

CONSULTATION DRAFT — CONSOLIDATED — NOT ENACTED LAW

ASSEMBLY ACT NO. ____/2026

COMMERCIAL CODE OF ERITREA, 2026

(ASSEMBLY ACT)

AN ASSEMBLY ACT TO MODERNIZE THE LAW GOVERNING TRADERS, BUSINESS ORGANIZATIONS, COMMERCIAL TRANSACTIONS, ELECTRONIC COMMERCE, FINANCE, SECURED CREDIT AND INSOLVENCY; TO PROMOTE OPEN AND COMPETITIVE MARKETS, INVESTMENT, EMPLOYMENT, COMMERCIAL CERTAINTY AND RESPONSIBLE USE OF TECHNOLOGY; AND TO PROVIDE FOR RELATED MATTERS.

PREAMBLE

WHEREAS Eritrea requires a modern, coherent and accessible commercial law capable of supporting a democratic constitutional order, open markets, investment, employment and economic reconstruction;

WHEREAS the Commercial Code historically applied in Eritrea was enacted in 1960 and must be renewed for contemporary business organizations, electronic communications, digital records, automated transactions, modern finance and cross-border commerce;

WHEREAS Articles 14, 18, 21, 23 and 28 of the Constitution protect equality, responsible economic participation, development, property and access to judicial redress, and commercial legislation must give practical effect to those guarantees;

WHEREAS under Article 32(1) of the Constitution of Eritrea, the National Assembly is the supreme legislative body, and no person or organization may make a decision having the force of law except as authorized by the Constitution or an Assembly Act;

NOW, THEREFORE, the National Assembly of Eritrea, acting under the Constitution, enacts the following Commercial Code.

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BOOK ONE
TRADERS, COMMERCIAL REPRESENTATION, RECORDS, REGISTRATION AND
COMMERCIAL ENTERPRISES

TITLE I
FOUNDATION AND STATUS OF TRADERS

CHAPTER I
GENERAL PROVISIONS

Article 1 — Short title and application

1. This Assembly Act may be cited as the Commercial Code of Eritrea, 2026.
2. This Book applies to traders, commercial activities, commercial representatives, commercial records, registration, trade names and commercial enterprises.
3. This Code applies throughout Eritrea and, to the extent provided by Eritrean private international law, to commercial relations connected with Eritrea.

Article 2 — Purpose

1. The purposes of this Code are to promote lawful enterprise, open and competitive markets, commercial certainty, responsible risk-taking, investment and employment.
2. The Code shall facilitate commerce conducted through paper-based, electronic, automated or functionally equivalent means without favoring a particular technology.
3. The Code shall be interpreted consistently with the Constitution, including equality before the law, protection of property, access to justice and the State's responsibility to promote development.

Article 3 — Relationship with other laws

1. The Civil Code applies to a commercial matter not governed by this Code or another special law.
2. A mandatory provision of a law regulating banking, insurance, securities, competition, consumers, labor, taxation, land, intellectual property, data protection, telecommunications, maritime affairs or another regulated sector prevails within its proper scope.
3. A rule applicable to a regulated activity does not displace this Code beyond what is necessary to give effect to that rule.

Article 4 — Constitutional conformity

1. A power conferred by this Code shall be exercised lawfully, reasonably, proportionately and for the purpose for which it was conferred.
2. No administrative direction, form, technical standard or registration practice may create a tax, offence, license requirement, disqualification or material restriction on commerce unless authorized by an Assembly Act.
3. A court shall, so far as the text permits, interpret this Code to preserve lawful economic activity and avoid arbitrary deprivation of property or livelihood.

Article 5 — Good faith and commercial reasonableness

1. Every person shall exercise rights and perform duties under this Code in good faith.
2. Good faith includes honesty in fact and observance of reasonable commercial standards of fair dealing.
3. A party may not exclude the duty of good faith, but may determine standards for its performance if those standards are not manifestly unreasonable.

Article 6 — Freedom of contract

1. Parties may determine the terms of their commercial relationship except to the extent prohibited by a mandatory rule of law.
2. A contractual term shall not be denied effect merely because it is innovative, recorded electronically, performed automatically or not contemplated when an earlier law was enacted.
3. Freedom of contract does not validate fraud, coercion, corruption, unlawful discrimination, abuse of dominance or an agreement contrary to public order.

Article 7 — Technology neutrality and functional equivalence

1. A transaction or record shall not be denied legal effect solely because it is electronic, digital, automated or created through a distributed information system.
2. A legal requirement for writing, signature, original, delivery, possession or retention may be satisfied electronically where the method reliably performs the function of that requirement.
3. Reliability shall be assessed in light of the purpose, circumstances, agreement of the parties and generally accepted commercial practice.

