of Ministers of Ukraine shall ensure the state accounting of natural resources, belonging to the state property, being in the jurisdiction of the Autonomous Republic of Crimea, or belonging to the municipal property and may be used in economic activity.

Article 150. Use of Natural Resources on the Ownership Right

1. Land with enclosed water bodies, parcels of forest, minerals found in such land may be assigned in ownership to business entities, including individuals for farming, as well as to agricultural enterprises – for economic activity.

2. The procedure of transferring land in ownership shall be established exclusively by the law in consideration of the necessity of determining guarantees of efficient use of land by business entities, prevention of its negligent use and spoilage.

Article 151. Use of Natural Resources on the Right of User

1. Land and other natural resources (including chargeable or otherwise) shall be granted in use to economic entities for performing their economic activity on the grounds of special permits (decisions) of state authorities.

2. The procedure of granting in use of natural resources to individuals and legal entities for performing economic activity shall be established by land, water, forestry and other special legislation.

Article 152. Rights of Business Entities as to the Use of Land Resources

1. A business entity, performing its economic activity, shall have the right to:
exploit useful properties of natural resources granted to it;

use local minerals, water, forests located on land parcels granted to a business entity for its economic needs in keeping with the procedure established by the law;

receive incomes from the results of economic activity associated with the use of natural resources;

receive beneficial short- and long-term credits to carry out measures as to the efficient use, reproduction and protection of natural resources, as well as enjoy tax benefits while carrying out the said measures;

demand compensation of the damage caused to natural resources belonging to it by other entities, as well as elimination of obstacles in performing economic activity associated with the use of natural resources.

Article 153. Obligations of Business Entities Pertinent to the Use of Natural Resources

1. A business entity performing its economic activity shall be under the obligation to:

use natural resources according the destination determined when assigning (acquiring) those for the use in economic activity;

effectively and efficiently use natural resources on the basis of new technologies in economic activity;

take measures as to timely reproduction and prevention of spoilage, pollution, contamination and exhaustion of natural resources, and prevent lowering their quality in the process of economic activity;

make timely payments for the use of natural resources;

perform economic activity without violation of the rights of other owners and users of natural resources;

compensate losses caused by it to owners or primary users of natural resources.

2. The law may provide for such other obligations of a business entity as to the use of natural resources in economic activity.

Chapter 16. EXERCISING OF INTELLECTUAL PROPERTY RIGHTS IN ECONOMIC ACTIVITY

Article 154. Regulation of Relations as to Exercising of Intellectual Property Rights in Economic Activity

1. Relations associated with the use in economic activity and protection of intellectual property rights shall be regulated by the present Code and other laws.

2. Provisions of the Civil Code of Ukraine in consideration of peculiarities envisaged by the present Code and other laws shall apply to relations associated with exercising of intellectual property rights in economic activity.

Article 155. Subjects of Intellectual Property Rights

1. The following shall be classified as subjects of intellectual property rights in economic activity:

inventions and utility models;

industrial designs;

varieties of plants and species of animals;

trademarks (for products and services);

commercial (firm) name;

geographic indication;
commercial secret;
software;
other subjects provided by the law.

2. General terms of protection of intellectual property rights to subjects specified in this Article shall be established by the Civil Code of Ukraine.

Article 156. Legal Powers as to the Use of Inventions, Utility Models and Industrial Designs

1. The intellectual right to invention, utility model, industrial design shall be certified by the patent according to the law.

2. Relations of a business entity that is an employee for an inventor (inventors) or an author (authors) of subjects specified in part one of this Article pertinent to the rights to receiving the patent and the right to use the said subjects of intellectual property shall be regulated by the Civil Code of Ukraine and other laws.

3. The following shall be deemed the use of an invention, utility model or industrial design in economic activity:

manufacturing, offering for sale, introduction into economic (commercial turnover), utilization, importing or storage with a specified purpose of a product protected according to the law;

application of a means protected according to the law, or offering it for application within Ukraine on terms envisaged by the Civil Code of Ukraine;

offering for sale, introduction into economic (commercial) turnover, use, importing or storage with the said purpose of a product manufactured directly by means protected by the law.

4. Business entities shall have the right of priority use of the invention, utility model or industrial design on terms provided by the Civil Code of Ukraine.

5. A holder of the patent may transfer his/her rights as to the use of an invention, utility model or industrial design as a contribution to the authorized fund of an enterprise.

6. The rules of this Article shall also apply the regulation of relations arising in connection with exercising in economic activity of the rights to plant varieties and species of animals.

Article 157. Legal Powers as to the Use of Trademarks

1. The right of intellectual property to a trademark shall be confirmed by a certificate in cases and in keeping with the procedure provided by the law.

2. The use of a trademark on products and services, for which it is registered, on product packaging, in advertising, printing editions, posters, exhibits and fairs arranged in Ukraine, prospects, accounts, letterheads, other documents related to introduction of the said products and services into the economic (commercial) turnover shall be deemed the use of a trademark in economic activity.

3. The certificate shall grant its holder the right to prohibit other persons to use a registered trademark without his/her permission, except for cases of legitimate use of the trademark without such permission.

4. Subjects of the right to a trademark may place a warning label stating that the trademark used is registered in Ukraine.

5. Subjects of the right to a trademark involved in an intermediary activity may – on the grounds of the products (services) manufacturer – use their trademark along with the producer's trademark, as well as instead of such trademark.

6. The right of intellectual property to a trademark may be transferred as a contribution to the authorized fund of an economic entity.

7. In case of bankruptcy of an economic entity the right to a trademark shall be appraised along with other property of such entity.

Article 158. Legal Powers as to the Use of Trademarks the Right to Which Belongs to Several Persons

1. A trademark, the right to which belongs to several persons shall be deemed the mark that distinguishes products and services of the association of enterprises (association trademark, common trademark) from similar products and services of other business entities, or is used jointly by several entities in other cases envisaged by the law.

2. Registration of a trademark, the right to which belongs to several persons shall be conducted in keeping with the procedure established by the law.

Article 159. Legal Powers of Business Entities as to Commercial Names

1. A business entity – legal entity or private entrepreneur may have a commercial name.

A private entrepreneur shall have the right to use his/her first or last name as a commercial name.

2. Information on the commercial name of a business entity shall be entered upon its filing into the registries, the procedure of maintenance of which is determined by the law. A business entity, whose commercial name was entered into the register at an earlier date, shall have the priority right of protection against any other entity, identical commercial name of which was entered into the registry later.

3. Both full and shortened commercial name of a business entity shall be subject to legal protection if it is in fact used by such entity in the economic turnover.

4. In the event the commercial name of a business entity is an element of its trademark, both the commercial name and the trademark shall be legally protected.

5. A person that uses somebody else's commercial name shall be obligated to discontinue such use upon its owner's demand and reimburse for the losses incurred.

Article 160. Legal Powers as to the Use of a Geographic Indication

1. The right to use a geographic indication shall only be granted to business entities that manufacture products (provide services) with respect to which the state registration of a relevant geographic indication was performed.

2. The use of a geographic indication by a business entity shall be deemed its use on products, for which such geographic indication was registered, as well as on packaging; the use in advertising, prospects, accounts, printing editions, official bulletins, official letterheads, signboards, etc.

3. Business entities involved in an intermediary activity may use their trademarks along with a geographic indication of manufacturer's products only on the grounds of a contract.

4. Terms of providing legal protection of a geographic indication shall be established by the law.

Article 161. Use of the Name of the Country of Product's Origin

1. Products of foreign origin or - in cases provided by the law - their packaging, as well as products of domestic origin produced for export shall contain information on the country of their origin.

2. Information on the country of origin shall be put in an easily accessible place of a product (packaging) and be in compliance with the established requirements.

3. The use by business entities of the inscription (stamp) "Made in Ukraine" or similar by its meaning with respect to products of foreign origin shall be prohibited.

4. State authorities shall control observance of the said requirements as prescribed by the law.

Article 162. Legal Powers of Business Entities as to Commercial Secrets

1. A business entity that holds technical, organizational or other commercial information shall have the right to protection against illegal use of such information by third persons subject to such information has certain commercial value, is not known to third persons, is not legally accessible by other persons, and the holder of such information takes appropriate measures to protect its confidentiality.

2. The terms of legal protection of a commercial secret shall be limited by the term of validity of conditions set forth in part one hereof.

3. A person that illegitimately uses the secret information belonging to a business entity, shall be under the obligation to compensate the losses caused by such actions according to the law. A person that obtained secret commercial information independently and in good faith shall be entitled to use such information at his/her own discretion.

4. Provisions of the Civil Code of Ukraine and other laws shall apply to relations associated with the commercial secret, and not adjusted by the present Code.

Chapter 17. SECURITIES IN ECONOMIC ACTIVITY

Article 163. Securities and Types of Securities

1. Business entities within their competence and in accordance with the law may issue and sale securities, as well as purchase securities of other business entities.

A security shall be deemed to be a document of the established form with relevant essentials that certifies monetary or other property right, and defines relations between a business entity that issued such security and an owner, and provides for discharging obligations according to the terms of its issuance, as well the opportunity of transferring rights arising from this security to other persons.

2. Portion, debt and other securities may be issued in Ukraine. The following types of securities may be issued and circulated in the sphere of economic activity: shares, public internal and external bonds, local bonds, corporate bonds, treasury obligations, saving certificates, promissory notes, other types of securities envisaged by the present Code and other laws.

3. Securities may also be registered or made out to bearer. Registered securities shall be transferred through a full endorsement (record, certifying the transfer of the rights by a security to another person), unless otherwise provided by the law, or it is specifically stated that they may not be transferred. Securities made out to bearer shall be circulated freely.

The procedure of identification of non-documentary securities shall be established by the law.

4. The legal treatment of securities shall be determined by the present Code and other laws.

Article 164. Terms and Procedure of Issuing Securities by Business Entities

1. A business entity – a legal entity in cases and in keeping with the procedure provided by the law shall have the right to issue on its own behalf shares and corporate bonds, and sell them to individuals and legal entities.

2. The right to issue shares and corporate bonds shall arise with a business entity from the day of registration of such issue in the relevant state authority.

3. A business entity shall be prohibited from issuing shares and corporate bonds to cover losses associated with its economic activity.

4. Business entities, whose sole activity is associated with issuance and circulation of securities, shall have the right to issue investment certificates.

5. Banking institutions accepting deposits from legal entities and individuals, shall provide the latter with written certificates, confirming to the rights of depositors to receive upon maturity date the principal amount of deposit and corresponding interest (saving certificates).

6. Business entities shall have the right in keeping with the procedure established by the Cabinet of Ministers of Ukraine to issue into circulation promissory notes – securities certifying the unconditional monetary obligation of the issuer to pay the established monetary amount to the noteholder.

7. Securities (or blanks of those) shall be produced only at state enterprises licensed by the Ministry of Finance of Ukraine, and protected by the law.

8. Peculiarities of issuing securities in a non-documentary form shall be established by the law.

Article 165. Purchasing Securities by Business Entities

1. Business entities may purchase shares and other securities specified in the present Code, at the expense of funds at their disposal after payment of taxes and bank credit interests, unless otherwise established by the law.

2. Securities shall be paid by business entities in hryvnias, and in cases provided by the law and terms of issuance – in a foreign currency. Irrespective of the type of currency paid for such securities their value shall be state in hryvnias.

3. Securities purchase and sale transactions shall be performed by their issuers, owners, as well as securities traders – intermediaries in issuance and circulation of securities. Types and procedure of the said activity shall be established by the present Code and other laws.

Article 166. State Regulation of Securities Market

1. To implement the state policy in the area of issuance and circulation of securities, creating conditions for effective mobilization and placing by business entities of their financial resources in consideration of public interests and protection of stock market players, the state regulation of securities market shall be exercised.

2. The state regulation of securities market shall be performed by the State Commission for Securities and Stock Market, whose status, procedure and organization of activity shall be established by the law.

3. Other state authorities shall perform control over activities of securities market players within the powers established by the law.

4. Forms of the state regulation of securities market, procedure of performing professional activity at securities market by business entities, and liability of such entities for violation of the rules of the said activity shall be established by the present Code and other legislative acts adopted according to this Code.

Chapter 18. CORPORATE RIGHTS

Article 167. Essence of Corporate Rights

1. Corporate rights shall be understood as the rights of a person, whose share is determined in the authorized fund (property) of a business organization, and including legal powers of such person in management of a business organization, receiving a certain part of a profit (dividends) of the organization, as well as its assets in the event of its liquidation according to the law, and other legal powers envisaged by the law and constituent documents.

2. Possession of corporate rights shall not be deemed entrepreneurship. The law may provide for restrictions of possession of corporate rights by certain persons and/or exercising those.

Article 168. Exercising Corporate Rights of the State

1. Corporate rights of the state shall be exercised by law-established central executive authorities and authorized persons in keeping with the procedure provided by the Cabinet of Ministers of Ukraine.

2. Central executive authorities and authorized persons shall:

exercise legal powers as to participation in management of a business organization according to the state share in the authorized fund of such organization;

keep records of the state corporate rights;

perform evaluation of the state corporate rights;

perform control over efficiency of work of a business organization with reference to exercising of the state corporate rights.

3. Legal powers as to management of the state corporate rights shall be exercised directly by the relevant state authorities if:

the state has 100% of stock in the authorized fund of a business organization;

a business entity with regard to which the state corporate rights are exercised, is involved in state and regional programs funded at the expense of the State Budget of Ukraine;

the competition on appointment of the authorized person did not take place due to the absence of applicants, or if applicants' proposals do not meet the competition terms;

in other cases envisaged by the law.

In all other cases management of the state corporate rights shall be done with involvement of the authorized person.

4. Terms of transfer of powers and tasks regarding management of the state corporate rights, including liability of authorized persons shall be envisaged in the relevant resolution of the Cabinet of Ministers of Ukraine, and the contract with the authorized person.

5. Management of corporate rights of territorial communities shall be performed in accordance with the provisions of this Article, unless otherwise provided by the law.

Article 169. Appraisal of the State Corporate Rights

1. Corporate rights of the state and assets of business entities with definite share of the state in the authorized fund shall be subject to appraisal by methods approved of the Cabinet of Ministers of Ukraine in keeping with the legislative requirements.

Article 170. Definition of the Authorized Person Managing the State Corporate Rights

1. The authorized person managing the state corporate rights may be an individual or a legal entity appointed by the results of the competition, with which the central executive authority concluded a contract of agency for management of the state corporate rights.

2. The procedure of conducting the competition for selecting an authorized person to perform the functions of management of the state corporate rights shall be established by the Cabinet of Ministers of Ukraine.

Article 171. Registry of the State Corporate Rights

1. The central executive body, authorized by the Cabinet of Ministers of Ukraine for taking the necessary measures on managing the state corporate rights, coordination of activities of state authorities in this sphere, and providing required information to other state authorities according to the law shall create and maintain the registry of the state corporate rights.

Article 172. Legislation on the State Corporate Rights

1. Relations associated with the management of the state corporate rights shall be regulated by the present Code, other laws and normative and legal acts, adopted according to this Code.

Section IV. ECONOMIC OBLIGATIONS

Chapter 19. GENERAL PROVISIONS ON ECONOMIC OBLIGATIONS

Article 173. Economic Obligation

1. An obligation arising between a business entity and other party (parties) in the area of economic activity on the grounds envisaged by the present Code, in the view of which one entity (the obliged party, including the debtor) shall be under the obligation to commit a certain action of economic or administrative and economic character in favor of another entity (execute work, transfer property, pay money, provide information, etc.) or refrain from certain actions, and another entity (the eligible party, including the creditor) shall have the right to demand from the obliged party to perform its obligations.

2. The main types of economic obligations shall be deemed property and economic obligations, and organizational and economic obligations.

3. Parties by mutual consent may make the essence of the economic obligation more precise or broad in the process of performing such obligation, unless otherwise established by the law.

Article 174. Grounds for Arising Economic Obligations

1. Economic obligations may arise:

directly from the law or other normative and legal act that regulates economic activity;

from the act of management of economic activity;

from the economic contract and other agreements envisaged by the law, as well as agreements not envisaged but not contradicting the law;

in the result of causing damage by or to a business entity, acquisition or safekeeping of the property of or by a business entity at the expense of another person without sufficient grounds for this;

in the result of creation of objects of intellectual property and other actions of entities, as well as in the result of events, with which the law associates arising of implications in the area of economic entities.

Article 175. Property and Economic Obligations

1. Property and economic obligations shall be deemed civil and legal obligations arising between parties of economic relations while performing economic activity in view of which the obliged party shall be under the obligation to commit a certain economic action in favor of the other party or refrain from a certain action, and the eligible party shall have the right to demand performance of obligations from the obliged party.

Property obligations arising between parties of economic relations shall be regulated by the Civil Code of Ukraine in consideration of peculiarities envisaged by the present Code.

2. Subjects of property and economic obligations may be business entities specified in Article 55 of the present Code, non-business entities – legal entities, and state authorities, local governments, trusted with economic competence. If a property and economic obligation arises between business entities and non-business entities – legal entities, the obliged and the eligible parties shall be the debtor and the creditor respectively.

3. Obligations of property character arising between business and non-business entities – individuals, shall not be deemed economic, and shall be regulated by other legislative acts.

4. Business entities in cases provided by this Code and other laws may voluntarily assume obligations of property character in favor of other parties of economic relations (charity, etc.). Such obligations shall not be deemed grounds for their mandatory performance.

Article 176. Organizational and Economic Obligations

1. Organizational and economic shall be deemed economic obligations arising in the process of managing economic activity between a business entity and organizational and economic entities, in view of which the obliged party shall be under the obligation to commit a certain administrative and economic (organizational) action in favor of another party or refrain from a certain action, and the eligible party shall have the right to demand performance of obligations by the obliged party.

2. Organizational and economic obligations may arise:

between a business entity and an owner that is a founder of such entity, or a state authority, local government, trusted with economic supervision with regard to such entity;

between business entities that jointly organize an enterprise association or a business partnership, and management bodies of these associations or partnerships;

between business entities in the event one of those is a subsidiary with regard to the other;

in other cases envisaged by the present Code, other legislative acts or constituent documents of a business entity.

3. Organizational and economic obligations of entities may arise from a contract and take the form of contract.

4. Business entities shall have the right to jointly perform economic activity to achieve a common goal, without setting up a unified business entity on terms established by a joint activity agreement. If parties to the agreement on joint activity assign management of joint activity to one of the parties, it may be vested with the duty to manage joint affairs. Such party shall perform organizational and management powers on the grounds of the commission, signed by other parties.

Article 177. Social and Municipal Obligations of Business Entities

1. Business entities shall be under the obligation upon the decision of a local council at their own expense and according to the law to create special working places for persons with limited working ability, and arrange for their professional training.

2. Business entities according to part four of Article 175 of this Code may irrespective of the goal of their charter assume obligations as to economic aid in resolving issues of social development of their places of location, in construction and maintenance of social and cultural, facilities, and objects of municipal economy and everyday servicing, provide other economic assistance with the purpose of resolving local problems. Business entities shall have the right to participate in forming relevant funds of local councils, unless otherwise provided by the law, and in executing works related to overall economic and social development of territories.

Article 178. Public Obligations of Business Entities

1. A business entity that according to the law and its constituent documents is obliged to execute works, provide services or sell products to each requesting such entity on legal grounds, may not reject execution of works, providing services or sale of products if it has an opportunity to do so, or give preference to one consumer before others, except for cases envisaged by the law.

2. A business entity that without any grounds avoids its public obligation shall be under the obligation to compensate to the other party the caused losses in keeping with the procedure established by the law.

3. The Cabinet of Ministers of Ukraine may in cases established by the law determine rules mandatory for parties of public obligation, including those related to establishing or regulation of prices. Terms of obligations that run counter to this rules or established prices shall be deemed void.

Chapter 20. BUSINESS AGREEMENTS

Article 179. General Conditions for Entry into Agreements that Result in Economic Obligations

1. Property/economic obligations arising between two different business entities or between a business entity and a non-business legal entity on the basis of business agreements shall be considered as business contractual obligations.

2. The Cabinet of Ministers of Ukraine and the state executive bodies authorized thereby may recommend tentative terms of business agreements (sample agreements) for business entities and approve model agreements in the cases specified by law.

3. Entering into a business agreement shall be mandatory for the parties if this is a state procurement agreement binding on business entities in cases envisaged by law, or if the law contains a direct guidance as to the mandatory entry into agreements for certain categories of business entities, or state authorities, or local governments.

4. When entering into business agreements, the parties may determine their contents on the basis of:

free will, when the parties have the right to coordinate at their discretion any terms of the agreement that do not contradict legislation;

sample agreement recommended by the business entity's managerial body to be used for conclusion of the agreements, when the parties have the right to modify particular terms by mutual consent, as envisaged by the sample agreement, or supplement the contents of the agreement;

model agreement approved by the Cabinet of Ministers of Ukraine, or other state authorities in the cases envisaged by law, when the parties cannot deviate from the model agreement but can specify its terms;

adhesion agreement proposed by either of the parties for other possible parties, when these latter parties, having entered into the agreement, shall not have the right to insist on modification of the contents.

5. Contents of the state procurements agreement shall be in conformity with the terms of procurement.

6. Business entities providing the consumers specified in Clause 1 of this Article with electricity, communication services, railroad or other transportation services, as well as other entities in the cases envisaged by law, shall enter into agreements with all consumers of their products/services. Legislation may envisage mandatory terms for such agreements.

7. Business agreements shall be entered into according to the rules established by the Civil Code of Ukraine taking into account the specific features envisaged by this Code and other legal and regulatory acts with regard to specific types of agreements.

Article 180. Material Terms of Business Agreements

1. The contents of a business agreement shall include the terms of the agreement determined by the parties' consent for establishment, modification or termination of economic obligations, either coordinated by the parties or accepted thereby as mandatory conditions in accordance with legislation.

2. A business agreement is deemed to be concluded if the parties reach an agreement in accordance with the procedure and the forms envisaged by law with regard to all the material terms of the agreement. Material terms shall be those recognized as such by law, or necessary for similar agreements, or those requiring the parties' consent by demand of either of the parties.

3. When entering into a business agreement, the parties shall coordinate the subject, the price and the duration of the agreement.

4. The terms with regard to the subject of a business agreement shall specify its name (product mix, product range) and quantity of products (works/services), as well as the quality requirements. The quality requirements as to the subject of the agreement shall be determined in accordance with the regulatory acts binding on the parties, as specified in Article 15 of this Code, or in default of such regulatory acts - based on the agreement between the parties in compliance with the terms protecting the interests of end consumers of the goods or services.

5. In a business agreement, the price shall be set in accordance with the procedure established by this Code, other laws or acts of the Cabinet of Ministers of Ukraine. By consent of the parties, a business agreement may envisage additions to the set price for the products (works/services) of a higher quality or the works completed ahead of the established deadlines.

6. If the price set by the parties in the agreement is recognized as violating the requirements of antimonopoly or competition legislation, the antimonopoly authority shall have the right to require the parties to change the terms of the agreement with regard to the price.

7. The business agreement's duration period shall be the time of existence of economic obligations of the parties that arose on the basis of the agreement. Obligations that arose prior to the conclusion of a business agreement shall not be subject to the terms of this agreement, unless otherwise envisaged by the agreement. Expiry of the agreement's duration term shall not release the parties from responsibility for violation of the agreement that occurred during its duration period.

Article 181. General Procedure for Entering into Business Agreements

1. According to the general rule, a business agreement is executed as a single document signed by the parties and sealed. A simplified form of a business agreement is allowed through exchange of letters, fax messages, telegrams, telephone messages, etc. or through confirmation of receipt of orders to be fulfilled, unless the law establishes special requirements as to the forms and procedures for such agreements.

2. A draft agreement may be proposed by either of the parties. If the draft agreement is presented as a single document, the other party shall receive two copies thereof.

3. If the party that receives the draft agreement agrees with its terms, this party shall formalize the agreement according to Clause 1 of this Article and return one copy to the other party or respond to the letter, fax message, etc. within the period of twenty days upon receipt of the draft agreement.

4. If the party that receives the draft agreement has objections to particular terms of the agreement, this party shall make a discrepancy report with a proviso added to the agreement, and send two copies of the discrepancy report and the signed agreement to the other party within the period of twenty days.

5. The party that receives the discrepancy report shall consider it, take measures to regulate the discrepancies with the other party and include all the accepted proposals into the agreement within the period of twenty days. The discrepancies remaining unregulated shall be presented to court during the same period provided the consent of the other party.

6. If the parties reach consent with regard to all or particular terms specified in the discrepancy report, this consent shall be confirmed in writing (discrepancy adjustment report, letters, telegrams, teletype messages, etc.)

7. If the party that receives the discrepancy report with regard to the terms of the state procurement agreement or the agreement binding on the parties to enter into it according to law, or if the party/vendor is recognized in accordance with the established procedure as a monopolist on a certain market of goods (works/services) fails to present the discrepancies that remained unregulated to the court within the period of twenty days, the proposals of the other party shall be deemed as accepted.

8. If the parties fail to agree upon all material terms of a business agreement, this agreement shall be deemed as unconcluded (the one that was never concluded). If either of the parties took actions to implement such an agreement, the legal consequences of such actions shall be determined by the provisions of the Civil Code of Ukraine.

Article 182. Specifics of Entry into Preliminary Agreements

1. According to a preliminary agreement, a business entity is obligated to conclude the main agreement no later than one year after the preliminary agreement is entered into with the terms specified in the preliminary agreement.

2. The preliminary agreement shall contain the terms making it possible to define the subject, as well as other material conditions of the main agreement. The general procedure for the conclusion of business agreements shall not apply to the conclusion of preliminary agreements.

3. If a party that entered into a preliminary agreement upon receipt of the draft agreement from the other party evades from conclusion of the main agreement, the other party shall have the right to claim conclusion of such agreement through the court procedure.

4. The obligation to enter into the main agreement envisaged by the preliminary agreement is cancelled if either of the parties fails to send the draft agreement to the other party during the period established for the parties to conclude the main agreement.

5. The relations with regard to conclusion of preliminary agreements shall be regulated by the Civil Code of Ukraine taking into account the specifics envisaged by this Code.

6. The memorandum of intent (minutes of deliberation, etc.) shall not be recognized as preliminary agreement and shall not have legal consequences.

Article 183. Specifics of Entry into State Procurement Agreements

1. State procurement agreements are concluded by the business entities/ state procurement vendors and the customers authorized to enter into agreements (state contracts) on behalf of the state. These agreements shall establish economic obligations of the parties and regulate the customer-vendor relations with regard to the state procurement.

2. The state represented by the Cabinet of Ministers of Ukraine shall act as a guarantor of obligations of state procurement customers.

3. Conclusion of the state procurement agreements (state contracts) shall be performed in accordance with the procedure envisaged by Article 181 of this Code taking into account the specifics envisaged by legislation. State contracts shall be concluded through signing of a single document by the parties.

4. Evasion from entering into state procurement agreements shall be deemed as violation of economic legislation and entail liability envisaged by this Code and other laws. Disputes related to conclusion of state procurement agreements, such as evasion from entering into agreements by one or both parties, shall be resolved through judicial procedure.

5. A state procurement vendor shall be released from the obligation to enter into state contract with the terms determined according to the state procurement if the court recognizes the state procurement null and void.

Article 184. Specifics of Entry into Business Agreements Based on Free Will of the Parties, Sample and Model Agreements

1. When entering into business agreements based upon free will of the parties, the draft agreement may be developed by initiative of either of the parties as agreed by the parties.

2. Agreements based on free will of the parties may be concluded in a simplified form or as a single document in compliance with the general procedure for conclusion of agreements established by Article 181 of this Code.

3. Business agreements based upon sample and model agreements shall be concluded in accordance with the conditions envisaged in Article 179 of this Code, exclusively as a single document formalized according to the requirements of Article 181 of this Code and the rules established by legal and regulatory acts on application of model or sample agreements.

Article 185. Specifics of Entry into Business Agreements at Exchanges, Fairs and Public Sales

1. Business agreements shall be concluded at exchanges, wholesale fairs and public sales in accordance with the general rules for conclusion of agreements based upon free will taking into account the legal and regulatory acts regulating the activities of exchanges, fairs and public sales.

Article 186. Conclusion of Business Organizational Agreements

1. Business organizational agreements may be formalized by the participants of economic relations on the basis of either free will of the parties, or sample agreements, if conclusion of such agreements is envisaged by the relevant legal and regulatory acts. No simplified forms for conclusion of business organizational agreements shall be allowed.

Article 187. Conclusion of Business Agreements Based on Court Decisions

1. Disputes arising in the process of conclusion of state procurement agreements or the agreements binding the parties to enter into according to law or in other cases established by law shall be considered by court. Other pre-contract disputes may be subject to court

examination if this is envisaged by the agreement of the parties or if the parties are obligated to enter into a certain business agreement on the basis of the preliminary agreement concluded thereby.

2. The day when the court decision on the pre-contract dispute comes into force shall be deemed the day of conclusion of the relevant business agreement, unless otherwise decided by court.

Article 188. Procedures for Modification and Termination of Business Agreements

1. Unilateral modification or termination of business agreements shall not be allowed, unless otherwise envisaged by law or agreement.

2. A party that considers it necessary to modify or terminate the agreement, shall send the relevant proposals to the other party to the agreement.

3. The party that receives a proposal to modify or terminate the agreement shall inform the other party of the results of the consideration during the period of twenty days upon receipt of the proposal.

4. If the parties fail to reach consent as to the modification/termination of the agreement or if the respond is not given within the twenty-day period, the interested party shall have the right to present the dispute to court.

5. If as a result of the court decision, the agreement is modified or terminated, this agreement shall be deemed as being modified or terminated as of the day when the court decision comes into force, unless the court decision establishes a different date.

Chapter 21. PRICES AND PRICING IN BUSINESS ACTIVITIES

Article 189. Prices in Business Obligations

1. For the purposes of this Code, price (tariff) shall be a form of monetary determination of the value of products (works/services) provided by business entities.

2. Price is an essential condition of a business agreement. Prices shall be indicated in the agreement in Ukrainian hryvnias. In external economic agreements (contracts), prices may be indicated in foreign currencies by consent of the parties.

3. In their economic activities, business entities may set free prices, state fixed prices or regulated prices - price ceilings or ceiling deviations from the state fixed prices.

4. When performing export and import transactions, contract (external trade) prices are used for settlements with foreign counteragents. These prices shall be set according to the world market prices and conditions or market indication prices.

Article 190. Free Prices

1. Free prices shall be set for any types of products (works/services) except those, for which state prices are set.

2. Free prices shall be set by the business entities independently, by consent of the parties, and for internal business relations - according to the decisions made by the business entities.

Article 191. State and Communal Prices

1. State fixed and regulated prices shall be set for the resources that have the determining influence on the level and dynamic of prices, as well as on the products and services essential for the population. The Cabinet of Ministers of Ukraine shall approve the list of such resources, products and services.

2. According to law, state prices shall be also set for the products (services) provided by the business entities - natural monopolists. The Cabinet of Ministers of Ukraine shall approve the lists of such products (services) of the said entities.

3. State prices shall be set for the imported goods purchased at the cost of the State Budget of Ukraine.

4. Law may envisage setting communal prices for the products or services of the communal enterprises.

5. State regulation of prices shall be exercised through setting of fixed state and communal prices, ceiling trading additions and supplier fees, ceiling profitability standards, or through introduction of mandatory declaring of price changes.

6. When the set fixed prices make it impossible for the business entities to make profit, the executive authorities and local governments shall provide such business entities with grants in accordance with law.

Article 192. Legislation on Prices and Pricing

1. Pricing policy, procedures for price setting and application, powers of state authorities and local governments with regard to pricing and price regulation, as well as price control, shall be established by the law on prices and pricing and other legislative acts.

Chapter 22. FULFILLMENT OF BUSINESS OBLIGATIONS. TERMINATION OF OBLIGATIONS

Article 193. General Conditions for Fulfillment of Business Obligations

1. Business entities and other participants of economic relations shall fulfill their business obligations properly in accordance with law, other legal acts, agreements, and in default of specific requirements for fulfillment of the obligation - according to the requirements usually set in similar conditions.

Business agreements shall be fulfilled in accordance with the relevant provisions of the Civil Code of Ukraine taking into account the specifics envisaged by this Code.

2. Each party shall take all necessary measures for proper fulfillment of the obligations taking into account the other party's interests and general economic interests. Violation of obligations shall be the ground for application of economic sanctions envisaged by this Code, other laws or the agreement.

3. Application of economic sanctions to the entity that violated obligations shall not release this entity from fulfillment of its obligations in kind, unless otherwise envisaged by the law or agreement or if the other party refuses to accept the fulfillment of the obligation.

4. The eligible party shall have the right to refuse to accept the fulfillment of the obligation in parts, unless otherwise envisaged by law, other legal and regulatory acts, or implied in the obligation.

5. The obliged party shall have the right to fulfill the obligation ahead of time, unless otherwise envisaged by law, other legal and regulatory act, agreement, or implied in the obligation.

6. The obliged party shall have the right to refuse to fulfill the obligation if the other party fails to fulfill its obligations properly, which is a necessary condition of the fulfillment.

7. No unilateral refusal to fulfill obligations shall be allowed, except for the cases envisaged by law. No refusal to fulfill obligations or postponement of the fulfillment shall be allowed for the reason that the other party failed to properly fulfill its obligations on a different agreement.

8. When accepting the fulfillment of the business obligation, the eligible party shall issue a written certificate by the obliged party's request on the fulfillment of the obligation fully or partially.

Article 194. Fulfillment of the Business Obligation by a Third Party

1. A third party, which is not a party to the obligation, may be assigned to fulfill the business obligation fully or partially. The eligible party shall accept the fulfillment proposed by the third party/immediate executor, unless law, business agreement or the nature of the obligation imply the party's duty to fulfill the obligation personally.

2. Improper fulfillment of an obligation by a third party shall not release the parties from the duty to fulfill obligations in kind, except for the cases envisaged by Clause 3 of Article 193 of this Code.

Article 195. Transfer (Delegation) of Rights in Business Obligations

1. Unless otherwise envisaged by law, the eligible business entity may delegate its rights to receive property from a third party, according to law, charter or agreement, to the other party by the consent of the latter, in order to resolve certain issues pertinent to property management, or delegate its rights to exercise business and managerial powers. The transfer (delegation) of such rights may be limited to a certain period.

2. The act of the transfer of rights shall be valid starting on the day of receipt of the notification thereon by the obliged party; and the deed of delegation of business and managerial powers to another entity - starting on the day of the deed's official publishing.

3. The transfer (delegation) of the rights entails the obligation of the entity receiving additional powers as a result of such transfer (delegation) to deal with the relevant area of economic issues and be responsible for the consequences of the decisions made thereby.

Article 196. Fulfillment of Business Obligations with Several Eligible or Several Obligated Parties

1. If several eligible or several obliged parties participate in a business obligation, each of the eligible entities shall have the right to claim fulfillment and each of the obligated entities shall fulfill the obligation proportionally to the share of each entity determined by the obligation.

2. If this is envisaged by legislation or the agreement, obligations shall be fulfilled jointly. In case of joint fulfillment of business obligations, the relevant provisions of the Civil Code of Ukraine shall be applied, unless otherwise envisaged by law.

Article 197. Place of Fulfillment of Business Obligations

1. Business obligations shall be fulfilled at the place specified in the law, business agreement, or implied in the obligation.

2. if the place of fulfillment is not specified, the obligation shall be fulfilled:

in case of obligation to transfer the rights to buildings or land parcels, or other immovable property - at the location of a building or a land parcel, or other immovable property;

in case of monetary obligations - at the location of the eligible party at the moment when the obligation arose, or at its new location provided that the eligible party informed the obliged party of this location on time;

in case of other obligations - at the location of a permanently functioning managerial body (place of residence) of the obliged party, unless otherwise envisaged by law.

3. in case of the eligible party's absence, evasion from acceptance of the fulfillment or other delay of the fulfillment, the obliged party in case of a monetary obligation shall have the right to deposit the payments at the notary office, which shall inform the eligible party thereof.

The deposit of money (securities) at the notary office shall be deemed as fulfillment of the obligation.

Article 198. Fulfillment of Monetary Obligations

1. Payments on monetary obligations arising in economic relations shall be made cashless or in cash through the banks, unless otherwise established by law.

2. Monetary obligations of the participants of economic relations shall be presented and paid in Ukrainian hryvnias. Monetary obligations may be presented in foreign currencies only in cases if business entities have the right to make payments in foreign currencies according to legislation. Obligations presented in foreign currencies shall be fulfilled in accordance with law.

3. Interest on monetary obligations of the participants of economic relations shall be charged in cases and in the amounts established by law or agreements.

Article 199. Ensuring Fulfillment of Business Obligations

1. Fulfillment of business obligations shall be ensured through protection of the rights and responsibilities of the participants of economic relations, as envisaged by this Code and other laws. By consent of the parties, the guarantees can be applied which are common in business environment, envisaged by law or do not contradict the law.

The relevant provisions of the Civil Code of Ukraine shall be applied to ensure the fulfillment of obligations by the participants of economic relations.

2. Obligations of the business entities representing the state sector of the economy may be provided with state guarantees in cases and in accordance with the procedure envisaged by law.

Article 200. Banking Guarantee for the Fulfillment of Business Obligations

1. A guarantee is a specific way to ensure fulfillment of business obligations through written confirmation (letter of guarantee) by a bank, or other credit institution, or insurance organization (a bank guarantee) with regard to satisfaction of the claims of the eligible party in the full amount specified in the written confirmation, if the third party (obliged party) fails to fulfill the obligation, or in case of other conditions specified in the written confirmation.

2. Obligations with a bank guarantee shall be fulfilled only by a written request of the eligible party.

3. A guarantor shall have the right to present only those claims to the eligible party, which are accepted in accordance with the letter of guarantee. The obliged party shall not have the right to object the guarantor's claims in the way it could be possible with regard to the eligible party, if the agreement with the guarantor does not contain the guarantor's obligation to include a proviso in a letter of guarantee with regard to such objections.

4. The relevant provisions of the Civil Code of Ukraine shall apply to the banking guarantee relations, which are not regulated by this Code.

Article 201. General (Public) Guarantees of Obligations

1. In order to neutralize unfavorable consequences of economic crime, the law may envisage obligation by commercial banks, insurers, joint-stock companies and other business entities working with securities of natural persons and legal entities to contribute a part of their funds to create a single insurance fund of public guarantee.

Article 202. General Conditions for Termination of Business Obligations

1. A business obligation is terminated as a result of its proper fulfillment, setoff of a matching counterclaim or insurance commitment; if the eligible and the obliged party is the

same entity; by consent of the parties; if it is impossible to fulfill an obligation; or in other cases envisaged by this Code or other laws.

2. A business obligation shall be terminated also in case of its breach or recognizing null and void according to the court decision.

3. The relevant provisions of the Civil Code of Ukraine shall apply to the relations implying termination of business obligations, taking into account the specifics envisaged by this Code.

Article 203. Termination of a Business Obligation as a Result of Its Fulfillment or Setoff

1. A business obligation, which is fulfilled fully and properly, shall be terminated if the fulfillment is accepted by the eligible party.

2. If the obliged party had the right to choose and properly fulfilled one of the two or more obligations (alternative obligation), the business obligation shall be terminated as a result of its fulfillment.

3. A business obligation shall be terminated as a result of setoff of a due matching counterclaim, or a counterclaim with no term specified, or if the term is defined as the term of reclamation. One party's application shall be sufficient for the setoff.

4. A business obligation may be terminated as a result of the setoff of an insurance commitment, unless otherwise implied by law or the contents of the main obligation or insurance commitment.

5. Obligations requiring application of the limitation of action according to the other party's application - if this period of limitation is over - shall not be set off, similarly to other cases envisaged by law.

Article 204. Termination of a Business Obligation by Consent of the Parties or if the Parties are One Entity

1. A business obligation may be terminated by consent of the parties, particularly, by replacement of one obligation with another, if such replacement does not contradict the mandatory deed according to which the previous obligation arose.

2. A business obligation shall be terminated if the eligible and the obliged party are combined as one entity. The obligation shall arise again when this combination ceases to exist.

Article 205. Termination of a Business Obligation if Its Fulfillment is Impossible

1. A business obligation shall be terminated if its fulfillment is impossible due to the circumstances not dependent upon either of the parties, unless otherwise envisaged by law.

2. If an obligation cannot be fulfilled fully or partially, the obliged party shall immediately notify the eligible party to avoid unfavorable property-related or other consequences, and the latter party shall take necessary measures to reduce the said consequences. This notification shall not release the obliged party from responsibility for the failure to fulfill the obligation in accordance with law.

3. A business obligation shall be terminated as a result of impossibility of its fulfillment in case of liquidation of the business entity, unless legal succession is allowed with regard to this obligation.

4. If a business entity cannot satisfy the creditors' claims due to insufficiency of its property, the court may declare this entity bankrupt. Terms, procedures and consequences of declaring business entities bankrupt are established by this Code and other laws. Liquidation of a bankrupt business entity shall be the ground for termination of obligations where this entity is a participant.

Article 206. Breach of Business Obligations

1. A business obligation may be broken by the parties in accordance with the rules established by Article 188 of this Code.

2. A state contract shall be broken in case of a change or cancellation of a state procurement order, which envisages termination of the contract at the moment the parties became aware thereof. The consequences of the breach of the state contract shall be determined in accordance with law.

Article 207. Invalidity of a Business Obligation

1. A business obligation, which is not in conformity with the law, or which has a goal that wittingly contradicts the interests of the state and society, or if the obligation was formalized with a violation of the competence requirements by at least one party (special legal personality), may be recognized null and void fully or partially by request of either of the parties.

2. A void condition of a business obligation can be nullified, if this condition itself or in combination with other conditions of the obligation violates the rights and lawful interests of the other party or the third parties. Particularly, the conditions of model agreements and adhesion agreements are considered to be void if they:

exclude or restrict responsibility of the product manufacturer, contractor of works/services or totally release the obliged party from certain obligations;

allow unilateral refusal of the performer from the obligation or a unilateral change of the conditions by the performer;

require the customer receiving the goods/services to pay a non-proportionally large amount of penalties in case of refusal from the agreement without establishing similar sanctions for the contractor.

3. Fulfillment of a business obligation, which is recognized by court null and void fully or partially shall be terminated on the day when the court decision comes into force. The obligation shall be considered invalid from the moment it arose. If according to its content, the obligation may be terminated only prospectively, this obligation shall be recognized invalid and terminated or the future.

Article 208. Consequences of Nullification of a Business Obligation

1. If a business obligation is recognized null and void as having an intent that wittingly contradicts the interests of the state and society, and if both parties had such an intent and if both parties fulfilled the obligation - everything gained as a result of the fulfillment of the obligation shall be collected by the state according to the court decision; if one party fulfilled the obligation, everything gained as a result of the fulfillment of the obligation shall be collected by the state, and the other party receives everything that the former party owes to the latter as compensation. If only one party had the said intent, everything gained shall be returned to the other party, and everything received by this other party or owed to it as compensation shall be collected by the state according to the court decision.

2. If an obligation is recognized null and void for other reasons, each of the parties shall return to the other party everything gained as a result of the obligation. If it is impossible to return the gain in kind, the parties shall compensate its value in money, unless the law envisages other consequences of nullification.

Chapter 23. RECOGNIZING BUSINESS ENTITIES BANKRUPT

Article 209. Insolvency of a Business Entity

1. If a business entity is not able to fulfill its monetary obligations in due time with regard to other parties, a territorial community or the state, in any way other than through restoration of

its solvency, this entity (the Debtor) shall be recognized insolvent in accordance with Clause 4 of Article 205 of this Code.

2. A debtor's incapability to restore its solvency and satisfy the creditors' claims in any way other than through application of the liquidation procedure by court shall be deemed as bankruptcy.

3. Subject to bankruptcy (further referred to as the Bankrupt) may be only a business entity. Government-owned enterprises or separated units of business entities cannot be recognized bankrupt.

4. With regard to state-owned commercial enterprises, the law envisages additional requirements and guarantees of the Ukrainian people's ownership rights.

Article 210. Creditors of Insolvent Debtors

1. Creditors of insolvent debtors are entities specified in Clause 1 of Article 209 of this Code having legislatively confirmed claims to the debtor on monetary obligations, including the creditors whose claims are fully or partially guaranteed by a pledge. Authorities in charge of collection of taxes (mandatory payments) determined by law shall have the rights similar to those of creditors.

2. If two or more creditors have claims to one debtor simultaneously, they form a creditors' assembly (creditors' committee) in accordance with law.

Article 211. Actions to Prevent Bankruptcy of Business Entities

1. Founders (participants) of a business entity, property owners, state authorities and local governments having economic competence shall take timely actions their competence in order to prevent bankruptcy of the business entity.

2. When taking actions to prevent bankruptcy, the property owners of a state-owned (communally-owned) or private enterprise, founders (participants) of a business entity/ insolvent debtor, creditors or other persons may provide the said entity with financial support in the amount sufficient to satisfy the creditors' claims, including payment of taxes and duties (mandatory payments) and restoring its solvency (pre-court reorganization).

3. Financial support of a debtor envisages undertaking the relevant obligations before the persons providing such support in accordance with the procedure established by law.

4. The pre-court reorganization of state-owned enterprises shall be exercised at the budget cost in the amount determined by the Law on the State Budget of Ukraine. Conditions of the pre-court reorganization of state-owned enterprises at the cost of other funding sources shall be coordinated with the authority having economic competence with regard to the debtor in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

Article 212. Procedures Applied to Insolvent Debtors

1. In the cases envisaged by law, the following procedures shall be applied to insolvent debtors:

disposal of the debtor's property;

amicable agreement;

reorganization (restoration of solvency) of a debtor; and

liquidation of a bankrupt.

2. Debtor reorganization or liquidation of a bankrupt shall be exercised in accordance with antimonopoly and competition legislation.

3. Starting on the day when the decision is made to initiate the bankruptcy procedure, reorganization of the debtor legal entity by its owner (authorized body) and transfer of the

debtor's property to the authorized capital stock shall be allowed only in cases and in accordance with the procedure envisaged by law.

Article 213. Property Assets of an Insolvent Debtor

1. In order to regulate the debts of the insolvent debtor, the procedures specified in Article 212 of this Code, the property assets belonging to the debtor on the basis of the tangible property rights, right in personam, and intellectual ownership rights shall be used.

2. The bankruptcy estate shall include property assets of the persons liable for the obligations of the insolvent debtor in accordance with law or the debtor's constituent documents.

Article 214. State Bankruptcy Policy

1. The state policy with regard to the bankruptcy prevention, guarantee of the procedures for restoration of solvency, or bankruptcy of state-owned enterprises with the share of state ownership that exceeds 25% in the authorized capital stock, as well as the entities with other forms of ownership in cases envisaged by law, shall be exercised by a state authority in charge of bankruptcy issues.

2. The state authority in charge of bankruptcy issues shall facilitate creation of organizational, economic and other conditions necessary for implementation of the procedures for restoration of solvency of business entities/debtors or declaring them bankrupt. The competence of the state authority in charge of bankruptcy issues shall be established by law.

3. Procedures applied to insolvent debtors, as envisaged by this Code, shall not apply to the government-owned enterprises. With regard to the state-owned enterprises which are not subject to privatization in accordance with law, the said procedures shall be applied only with regard to reorganization or liquidation only after such enterprises are included in the list of facilities that are not to be privatized in accordance with the established procedure.

4. In cases envisaged by law, bankruptcy procedures shall not apply to communal enterprises.

5. With regard to some categories of business entities, the law may establish specific regulations on the bankruptcy relations.

6. The bankruptcy relations where foreign creditors are participants shall be regulated by legislation of Ukraine taking into account the relevant provisions of international agreements recognized by the Verkhovna Rada of Ukraine as mandatory.

Article 215. Responsibility for Violation of Bankruptcy Legislation

1. In cases envisaged by law, a business entity/debtor, its founders (participants), property owner and other persons shall have legal responsibility for violation of bankruptcy legislation, such as fictitious bankruptcy, concealed bankruptcy or intentional actions aimed at bankruptcy.

2. Fictitious bankruptcy is a knowingly false application by a business entity to court stating incapability to fulfill obligations to the creditors and the state. Having verified the fact of fictitious bankruptcy, that is, actual solvency of the debtor, the court shall reject the debtor's application for bankruptcy and apply the sanctions envisaged by law.

3. Intentional bankruptcy is the stable insolvency of a business entity caused by purposeful actions by the property owner or the officer of a business entity, if this caused material damages to the interests of the state, society or the creditors, which are protected by law.

4. Concealed bankruptcy, fictitious bankruptcy or intentional bankruptcy, as well as illegal actions as part of insolvency procedures related to disposal of the debtor's property that caused

material damages to the interests of creditors and the state, shall entail criminal responsibility in accordance with law.

Section V. RESPONSIBILITY FOR VIOLATIONS IN THE AREA OF ECONOMIC ACTIVITIES

Chapter 24. GENERAL PRINCIPLES OF RESPONSIBILITY OF THE PARTICIPANTS OF ECONOMIC RELATIONS

Article 216. Economic and Legal Responsibility of the Participants of Economic Relations

1. Participants of economic relations shall have economic and legal responsibility for the violations in the area of economic activities through application of economic sanctions on the basis of and in accordance with the procedures envisaged by this Code, other laws and agreements.

2. Application of economic sanctions shall guarantee the protection of rights and lawful interests of citizens, organizations and the state, including compensation of losses incurred by the participants of economic relations as a result of violations, and ensure legal order in the area of economic activities.

3. Economic and legal responsibility is based upon the principles according to which:

the aggrieved party has the right to claim compensation for the losses irrespective of whether the agreement contains a relevant proviso; responsibility of a manufacturer (vendor) for poor quality products, as envisaged by legislation, shall be applied irrespective of whether the agreement contains a relevant proviso;

payment on punitive measures for the violation of obligations, as well as compensation of losses shall not release the violator without the consent of the other party from the requirement to fulfill the obligations in kind;

in a business agreement, no provisos shall be allowed with regard to exclusion or restriction of manufacturer's (vendor's) responsibility.

Article 217. Economic Sanctions as a Legal Responsibility Tool in the Area of Economic Activities

1. Economic sanctions are measures of influence on the violator in the area of economic activities, which result in unfavorable economic and/or legal consequences for the violator.

2. The following sanctions are applied in the area of economic activities: compensation of losses; punitive measures; and operational economic sanctions.

3. In addition to the sanctions specified in Clause 2 of this Article, administrative economic sanctions are applied to business entities for violation of the rules of economic activities.

4. Economic sanctions shall apply in accordance with the procedure established by law by initiative of the participants of economic relations, whereas the administrative economic sanctions - by the authorized bodies of state power or the local governments.

Article 218. Grounds for Economic and Legal Responsibility

1. The ground for economic and legal responsibility of a participant of economic relations shall be violation committed in the area of economic activities.

2. A participant of economic relations shall be held responsible for the failure to fulfill or improper fulfillment of a business obligation, or for the violation of the rules of economic

activities, unless this entity proves that it took all the possible measures to prevent the economic violation. Unless otherwise envisaged by law or agreement, a business entity shall have economic legal responsibility for the violation, unless this entity proves that the proper fulfillment of the obligation was impossible as a result of force majeure factors under current circumstances of the economic activities. Particularly, such circumstances shall not include violation of obligations by the violator's counteragents, absence of the necessary products on the market, and absence of the necessary funds at the debtor's disposal.

Article 219. Limits of Economic and Legal Responsibility. Amount Reduction and Release from Responsibility

1. For the failure to fulfill or improper fulfillment of business obligations, or for violation of the rules of economic activities, the violator shall be held responsible by the amount of property owned by the violator or under its economic supervision or operational management, unless otherwise envisaged by this Code or other laws.

2. Founders of the business entity shall not be held responsible for the obligations of this entity, except for the cases envisaged by law or constituent documents of this entity.

3. If the violation was accompanied by illegal actions (passivity) of the other party, the court shall have the right to reduce the liability or release the defendant from responsibility.

4. The parties to an obligation may specify certain circumstances, which due to their extraordinary nature can be the grounds to release them from economic responsibility if the obligation is violated because of the said circumstances. The parties may also establish the procedure for verification of the fact of such circumstances.

Article 220. Debtor's Delinquency

1. If a business obligation is overdue, the debtor shall be held liable for the creditor's losses resulting from the delinquency and the impossibility to fulfill the obligation accidentally caused by the delinquency.

2. If the creditor is no longer interested in the debtor's fulfillment of the obligation as a result of the delinquency, the creditor shall have the right to refuse from the fulfillment and claim compensation of losses.

3. A debtor is not deemed to be delinquent as long as the obligation can be fulfilled as a result of the creditor's delinquency.

Article 221. Creditor's Delinquency

1. It shall be deemed that a creditor's fulfillment of a business obligation is overdue if the creditor refused to accept the proper fulfillment offered by the debtor, or failed to take actions envisaged by law, other legal acts, or implied by the obligation, without which the debtor could not fulfill the obligation to the creditor.

2. The creditor's delinquency gives a debtor the right to compensation of losses caused by the delinquency, unless the creditor proves that the delinquency was not intentional or did not result from the negligence on behalf of the creditor or other persons in charge of the fulfillment in accordance with law or the creditor's assignment. Upon termination of the creditor's delinquency, the debtor shall be held responsible on general grounds.

3. If a creditor fails to take the actions specified in Clause 1 of this Article, the fulfillment may be postponed by consent of the parties for the period equal to the creditor's delay.

Article 222. Pre-Court Procedure of Economic and Legal Responsibility

1. The participants of economic relations that violated the property rights or lawful interests of other business entities shall restore these rights and interests without waiting for the claims or lawsuits.

2. If it is necessary to compensate the losses or apply other sanctions, the business entity/ participant of economic relations whose rights or lawful interests were violated shall have the right to present a written claim in order to resolve the dispute directly with the violator, unless otherwise established by law.

3. The claim shall contain:

full names and mailing addresses of the claimant and the respondent(s);

date and number of the claim;

circumstances that caused the claim;

evidences proving the said circumstances;

claimant's demands with references to regulatory acts;

claimed amount and its calculation if the claim has money value;

claimant's bank account data; and

list of documents attached to the claim.

4. The documents confirming the claimant's demands shall be attached either in the original or in the properly certified copies. The documents possessed by the other parties are not necessarily attached to the claim.

5. The claim shall be signed by the claimant's authorized person or representative and sent as a registered letter or delivered against receipt.

6. A claim shall be considered during the period of one month upon receipt, unless otherwise established by this Code of other legislative acts. The respondent shall satisfy the justified demands of the claimant.

7. When considering the claim, If necessary, the parties shall verify the calculations, conduct expert examination or take other actions aimed at the pre-court dispute regulation.

8. The respondent shall send a written notification to the claimant on the results of the claim consideration. The response to the claim shall be signed by the respondent's authorized person or representative and sent to the claimant as a registered letter or delivered against receipt.

9. If the claim is not responded to or if the established terms of claim consideration are elapsed, the court shall fine the violator in the amount established by law.

Article 223. Terms of Economic and Legal Responsibility

1. When the violator is held responsible for the violation in the area of economic activities in a court procedure, either the regular or the reduced period of limitation of action envisaged by the Civil Code of Ukraine shall be applied, unless otherwise established by this Code.

2. The terms for application of administrative economic sanctions to business entities shall be established by this Code.

Chapter 25. COMPENSATION OF LOSSES IN THE AREA OF ECONOMIC ACTIVITIES

Article 224. Compensation of Losses

1. A participant of economic relations that violated the business obligation or the established requirements of economic activities shall compensate the losses of the aggrieved entity whose rights or lawful interests were violated.

2. Losses shall denote expenses incurred by the eligible party, loss or damage of property, or the income that the eligible party would have received in case of proper fulfillment of the obligation or compliance with the rules of economic activities by the other party.

Article 225. Composition and Amount of Compensation

1. The losses to be compensated by the violator shall include:

the value of the lost, damaged or destroyed property determined in accordance with legislation;

additional expenses (penalties paid to other entities, cost of additional works, additionally spent materials, etc.) incurred by the party that suffered losses as a result of violation of the obligation by the other party;

income (lost benefit) that the aggrieved party had the right to expect in case of proper fulfillment of the obligation by the other party; and

money compensation of moral damages in cases envisaged by law.

2. With regard to particular business obligations, the law may establish limited responsibility for the failure to fulfill or improper fulfillment of the obligation.

3. For estimation of losses, prices effective at the place of fulfillment of the obligation shall be used as of the day when the debtor voluntarily satisfied the aggrieved party's claims, unless otherwise established by law or agreement; if the claim was not satisfied voluntarily, the prices shall be used as of the day when the relevant claim for compensation of losses was presented to court.

4. Under specific circumstances, the court may satisfy the claim for compensation of losses, taking into account the prices as of the day when the court decision was made.

5. The parties to a business obligation shall have the right to establish in advance the agreed upon amount of losses to be compensated as a fixed amount or an interest rate depending upon the share of unfulfilled obligation or the terms of delinquency. No agreements by the parties on limitation of their responsibility shall be allowed if the limits of responsibility for the given type of obligations are determined by law.

6. The Cabinet of Ministers of Ukraine may approve the methods for estimation of the amount of losses to be compensated in the area of economic activities.

7. The composition of losses to be compensated in the area of economic activities shall be determined by the relevant business entities/ economic organizations taking into account the specifics of their activities.

Article 226. Conditions and Procedures for the Compensation of Losses

1. A participant of economic relations that committed economic violation, shall take necessary measures to prevent or minimize the losses of other participants of economic relations; if other entities suffered losses - to compensate these losses to the full extent voluntarily, unless otherwise envisaged by law or agreement of the parties.

2. A party that violated its obligation or knows that the obligation will be violated at the time of its fulfillment, shall inform the other party thereof. Otherwise, this party shall be divested of the right to refer to the fact that the other party failed to take measures to prevent losses, and claim the relevant reduction of the amount of losses.

3. A party to the business obligation shall be divested of the right to compensation of losses if it was promptly informed by the other party of the possible default and could prevent the losses by taking relevant actions but failed to do so, except for the cases when the law or agreement envisage otherwise.

4. Losses resulting from the lawful refusal of an obliged party to continue fulfillment of the obligation shall not be subject to compensation.

5. If an obligation to convey an individual item (items having generic features) is not fulfilled, the eligible party shall have the right to claim this item(s) to be collected from the obliged party or compensation of losses thereby.

6. If an obligation to perform certain work/service is not fulfilled, the eligible party shall have the right to perform this work by itself or assign third parties to perform this work/service, unless otherwise envisaged by law or obligation, and claim compensation of losses resulting from the default on the obligation.

7. Compensation of losses resulting from improper fulfillment of the obligation shall not release the obliged party from the requirement to fulfill the obligation in kind, except for the cases specified in Clause 3 of Article 193 of this Code.

Article 227. Joint Compensation of Losses

1. If losses were caused by several participants of economic relations simultaneously, each of them shall compensate losses of the aggrieved entity in accordance with Article 196 of this Code.

Article 228. Recourse Claims for Compensation of Losses

1. A participant of economic relations that compensated the losses shall have the right to collect the compensation of losses from the third parties in accordance with the recourse procedure. If appropriate, the state-owned (communal) enterprises shall take measures aimed at collection of losses from other business entities in accordance with the recourse procedure, or from the guilty enterprise employees in accordance with the requirements of labor legislation.

Article 229. Compensation of Losses as a Result of Violation of Monetary Obligations

1. In case of violation of a monetary obligation, the participant of economic relations that violated this obligation shall not be released from responsibility because of the impossibility to fulfill the obligation, and shall compensate the losses resulting from this failure to fulfill the obligation, and pay the penalty in accordance with the requirements established by this Code and other laws.

2. The amount of losses shall be estimated in the currency that was used or had to be used for the payments between the parties, unless otherwise established by law.

3. If a creditor presents a claim for compensation of losses in a foreign currency, the equivalent of this amount in Ukrainian hryvnias shall be indicated according to the official exchange rate of the National Bank of Ukraine as of the day of claim.

Chapter 26. PENALTIES AND OPERATIONAL ECONOMIC SANCTIONS

Article 230. Penalties

1. For the purposes of this Code, the penalties shall be economic sanctions in the form of monetary sums (fine, penalty interest) paid by the participants of economic relations for the violation of the rules of economic activities, default or improper fulfillment of a business obligation.

2. Entities having the right to application of the penalties shall be the participants of economic relations specified in Article 2 of this Code.

Article 231. Penalty Rate

1. With regard to particular types of obligations, the law may establish the penalty rates that cannot be changed by agreement of the parties.

2. If a business obligation is violated where at least one party is a business entity belonging to the public sector of the economy, or if the violation is related to fulfillment of a state contract, or if the fulfillment is funded by the State Budget of Ukraine or a state loan, the penalty shall be applied in the following amount, unless otherwise envisaged by law or agreement:

for the violation of the obligation with regard to the quality (completeness) of goods (works/services), the fine shall be equal to twenty per cent of the cost of poor quality (incomplete) goods (works/services); and

for the violation of the terms of fulfillment of obligations, the penalty interest shall be equal to 0.1 per cent of the cost of goods (works/services) for each day of the delay; for the delay of more than thirty days, additional fine shall be equal to seven per cent of the said cost.

3. The law may establish the penalty rate also for other violations of specific types of business obligations, specified in Clause 2 of this Article.

4. If the penalty rate is not established by law, the sanctions shall be applied in the amount envisaged by the agreement. In this case, the penalty rate may be established by the agreement as a percentage of the unfulfilled part of the obligation or as a certain fixed amount irrespective of the extent of fulfillment, or as an amount aliquot of the cost of goods (works/services).

5. If the parties fail to arrive at the agreement with regard to the establishment of the penalty rate for the violation of obligations, the dispute may be resolved by court upon application by the interested party in accordance with this Code.

6. The penalty for violation of monetary obligations shall be established as a percentage set according to the discount rate of the National Bank of Ukraine for the entire period of use of other's money, unless otherwise envisaged by law or agreement.

7. The penalty rate applied in the internal economic relations for the violation of obligations shall be determined by the relevant business entity/ economic organization.

Article 232. Procedures for Application of Penalties

1. If penalties are established for the failure to fulfill or improper fulfillment of an obligation, the losses shall be compensated in the part that is not covered by the said sanctions.

2. The law or agreements may envisage the cases when:

only penalties are allowed;

compensation of losses may be collected in the full amount in addition to punitive measures;

at the creditor's choice, either compensation for losses or penalty may be collected.

3. A claim for penalty for economic violations may be presented by a participant of economic relations whose rights or lawful interests are violated, or an authorized body having economic competence in cases envisaged by law.

4. Interest for illegal use of other's money shall be collected until the day when the principal amount is repaid to the creditor, unless otherwise established by law or agreement.

5. A debtor on a monetary obligation shall not pay interest for the time of the creditor's delinquency.

6. Unless otherwise established by law or agreement, calculation of penalties for the overdue fulfillment of obligations shall be terminated six months after the day when the obligation was due.

7. In cases envisaged by law, penalty for the violation of economic obligations shall be collected by court to the state.

Article 233. Reduction of Penalty Rate

1. If the penalty due is too high compared to the creditor's losses, the court shall have the right to reduce the penalty rate. In this case, the following shall be taken into account: the extent of fulfillment of the obligation by the debtor; property status of the parties to the obligation; other than property-related considerable interests of the parties.

2. If the violation of the obligation did not cause losses for other participants of economic relations, the court may reduce the penalty rate taking into account the debtor's interests.

Article 234. Debtor's Requirement to Fulfill Obligations in Kind after Payment of Penalties

1. Payment of penalties for the failure to fulfill or improper fulfillment of an economic obligation shall not release the debtor from the requirement to fulfill the obligation in kind, except for the cases envisaged by Clause 3 of Article 193 of this Code.

Article 235. Operational Economic Sanctions

1. For the violation of business obligations, operational economic sanctions may be applied to the business entities and other participants of economic relations. Operational economic sanctions are operational measures implying influence on the violator in order to stop or prevent repeated violations of obligations taken by the parties of the obligation unilaterally.

2. Only the operational economic sanctions envisaged by the agreement may be applied to the entity violating the business obligation.

3. Operational economic sanctions shall be applied irrespective of the violator's guilt.

Article 236. Types of Operational Economic Sanctions

1. The following types of operational economic sanctions can be applied in business agreements:

1) unilateral refusal from fulfillment of an obligation by the eligible party, with the release of the latter from responsibility therefor - in case of violation of the obligation by the other party;

refusal to pay for the obligation fulfilled improperly or prematurely by the debtor without the consent of the other party;

deferral of shipment of products or performance of works as a result of the overdue bill of credit by the payer, termination of issuance of bank loans, etc.;

2) refusal of the eligible party from further fulfillment of the obligation violated by the other party, unilateral return (dishonored write-off) of the payment made for poor quality products, etc.;

3) unilateral establishment of additional guarantees for proper future fulfillment of obligations by the party that violated the obligation: change of the procedure for payment for the products (works/services), establishment of advanced payments for the products (works/services) or payment after quality checkup, etc.;

4) refusal from future establishment of business relations with the party that violates its obligations.

2. The list of operational economic sanctions established in Clause 1 of this Article is not exhaustive. The parties may envisage other operational economic sanctions in the agreement.

Article 237. Grounds and Procedures for Application of Operational Economic Sanctions

1. A ground for application of operational economic sanctions shall be the fact of violation of a business obligation by the other party. Operational economic sanctions shall be applied by the aggrieved party in accordance with the extra-judicial procedure and without the preliminary presentation of claims to the violator.

2. The procedure for application of particular operational economic sanctions by the parties shall be determined by the agreement. In case of disagreement with the application of an operational economic sanction, the interested party may apply to court demanding cancellation of the sanction and compensation of losses resulting from application thereof.

3. Operational economic sanctions may be applied simultaneously with compensation of losses and collection of penalties.

Chapter 27. ADMINISTRATIVE ECONOMIC SANCTIONS

Article 238. Application of Administrative Economic Sanctions to Business Entities

1. For the violation of the rules of economic activities established by legislation, administrative economic sanctions may be applied to the business entities upon authorization by state authorities or local governments. Administrative economic sanctions are organizational or property-related legal measures aimed at termination of the violations and liquidation of the consequences thereof.

2. Types of administrative economic sanctions, conditions and procedures of their application shall be determined by this Code and other legislative acts. Administrative economic sanctions may be established exclusively by laws.

Article 239. Types of Administrative Economic Sanctions

1. According to their competence and the procedures established by law, state authorities and local governments may apply the following administrative economic sanctions to the business entities:

withdrawal of income (profit);

administrative fine;

collection of duties (mandatory payments);

stoppage of transactions on the accounts of business entities;

antidumping measures;

stoppage of export/import transactions;

application of individual licensing regime;

suspension of licenses (patents) for certain economic activities;

cancellation of licenses (patents) for certain economic activities;

restriction or termination of activities by a business entity;

cancellation of state registration and liquidation of a business entity; and

other administrative economic sanctions established by this Code and other laws.

Article 240. Non-repayable Withdrawal of Income (Profit)

1. Income (profit) received by a business entity as a result of violation of the rules of economic activities established by legislation, as well as the amount of concealed (understated) income (profit) or the tax unpaid for the concealed taxation object shall be collected to the relevant budget in accordance with the procedure established by law.

Besides, in the cases and in accordance with the procedures established by law, fine shall be applied in the amount not exceeding the doubled amount withdrawn, and for the repeated violation during one year - the withdrawn amount multiplied by three.

2. The list of violations entailing application of sanctions envisaged by this Article, as well as the procedure for their application shall be determined by laws.

Article 241. Fines as Administrative Economic Sanctions

1. Administrative economic fine is a sum of money paid by a business entity to a relevant budget in case of violation of the rules of economic activities.

2. The list of violations entailing application of the fine, its rate and the collection procedure shall be determined by the laws that regulate taxation and other relations violated.

3. Administrative economic fine may be applied in the cases established by law simultaneously with other administrative economic sanctions envisaged by Article 239 of this Code.

Article 242. Collection of Duties (Mandatory Payments)

1. If a business entity violates the established rules of accounting and reporting with regard to payment of duties (mandatory payments), their non-payment or underpayment, the amount due shall be collected to the relevant budget. In addition, in the cases established by law, fine may be applied to the business entity in the amount of 50% of the amount due (mandatory payment).

Article 243. Stoppage of Transactions on the Accounts of Business Entities

1. If managerial bodies or officers of a business entity refuse from a documentary inspection or access of tax officers to examine the premises used for economic activities, fail to submit the reports, calculations, declarations or other documents established by law and dealing with calculation and payment of taxes and duties (mandatory payments) to the taxation or other authorities or officers thereof, the transactions on bank accounts of this entity shall be stopped.

2. Procedures and terms of the stoppage of transactions on bank accounts of business entities shall be established by law.

Article 244. Antidumping Measures

1. If some participants of economic relations are engaged in external economic activities giving them illegal advantages on the Ukrainian market (dumping import, subsidized import, or other actions defined by law as unfair competition), which caused damages to the economy of Ukraine or a threat of such damages, antidumping, compensation or other special measures can be taken with regard to such business entities.

2. The procedure for estimation of the damages (threat thereof) to the economy of Ukraine and the measures specified in this Article shall be established by the Cabinet of Ministers of Ukraine in accordance with law.

Article 245. Stoppage of Export/Import Transactions. Application of Individual Licensing Regimes

1. In cases of unfair competition, placement of foreign currency funds with violation of the procedure established by legislation on the accounts and deposits outside Ukraine, or in other cases if the actions by the participants of external economic activities cause damages to the economy of Ukraine, export/import transactions of such business entities shall be stopped in terms of and in accordance with the procedure envisaged by law.

2. For the violation of the rules of external economic activities by business entities with regard to antimonopoly measures, prohibition of unfair competition and other rules specified in Clause 1 of this Article that establish certain restrictions or prohibitions in the area of external economic activities, special licensing regime may be established for such entities. The procedures and terms of application of individual licensing regimes shall be established by law.

Article 246. Restriction and Termination of Activities of a Business Entity

1. Any economic activities that threaten the life and health of people or create increased danger for the environment shall be prohibited.

2. If in the economic activities there are violations of environmental requirements, these activities of a business entity may be restricted or terminated by the Cabinet of Ministers of Ukraine, or the Council of Ministers of the Autonomous Republic of Crimea, or other authorized bodies in accordance with the procedure established by law.

3. In addition to economic and administrative sanctions envisaged by this Code, special administrative/economic sanctions envisaged by the law on protection of consumer rights may be applied to the entities engaged in trading, public catering and services, which repeatedly sold poor quality goods or regularly violated the rules of trading and services, or the conditions of storage and transportation of goods established by legislation. Such additional sanctions shall include seizure of poor quality goods and termination of activities of the said entities in accordance with the procedure established by law.

4. In the cases and in accordance with the procedure established by law, state authorities in charge of consumer rights protection shall have the right to make decisions binding on the business entities on termination of manufacturing (performance of works/services), shipment and sale of goods that do not meet the requirements set by regulatory acts.

Article 247. Cancellation of the State Registration of Business Entities for Violation of Law

1. If a business entity is engaged in activities that contradict the law or constituent documents, an administrative sanction may be applied to such an entity by form of cancellation of its state registration and liquidation thereof.

2. Cancellation of state registration shall be exercised in accordance with a court decision, which is a ground for liquidation of a business entity in accordance with Article 59 of this Code.

Article 248. Procedure of Liquidation of a Business Entity for Violation of the Law

1. Liquidation of a business entity as a result of cancellation of its state registration shall be exercised in accordance with the procedure established by Articles 60 - 61 of this Code.

Article 249. Guarantees of the Rights of Business Entities in Case of Wrongful Application of Administrative Economic Sanctions

1. A business entity shall have the right to appeal the decision made by any state authority or local government with regard to application of administrative economic sanctions to this entity.

2. If a state authority or a local government issues an act that contradicts legislation and violates the rights or lawful interests of a business entity, the latter shall have the right to apply to court for nullification of the said act in accordance with Article 20 of this Code.

3. Losses suffered by a business entity as a result of a wrongful application of administrative economic sanctions thereto shall be compensated in accordance with the procedure established by this Code and other laws.

Article 250. Terms of Application of Administrative Economic Sanctions

1. Administrative economic sanctions may be applied to a business entity during a six-month period from the day when the violation was detected, but no later than one year after the day of violation of the rules of economic activities established by legislative acts, except for the cases envisaged by law.

Chapter 28. RESPONSIBILITY OF BUSINESS ENTITIES FOR VIOLATION OF ANTIMONOPOLY/COMPETITION LEGISLATION

Article 251. Imposition of Fines for Violation of Antimonopoly/Competition Legislation

1. The Antimonopoly Committee of Ukraine shall impose fines on business legal entities for:

actions specified in Articles 29, 30 and 32 of this Code, evasion from fulfillment, or untimely fulfillment of the decisions made by the Antimonopoly Committee of Ukraine or its territorial divisions with regard to termination of violations of antimonopoly/competition legislation, restoration of the primary status or modification of agreements that contradict antimonopoly/competition legislation;

creation, reorganization (merger, takeover), liquidation of business entities, joining an association by one or several business entities, purchase or acquisition of ownership in any other manner, management (use) of shares (stock) and assets (property) in the form of integral enterprises or their structural units, as well as the lease of integral enterprises or their structural units without the approval by the Antimonopoly Committee of Ukraine or its divisions in the cases when law envisages the necessity of such approval;

failure to submit or untimely submission of the information envisaged by law, or submission of the knowingly false information to the Antimonopoly Committee of Ukraine or its territorial divisions.

2. Other actions defined by this Code as unfair competition by legal persons other than business entities shall entail fines in the amounts envisaged by the law imposed by the Antimonopoly Committee of Ukraine or its territorial divisions.

Article 252. Administrative Responsibility of Individual Entrepreneurs and Officials

1. Officials of the state authorities, local governments, enterprises, institutions and organizations, as well as the citizens registered as individual entrepreneurs shall have administrative responsibility in accordance with law for:

actions envisaged by Articles 29 - 32 of this Code;

failure to submit or untimely submission of the information envisaged by law, or submission of knowingly false information to the Antimonopoly Committee of Ukraine or its territorial divisions;

evasion from fulfillment or untimely fulfillment of the decisions made by the Antimonopoly Committee of Ukraine or its territorial divisions.

2. Actions defined by this Code as unfair competition by individual entrepreneurs, or the said actions taken for the convenience of third parties by the citizens who are not entrepreneurs shall entail administrative responsibility envisaged by law.

3. Fines for the violation of antimonopoly/competition legislation shall be collected in accordance with the court procedure.

Article 253. Withdrawal of Illegally-Received Income (Profit)

1. Income (profit) illegally received by business entities as a result of violation of Articles 29, 30 and 32 of this Code shall be collected according to the court decision to the State Budget of Ukraine.

Article 254. Seizure of Goods with Illegally Used Brands and Copies of Other Business Entity's Products

1. In case of illegal use of the other's brands, advertising materials or packing, or copying of goods envisaged by Article 33 of this Code, the interested persons may apply to the Antimonopoly Committee of Ukraine or its territorial divisions for seizure of the goods with illegal use of brands or copies of the other business entity's products from both the manufacturer and the seller thereof in accordance with the court procedure.

2. Seizure of goods with illegal use of brands or copies of the other business entity's products shall be applied if the confusion with the activities of the other business entity cannot be eliminated otherwise.

3. The procedure for utilization of the seized goods shall be established by the Cabinet of Ministers of Ukraine.

Article 255. Compensation of Losses

1. Losses resulting from abuse of the monopoly position, anti-competitive coordinated actions, discrimination of business entities by state authorities and local governments, as well as the losses resulting from the actions defined in this Code as unfair competition, shall be compensated according to the claims by interested persons in accordance with the procedures established by law.

Article 256. Refutation of False, Inaccurate or Incomplete Information

1. In case of discrediting of a business entity, the Antimonopoly Committee of Ukraine or its territorial divisions shall have the right to make a decision on refutation of false, inaccurate or incomplete information at the cost of the violator that disseminated this information, in accordance with the terms and procedures established by legislation or the said decision.

Article 257. Procedural Principles of Consideration of Unfair Competition Cases by the Antimonopoly Committee of Ukraine and Its Territorial Divisions

1. Unfair competition cases shall be considered by the Antimonopoly Committee of Ukraine and its territorial divisions in accordance with the procedure established by law.

Section VI. SPECIFICS OF LEGAL REGULATION IN PARTICULAR AREAS OF ECONOMIC ACTIVITIES

Chapter 29. SECTORS AND TYPES OF ECONOMIC ACTIVITIES

Article 258. General Conditions Determining the Specifics of Regulation of Economic Activities

1. The specifics of legal regulation of economic activities shall be determined depending upon the area of economy where given relations are established, specifics of the economy sector, types of economic activities, economic form of the result of economic activities, whether these relations exist on the internal or external market, and the specifics of the entities engaged in these economic relations.

2. Legal regulation of economic relations shall be exercised taking into account the existing social division of labor and the existing sectors of the national economy.

3. Specifics of legal regulation of external economic relations shall be determined by the provisions of Section VII of this Code.

Article 259. Types of Economic Activities and Their Classification

1. An economic activity is a process resulting from combination of resources (equipment, technological devices, raw materials and labor force) aimed at production of certain goods or provision of services. A particular type of economic activities may consist of either one simple process or a series of processes each being an item of the relevant classification category.

2. For the purposes of regulation of economic activities and the state regulation of the national economy, the specifics of performance of particular types of economic activities shall be taken into account.

3. To classify a business entity as belonging to a certain category, the primary, secondary and subsidiary types of economic activities shall be determined.

4. To provide the state regulation system with accounting and statistic information, which satisfies the needs of the participants of economic relations to have unbiased data as to the situation and trends of socioeconomic development, economic and financial interrelations on international, regional and sector levels, to introduce international standards in the area of accounting and reporting and to transit to the international system of accounting and statistics, the Cabinet of Ministers of Ukraine shall approve the activities aimed at the development of the national statistics of Ukraine and the state system of classification of technical, economic and social information.

5. An element of the state system of classification and coding of technical, economic and social information is the classification of the types of economic activities (CTEA) approved by the central executive authority in charge of standardization and having the status of a state standard.

6. All types of business (economic) activities shall be subject to CTEA classification.

Article 260. Sectors of the National Economy and Their Classification

1. A sector is an aggregate of all productive units engaged in principally identical or similar productive activities.

2. The general classification of sectors of the national economy is an element of the unified system of classification and coding of technical, economic and statistic information used by business entities and other participants of economic relations, state authorities and local governments in the process of regulation of the economic activities.

3. The requirements to the classification of sectors of the national economy shall be established by law.

Article 261. Sectors of Material Production

1. The sphere of material production includes the sectors incorporating the types of activities on creating, restoring or finding material values (products, energy, natural resources), and continuing production in the area of turnover (sale) by transporting, storing, sorting or packing products or other types of activities.

2. All other types of activities in their aggregate shall comprise the sphere of non-material production (non-productive sphere).

Article 262. Goods for Manufacturing and Technical Purposes and Consumer Goods

1. In the sectors of material production, material goods are produced either for the use in the manufacturing sphere as manufacturing goods (products for manufacturing and technical purposes), or to be used for personal consumption (consumer goods).

2. If the goods may be used for both manufacturing and personal consumption the economic form of such goods shall be determined depending upon their target use.

3. Turnover of the goods for manufacturing and technical purposes and consumer goods in the area of economic activities shall be regulated by this Code and other legal and regulatory acts adopted in accordance therewith. The cases not regulated by the said acts shall be subject to regulation by the relevant provisions of the Civil Code of Ukraine.

4. Specifics of the legal regulation of economic activities pertinent to sale of the goods for manufacturing and technical purposes and consumer goods shall be established by this Code and other legal and regulatory acts that do not contradict the Code.

Chapter 30. SPECIFICS OF LEGAL REGULATION OF TRADING ACTIVITIES

Article 263. Trading Activities

1. Trading activities are those exercised by business entities in the area of commodity turnover aimed at distribution of the goods for manufacturing and technical purposes and the consumer goods, as well as subsidiary activities ensuring the distribution of goods through provision of the relevant services.

2. Depending upon the market (internal or external) on which the commodity turnover is being exercised, the trading activities may be either internal or external.

3. Trading activities may be exercised by business entities in the following forms: procurement and sale; energy supply; semi-manufacture; wholesale trade; retail trade and catering; sale and lease of production goods; commercial mediator's services in trading activities; and other subsidiary activities supporting distribution of goods/services.

4. Trading activities shall be exercised through business agreements for procurement, contracts for agricultural products, energy supply, purchase/sale, rent, exchange (barter), leasing and others.

§ 1. Procurement

Article 264. Procurement and Sale

1. Procurement and sale of goods for manufacturing and technical purposes and the consumer goods either of own produce or purchased from other business entities shall be exercised by business entities in the form of procurement, and in cases envisaged by this Code - on the basis of purchase/sale agreements.

2. Legislation may envisage specifics of the procurement of particular types of products for manufacturing and technical purposes or consumer goods, and a special procedure for procurement for the state needs.

3. The major requirements as to the conclusion and fulfillment of procurement agreements shall be established by this Code and other legislative acts.

Article 265. Procurement Agreement

1. According to procurement agreements, one party - the procurer - is obligated to supply goods within the agreed terms to the other party - the buyer, and the buyer is obligated to accept the said goods and pay the certain amount of money for them.

2. The procurement agreement is concluded at the parties' discretion or in accordance with the state procurement order.

3. The parties to a procurement agreement may be business entities specified in Clauses 1, 2 of the Part 2 of Article 55 of this Code.

4. The terms of procurement agreements shall be presented by the parties in accordance with the International Rules for Interpretation of Terms - "Incoterms".

5. Procurement of goods without concluding the procurement agreement may take place only in cases and in accordance with the procedure established by law.

6. Sale of goods by business entities to non-business entities shall be exercised in accordance with the rules on purchase/sale agreements. The procurement relations that are not regulated by this Code shall be regulated by the relevant provisions of the Civil Code of Ukraine on purchase/sale agreements.

Article 266. Subject, Quantities and Range of Procurement

1. The subject of procurement are generic products, goods with the description specified in standards, technical terms, documents attached to samples (models), price lists or commodity directories. Products or goods with individual features can also be subject to procurement.

2. The total number of goods to be procured, their shares (range, sorting, mix) by sorts, groups, subgroups, types, brands, classes and sizes shall be determined by specifications by consent of the parties, unless otherwise envisaged by law.

Article 267. Terms and Procedures of Procurement

1. A procurement agreement may be valid for one year, more than one year (long-term agreement) or other periods established by consent of the parties. If the agreement does not specify its validity term, it is deemed to be valid for one year.

2. The terms of procurement shall be established by the parties to the agreement taking into account the necessity of regular and fail-safe procurement of goods to the consumers, unless otherwise envisaged by law.

3. If in a long-term agreement, the quantity of procurement is established only for one year or less, such agreement shall envisage a procedure for the parties to establish the terms of procurement for the next periods before the agreement is expired. If this procedure is not envisaged, the agreement shall be deemed to be valid for one year.

4. If the parties envisage procurement of goods in separate batches, the term (period) of procurement of goods for manufacturing and technical purposes, as a rule, is one quarter, and the procurement of consumer goods - one month. The parties may agree upon the procurement schedule in the agreement (one month, ten days, one day, etc.)

5. By consent of the parties, a procurement agreement may envisage the procedure of shipment by any type of transport, as well as the receipt of goods by the buyer.

6. The agreement may envisage the shipment of goods by a consignor (manufacturer) other than the procurer, and the receipt by the receiver other than the buyer, as well as the payment made by the payer other than the buyer.

7. The agreement may envisage the procedure for additional procurement of a quantity of goods that were not delivered within the established term.

Article 268. Quality of Procured Goods

1. Quality of procured goods shall meet the standards, technical conditions, other technical documents that establish requirements as to their quality, or samples (models), unless the parties establish higher requirements to the quality of goods in the agreement.

2. Numbers and indexes of standards, technical conditions or other documents on the quality of goods shall be specified in the agreement. If the said documents are not published in publicly accessed publications, copies thereof shall be attached by the procurer to the buyer's copy of the agreement by the request of the latter.

3. If no conditions on quality of goods are specified in the agreement, this quality shall be determined in accordance with the purpose of the agreement or by a usual quality level for the subject of the agreement, or the general quality criteria.

4. The procurer shall certify the quality of the procured goods by an appropriate accompanying document, which is sent together with the goods, unless otherwise established by the agreement.

5. If the goods procured are of a lower quality than that required by the standard, technical conditions or samples (models), the buyer shall have the right to refuse to accept and pay for the goods, or claim the return of the sum which is already paid.

6. If the defects of the procured goods can be eliminated without returning thereof to the procurer, the buyer shall have the right to claim elimination of the defects by the procurer at the goods' location, or the buyer can eliminate these defects themselves at the procurer's cost.

7. If the procured goods meet the standards or technical conditions but are of a lower class than that agreed upon, the buyer shall have the right to accept the goods for the payment established for the goods of this class, or refuse to accept the goods and pay therefor.

8. If the buyer (receiver) refuses to accept the goods, which quality does not meet the standards, technical conditions, samples (models) or terms of the agreement, the procurer (manufacturer) shall dispose of the goods within a ten-day period, and the perishable goods - within a 24-hour period upon receipt of the notification on the buyer's (receiver's) refusal to accept the goods. If the procurer (manufacturer) fails to dispose of the goods within the specified term, the buyer (receiver) shall have the right to sell them on the spot or return to the manufacturer. In any case, the perishable goods shall be sold on the spot.

Article 269. Guarantees of the Goods' Quality. Claims with Regard to the Defects of the Procured Goods

1. The terms and procedures of detecting the defects of the procured goods that could not be detected in the process of a usual receipt thereof, and the claims to the procurer in connection with the defects of the procured goods shall be established by legislation in accordance with this Code.

2. For the durable goods, the standards, technical conditions or agreements may envisage longer terms for the buyer to detect the said defects properly (warranty periods). In the agreement, the parties may establish longer warranty periods compared to those envisaged by standards or technical conditions.

3. The warranty lifetime period shall start on the day when an item is put into service but no later than one year after its receipt by the buyer (consumer). As to the consumer goods sold through the retail sale system, the warranty lifetime period starts on the day of the retail sale, unless otherwise envisaged by standards, technical conditions or the agreement.

4. The retention cycle period shall start on the day of manufacturing.

5. Procurers (manufacturers) shall guarantee the quality in general. The warranty period for the components and parts shall be deemed equal to the warranty period for the main item, unless otherwise envisaged by the agreement or standards (technical conditions) for the main item.

6. Procurers (manufacturers) shall eliminate at their cost the defects detected during the warranty period, or replace the goods, unless they can prove that the defects resulted from the buyer's (consumer's) violation of the service or storage rules. Upon elimination of the defects with regard to a product with the established lifecycle warranty period, this period shall be extended by the time when this product was not used because of the defect; the lifecycle warranty period of a replaced product shall start on the day of replacement.

7. If the goods procured are of improper quality, the buyer (receiver) shall have the right to fine the manufacturer (procurer) as envisaged by Article 231 of this Code, unless otherwise envisaged by law or agreement.

8. Claims resulting from procurement of poor quality goods may be presented during the period of six months after the buyer detects the shortcomings of the procured goods in accordance with the established procedure.

Article 270. Completeness of the Procured Goods

1. The goods procured shall be complete in accordance with the standards, technical conditions or price lists. Agreements may envisage procurement with additional products (parts) or without separate products (parts), which are included in the set but not needed by the buyer.

2. If the completeness requirements are not established by standards, technical conditions or price lists, they can be established in the agreements in case of necessity.

3. In case of procurement of incomplete products, the procurer (manufacturer) shall fill the missing items by the buyer's (receiver's) request or replace by a complete procurement within a twenty-day period, unless otherwise agreed upon by the parties. The buyer (receiver) shall have the right to refuse to pay for the products before they are complete or replaced, or if paid - to claim return of the paid amount in accordance with the established procedure. If the procurer (manufacturer) fails to fill the missing items or replace the procured products with a complete procurement, the buyer shall have the right to refuse from acceptance of the products.

4. Acceptance of incomplete products by the buyer shall not release the procurer (manufacturer) from responsibility.

Article 271. Procurement Regulations and Specifics of Procurement

1. In accordance with this Code and other laws, the Cabinet of Ministers of Ukraine shall approve the Regulations on procurement of products for manufacturing and technical purposes and consumer goods, and the Specifics of procurement of particular types of products.

§ 2. Agricultural Procurement Contracts

Article 272. Agricultural Procurement Contracts

1. State procurement of agricultural products shall be exercised in accordance with contracts concluded on the basis of the state procurement orders for agricultural products.

2. According to an agricultural procurement contract, an agricultural producer (further - the producer) is obligated to transfer to the procurer or the processing enterprise or organization (further - the contractor) the agricultural products in terms, quantities and ranges envisaged by the contract, and the contractor is obligated to support the producer in production of the said products, accept and pay for them.

3. Agricultural procurement contracts shall envisage the following:

types of products (range), number of the state standard or technical conditions, ceiling admissible content of harmful substances;

quantity of the products received by the contractor directly from the producer;

per unit price, total contract amount, procedures and terms of delivery, terms of conveyance and acceptance;

obligations of the contractor with regard to the support in organization of production of agricultural products and transportation thereof to the acceptance sites and enterprises;

mutual property responsibility of the parties in case of failure to fulfill the contract; and

other conditions envisaged by the model agricultural procurement contract approved in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

Article 273. Specifics of Implementation of Agricultural Procurement Contracts

1. No later than fifteen days before the procurement, the producer shall inform the contractor of the quantity and terms of delivery of agricultural products offered for sale, and agree upon the delivery schedule.

2. The contractor shall accept all delivered products on the conditions envisaged in the agreement. Substandard perishable products that can be used fresh or processed, and the standard perishable products delivered in excess of the quantity envisaged by the agreement shall be accepted by the contractor at prices and on conditions agreed upon by the parties.

3. Agricultural procurement contracts may envisage the quantities of agricultural products to be accepted by the contractor directly from the producer, and the products delivered by the producer directly to the trading enterprises. The remaining products shall be accepted by the contractor at the acceptance sites determined by the agreement and located within the producer's administrative district.

4. Provision of producers with packing and the materials necessary for packing shall be exercised according to the amounts, procedures and terms envisaged by law.

5. Other specifics of execution of agricultural procurement contracts shall be established by the Regulation on Agricultural Procurement approved by the Cabinet of Ministers of Ukraine.

Article 274. Responsibilities on Agricultural Procurement Contracts

1. For the failure to deliver agricultural products within the terms envisaged by the agricultural procurement contract, the producer shall pay the penalty to the contractor in the amount established by the agreement, unless otherwise established by law.

2. For the failure to fulfill obligations with regard to acceptance of agricultural products directly from the producer, or refusal to accept the products delivered by the producer within the terms and in accordance with the procedure agreed upon by the parties, the contractor shall pay the penalty to the producer in the amount of five per cent of the cost of unaccepted products taking into account the supplements or discounts, and compensate the losses incurred by the producer; as to the perishable products - the full cost shall be compensated.

3. If the products were not prepared for delivery/acceptance on time and the contractor was not notified thereof, the producer shall compensate the contractor's losses.

4. Agricultural procurement agreements may also envisage other sanctions for the failure to fulfill or improper fulfillment of obligations in accordance with this Code.

§ 3. Energy Supply

Article 275. Energy Supply Agreement

1. According to an energy supply agreement, the energy supplying enterprise (the energy supplier) supplies electric energy, steam, hot or overheated water (further - the energy) to the consumer (user); the consumer is obligated to pay for the supplied energy and comply with the use requirements envisaged by the agreement, and ensure safe exploitation of energy equipment used thereby.

2. Supply of energy without formalization of the energy supply agreement shall not be allowed.

3. The subject of energy supply agreement are specific types of energy, as envisaged by state standards or technical conditions.

4. Energy producers and suppliers occupying the monopoly position, particularly subjects of natural monopolies shall enter into energy supply agreements by request of the consumers who have technical facilities for the receipt of energy. The discrepancies occurring when concluding such agreements shall be resolved in accordance with this Code.

5. Energy supplying enterprises, except for the state-owned or communal, may participate in energy supply to any consumers including that through the state (communal) energy network, on conditions established by the relevant agreements.

Article 276. Energy Amounts and Quality. Terms, Prices and Settlement Procedures in Energy Supply Agreements

1. The total amount of energy supplied shall be established by consent of the parties. If the energy is supplied as part of the state procurement order for the state needs (state limit), the energy supplier shall have no right to reduce this limit for the consumer without the consent of the latter.

2. The consumer's proposals as to the amounts and types of energy and terms of supply shall have priority provided the available facilities at the energy supplier's disposal.

3. Quality indicators of the energy shall be agreed upon by the parties on the basis of state standards or technical conditions through coordination of the list (figures) of indicators binding on both parties to the agreement.

4. The terms of energy supply shall be established by the parties in the agreement, as a rule, due to the necessity to ensure regular and fail-safe energy supply to the consumer. The main settling period for energy supply shall be ten days with the amounts to be adjusted during one day. The parties may agree upon daily energy supplies by hours, as well as the time and duration of maximal and minimal capacity.

5. The amount of energy under-supplied during the previous periods through the fault of the supplier shall be supplied by the consumer's demand. If the consumer failed to receive fully or partially the energy for heating due to favorable weather conditions, the replenishment of the under-supplied energy shall be exercised by consent of the parties.

6. Settlements on energy supply agreements shall be based on the prices (tariffs) established in accordance with law.

7. Settlement for the energy supplied is made, as a rule, by advanced payments. By consent of the parties, planned payments may be used with subsequent recalculation or payments for actually supplied energy.

8. If the consumer has its own source of energy and supplies energy through the supplier's network, the settlements are allowed as a balance of the mutually supplied energy.

Article 277. Rules of Energy Utilization

1. The consumers shall utilize energy in accordance with the rules of utilization of certain energy types approved by the Cabinet of Ministers of Ukraine.

2. The rules may envisage model agreements for the supply of specific types of energy.

3. The consumer shall have the right to supply energy to the secondary consumers connected to its networks (sub-consumers). In this case, the sub-consumers shall enter into energy supply agreements with the consumer and acquire the right and duties of the consumer, whereas the consumer shall acquire the rights and duties of the energy supplier.

4. The consumer shall inform the energy supplier of the list of sub-consumers, if the energy supplier has the right to control the sub-contractors' energy networks and equipment and the right to control the sub-consumers' compliance with the energy utilization rules.

5. Responsibility for violation of energy utilization rules shall be established by law.

§ 4. Commodity Exchange Trading

Article 278. Commodity Exchange Trading Activities

1. Commodity exchange trading activities are aimed at organization and regulation of trading through provision of services to the business entities in their trading operations by a specially created business organization - commodity exchange.

2. Legal conditions of creation and activities of commodity exchanges and the main rules of commodity exchange activities shall be established by this Code, laws and legal regulatory acts adopted in accordance therewith.

Article 279. Commodity Exchange

1. Commodity exchange is a special business entity that provides services on conclusion of exchange agreements, demand and supply research, commodity pricing, study and normalization of commodity turnover and support of trading operations.

2. Commodity exchange is a legal entity acting on the basis of self-government and economic independence with its separated property, individual balance sheet, bank accounts, and the seal with its name.

3. Commodity exchange is created on the basis of voluntary association of interested business entities. Its founders and members cannot be state authorities, local governments, state and communal enterprises, institutions and organizations fully or partially funded from the State Budget of Ukraine and the local budgets.

4. Commodity exchange is founded through conclusion of an agreement by the founders, that specifies the procedure of its creation, founders and obligations thereof, amounts and terms of payment of shares, entrance and membership fees. The founders shall pay the share contributions.

5. Commodity exchange shall operate on the basis of the charter approved by its founders.

6. The state registration of a commodity exchange shall be exercised in accordance with Article 58 of this Code.

7. Commodity exchange shall not be engaged in commercial mediations, nor shall it be aimed at generation of income.

8. Activities of a commodity exchange shall be based upon the principles of equality of exchange trade participants, public exchange trade and use of free (market) prices.

Article 280. Rights and Duties of a Commodity Exchange

1. A commodity exchange shall have the right to:

establish its own exchange trading rules and exchange arbitration binding on all participants in accordance with legislation;

establish entrance and membership fees for the members, rates for payments for services provided by the commodity exchange;

establish and collect payments for registration of exchange agreements in accordance with the charter and apply sanctions for violation of the charter and exchange trade rules;

create its divisions and approve the regulations thereon;

create arbitration commissions for resolution of disputes on trading agreements;

develop its own standards and model agreements in accordance with the state standards;

conclude agreements with other exchanges, have its representatives in other exchanges including those located outside Ukraine;

issue bulletins, directories and other informational and advertising materials; and settle other issues envisaged by law.

2. A commodity exchange is obligated to:

create conditions for exchange trading;

regulate exchange transactions;

regulate prices for the commodities traded at the exchange;

provide members and visitors with organizational, informational and other services; and

collect, process and disseminate information on the market conjuncture.

Article 281. Exchange Trading Rules. Exchange Trade

1. Exchange trading rules shall be developed in accordance with the legislation and comprise the main document regulating the procedures of exchange operations, exchange trading and resolution of disputes.

2. Exchange trading rules shall be approved by the general assembly of the commodity exchange or the body authorized thereby.

3. Exchange trading is a trading exercised publicly and openly on the floors of the commodity exchange with participation of the commodity exchange members with the commodities allowed to be sold at the exchange in accordance with the procedure established by the exchange trading rules.

4. Only members or brokers (citizens registered at the exchange in accordance with its charter for fulfillment of assignments by the exchange members and representation thereof in exchange transactions) shall be allowed to exercise exchange transactions.

Article 282. Termination of a Commodity Exchange

1. Termination of a commodity exchange takes place in accordance with the decision of the general assembly of its members or the court decision in the cases envisaged by law.

§ 5. Property Renting and Leasing

Article 283. Property Renting in the Area of Economic Activities

1. According to renting agreements, one party (the lessor) conveys to the other party (the lessee) property for payment for a certain time to be used for economic activities.

2. According to renting agreements, individually determined property for productive or technical purposes (or integral property complexes) that does not lose its qualities in the process of the use (non-consumable item) is rented.

3. Objects of renting can be:

state-owned and communal enterprises or their structural divisions as integral property complexes, that is, economic facilities with a complete cycle of products (works/services), a separated land plot where the facility is located and autonomous engineering networks and energy supply system;

immovable property (buildings, constructions, premises); and

other individual property for productive or technical purposes belonging to business entities.

4. Renting of the structural divisions of the state-owned or communal property shall not upset the productive and economic integrity and technological unity of the said enterprise.

5. Law may establish the list of state-owned or communal enterprises - integral property complexes that cannot be rented.

6. Renting relations shall be regulated by the relevant procedures of the Civil Code of Ukraine taking into account the specifics envisaged by this Code.

Article 284. Terms of Renting Agreements

1. The material conditions of a renting agreement shall include: object of renting (composition and cost of property taking into account the indexing); duration of the renting agreement; rent payment taking into account the indexing; procedures for use of depreciation deductions; property renewal and terms of its return or buyout.

2. Valuation of the renting object shall be based on its replacement cost. The terms of the renting agreement shall remain effective through the entire duration of the agreement, and in case if legislation establishes the rules that aggravate the lessee's position.

3. Reorganization of a lessor shall not be the ground for change of the terms or termination of the renting agreement.

4. The terms of the renting agreement shall be established by consent of the parties. If neither of the parties submits an application for termination or modification of the renting agreement during one month after expiry of the agreement, the agreement shall be deemed extended for the same period and on the same conditions as envisaged by the agreement.

Article 285. Basic Rights and Duties of the Lessee

1. The lessee shall have the priority right compared to other business entities throughout the renting agreement duration.

2. The lessee may be obligated to use the renting object for targeted purposes in accordance with the profile of activities exercised by the enterprises whose property is rented.

3. The lessee shall protect the rented property in accordance with the renting agreement, prevent it from spoiling or damaging, and pay the rent payments fully and in a timely manner.

4. The lessee shall compensate the cost of the property in case of alienation, demolition or spoiling thereof through the lessee's fault.

Article 286. Rent Payment

1. Rent payment - is a fixed payment by the lessee to the lessor irrespective of the consequences of economic activities exercised by the former. The amount of rent payment may be changed by consent of the parties or in other cases envisaged by legislation.

2. The lessee shall have the right to claim reduction of the rent payment if the circumstances not dependent upon the lessee caused the change of business conditions envisaged by the agreement, or significant deterioration of the renting object.

3. The rent payment shall be established in monetary form. Depending upon the specifics of productive activities exercised by the lessee the parties may agree upon establishing in-kind payments or combined in-kind and cash payments.

4. Terms of rent payments shall be established by the agreement.

Article 287. Renting of State-Owned and Communal Property

1. The lessors of the state-owned and communal property are:

1) The State Property Fund of Ukraine, its regional divisions - with regard to the integral property complexes of enterprises, their structural units and immovable property in state ownership, as well as other property in cases envisaged by law;

2) bodies authorized by the Supreme Rada of the Autonomous Republic of Crimea or the local radios to manage the property - with regard to the property belonging to the Autonomous Republic of Crimea or in communal ownership respectively;

3) state-owned (communal) enterprises - with regard to the separate individually defined property, or, by permission of the lessors specified in Clause 2 of this Article - with regard to the integral property complexes, their structural divisions and immovable property.

2. Organizational and property relations pertinent to renting of integral property complexes owned by the state sector of the economy, and the integral property complexes in communal ownership shall be regulated by legislation in accordance with this Code.

3. Creation of a renting enterprise shall be exercised in accordance with Article 115 of this Code. The charter of a business entity created through renting of property shall not contradict the terms of the renting agreement.

Article 288. Sublease of State-Owned and Communal Property

1. The lessee shall have the right to sublease separate lease objects, unless otherwise envisaged by law or the renting agreement.

2. No sublease of integral property complexes shall be permitted.

Article 289. Buyout (Privatization) of Rented Objects

1. The lessee shall have the right to buy out the rented object if this right is envisaged by the renting agreement.

2. The terms of buyout of the rented state-owned (communal) property (integral property complex) shall be established in accordance with law.

3. At any time, the lessee shall have the right to refuse from implementation of the right to buy out the rented object envisioned by the renting agreement.

4. Privatization of the rented integral property complexes shall be exercised in cases and in accordance with the procedure envisaged by law.

Article 290. Renting of Land in the Area of Economic Activities

1. Relations pertinent to renting of land as a means of production shall be regulated by the Land Code of Ukraine and other laws.

2. Renting of a land plot without the agreement executed in writing, notarized and registered in accordance with the procedure established by law, shall not be permitted.

3. The amount of payment for the use of a land plot in state or communal ownership shall not be lower than that established in accordance with law. The cases of release from payment for the use of land or reduction of the payment amount shall be established by law.

Article 291. Termination of Renting Agreements

1. No unilateral refusal from the renting agreement shall be permitted.

2. A renting agreement is terminated in case of :

expiry of its validity period;

buyout (privatization) of the rented object;

liquidation of the lessee;

demolition of the rented object.

3. A renting agreement may be terminated by consent of the parties. By request of either of the parties, the renting agreement may be early terminated for the reasons envisaged by the

Civil Code of Ukraine for termination of renting agreements in accordance with the procedure established by Article 188 of this Code.

4. The legal consequences of termination of a renting agreement shall be determined as regulated by the Civil Code of Ukraine with regard to the renting agreements.

Article 292. Leasing in the Area of Economic Activities

1. Leasing - is an economic activity aimed at investment of own or borrowed funds. According to leasing agreements, one party (the lessor) conveys for exclusive use to the other party (the lessee) for the established period, the property belonging to the lessor or acquired thereby for ownership (economic supervision) by authorization or consent of the lessee from the relevant supplier (seller) provided the lessee's payment of regular leasing payments.

2. Depending upon the specifics of leasing transactions, there may be two types of leasing - financial or operational. As to its form, leasing may be redeemable, shared, international, etc.

3. Objects of leasing may include immovable and movable property designated for use as capital assets, with no legislative prohibitions as to its free turnover on the market or leasing restrictions.

4. Property specified in Clause 1 of this Article, other than state-owned or communal, may be object of leasing only by consent of the body managing this property in accordance with law.

5. Objects of leasing shall not include land plots, other natural objects and integral property complexes of the state-owned (communal) enterprises and the structural divisions thereof.

6. Transfer of rights to an object of leasing to a different person shall not be the ground for termination of the leasing agreement.

7. Legal regulation of leasing shall be exercised in accordance with this Code and other laws.

§ 6. Other Types of Economic and Trading Activities

Article 293. Exchange (Barter) in the Area of Economic Activities

1. According to exchange (barter) agreements, each of the parties is obligated to convey certain goods to the other party for ownership, full economic supervision or operational management in exchange for other goods.

2. A party that offers the goods shall be considered as the seller, and the party that receives the goods shall be considered as the buyer.

3. By consent of the parties, a monetary addition can be paid for the goods of higher value being exchanged for the lower value goods, if this does not contradict legislation.

4. Property recognized by legislation as belonging to capital assets in state or communal ownership shall not be subject to exchange (barter) if the other party to the exchange (barter) agreement is not respectively a state-owned or a communal enterprise. Legislation may also establish other specifics of exchange (barter) transactions connected with acquisition and use of certain types of property, as well as such transactions in particular sectors of the economy.

5. Exchange (barter) agreements shall be regulated by the same rules regulating the agreements of purchase/sale, supply and procurement, which elements are found in the exchange (barter) agreements, if this does not contradict legislation and complies with the nature of relations between the parties.

Article 294. Warehousing

1. A warehouse is an organization engaged in storage of goods and providing commercial services related thereto.

2. A warehouse shall be considered as that for general use, if it is obligated to accept the goods for storage from any commodity possessor according to the law, other legal acts or the permit (license) issued to the business entity.

3. Warehousing shall be exercised in accordance with warehousing agreements.

4. The relations pertinent to warehousing shall be regulated by the relevant provisions of the Civil Code of Ukraine.

Chapter 31. COMMERCIAL MEDIATION (AGENCY RELATIONS) IN THE AREA OF ECONOMIC ACTIVITIES

Article 295. Agency Activities

1. Commercial mediation (agency activities) are business activities that envisage services provided by commercial agents to business entities in the process of their economic activities by way of mediation on behalf, for the benefit and under control of the entity represented.

2. A commercial agent may be a business entity (citizen or legal entity) engaged in commercial mediation in accordance with its competence based on the agency agreement.

3. Entrepreneurs, although acting for the others' benefit but on their own behalf, shall not be deemed as commercial agents.

4. Commercial agents shall not conclude agreements on behalf of the entities presented between these entities and themselves.

5. Law may establish restriction or prohibition of mediation in certain sectors of economic activities.

Article 296. Grounds for Agency Relations

1. Agency relations take place:

when a business entity authorizes a commercial agent to take certain actions on the basis of the agreement; or

when a business entity represented by a commercial agent approves the agreement concluded for the benefit of this entity by the agent that was not authorized to conclude such agreements or when such authority was exceeded.

Article 297. Subject of Agency Agreement

1. According to agency agreements, one party (the commercial agent) is obligated to provide services to the other party (entity represented by the agent) with regard to conclusion of agreements or facilitation thereof (provision of actual services) on behalf and at the cost of the said entity.

2. Agency agreements shall specify the sphere, nature and procedure of mediation services provided by the agent, rights and obligations of the parties, terms and amounts of reimbursement to the commercial agent, agreement duration, sanctions applied in case of violation of the agreement, and other necessary provisions determined by the parties.

3. Agreements may envisage provisions with regard to the territory where the commercial agent exercises his/her activities, as established by the consent of the parties. If such territory is not specified, it shall be deemed that the agent acts within the territory of Ukraine.

4. The agency agreement shall be executed in writing. The agreement shall specify the form of confirmation of authority (representation) of the commercial agent.

Article 298. Approval of Agreements Concluded by Non-Authorized Commercial Agents or in Excess of the Agent's Authority

1. A commercial agent shall inform the represented entity of every instance of mediation in conclusion of agreements and of every agreement concluded for the benefit of the said entity.

2. An agreement concluded on behalf of the represented entity by the agent, which is not authorized to conclude such agreements or in excess of the agent's authority, shall be deemed to be approved by the entity, unless the actions of the commercial agent are rejected with notification of the third party. The subsequent approval of the agreement by the entity represented by the commercial agent shall bring this agreement into legal effect as of the day of its conclusion.

Article 299. Non-Monopoly and Monopoly Agency Relations

1. The entity represented by a commercial agent shall have the right to authorize other entities to act as commercial agents, having informed the agent thereof, and the agent shall have the right to exercise commercial mediation for other business entities, provided that the interests of entities represented by this commercial agent are not conflicting in the issues the agent is invited to resolve.

2. In monopoly agency relations, the commercial agent who represents a business entity shall have no right to be engaged in commercial mediation within the terms envisaged by agency agreement.

Article 300. Assignment of Rights of a Commercial Agent

1. A commercial agent shall personally perform the actions authorized by the entity represented thereby.

2. Unless otherwise envisaged by the agency agreement, the commercial agent shall not assign the rights he possesses for the benefit of the represented entity to other entities at his own discretion.

Article 301. Mutual Settlements in Agency Relations

1. According to the agency agreement, the commercial agent shall receive the agent's fee for the mediation for the benefit of the represented entity in the amount established by the agreement.

2. The agent's fee shall be paid to the commercial agent upon the payment made by the third party in accordance with the agreement concluded through the agent's mediation, unless otherwise envisaged by the agreement of the parties.

3. In the agreement, the parties may envisage that the commercial agent receives additional fees if he undertakes the obligation to guarantee execution of the agreement concluded thereby for the benefit of the entity represented by this agent.

4. The entity represented by a commercial agent shall set the fees for the commercial agent in accordance with the rates and terms envisaged by the agreement of the parties.

5. The commercial agent shall have the right to request accounting excerpts for all agreements concluded through his mediation.

6. The terms of payment of fees to the commercial agent for the agreements concluded upon termination of contractual relations, as well as other conditions of settlements between the parties shall be established by agreements.

Article 302. Obligation on Nondisclosure of Confidential Information in Agency Relations

1. A commercial agent shall have no right to disclose confidential information received from the represented entity without the permission thereof, to use it for his own benefit or for the benefit of other entities contrary to the interests of the represented entity, either in the process of the commercial agent's activities, or upon termination of agency relations therewith.

2. The parties to agency agreement may enter into a separate agreement for protection of the confidential information possessed by the entity represented by the commercial agent (non-disclosure agreement).

3. A commercial agent shall be held responsible for disclosure of confidential information in accordance with the law and agreement.

Article 303. Responsibility for Violation of Agency Agreements

1. A commercial agent shall be held fully responsible for the damages incurred by the represented entity, as a result of the failure to fulfill or improper fulfillment of the agent's obligations, unless otherwise envisaged by the agency agreement.

2. Unless otherwise envisaged by the agreement, the commercial agent shall not guarantee to the represented entity the fulfillment of obligations on the agreements concluded through this agent's mediation.

3. In case of violation of the agency agreement by the represented entity, the agent shall have the right to receive the fee in the amount envisaged by the agency agreement and the compensation of losses resulting from the failure to fulfill or improper fulfillment of the agreement by the other party.

Article 304. Termination of Agency Agreements

1. An agency agreement shall be terminated by the consent of the parties or in case of: nullification of the commercial agent's authorities by the represented entity, or refusal of the commercial agent from further commercial mediation on the agreement concluded by the parties without specifying its duration; absence of one of the parties as a result of liquidation or death; or other circumstances that cause termination of authority of the commercial agent or the entity represented thereby.

2. In case of nullification of the authority of the commercial agent, the entity represented shall notify the agent of termination of the agency agreement one month before, unless otherwise envisaged by the agreement.

3. In case of elimination (termination) of the circumstances that caused the termination of authority of the commercial agent, this authority can be restored by the consent of the parties.

Article 305. Legislation on Commercial Mediation in the Area of Economic Activities

1. Relations established in the process of commercial mediation (agency activities) in the area of economic activities shall be regulated by this Code, other regulatory and legal acts adopted in accordance therewith and determining the specifics of commercial mediation in particular sectors of economic activities.

2. Instances of agency relations not regulated by the said regulatory and legal acts shall be regulated by the relevant provisions of the Civil Code of Ukraine with regard to authorization relations.

Chapter 32. LEGAL REGULATION OF CARGO TRANSPORTATION

Article 306. Cargo Transportation as a Type of Economic Activities

1. For the purposes of this Code, cargo transportation shall be understood as economic activity connected with transportation of the products for manufacturing and technical purposes and the consumer goods by railroad, motorways, water, air and pipelines.

2. Subjects of the cargo transportation relations shall be carriers, consignors and consignees.

3. Cargo transportation is exercised by railroad, automobiles, sea cargo transport, river transport, air transport, pipelines, space transport and others.

4. Forwarding is a subsidiary activity connected with cargo transportation.

5. The general conditions of cargo transportation, as well as the specific conditions of transportation of particular types of cargoes (explosive substances, weapons, poisonous, flammable, radioactive and other dangerous substances, etc.) shall be established by this Code and the transport codes issued in accordance therewith, transport charters and other regulatory and legal acts.

6. Relations pertinent to transportation of passengers and luggage shall be regulated by the Civil Code of Ukraine and other legal and regulatory acts.

Article 307. Cargo Transportation Agreements

1. According to a cargo transportation agreement, one party (the carrier) is obligated to transport the cargo trusted thereto by the other party (the consignor) to the destination point within the terms established by legislation or agreement and deliver it to the person authorized to receive the cargo (the consignee), and the consignor is obligated to pay the established amount for the transportation of the cargo.

2. Cargo transportation agreements shall be executed in writing. Conclusion of a cargo transportation agreement shall be confirmed by a transportation document (bill of consignment, way-bill, etc.) in accordance with the legislation. Carriers shall provide the consignors with transportation document forms in accordance with the rules of the relevant traffic.

3. In case of necessity to exercise regular transportation of cargoes during a certain period, the consignor and the carrier may enter into a long-term agreement, under which the carrier is obligated to accept and the consignor - to deliver cargoes for transportation in the volumes agreed upon by the parties.

4. Depending upon the type of transport used for regular transportation of cargoes, the following long-term agreements may be concluded: long-term agreements - for railroad and sea transport, navigation agreements - for river transport, special agreements - for air transport, and annual agreements - for automobile transport. The procedures for conclusion of long-term agreements shall be established by the relevant transport codes, transport charters or cargo traffic rules.

5. Terms of cargo transportation by certain types of transport and the responsibilities of business entities for this transportation shall be established by transport codes, transport charters and other regulatory and legal acts. In the agreement, the parties may also envisage other terms of transportation that do not contradict legislation, and the additional responsibility for improper fulfillment of obligations in accordance with the agreement.

Article 308. Acceptance of Cargo for Transportation

1. Depending on the type of transport and the type of cargo, cargoes may be accepted for transportation in the locations for general use or other locations.

2. The carrier's responsibility for the cargo safety starts at the moment of acceptance of the cargo for transportation.

3. The consignor shall prepare the cargo for transportation taking into account the necessity to ensure its transportability and safety in the process of transportation and shall have the right to insure the cargo in accordance with the procedure established by legislation.

4. If special documents (certificates) are envisaged for the transportation of cargoes by legislation or agreement to confirm the quality and other characteristics of the cargo to be transported, the consignor shall provide the carrier with the said document along with the cargo.

5. At the point of departure, the carrier shall issue the properly formalized document to the consignor.

Article 309. Change of the Transportation Terms

1. In accordance with the procedure established by transport codes or charters, the consignor shall have the right to withdraw the cargo before departure, change the consignee specified in the transportation document (before its handing to the addressee), dispose of the cargo in case of its non-acceptance by the consignee or impossibility to deliver the cargo to the consignee.

2. In case of interruption or termination of cargo transportation due to the circumstances not dependent upon the carrier, the carrier shall notify the consignor and receive the appropriate instructions as to the disposal of the cargo.

Article 310. Receipt of Cargo at the Destination Point

1. The carrier shall notify the consignee of the delivery of cargo at the consignee's address.

2. The consignee shall accept the cargo delivered at the address thereof. The consignee shall have the right to refuse from acceptance of a damaged or spoiled cargo if it turns out that as a result of quality deterioration the cargo can no longer be used fully or partially for its original purposes.

3. The carrier's responsibility for the cargo safety shall be terminated at the moment of the cargo delivery to the consignee at the destination point. If the consignee did not request for the cargo delivered within the established term, or refused from acceptance thereof, the carrier shall have the right to keep the cargo at its custody at the cost and at the risk of the consignor, having notified the consignor in writing.

4. The cargo, which was not received during the one-month period upon notification of the consignee, shall be deemed unclaimed and disposed of in accordance with the procedure established by legislation.

Article 311. Payment for Cargo Transportation

1. Payment for cargo transportation and other works connected therewith shall be established on the basis of prices set in accordance with legislation.

Article 312. Agreements of Direct Combined Cargo Transportation

1. According to agreements of direct combined cargo transportation, cargoes are transported from the consignor to the consignee by two or more carriers using different types transport and a single transportation document.

2. Agreements of direct combined cargo transportation shall be regulated by the rules of Article 307 of this Code, unless otherwise envisaged by transport codes or charters.

3. Relations between the carriers in the process of direct combined cargo transportation and the conditions of entrepots' work shall be regulated by terminal operations agreements.

The procedures of conclusion of terminal operations agreements shall be established by transport codes and charters.

Article 313. Carrier's Responsibility for the Delay of Cargo Delivery

1. The carrier is obligated to deliver the cargo to the destination point within the terms envisaged by transport codes, charters or rules. If no terms of delivery are established in the said documents, the parties shall establish such terms in the agreement.

2. The carrier shall be released from responsibility for the delay of cargo delivery if the delay occurred for the reasons not dependent upon the carrier.

3. The amounts of fines collected from the carrier for the delay of cargo delivery shall be established in accordance with law.

4. Payment of fine for the delay of cargo delivery shall not release the carrier from responsibility for the loss, incompleteness or damage of the cargo resulting from the delay.

Article 314. Carrier's Responsibility for the Loss, Incompleteness or Damage of Cargoes

1. The carrier shall be held responsible for the loss, incompleteness or damage of the cargo accepted for transportation, unless the carrier can prove that the loss, incompleteness or damage occurred for the reasons not dependent upon the carrier.

2. Transport codes or charters may envisage the cases when the proof of the carrier's fault causing the loss, incompleteness or damage of cargo is to be found by the consignor or the consignee.

3. For the damages in the process of cargo transportation, the carrier shall be held responsible in the cases of:

loss or incompleteness of cargo - for the cost of the lost or incomplete cargo;

damage of cargo - for the amount of loss in value;

loss of cargo accepted for transportation with its value declared - for the declared amount of value, unless proven that the declared amount is lower than the actual value of the cargo.

4. If the quality of the cargo deteriorated as a result of the damage to the extent that it can no longer be used for its direct purpose, the consignee shall have the right to refuse from accepting the cargo and claim compensation for its loss.

5. If the payment for the loss or incompleteness of the cargo was made by the carrier, but the cargo was subsequently found, the consignee (consignor) shall have the right to claim the cargo, having returned the compensation for its loss or incompleteness.

Article 315. Procedure for Resolution of Cargo Transportation Disputes

1. Before bringing an action against the carrier in accordance with the cargo transportation agreement, the claim shall be presented.

2. Claims may be presented during six-month period, and claims for payment of fines or premiums - during forty-five-day period.

3. The carrier shall consider the claim and notify the claimant of granting or rejecting of the claim during the three-month period, and the claims pertinent to direct combined transportation - during the six-month period. Claims for the payment of fines or premiums shall be considered during the forty-five-day period.

4. If the claim is rejected or no response is given thereto within the term specified in Clause 3 of this Article, the claimant shall have the right to apply to court during the six-month period upon receipt of the response or expiry of the period established for the response to be given.

5. The period for the carrier to present claims to consignors or consignees with regard to the cargo transportation shall be six months.

6. As to the disputes connected with inter-state transportation of cargoes, the procedure for presentation of claims and the limitation of action shall be established by transport codes, or charters, or international agreements recognized as mandatory by the Verkhovna Rada of Ukraine.

Article 316. Transport Forwarding Agreement

1. According to the agreements of transport forwarding, one party (the forwarder) is obligated to provide or organize provision of services specified in the agreement and connected with cargo transportation for payment and at the cost of the other party (the client).

The agreement of transport forwarding may establish the forwarder's obligation to organize transportation of cargoes using the transport and the route chosen by the forwarder or the client, enter on behalf of the client or on its own behalf into the cargo transportation agreements, ensure departure and acceptance of cargoes, as well as other obligations connected with the transportation.

The agreement of transport forwarding may envisage additional services necessary for the delivery of cargoes (checking cargo quantities and conditions, loading and unloading, payment of duties, fees and costs payable by the client, storage of the cargo before its acceptance at the destination point, receipt of the documents necessary for export and import, customs clearings, etc.)

2. According to the agreements of transport forwarding, payments shall be made on the basis of the prices set in accordance with Chapter 21 of this Code.

Chapter 33. CAPITAL CONSTRUCTION

Article 317. Contractual Relations in the Area of Capital Construction

1. Construction of facilities for industrial or other purposes, preparation of construction sites, works on building appointments, completion of buildings, applied and experimental research and developments, etc. exercised by business entities for other entities or by their order, shall be conducted on a contractual basis.

2. To exercise the works specified in Clause 1 of this Article, works contracts may be concluded for: capital construction (including subcontracts); designing and exploration works; geologic, geodesic and other works necessary for capital construction; and other contracts. The general terms of works contracts shall be established in accordance with the provisions of the Civil Code of Ukraine with regard to the works contracts, unless otherwise envisaged by this Code.

3. Economic relations in the area of material and technical provision of capital construction shall be regulated by the relevant works contracts, unless otherwise envisaged by legislation or agreements of the parties. By agreement of the parties, procurement may be exercised on the basis of procurement agreements.

Article 318. Works Contracts for Capital Construction

1. According to works contracts for capital construction, one party (the contractor) is obligated to construct using its own means and resources and to convey to the other party (the client) the facility specified in the contract and ordered by the client, within the specified terms in accordance with the designing and budget documents, or conduct construction or other works specified in the contract; the client is obligated to provide the contractor with the approved designing and budget documents and the construction site, accept the complete facilities, and pay for them.

2. According to this Article, the works contracts are concluded for construction, extension, reconstruction, or re-profiling of facilities; construction of facilities with full or partial assignment of the contractor with works on designing, procurement of equipment, launching, setup and other works; separate complexes of construction, mounting, special, designing and other works connected with construction of the facilities.

3. Provision of the construction with materials, energy resources, electromechanical and other equipment shall be undertaken by the contractor, unless otherwise envisaged by legislation or contract.

4. The contents of the works contract for capital construction concluded on the basis of the state procurement order shall be in conformity with this procurement order.

5. The works contract for capital construction shall envisage: names of the parties; place and date of conclusion; subject of the contract (name of the facility, scope and type of work envisaged by the contract); date of beginning and completion of the construction or other works; rights and obligations of the parties; cost and funding procedure of the construction (works); procedures for material, technical, designing and other provision for the construction; control of quality of works and materials by the client; procedures for acceptance of the facility (works); procedures for payment for the works done, conditions as to the defects and warranty periods; risk insurance, financial guarantees; responsibilities of the parties (compensation of losses); resolution of disputes, grounds for and conditions of modification and termination of the contract.

Article 319. General Contractor and Subcontractor

1. A works contract for capital construction may be concluded by the client with one contractor or with two or more contractors.

2. By the client's consent, a contractor shall have the right to involve subcontractors as third parties for implementation of the contract in terms of subcontracts, keeping responsibility to the client for the results of their work. In this case, the contractor shall act as the general contractor to the client and as the client to the subcontractors.

3. The client may conclude the works contract for equipment assembly either with the general contractor or with the equipment supplier. By consent of the general contractor, contracts for assembly or other special works may be concluded by the client with the relevant specialized enterprises.

Article 320. Client's Rights

1. Without interfering in the contractor's economic activities, the client shall have the right to exercise control and technical supervision over compliance of the scope, cost and quality of the works with the designs and budgets. The client shall have the right to control the process and quality of construction and assembly works, and the quality of materials used.

2. If the contractor fails to start implementing the contract on time, or if the way the work is being done makes it impossible to complete it within the set terms, the client shall have the right to claim breach of the contract and compensation of losses.

3. The contractor shall have the right to refrain from beginning the work or stop the work if the client violates its contractual obligations resulting in impossible or significantly complicated beginning or continuation of the works by the contractor.

4. The shortcomings in the works or the materials used therefor that became possible as a result of the contractor's or subcontractor's fault, shall be eliminated at the contractor's cost.

Article 321. Settlements on the Works Contract for Capital Construction

1. In the works contract for capital construction, the parties shall establish the cost of works (contract price) or the method for its estimation.

2. According to the contract, the cost of works (compensation of contractor's costs and the reimbursement) may be calculated by making an approximate or fixed cost estimate. The cost estimate shall be deemed fixed, unless otherwise envisaged by the contract. Changes may be made in the fixed cost estimate only by consent of the parties.

3. If there is a need to exceed the approximate cost estimate significantly, the contractor shall notify the client thereof in a timely manner. If the contractor fails to notify the client of the excess of the cost estimate, the contractor shall conduct the work without claiming compensation of its additional costs.

4. Neither the contractor shall have the right to claim increase of the fixed cost estimate, nor the client to claim the decrease thereof. If upon conclusion of the contract, the cost of materials and equipment to be provided by the contractor, and the services provided thereto by the third parties, grew significantly, the contractor shall have the right to claim increase of the established cost of works. In case of the client's refusal to increase the cost, the contractor shall have the right to claim breach of the contract in accordance with established procedure.

5. Unless the contract envisages advanced payments for the work or for its separate stages, the client shall pay the amount established by the contract to the contractor upon final conveyance of the constructed facility, provided that the work is done properly and on time, or earlier by consent of the parties.

6. The contractor shall have the right to claim advanced payment if such payment and the amount thereof is envisaged by the contract.

7. In case of necessity to postpone constructions due to the circumstances not dependent upon the parties, the client shall pay for the works conducted by the contractor and compensate the costs incurred as a result of the postponement.

Article 322. Responsibility for Violation of Works Contract for Capital Construction

1. For the failure to fulfill or improper fulfillment of obligations according to the works contract for capital construction, the responsible party shall pay the penalty and compensate the losses suffered by the other party (costs incurred by the other party, loss or damage of property and the income that could be otherwise received) in the amount not covered by the penalty, unless otherwise established by law.

2. Defects detected in the process of acceptance of works (facility) shall be eliminated by the contractor at its cost and within the terms agreed upon with the client. In case of violation of the terms, the contractor shall be held responsible as envisaged by the agreement.

3. The limitation of action for the claims resulting from poor quality of works according to the works contract for capital construction shall be established starting on the day of acceptance of works by the client and last for:

one year - for the defects of non-capital constructions, and two years, if the defects could not be detected in the usual acceptance process;

three years - for the defects of capital constructions, and ten years, if the defects could not be detected in the usual acceptance process; and

thirty years - for compensation of losses suffered by the client as a result of the contractor's illegal actions that caused ruination or breakage.

4. If the works contract or legislation envisage provision of guarantees as to the quality of works, and if the defects were detected during the warranty period, the limitation of action period shall start on the day when the defects were detected.

Article 323. Conditions of Conclusion and Implementation of Works Contracts for Capital Construction

1. Works contracts (subcontracts) for capital construction shall be concluded and implemented based on the general conditions for conclusion and implementation of works contracts approved by the Cabinet of Ministers of Ukraine in accordance with law.

2. Works contracts for capital construction with participation of foreign business entities shall be concluded and implemented in accordance with the procedure established by this Code, inter-state agreements and specific conditions for conclusion and implementation of works contracts for capital construction approved in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

Article 324. Works Contracts for Project and Research Works

1. According to a works contract for project and research works, the contractor is obligated to develop project documentation in accordance with the task set by the client or conduct the works specified in the contract, as well as the research work, and the client is obligated to accept and pay for the said works.

2. The relations in the process of project and research works may be regulated by the provisions of Article 318 of this Code.

3. The contractor shall be held responsible for the shortcomings of the project including those detected in the process of its implementation and exploitation of the facility constructed in accordance with the said project.

4. If the defects are detected, the contractor shall redesign the project and compensate the client's losses caused by the project's defects.

5. Claims for compensation of the client's losses caused by the defects of the project may be presented during ten years. If the client's losses resulted from the contractor's illegal actions that lead to ruination, breakage or collapse - during thirty years from the day of the facility's acceptance.

Chapter 34. LEGAL REGULATION OF INNOVATION ACTIVITIES

Article 325. Innovation Activities

1. Innovation activities in the area of economic activities are activities exercised by business entities on the basis of investments aimed at implementation of long-term scientific and technological programs with long payback periods and introduction of scientific and technological achievements in production and other areas of social life.

Article 326. Investment for Innovation Activities

1. Investments in the area of economic activities are long-term investments of various types of property, intellectual values and property rights into the objects of economic activities aimed at the receipt of income (profit) or achievement of other social effects.

2. The forms of investment in innovation activities are:

state (communal) investment made by state authorities or local governments at the cost of budget funds and other funds in accordance with law;

commercial investment made by business entities at the cost of their own or borrowed funds aimed at development of the entrepreneurial basis;

social investment in the objects of social sphere and other non-productive areas;

foreign investment made by foreign legal entities or foreigners, or foreign states; and

joint investment made by Ukrainian residents jointly with foreign legal entities or foreigners.

3. The general conditions of investments in Ukraine shall be established by law.

Article 327. Types of Innovation Activities

1. Innovation activities envisage investment in scientific research and developments aimed at qualitative changes in the situation of productive forces and progressive inter-sector structural changes, development and implementation of the new types of products and technologies.

2. Innovation activities shall be exercised in the following areas:

scientific research and developments aimed at creation of the objects of intellectual property, and scientific-technical products;

development, exploration, issuance and distribution of principally new types of equipment and technologies;

development and introduction of new resource-saving technologies aimed at improvement of social and environmental situation; and

technical re-equipment, reconstruction, extension and construction of new facilities exercised for the first time as an industrial assimilation of new products or introduction of new technologies.

3. Investment in reproduction of capital assets and growth of inventories shall be exercised in the form of capital investment.

Article 328. State Regulation of Innovation Activities

1. The state shall regulate innovation activities through:

defining innovation activities as a necessary component of investment and structural/sector policy; formulation and implementation of innovation programs and targeted projects;

creation of economic, legal and organizational conditions for state regulation of innovation activities; and

creation and facilitation of developing infrastructure of innovation activities.

2. The state shall exercise control of innovation activities exercised by business entities and other participants of economic relations, their compliance with the legislative requirements and state innovation programs. The law may envisage sectors or objects of innovation activities where foreign investments are prohibited or restricted.

Article 329. State Guarantees of Innovation Activities

1. The state shall provide the subject of innovation activities with the following guarantees:

support of innovation programs and projects aimed at implementation of economic and social policy of the state;

support of creation and development of the subjects of the innovation activities infrastructure;

safeguarding and protection of intellectual property rights, protection against unfair competition in the area of innovation activities;

free access to the information on priorities of the state economic and social policy, innovation needs and results of scientific and technical activities, except the cases envisaged by law; and

support in training, retraining and improvement of qualifications of personnel in the area of innovation activities.

Article 330. State Expert Examination of Innovation Projects

1. Innovation projects invested by the State Budget of Ukraine or the local budgets, as well as the projects ordered by the state authorities or local governments shall be subject to compulsory state expert examination in accordance with legislation. Innovation projects invested at the cost of other sources shall be subject to compulsory state expert examination with the view of compliance with the environmental, urban development and sanitary-hygienic requirements.

2. If necessary, expert examination of some innovation projects of a special national economic importance may be exercised in accordance with the decision made by the Cabinet of Ministers of Ukraine.

Article 331. Agreement for Creation and Transfer of Scientific-Technical Products

1. According to the agreement for creation and transfer of a scientific-technical product, one party (the contractor) is obligated to fulfill the scientific research and construction works according to the task set by the other party (the client), and the client is obligated to accept the said works (the products) and pay for them.

2. The object of the agreement for transfer of scientific-technical products may be modified technical products.

3. Scientific-technical products are completed scientific research, designing, construction, technological works and services, creation of experimental models or series of goods necessary for the scientific research and construction works in accordance with the requirements agreed upon with the client, which are produced or delivered by business entities (research, construction, designing and technological institutions, organizations, research and construction divisions of enterprises, institutions, organizations, etc.)

4. Agreements may be concluded for fulfillment of the entire complex of works from research to introducing into production of scientific-technical products, and their further technological maintenance (servicing).

5. If scientific-technical products are results of initiative works, the agreement is concluded for their transfer including the services of implementation and development.

6. Agreements for creation and transfer of scientific-technical products for the state purposes and with participation of foreign business entities shall be concluded and implemented in accordance with the procedure established by Cabinet of Ministers of Ukraine according to law.

Article 332. Legislation on Innovation Activities

1. Relations in the process of innovation activities shall be regulated by this Code, and other legislative acts. The said relations, which are not covered by this Code, shall be regulated by the relevant provisions of the Civil Code of Ukraine.

Chapter 35. SPECIFICS OF LEGAL REGULATION OF FINANCIAL ACTIVITIES

§ 1. Finance and Banking Activities

Article 333. Financial Activities of Business Entities

1. Finance of business entities is an independent link of the national financial and crediting system with individual turnover of funds ensuring coverage of the production cost of goods (works/services) and the receipt of income.

2. Financial activities of business entities shall include monetary and other financial mediation, insurance and subsidiary activities in the area of finance and insurance.

3. Financial mediation is the activity connected with the receipt and redistribution of funds, except the cases envisaged by legislation. Financial mediation is exercised by banks and other financial and crediting organizations.

4. Insurance in the area of economic activities is the activity aimed at covering of long-term and short-term risks of business entities using the savings through the crediting and finance system or without that.

5. Subsidiary activities in the area of finance and insurance shall include non-state management of financial markets, exchange transactions with stock, other activities (crediting mediation, financial consulting, operations with foreign currency, cargo insurance, evaluation of insurance risks and losses, other activities).

Article 334. Legal Status of Banks

1. The banking system of Ukraine consists of the National Bank of Ukraine and other banks (state and non-state) created and functioning on the territory of Ukraine in accordance with law.

2. Banks are financial institutions whose functions include depositing the savings of citizens and legal entities, placement of these savings on their own behalf, at their own conditions and risks, opening and keeping bank accounts for citizens and legal entities.

3. Banks are legal entities. Banks can be multi-purpose or specialized - savings, investment, hypothecation, or settlement (clearing) banks.

4. Officials of state authorities and local governments shall be prohibited to participate in managerial bodies of banks, unless otherwise envisaged by law.

5. Banks shall not be responsible on obligations of the state, and the state shall not be responsible on obligations of the banks, except for the cases envisaged by law, and the cases when the state undertakes such responsibility in accordance with law.

6. In their activities, banks shall obey this Code, the law on banks and banking activities and other legislative acts.

7. A business entity shall not have the right to use the word "bank" in its name, unless it is registered as a bank with the National Bank of Ukraine, except the cases envisaged by law.

Article 335. National Bank of Ukraine. Board of the National Bank of Ukraine

1. National Bank of Ukraine is the central bank of the state, whose main function is to ensure stability of the Ukrainian national currency - hryvnia.

2. The legal status of the National Bank of Ukraine shall be determined by the Law on the National Bank of Ukraine.

3. Development of the fundamental principles of monetary and crediting policy and control of their implementation shall be exercised by the Board of the National Bank of Ukraine. The legal status of the Board of the National Bank of Ukraine shall be determined by law.

Article 336. Legal Forms of Banks

1. Banks are created in the forms of joint-stock companies, limited liability companies or cooperative banks.

2. Bank participants may be legal entities and citizens, residents or non-residents, or the state represented by the Cabinet of Ministers of Ukraine or the bodies authorized thereby. Bank participants cannot be legal entities where the bank has material participation, associations of citizens, religious or charitable organizations.

3. It shall be prohibited to use budget funds earmarked for targeted purposes, borrowed money against pledge for the creation of authorized capital of the bank, and to increase the authorized capital for covering of losses.

4. Banks shall have the right to create associations of banks in accordance with law, or participate in industrial and financial groups. A bank can participate in one association of banks only.

5. Conditions and procedures of creation, state registration, licensing and reorganization of banks, requirements as to their charters, creation of the authorized capital or other funds, and the functions of banks shall be established by the law on banks and banking activities. Legislation on business partnerships and cooperation shall apply to the banks in the part that does not contradict this Code and the said law.

Article 337. State Banks

1. A state bank is that created in accordance with the decision of the Cabinet of Ministers of Ukraine on the basis of the state ownership.

2. A charter of a state bank shall be approved by the resolution of the Cabinet of Ministers of Ukraine.

3. A name of state bank shall contain the word "state".

4. The state shall exercise the powers of an owner with regard to its shares in the authorized capital of a state bank through the bank's managerial bodies.

5. If a decision is made by the state on partial or full alienation of its shares, the bank shall lose the status of a state bank.

Article 338. Cooperative Banks

1. A cooperative bank is a bank created by business entities or other entities based on a territorial principle and the principle of voluntary membership, and pooling of share contributions for joint monetary and crediting activities. According to law, the central cooperative bank and local cooperative banks can be created.

2. The authorized capital of a cooperative bank is divided into shares.

3. Each participant of a cooperative bank shall have the right to one vote irrespective of the participation (share) thereof in the authorized capital of the bank.

Article 339. Banking Transactions

1. Financial mediation shall be exercised by the banks in the form of banking transactions. The main banking transactions shall include depositing, settlement, crediting, factoring and leasing transactions.

2. The list of banking transactions shall be established by the law on banks and banking activities.

3. Banking transactions shall be exercised in accordance with the procedure established by the National Bank of Ukraine.

Article 340. Depositing Transactions of Banks

1. Depositing transactions of banks include depositing of funds and placement of savings (deposit) certificates.

2. Deposits are created of funds in cash or cashless in Ukrainian hryvnias or foreign currencies placed by legal entities or citizens (clients) on their accounts in the bank on a contractual basis for certain period or without specifying such period and to be repaid to the depositor in accordance with legislation and the agreement. Agreements of bank deposit shall be executed in writing.

Article 341. Settlement Transactions of Banks

1. Settlement transactions of banks are aimed at mutual settlements between the participants of economic relations, and other settlements in the financial sphere.

2. To facilitate settlements, the business entities keep their funds on the relevant accounts in banks.

3. Cashless settlements may be exercised in the form of payment orders, due claims, claim orders, promissory notes, checks, banking payment cards and other debit and credit payment instruments used in the international banking practice.

4. All cashless payments shall be made through banks as transfers of the relevant amounts from payers' accounts to the recipients' accounts or as a setoff of mutual obligations and monetary claims. The payments shall not exceed the funds available at the payers' accounts. If necessary, a bank may give a loan to the payer to make the settlements.

5. Banks shall facilitate settlements in accordance with legislation and the clients' requirements based on agreements of settlement services. Agreements shall contain the contact data of the parties, terms of opening and closing of accounts, types of services provided by the bank, obligations of the parties and responsibilities for the failure to fulfill, and the terms of termination of agreements.

Article 342. Bank Accounts

1. Accounts of a legal entity/ client of the bank are opened at the bank institutions at the place of the entity's registration or in any other bank on the territory of Ukraine by consent of the parties. The procedure for opening accounts at the bank institutions outside Ukraine shall be established by law.

2. Business entities having independent balances shall have their accounts opened for settlements for the products, works done, services delivered, for payment of salaries, taxes, duties (mandatory payments), and other settlements pertinent to financial support of their activities.

3. A business entity shall have the right to open accounts for depositing money, all types of transactions in any banks of Ukraine and other states at this entity's choice and by consent of the said banks in accordance with the procedure established by the National Bank of Ukraine.

4. Legal entities, their affiliates, divisions and other separated units without the status of legal entities, as well as individual entrepreneurs shall open accounts for depositing money and all types of banking transactions in any banks of Ukraine at their own choice and by consent of the said banks in accordance with the procedure established by the National Bank of Ukraine.

5. Accounts for the business entities that receive funds from the State Budget of Ukraine or local budgets for targeted use shall be opened in accordance with law.

6. The procedure for opening accounts at the bank institutions, forms of settlements and the procedures thereof shall be established by the law on banks and banking activities, other laws and legal and regulatory acts of the National Bank of Ukraine.

Article 343. Responsibilities for Violation of the Terms of Settlements

1. Payers and payees shall exercise control of timely settlements and consider the claims without participation of the bank institutions.

2. For the delay of payment, the payer shall pay the penalty to the payee in the amount established by consent of the parties but not exceeding the double discount rate of the National Bank of Ukraine effective during the period the penalty is collected for.

3. In case of the delay in entering money to the client's account, the bank shall pay the penalty to the payee in the amount envisaged by the agreement of encashment and settlement transactions, or if such agreement was not concluded - in the amount established by law.

4. The payer is obligated to calculate the penalty for the delayed payment independently and authorize the bank to pay it out of the money available on the payer's account.

Article 344. International Settlement Transactions

1. International settlement transactions shall be exercised on the basis of monetary claims and obligations arising in external economic activities between the states, business entities, other legal entities and citizens located on the territories of different countries.

2. Subjects of international settlements shall be exporters, importers and banks participating in the relations envisaging the turnover of documents of title and operational formalization of payments.

3. International settlements shall be regulated by the provisions of international law, banking practices and rules, terms of external economic contracts, legislation of the countries/ participants of settlements with regard to foreign currency transactions.

4. The general conditions of settlement relations with foreign states shall be established by international agreements. The procedure of settlements and keeping records of bank accounts shall be established by the agreements concluded by the authorized banks.

5. International settlements shall be exercised through the bank institutions engaged in correspondent relations (banks - parties to agreements for payments and settlements by mutual authorization).

6. For international settlements, the following commercial documents shall be used: consignment, bill of lading, invoice, insurance documents (insurance policy, certificate), ownership title and other commercial documents. Financial documents used for international settlements are: promissory notes, drafts, debentures, checks or other documents used for the receipt of payments.

Article 345. Crediting Transactions of Banks

1. Crediting transactions shall envisage placement of money of legal entities (borrowers) and citizens on behalf of the banks, on the terms and at the risk of the banks. Crediting transactions are banking transactions defined as such by the law on banks and banking activities.

2. Crediting relations shall be exercised on the basis of a loan agreement concluded between the creditor and the borrower in writing. The loan agreement shall envisage the purposes, amount and term of a loan, conditions and procedures of its issuance and repayment, procedures for payment for the loan, obligations, rights and responsibilities of the parties with regard to issuance and repayment of the loan.

Article 346. Crediting of Business Entities

1. To apply for a bank loan, the borrower shall submit the following documents:

application indicating the nature of a loan agreement, the purpose of the loan, amount and period of use;

technical and economic justification of the loan and calculation of economic effect as a result of implementation; and

other necessary documents.

2. To reduce the risk, a bank shall provide the loan against guarantee of the solvent business entity or another bank's guarantee, against pledge of the borrower's property or other guarantees appropriate in banking practices. For this purpose, the bank shall have the right to preliminary examination of the borrower's economic situation and solvency, and forecast the risk of non-repayment.

3. Loans are issued by the bank against interest, as a rule, with the rate that cannot be lower than the interest on loans collected by the bank itself, and the interest rate paid on deposits. Interest-free loans shall be prohibited, except in the cases envisaged by law.

Article 347. Forms and Types of Bank Loans

1. In the area of economic activities, the forms of loans shall include the following: bank loan, commercial loan, leasing loan, hypothecation loan and others.

2. Loans issued by banks are distinguished by:

terms of use (short-term - no longer than one year; medium-term - no longer than three years; and long-term - longer than three years);

type of guarantee;

degree of risk;

issuance methods;

repayment terms; and

other conditions of issuance, use or repayment.

Article 348. Bank's Control of the Use of Loans

1. The bank shall exercise control of fulfillment of the conditions of loan agreements, targeted use, timely and full repayment of the loan in accordance with the procedure established by legislation.

2. If the borrower fails to fulfill its obligations envisaged by the loan agreement, the bank shall have the right to terminate further issuance of the loan in accordance with the agreement.

Article 349. Credit Resources

1. Banks exercise crediting transactions within the credit resources they create in the process of their activities. the banks may borrow resources from other banks on contractual basis, involve and place funds in the form of deposits and exercise mutual transactions envisaged by their charters.

2. In case of insufficiency of funds for crediting transactions and fulfillment of obligations undertaken, the banks may receive loans from the National Bank of Ukraine. Credit resources of the National Bank of Ukraine consist of the authorized capital and other funds, as well as other money used as credit resources in accordance with law.

3. The general conditions of use of credit resources shall be determined by this Code and other laws.

Article 350. Factoring Services

1. Acquisition of the right to monetary claim on a supply of goods or delivery of services with undertaking of the risk of such a claim and the receipt of payments (factoring) is a banking transaction exercised on a commercial and contractual basis.

2. According to a factoring agreement, the bank undertakes an obligation to transfer the funds to the client for payment, whereas the client undertakes the obligation to assign to the bank the monetary claim to a third party as envisaged by the relations between the client and the said third party.

3. Factoring transactions may envisage provision of clients with additional consulting and informational services.

4. The factoring agreement shall be valid regardless of the agreements between the client and the client's debtor as to the prohibition or restriction of the transfer of monetary claim.

5. General conditions and procedures of factoring transactions shall be established by the Civil Code of Ukraine, this Code, the law on banks and banking activities, other laws, legal and regulatory acts of the National Bank of Ukraine.

Article 351. Leasing Transactions

1. Banks shall have the right to acquire the means of production at their own cost and lease them in compliance with the requirements established in Article 292 of this Code.

2. The general conditions and procedures of leasing transactions shall be established by the law on banks and banking activities, other legislative acts and the legal and regulatory acts of the National Bank of Ukraine.

§ 2. Insurance

Article 352. Insurance in the Area of Economic Activities

1. Insurance is the activity of specially authorized state organizations and business entities (insurers) pertinent to the provision of insurance services to legal entities or citizens (insured persons) for protection of their pecuniary interests when the events specified by law or insurance agreements (occurrence insured) take place, at the cost of the funds formed as a result of payment of insurance payments by the persons insured.

2. Insurance may be exercised on the basis of an agreement between the insurer and the person insured (voluntary insurance) or based on the law (compulsory insurance).

3. For the insurance of their pecuniary interests, business entities may create partnerships for mutual insurance in accordance with the procedure and in terms established by legislation.

Article 353. Insurers in the Area of Economic Activities

1. Business entities/insurers exercise their insurance activities on the basis of license for the right to exercise certain types of insurance. Insurers shall have the right to be engaged only in the types of insurance specified in their licenses.

2. The subject of direct activities of an insurer may be only insurance, reinsurance and financial activities connected with formation, placement and management of insurance reserves. The said activities are allowed in the form of services for other insurers in accordance with agreements of joint activities.

3. For the purposes of this Code, the persons insured shall be participants of economic relations - parties to insurance agreements with insurers, or those considered to be persons insured in accordance with law.

Article 354. Insurance Agreement

1. According to an insurance agreement, in case of the occurrence insured, the insurer is obligated to pay the sum insured to the person insured or another person specified by the person insured in the insurance agreement; the person insured is obligated to make the insurance payments within the established terms and comply with other conditions of the agreement.

2. A state body authorized to exercise supervision over insurance activities shall have the right in accordance with law to establish additional requirements to insurance agreements.

3. When entering into an insurance agreement, the insurer shall have the right to inquire the information on financial status of the person insured, confirmed by an auditor (audit organization).

4. Conclusion of an insurance agreement may be certified by an insurance certificate (policy) as a form of insurance agreement.

Article 355. Legislation on Insurance in the Area of Economic Activities

1. Objects of insurance, types of compulsory insurance, general terms of insurance, requirements to insurance agreements and the procedures of state supervision over insurance activities shall be determined by the Civil Code of Ukraine, this Code, the law on insurance and other legislative acts.

§ 3. Brokerage in Transactions with Securities. Stock Exchange

Article 356. Brokerage Connected with Issuance and Turnover of Securities

1. Brokerage activities in the area of issuance and turnover of securities are economic activities of business entities (the traders of securities) engaged exclusively in transactions with securities or given permission to exercise these activities according to law.

2. Traders of securities shall have the right to exercise the following brokerage activities:

by authorization and on behalf of and at the cost of issuer, organize subscription to securities or their disposal in other ways;

sale/purchase of securities exercised by the traders of securities on their behalf, by authorization and at the cost of other persons; and

sale/purchase of securities exercised by the traders of securities on their behalf and at their cost.

3. Law may also envisage other types of brokerage activities with securities (activities on management of securities, etc.)

Article 357. Licensing of Brokerage Activities in the Area of Issuance and Turnover of Securities

1. Brokerage activities in the area of issuance and turnover of securities shall be allowed on the basis of licenses issued in accordance with the procedure established by legislation.

2. Subjects of exclusive brokerage activities in the area of issuance and turnover of securities may be engaged in particular activities related to the turnover of securities (consulting of owners of securities, etc.)

Article 358. Instances when Brokerage in the Area of Issuance and Turnover of Securities is not Allowed

1. No license for any type of brokerage activities in the area of issuance and turnover of securities can be issued to a trader of securities, which directly or indirectly owns the property of other traders of securities, which value exceeds the amount established by law.

2. A trader of securities that has a license for any type of brokerage activities in the area of issuance and turnover of securities shall not directly or indirectly own the property of other traders of securities, which value exceeds the amount established by law.

3. A trader of securities shall not be engaged in trading of:

securities of own issuance; and

shares of the issuer, whose property is directly or indirectly owned by the trader, and which value exceeds five per cent of the authorized capital stock.

Article 359. Conclusion of Agreements on Securities

1. If a trader of securities receives an authorization for purchase or sale of securities, this trader shall provide the person, by which authorization and at which cost the trader acts with the information on the stock price.

2. A trader of securities shall provide the stock exchange with information on all agreements on securities concluded by this trader within the terms and according to the procedure established by the rules of the stock exchange.

3. Special requirements as to the conclusion of agreements on securities shall be established by law.

4. Specifics of accounting records and transactions with securities shall be established in accordance with law.

Article 360. Stock Exchange

1. For organization of functioning of the stock market, stock exchanges are created. A stock exchange is a joint-stock corporation that concentrates demand and offer of securities, facilitates formation of their price, and exercises its activities in accordance with this Code, other laws, and the charter and rules of the stock exchange.

2. A stock exchange is created by its founders - traders of securities in accordance with the procedure established by law.

3. Activities of a stock exchange shall be aimed exclusively at conclusion of agreements of purchase/sale of securities and derivatives thereof. The stock exchange cannot exercise transactions with securities on its behalf or by authorization of the customers, or act as depositary.

4. A stock exchange shall receive the status of a legal entity on the day of its state registration in accordance with law.

Article 361. Specific Conditions of Termination of the Stock Exchange Activities

1. Activities of a stock exchange shall be terminated if during the established period, the number of its members is less than that established by law.

2. Activities of a stock exchange shall be terminated in accordance with the procedure established for the termination of activities of business partnerships, unless otherwise envisaged by law.

§ 4. Audit

Article 362. Auditing Activities

1. Auditing activities are the activities exercised by individuals or organizations aimed at auditing proper, organizational and methodological support of auditing and other auditing services.

2. Auditing activities shall be regulated by this Code, the law on auditing activities and other legal and regulatory acts adopted in accordance therewith.

Article 363. Audit

1. Audit is the checkup of accounting reports, records, primary documents and other information pertinent to financial and economic activities of business entities in order to verify the reliability of their reporting, accounting, fullness and compliance with legislation and the established standards.

2. Audit is exercised by independent persons (auditors) or auditing organizations authorized by the business entities to exercise audit.

3. Audit may be exercised by initiative of business entities and also in cases envisaged by law (mandatory audit).

Article 364. Auditor and Auditing Organization

1. Auditor shall be a citizen of Ukraine having a qualifications certificate that gives the right to be engaged in auditing activities on the territory of Ukraine.

2. An auditor shall have the right to associate with other auditors into unions in accordance with legislation.

3. Auditing organization is an economic organization created in accordance with law.

4. Conditions and procedures of auditing activities, rights and duties of auditors and auditing organizations shall be established by law, other legal and regulatory acts.

Article 365. Auditors' Chamber of Ukraine

1. The Auditors' Chamber of Ukraine is a self-governed authority that certifies the persons intending to be engaged in auditing activities, approves the syllabuses for training of auditors, auditing norms and standards and keeps records of auditing organizations and auditors.

2. The legal status and procedures of activities of the Auditors' Chamber of Ukraine shall be determined by the law on auditing activities and other legal and regulatory acts adopted in accordance therewith.

Chapter 36. USE OF THE RIGHTS OF OTHER SUBJECTS OF ECONOMIC ACTIVITIES (COMMERCIAL CONCESSION)

Article 366. Agreements of Commercial Concession

1. According to agreements of commercial concession, one party (the holder of the right) is obligated to entitle the other party (the user of the right) for a certain period or termlessly to use in business activities the rights of the holder, and the user is obligated to comply with the conditions of the rights given thereto and pay the sum specified in the agreement to the holder.

2. The agreement of commercial concession envisages the use of the rights given to the user, business reputation and commercial expertise of the holder to a certain extent with or without specifying the territory of use with regard to a certain business activity.

Article 367. Form of Agreements of Commercial Concession and Registration Thereof

1. The agreement of commercial concession shall be executed in writing as a single document. The failure to comply with this requirement entails nullification of the agreement.

2. The agreement of commercial concession shall be subject to state registration by the authority that registered the business entity/ holder of the right under the agreement. If the holder of the right is not registered as a business entity in Ukraine, registration of the agreement of commercial concession shall be exercised by the authority that registered the business entity/user.

3. In their relations with the third parties, the parties to the agreement of commercial concession shall have the right to refer to the agreement only after its state registration. Absence of the state registration of the agreement shall divest the parties of the right to refer to this agreement.

4. Other requirements as to the conclusion of the agreement of commercial concession shall be established by law.

Article 368. Commercial Sub-Concession

1. The agreement of commercial concession may envisage the right of the user to allow other entities to use the set of rights or a part thereof in terms of commercial sub-concession agreed upon with the holder of the rights or specified in the agreement of commercial concession.

2. If the agreement of commercial concession is declared null and void, the agreements of commercial sub-concession concluded on the basis thereof shall be nullified as well.

Article 369. Reward in Agreements of Commercial Concession

1. Reward in agreements of commercial concession may be paid by the user to the holder as a lump sum or in periodical payments, or in other forms envisaged by the agreement.

Article 370. Obligations of a Holder of the Right

1. The holder of the right shall:

provide the user with technical and commercial information, or other information necessary for the user to implement the rights given thereto according to the agreement of commercial concession, and instruct the user and its staff with regard to the issues pertinent to the implementation of the said rights; and

issue the licenses (permits) to the user, as envisaged by the agreement, ensure formalization thereof in accordance with the procedure established by law.

2. Unless otherwise envisaged by the agreement of commercial concession, the holder of the right shall:

ensure registration of the agreement of commercial concession;

provide the user with ongoing technical and consulting support, including training and improvement of the staff's qualifications; and

control the quality of goods (works/services) produced (performed or delivered) by the user on the basis of the agreement of commercial concession.

Article 371. Obligations of the User

1. Taking into account the nature and specifics of the activity exercised by the user according to the agreement of commercial concession, the user shall:

use the trade mark and other brands of the holder in the activities envisaged by the agreement, in accordance with the procedure established by the agreement;

ensure the compliance of the quality of goods produced, and works/services performed on the basis of the agreement, with the quality of similar goods (works/services) produced (performed) directly by the holder of the right;

adhere to the instructions and guidelines of the holder of the right aimed at compliance with the nature, methods and conditions of use of the set of rights given to the user;

provide buyers (customers) with additional services they could count on when buying (ordering) goods (works/services) directly from the holder of the right;

inform buyers (customers) in the most appropriate way of the use of trade marks and other brands of the holder of the right according to the agreement of commercial concession;

keep commercial secrets of the holder of the right or other confidential information received from the holder of the right; and

pay to the holder of the right the amount specified in the agreement.

Article 372. Restrictions of the Rights of Parties to the Agreement of Commercial Concession

1. The agreement of commercial concession may envisage restriction of the rights of the parties, such as:

the holder's obligation not to give similar sets of rights to other entities to be used on the territory assigned to the user or to refrain from similar actions on this territory;

the user's obligation to refrain from the competition with the holder on the territory where the agreement of commercial concession is applied with regard to the business activities exercised by the user with the use of the holder's rights;

the user's refusal from receipt of similar rights according to the agreements of commercial concession from the holder's competitors (potential competitors); and

the user's obligation to agree with the holder upon the location of production facilities to be used in the process of implementation of the rights provided according to the agreement, as well as the internal and external arrangement of these facilities.

2. Restricting conditions may be recognized invalid if they contradict legislation.

Article 373. Holder's Responsibility on the Claims Presented to the User

1. The holder of the right shall have subsidiary responsibility on the claims presented to the user of commercial concession in case of noncompliance with the quality requirements to the goods (works/services) sold (performed/delivered) by the user.

2. On the claims presented to the user as a manufacturer of the holder's products (goods), the holder shall be held responsible jointly with the user.

Article 374. Modification and Termination of Agreements of Commercial Concession

1. Agreements of commercial concession may be modified in accordance with the provisions of Article 188 of this Code.

2. In their relations with the third parties, the parties to the agreement of commercial concession shall have the right to refer to the modifications of the agreement only after the state registration of the said modifications in accordance with Article 367 of this Code, unless proven that the third party knew or had to know about the said modification earlier.

3. Either of the parties to the agreement of commercial concession concluded without specifying the term, shall have the right to refuse from the agreement at any time by notifying the other party six months in advance, unless otherwise established by the agreement.

4. Early termination of the agreement of commercial concession concluded for a definite term or termination of a termless agreement shall be subject to state registration in accordance with Article 367 of this Code.

5. If a holder or a user of the right is declared insolvent (bankrupt), the agreement of commercial concession shall be terminated.

Article 375. Consequences of Change of the Trade Mark or Other Holder's Brands

1. If the holder of the right changes a trade mark or other brands that the user has the right to use according to the agreement of commercial concession, this agreement shall remain

valid with regard to the new brands of the holder, unless the user claims termination of the agreement.

2. In case of extension of the agreement of commercial concession, the user shall have the right to claim proportional reduction of the reward to the holder of the right.

3. If a right given in accordance with the agreement of commercial concession was terminated, the agreement shall remain valid, with the exception of provisions pertinent to the right that was terminated, and the user shall have the right to claim reduction of the holder's reward, unless otherwise envisaged by the agreement.

Article 376. Legal Regulation of Commercial Concession

1. Relations pertinent to the use of the rights of other subjects of economic activities shall be regulated by this Code and other laws.

Section VII. EXTERNAL ECONOMIC ACTIVITIES

Chapter 37. GENERAL PROVISIONS

Article 377. Concept of External Economic Activities

1. External economic activities of business entities are economic activities that require bringing the property specified in Clause 1 of Article 139 of this Code and/or labor force across the customs border of Ukraine.

2. External economic activities shall be based on principles of freedom of its subjects to be engaged in external economic relations, exercise these activities in any forms that are not prohibited by law, and the principle of equality of all subject of external economic activities before the law.

3. General conditions and procedures of external economic activities exercised by business entities shall be established by this Code, law on external economic activities and other legal and regulatory acts.

Article 378. Subjects of External Economic Activities

1. Subjects of external economic activities are:

business entities specified in Clauses 1, 2 of Part 1 of Article 55 of this Code; and

divisions (structural units) of foreign business entities, which are not legal entities according to Ukrainian legislation (affiliates, divisions, etc.) but are permanently located on the territory of Ukraine and registered in accordance with the procedure established by law.

2. External economic organizations with the status of legal entities created in Ukraine according to law by state authorities or local governments may also participate in external economic activities.

3. The state shall guarantee equal protection of all subjects of external economic activities.

Article 379. Types of External Economic Activities and External Economic Transactions

1. All subjects of external economic activities shall have the right to be engaged in any external economic activities and external economic transactions, unless otherwise established by law.

2. Types of external economic activities, the list of external economic transactions exercised on the territory of Ukraine, conditions and procedures of these activities exercised by the subjects of external economic activities, as well as the lists of goods (works/services) prohibited for export/import shall be established by law.

Article 380. State Regulation of External Economic Activities

1. State regulation of external economic activities is aimed at protection of economic interests of Ukraine, rights and lawful interests of the subjects of external economic activities, creation of conditions for development of all types of entrepreneurship in the area of external economic activities and use of income and investments by the subjects of external economic activities, support of competition and restriction of monopoly of business entities in the area of external economic activities.

2. State authorities and local governments shall not have the right to interfere in the operations of the subjects of external economic activities, except the cases envisaged by law.

3. The list of state authorities regulating external economic activities and the powers thereof, as well as the forms of state regulation and control shall be established by this Code, the law on external economic activities and other laws.

Article 381. Licensing and Quoting of External Economic Transactions

1. The Cabinet of Ministers of Ukraine may establish the list of goods (works/services) that can be exported or imported by the subjects of external economic activities only on condition of licensing.

2. The procedures of licensing of export/import transactions and the types of licenses shall be established by law.

3. The quoting regime of external economic activities can be introduced in the cases envisaged by law or effective international agreements of Ukraine, and shall be exercised through limiting the total quantities and/or total customs value of goods that can be exported/imported during a certain period. The quoting procedure for the said transactions and the types of quotes shall be established by law.

4. Information on introduction of the licensing or quoting regimes shall be published in official editions in accordance with the procedure established by law.

Article 382. External Economic Agreements (Contracts)

1. Subjects of external economic activities shall have the right to enter into any external economic agreements (contracts), except those prohibited by legislation of Ukraine.

2. An external economic agreement (contract) shall be executed in writing, unless otherwise established by law or effective international agreement recognized by the Verkhovna Rada of Ukraine as mandatory.

3. A form of an external economic agreement (contract) shall be determined by the place of its conclusion. The place of conclusion of an agreement (contract) shall be determined in accordance with laws of Ukraine.

4. Forms of external economic agreements (contracts) on land plots, buildings or other immovable property located on the territory of Ukraine shall be established by laws of Ukraine.

5. Rights and obligations of the parties to an external economic agreement (contract) shall be determined by the place of its conclusion, unless otherwise agreed by the parties. The procedure for determining which law should apply to the agreement (contract) in case of the failure to achieve consent with regard to the said procedure, shall be established by the law on external economic activities.

6. External economic agreements (contracts) may be declared null and void in a court procedure, if it is not in conformity with the laws of Ukraine or effective international agreements recognized to be mandatory by the Verkhovna Rada of Ukraine.

7. Law may establish special procedures for conclusion, implementation and termination of particular types of external economic agreements (contracts).

Article 383. State Registration of External Economic Agreements (Contracts)

1. To ensure the conformity of external economic agreements (contracts) with legislation of Ukraine, the Cabinet of Ministers of Ukraine may require the state registration thereof.

2. The types of external economic agreements (contracts) subject to state registration and the procedures of such registration shall be established by the law on external economic activities and other legal and regulatory acts adopted in accordance therewith.

3. Fulfillment of obligations under external economic agreements (contracts) that are not registered in accordance with the established procedure shall entail application of administrative economic sanctions envisaged by law to the business entities that violated this requirement.

Article 384. Customs Regulation of External Economic Activities

1. The state shall exercise the customs regulation of external economic activities.

2. The customs regulation of external economic activities shall be exercised in accordance with the Customs Code of Ukraine, the law on external economic activities, other laws, the single customs tariff and effective international agreements recognized to be mandatory by the Verkhovna Rada of Ukraine.

3. Customs control on the territory of special (free) economic zones shall be regulated by the special laws and effective international agreements recognized as mandatory by the Verkhovna Rada of Ukraine, which establish the special legal regime for the said zones in accordance with Section VIII of this Code.

Article 385. Principles of Taxation of External Economic Activities

1. Taxation of subjects of external economic activities shall be exercised based on the following principles:

establishment of the taxation level from the standpoint of necessity to achieve and maintain the self-repayment of subjects of external economic activities and the deficit-free payment balance of Ukraine;

guarantee of stability of the types and rates of taxes and duties (mandatory payments) and the status of foreign currencies on the territory of Ukraine to be established exclusively by law;

equality of subjects of external economic activities in the process of establishing interest rates; and

motivation of export of domestic products.

2. Taxation benefits shall be established exclusively by laws, as a rule, for the subjects of external economic activities which export scientific or science-intensive products, in the amounts exceeding import during a fiscal year if export is at least 5 per cent of the goods sold during a fiscal year.

3. Tax rates shall be established or cancelled in accordance with tax laws.

Article 386. Foreign Currency Accounts of Subjects of External Economic Activities

1. Subjects of external economic activities shall have the right to open any foreign currency accounts that are not prohibited by law at the banking institutions located on the territory of other states.

2. Procedures for opening of foreign currency accounts at the banking institutions located on the territory of other states shall be regulated by legislation of these states. If a foreign currency account is opened at a banking institution outside Ukraine, the subject of external economic activities shall inform the National Bank of Ukraine thereof no later than three days

after opening. Violation of this requirement shall entail administrative economic responsibility in accordance with the procedure established by law.

3. Opening foreign currency accounts at banking institutions outside Ukraine by a subject of external economic activities having a share of state-owned property in its authorized capital stock shall be exercised by consent of the State Property Fund of Ukraine.

4. Subjects of external economic activities shall provide information on the use of their foreign currency accounts to the tax authorities in accordance with the procedure established by law.

5. Procedures for payments in foreign currency by the subjects of external economic activities shall be established by law.

Article 387. Foreign Currency Proceeds from External Economic Activities

1. After payment of taxes and duties (mandatory payments) envisaged by law, the subjects of external economic activities shall independently dispose of the foreign currency proceeds from the transactions, except the cases established by law in accordance with this Code.

2. Law may introduce a regime of mandatory distribution of proceeds from external economic activities in foreign currency among the subjects of external economic activities and the authorized state foreign currency funds, as well as the procedures and amounts of the foreign currency deductions. Information on introduction of the said regime shall be published in the official printed matter of the Cabinet of Ministers of Ukraine no later than two months before the introduction of this regime.

Article 388. Borrowing by Subjects of External Economic Activities from Foreign Financial Institutions

1. Subjects of external economic activities may receive foreign currency loans from foreign financial institutions on a contractual basis. In these cases, the terms of loan agreements shall not contradict legislation of Ukraine.

2. Subjects of external economic activities having shares of state-owned property in their authorized capital stock may enter into loan agreements with foreign financial institutions only by consent of the State Property Fund of Ukraine.

3. The types of property that cannot be used as pledge for the receipt of foreign currency loans from foreign financial institutions shall be established by law.

Article 389. State Protection of Rights and Lawful Interests of the Subjects of External Economic Activities

1. The state shall protect the rights and lawful interests of the subjects of external economic activities outside Ukraine in accordance with the provisions of international law. This protection shall be exercised through diplomatic and consular institutions, state trading representative offices that represent the interests of Ukraine, or in other ways established by law.

2. The state shall take necessary measures in response to discrimination and/or unfriendly actions on behalf of other states, customs unions, or economic groups that restrict the rights and lawful interests of the Ukrainian subjects of external economic activities.

3. Law may envisage special activities to protect domestic producers from dumping import, and special measures with regard to import transactions, that cause or may cause essential damages to the domestic producers, and make lists of goods and services prohibited to export, import or transit through the territory of Ukraine.

4. In cases of unfair competition, sanctions in accordance with the law on external economic activities and other laws shall be applied to the subjects of external economic activities of their foreign counteragents.

Chapter 38. FOREIGN INVESTMENTS

Article 390. Foreign Investors

1. Foreign investors are the following entities engaged in investment activities on the territory of Ukraine:

legal entities created according to a legislation other than that of Ukraine;

foreigners and stateless persons, who do not reside permanently on the territory of Ukraine;

international governmental or non-governmental organizations;

other states; and

other foreign entities engaged in investment activities defined in accordance with law.

Article 391. Types of Foreign Investments

1. Foreign investors shall have the right to make investments of the following types on the territory of Ukraine: foreign currency recognized as convertible by the National Bank of Ukraine; any movable or immovable property and the property rights related thereto; and other values (property), recognized as foreign investments according to law.

2. Prohibition or restriction of any types of foreign investments can be established exclusively by law.

Article 392. Forms of Foreign Investments

1. Foreign investors shall have the right to make all types of investments specified in Article 391 of this Code in the following forms:

participation in business organizations created jointly with the domestic legal entities or citizens, or acquisition of shares in existing business organizations;

creation of foreign enterprises on the territory of Ukraine, affiliates or other structural divisions of the foreign legal entities, or acquisition of existing enterprises;

direct acquisition of immovable or movable property, which is not prohibited by laws of Ukraine, or acquisition of shares or other securities;

acquisition of rights to use land and natural resources on the territory of Ukraine individually or jointly with domestic legal entities or citizens;

economic activities on the basis of agreements of products distribution;

acquisition of other property rights; and

other forms that are not prohibited by law.

2. Prohibition or restriction of any forms of foreign investments shall be established exclusively by law.

3. Relations established as a result of acquisition of property rights to land or other natural resources by foreign investors in Ukraine shall be regulated in accordance with land laws or other legislation of Ukraine.

Article 393. Valuation of Foreign Investments

1. Valuation of foreign investments including contributions to authorized capital stock of enterprises with foreign investments shall be exercised in foreign convertible currency and

Ukrainian hryvnias by agreement of the parties on the basis of the prices on international or Ukrainian markets. Amounts in foreign currency shall be converted into Ukrainian hryvnias in accordance with the exchange rate established by the National Bank of Ukraine.

Article 394. Legal Regime of Foreign Investments

1. The national regime of investment activities shall be established on the territory of Ukraine with regard to the foreign investments, with exceptions envisaged by this Code, other laws and effective international agreements recognized as mandatory by the Verkhovna Rada of Ukraine.

2. Relations pertinent to taxation of foreign investors and enterprises with foreign investments shall be regulated by tax legislation of Ukraine.

3. State programs on involvement of foreign investments in priority sectors of the economy and the social sphere may envisage establishment of additional benefits for the business entities engaged in such activities.

4. Law may restrict or prohibit activities of foreign investors or enterprises with foreign investments in some sectors of the national economy or on certain territories of Ukraine according to the interests of the national security of Ukraine.

Article 395. State Registration of Foreign Investments

1. State registration of foreign investments shall be exercised by the Council of Ministers of the Autonomous Republic of Crimea, oblast state administrations and the city state administrations of Kyiv and Sevastopol during the period of three days after actual investment in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

2. Refusal in state registration of foreign investments shall take place only in case of violation of legislation of Ukraine on foreign investments. Refusal in state registration may be appealed in accordance with the court procedure.

3. Unregistered foreign investments shall not give the right to receive benefits and guarantees envisaged by this Code and other laws for foreign investors and enterprises with foreign investments.

Article 396. Activities of Business Entities with Foreign Investments in Ukraine

1. Business entities with foreign investments can be created and function on the territory of Ukraine as: enterprises with foreign investments (Article 116 of this Code), foreign enterprises (Article 117 of this Code), affiliates or representative offices of foreign legal entities or in other forms that are not prohibited by law.

2. The procedure for creation of enterprises with foreign investments and foreign enterprises shall be regulated by this Code and other laws adopted in accordance therewith. Specifics of creation of banking, insurance and other financial institutions with participation of foreign investors shall be established by the relevant laws.

Article 397. Guarantees of Foreign Investments

1. In order to ensure stability of the legal regime of foreign investments, the following guarantees shall be established for the foreign investors:

application of state guarantees for protection of foreign investments in case of changes in the legislation on foreign investments;

guarantees against forcible withdrawal and illegal actions by state authorities and officials thereof;

compensation and reimbursement of losses incurred by foreign investors;

guarantees in case of termination of investment activities;

guarantees of transfer of profits and use of income from foreign investments; and other guarantees of investment activities.

2. In case of changes in the legislation on foreign investments, by request of a foreign investor in cases and in accordance with the procedure established by law, state guarantees shall be applied according to legislation effective as of the moment of investment.

3. Foreign investments in Ukraine shall not be subject to nationalization.

4. State authorities and officials thereof shall not have the right to confiscate foreign investments, with exception of rescuing actions in case of natural disaster, breakage, epidemic or epizootic. Such confiscation may be exercised only based on decisions made by the bodies authorized by the Cabinet of Ministers of Ukraine in accordance with the procedure established by law.

5. Foreign investors shall have the right to apply for compensation of losses resulting from illegal actions or passivity of state authorities or local governments and officials thereof. Losses of foreign investors shall be compensated at current market prices or based upon justified estimations confirmed by an independent auditor (auditing organization).

6. Compensation paid to a foreign investor for the losses shall be adequate, effective and definite as of the moment when the decision is made to compensate the losses. According to this decision, the amount of compensation shall be immediately paid in the currency of investment, or other currencies appropriate for the foreign investor in accordance with legislation on foreign currency. Law may envisage interest on the amount of compensation.

7. Compensation of losses to foreign investors shall be paid in accordance with the procedure established by law.

Article 398. Guarantees of Transfer and Use of Income from Foreign Investments

1. After payment of taxes and duties (mandatory payments), foreign investors shall have guarantees of unimpeded immediate transfer abroad of their income, profits or other funds in foreign currency legally received from investment activities.

2. The procedure for the transfer of the said funds abroad shall be established by the National Bank of Ukraine. Income of foreign investors or other funds received in Ukraine in Ukrainian hryvnias or foreign currency from investment activities can be reinvested in Ukraine in accordance with the procedure established by law.

Article 399. Guarantees to Foreign Investors in Case of Termination of Investment Activities

1. In case of termination of investment activities on the territory of Ukraine, a foreign investor shall have the right to return its investments no later than six months after termination of these activities, as well as the income on these investments in cash or in kind, unless otherwise established by law or agreement of the parties.

Article 400. Legislation on Foreign Investments

1. Relations pertinent to foreign investments in Ukraine shall be regulated by this Code, the law on foreign investment regime, other legislation acts or effective international agreements recognized as mandatory by the Verkhovna Rada of Ukraine. If an international agreement establishes the rules other than those envisaged by legislation of Ukraine on foreign investments, the rules of the international agreement shall prevail.

Section VIII. SPECIAL REGIMES OF ECONOMIC ACTIVITIES

Chapter 39. SPECIAL (FREE) ECONOMIC ZONES

Article 401. Definition of a Special (Free) Economic Zone

1. A special (free) economic zone is a part of the territory of Ukraine with a special legal regime of economic activities and special procedures for application and enforcement of the Ukrainian legislation. On the territory of a special (free) economic zone, preferential customs, taxation, foreign currency/financial and other conditions may be established for business activities of the domestic or foreign investors.

2. Special (free) economic zones are created for involvement of investments and efficient use thereof, activation of business jointly with foreign investors in order to increase export of goods, supplies of high quality products and services to the domestic market, introduction of new technologies, development of market infrastructure, improved utilization of natural, material and labor resource and acceleration of the socioeconomic development of Ukraine.

Article 402. Territory and Status of a Special (Free) Economic Zone

1. Territory and status of a special (free) economic zone, including also the term of its functioning shall be determined by a special law for each special (free) economic zone.

Article 403. Types of Special (Free) Economic Zones

1. Special (free) economic zones created on the territory of Ukraine may be of different functional types: free customs zones and ports, export zones, transit zones, customs warehouses, technological parks, technopolis, complex industrial zones, tourism and recreational zones, insurance zones, banking zones, etc. An individual economic zone may have functions attributable to different types of special (free) economic zones specified in this Article.

Article 404. State Guarantees for Investments in Special (Free) Economic Zones

1. All business entities investing in special (free) economic zones shall be subject to the system of state guarantees for the protection of investments envisaged by legislation on investment activities and foreign investments. The state shall guarantee to the business entities in special (free) economic zones the right to take profits and investments out of the given zone and outside Ukraine in accordance with law.

Article 405. Legislation Effective on the Territory of Special (Free) Economic Zones

1. Legislation of Ukraine shall have effect on the territory of special (free) economic zones taking into account the specifics envisaged by this Code, the law on general principles for creation and functioning of special (free) economic zones and the law on creation of a particular special (free) economic zone adopted in accordance with this Code.

Chapter 40. CONCESSIONS

Article 406. Concession Activities in Ukraine

1. Concession is granting by an authorized state body or a local government of the right to create (construct) and/or manage (exploit) the concession object to a domestic or foreign business entity (the concessionaire) according to the concession agreement for a fixed period and for payment, in order to satisfy the social needs on condition that the concessionaire undertakes the relevant obligations, property responsibility and business risks.

2. Areas of economic activities where concession is allowed, objects of the right to state and communal ownership that can be subject to concession, and the economic activities allowed on the concession basis shall be determined by law.

Article 407. Principles of Concession Activities

1. Concession activities in Ukraine shall be based on the following principles:

combination of the state regulation of concession activities and implementation of concession agreements on the basis thereof;

selection of concessionaires primarily on a competitive basis;

comprehensive and paid-for utilization of the concession object, participation of the state and local governments in partial funding of concession objects for special purposes;

mutual benefits for the parties to concession agreements, division of risks between the parties to concession agreements;

state guarantees for concessionaire's investments;

stable conditions for concession agreements; and

protection of rights and lawful interests of consumers of the products (services) provided by the concessionaires.

Article 408. Concession Agreement

1. Concession activities shall be exercised on the basis of concession agreements concluded according to the legislation of Ukraine between the concessionaires, including foreign investors, on the one hand, and the Cabinet of Ministers of Ukraine or state bodies authorized thereby, or local governments determined by law, on the other hand.

2. The duration of concession agreements shall be established by the parties to the agreement irrespective of the nature and conditions of the concession. This term shall not be less than ten years or more than fifty years.

3. The Cabinet of Ministers of Ukraine may approve model concession agreements for certain types of concession activities.

4. Requirements to concession agreements, procedures of their conclusion, and other issues pertinent to legal regulation of concession activities shall be determined by the law on concessions and other laws.

Article 409. Termination of Activities of an Enterprise whose Property is Subject to Concession

1. Termination of activities of a state-owned or communal enterprise whose property is subject to concession shall be exercised through the liquidation thereof, with termination of the right to economic management of the property vested in this state-owned or communal enterprise.

2. The terms of the concession agreement shall envisage maximal use of labor of the Ukrainian citizens including those laid off as a result of liquidation of the state-owned or communal enterprise whose property is subject to concession.

Article 410. Legislation on Concessions

1. Relations pertinent to concession activities shall be regulated by this Code, the law on concessions, other legal and regulatory acts adopted in accordance therewith.

2. Special laws may envisage specifics of concession activities in particular areas of economic activities.

Chapter 41. OTHER TYPES OF SPECIAL REGIMES OF ECONOMIC ACTIVITIES

Article 411. Exclusive (Sea) Economic Zone of Ukraine

1. The sea territory adjacent to the territorial sea of Ukraine including the territory surrounding islands belonging to Ukraine, shall constitute the exclusive (sea) economic zone of Ukraine.

2. The width of the exclusive (sea) economic zone is two hundred sea miles measured from the same starting lines as the territorial sea of Ukraine.

3. In order to ensure the sovereign rights of Ukraine to exploration, exploitation and preservation of biological resources and management thereof in the exclusive (sea) economic zone, the state shall take measures (including examination, inspection, arrest and judicial examination) aimed to compliance of the business entities with the legislation of Ukraine.

4. In its exclusive (sea) economic zone, the state shall have exclusive rights to create, allow and regulate construction, exploitation and utilization of man-made islands, installation and constructions for the scientific research, exploration and development of natural resources, or for other economic purposes in accordance with legislation of Ukraine.

5. The regime of economic activities in the exclusive (sea) economic zone shall be established in accordance with this Code by the law on exclusive (sea) economic zone of Ukraine, other legislative acts that regulate the issues related to the legal regime of the exclusive (sea) economic zone of Ukraine.

Article 412. Specifics of Economic Activities on the State Border of Ukraine

1. Economic activities on the state border of Ukraine (navigation, use of water objects for the rafting purposes or other water uses, hydro-works, other works in the inland waters of Ukraine, use of land, forests, fauna, geological exploration and other economic activities) shall be exercised taking into account the specific regime of the state border of Ukraine in accordance with legislation of Ukraine and effective international agreement recognized by the Verkhovna Rada of Ukraine as mandatory.

2. The conditions for economic activities on the state border of Ukraine shall be determined by the state authorities of Ukraine taking into account the local conditions in accordance with law.

3. In cases and in accordance with the procedures established by law, traffic through particular sections of the state border of Ukraine may be temporarily restricted or prohibited in accordance with the decision by the Cabinet of Ministers of Ukraine, or quarantine measures can be taken with regard to the people, animals, cargoes, seeds, horticultural materials or other products of animal and vegetable origin, transported across the state border of Ukraine.

Article 413. Specifics of Economic Activities in Sanitary Zones and Other Protected Zones, Territories and Objects Under Special Protection

1. Economic activities in sanitary zones, water protection zones and other protected zones shall be exercised in accordance with the legal regime of such zones established by law.

2. Economic activities on the territories and objects of the natural reserve fund of Ukraine, resort, curative and sanative, recreational and other territories and objects included by legislation in the list of special protected areas shall be exercised in accordance with the legal regime of such territories and objects established by law.

3. Law establishes additional requirements with regard to economic activities and social guarantees of those working on the territories of radioactive pollution as a result of the Chernobyl catastrophe.

Article 414. Special Regime of Economic Activities in Some Sectors of the National Economy

1. In case of necessity to stabilize or accelerate development of some sectors of the national economy, a special regime of economic activities may be established in these sectors by initiative of the Cabinet of Ministers of Ukraine.

2. The Armed Forces of Ukraine may be engaged only in non-commercial (non-profit) economic activities.

3. Economic activities of the Armed Forces of Ukraine are specific activities of the military units, institutions and organizations of the Armed Forces of Ukraine related to ensuring of the functions thereof and envisaging subsidiary farming, manufacturing, works and services, lease of movable or immovable military property (with the exception of weapons, ammunition, combat and special machinery) in the range and in accordance with the procedure established by law.

4. Relations pertinent to economic activities of the Armed Forces of Ukraine shall be regulated by this Code and other laws.

Article 415. Specifics of Economic Activities on the Territories of Priority Development

1. By initiative of a relevant local government, law may introduce a special regime of investment activities aimed at creation of jobs in a city or a raion with unfavorable socioeconomic conditions, by virtue of and in accordance with the procedure envisaged by law (the territory of priority development).

2. The procedures of economic activities on a territory of priority development shall be established by law.

Article 416. Procedures of Economic Activities in the State of Emergency - Emergency Environmental Situation

1. Economic activities in the state of emergency - a special legal regime of the activities of the state authorities and local governments, enterprises, institutions and organizations envisaged by the Constitution of Ukraine, which allows temporary restriction of the implementation of constitutional rights and freedoms of citizens and legal entities and imposes additional duties thereon, - may be exercised taking into account the restrictions and obligations established by the Edict of the President of Ukraine on introduction of the state of emergency in Ukraine or its separate territories, issued in accordance with the Constitution of Ukraine.

2. Powers of the state authorities and local governments with regard to the participants of economic relations, measures taken in the state of emergency, and responsibility for violation of the emergency regime shall be established by the law on the state of emergency.

3. The provisions of this Article with regard to the economic activities shall also apply to the areas with emergency environmental situation.

Article 417. Procedures of Economic Activities in the State of War

1. In the state of war introduced on the territory of Ukraine or its separate areas, the legal regime of economic activities shall be determined on the basis of the law on defense of Ukraine, other legislative acts on ensuring tenability of the state and the legislation on the state of war.

Article 418. Guarantees of the Rights of Participants of Economic Relations under Special Regimes of Economic Activities

1. No introduction of special regimes of economic activities other than those envisaged by this Code and establishing restriction of the rights of business entities shall be allowed.

2. The state shall guarantee the right of business entities and other participants of economic relations the right to apply to court for the protection of their pecuniary and other

rights from illegal restriction under any special regime of economic activities envisaged by this Code.

Section IX. CLOSING PROVISIONS

1. This Code shall come into effect on January 1, 2004.

2. The following laws shall be recognized null and void since January 1, 2004:

Law of Ukraine "On Entrepreneurship" (Bulletin of Verkhovna Rada of the Ukrainian SSR, 1991, #14, Page 168) with subsequent changes, except Article 4 of the Law;

Law of Ukraine "On Enterprises in Ukraine" (Bulletin of Verkhovna Rada of the Ukrainian SSR, 1991, #24, Page 272) with subsequent changes.

3. The Cabinet of Ministers of Ukraine shall:

1) submit the following to the Verkhovna Rada of Ukraine within a three-month period upon publishing of the Economic Code of Ukraine:

list of legislative acts (their particular provisions) to be recognized null and void, and the list of legislative acts to be amended as a result of this Code coming into force; and

proposals as to the adjustment, if necessary, of the procedures for enactment of particular provisions of this Code;

2) approve the legal and regulatory acts envisaged by this Code;

3) provide for revision, bringing in conformity with this Code, or recognizing null and void of the legal and regulatory acts of the Cabinet of Ministers of Ukraine and other legal and regulatory acts of the ministries and other central executive authorities;

4) identify the business entities belonging to the state sector of the economy in accordance with the requirements of this Code;

5) submit to the Verkhovna Rada of Ukraine for consideration the draft law on the list of the activities where entrepreneurship is prohibited, and the business activities permitted exclusively for state-owned enterprises, institutions and organizations; and

6) provide for development and keeping records of the Register of State Corporate Rights in accordance with the requirements of this Code.

4. To establish that the Economic Code of Ukraine be applied to the economic relations, that arose after its provisions came into force in accordance with this Section.

As to the economic relations that arose before the relevant provisions of the Economic Code of Ukraine came into force, the said provisions shall be applied to the rights and obligations that continue to exist or arose after the said provisions came into force.

5. Provisions of the Economic Code of Ukraine as to the responsibility for violation of rules of business activities and business obligations shall be applied if these violations occurred after the said provisions came into force, except for the cases when a different responsibility was established for violation of business obligations in accordance with the agreement entered into before the date specified in Paragraph 1 of this Section.

Provisions of the Economic Code of Ukraine as to the responsibility for the violations specified in Clause 1 of this Paragraph that occurred before the relevant provisions of this Code on responsibility of the participants of economic relations came into force shall be applied if they mitigate the responsibility for the said violations.

6. To establish that the limitation of action shall be applied to the economic relations specified in Clause 2 of Paragraph 4 of this Section, as envisaged by the Economic Code of Ukraine in accordance with the following procedure:

special period of limitation of action established by legislation that was effective before this Code came into force, if the said period exceed that established by this Code; and

extended special periods of limitation of action in accordance with the periods established by this Code if the periods that were valid before are shorter than those established by this Code.

Chairman of the Verkhovna Rada of Ukraine

V. LYTVYN

Kyiv

January 16, 2003

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