Article 8 — Definitions

In this Code, unless the context otherwise requires:

1. ‘business day’ means a day on which the relevant office or financial institution ordinarily conducts the class of business concerned;
2. ‘commercial enterprise’ means an organized economic undertaking carried on for the production or exchange of goods or services;
3. ‘electronic’ includes digital, optical, biometric, magnetic, wireless and functionally comparable technology;
4. ‘person’ includes a natural person, business organization, public enterprise, association and other entity recognized by law;
5. ‘Registrar’ means the Commercial Registrar appointed under Article 54; and
6. ‘writing’ includes information accessible in a form capable of being retained and accurately reproduced.

Article 9 — Commercial usage and course of dealing

1. Parties are bound by a usage to which they agreed and by a practice they established between themselves.
2. A widely observed commercial usage may supplement an agreement where the parties knew or ought reasonably to have known of it.
3. An express term prevails over an inconsistent usage or course of dealing.

Article 10 — Time and notice

1. A notice under this Code is effective when it reaches the addressee in a form accessible for its intended use, unless this Code provides otherwise.
2. An electronic notice reaches the addressee when it becomes retrievable at the electronic address designated by the addressee or, if sent elsewhere, when the addressee becomes aware of it.
3. A period expiring on a day when the responsible office is closed extends to the next business day.

Article 11 — Judicial protection

1. A person whose commercial right or legitimate interest is affected is entitled to a fair hearing before an independent court or tribunal established by law.
2. An administrative decision under this Book shall state material reasons and identify the procedure and time for review.
3. A court may grant declaratory, preventive, restorative and compensatory relief appropriate to the right infringed.

Article 12 — Burden and standard of proof

1. A party asserting a fact ordinarily bears the burden of proving it.
2. Commercial facts may be proved by any reliable evidence, including electronic records, accounting records, platform logs, communications and established commercial practice.
3. A record shall not be excluded merely because it is electronic or because no paper original exists.

CHAPTER II TRADERS

SECTION 1 STATUS AND CAPACITY

Article 13 — Trader

1. A trader is a person who professionally and independently carries on a commercial activity in the person's own name and for the person's own account.
2. A person may be a trader whether the activity is conducted from physical premises, through an electronic platform, by automated systems or through representatives.
3. Registration confirms and publicizes status but does not excuse an unregistered person from obligations arising from commercial activity.

Article 14 — Commercial activities

1. Commercial activities include manufacturing, construction, mining, energy, trade, distribution, logistics, transport, warehousing, finance, insurance, communications, digital services, hospitality and organized provision of professional or technical services.
2. An activity is commercial when, considering its organization, continuity, market orientation and scale, it is carried on as an enterprise.
3. The list in paragraph 1 is illustrative and shall adapt to new forms of lawful enterprise.

Article 15 — Activities not commercial by themselves

1. Employment, public office, personal investment, occasional disposal of private property and creation of an artistic or scholarly work are not commercial activities by themselves.
2. Small-scale cultivation, pastoral activity, fishing or handicraft carried on principally for household subsistence is not commercial unless organized and held out as an enterprise.
3. A professional activity governed by special law is commercial only to the extent that law or the nature of its organized business operations so provides.

Article 16 — Presumption from holding out

1. A person who publicly represents that the person conducts a commercial enterprise is presumed to be a trader in relation to a third party who reasonably relies on that representation.
2. A person may rebut the presumption by proving that the representation was unauthorized and that reasonable steps were promptly taken to correct it.

Article 17 — Capacity

1. A natural person has capacity to become a trader upon attaining civil majority and otherwise having capacity under the Civil Code.
2. No distinction based on sex, marital status, ethnicity, religion, disability, political opinion or comparable status may limit commercial capacity.

3. A restriction imposed by a court for incapacity or lawful disqualification has effect only within its terms and after required publicity.

Article 18 — Minor succeeding to an enterprise

1. A commercial enterprise inherited by a minor may be continued only through a lawful representative and with any approval required by the Civil Code.
2. The representative shall preserve the minor's property, maintain separate accounts and avoid unnecessary risk.
3. The minor does not incur personal liability beyond the estate or enterprise except as otherwise provided by law after attaining capacity.

Article 19 — Spouses and family members

1. Each spouse may independently carry on a commercial enterprise and contract on equal terms.
2. Marriage alone does not make one spouse liable for the commercial obligations of the other.
3. Property rights between spouses and liability of common property are determined by the Civil Code, subject to the protection of a good-faith third party.

Article 20 — Public bodies and public enterprises

1. A public body carrying on commercial activity is subject to this Code unless an Assembly Act expressly provides otherwise.
2. Public ownership does not confer immunity from contractual liability, registration, accounting, competition or judicial process.
3. A sovereign or regulatory function does not become commercial merely because a fee is charged for a public service.

Article 21 — Foreign traders

1. A foreign person may carry on lawful commercial activity in Eritrea on terms no less favorable than those required by the Constitution, an Assembly Act or a binding international obligation.
2. A foreign trader conducting continuing business in Eritrea shall register the prescribed particulars and an address for service.
3. Registration does not by itself authorize an activity requiring a sector license.

SECTION 2 DUTIES AND CESSATION

Article 22 — General duties of a trader

1. A trader shall register when required, keep reliable records, disclose the trader's legal identity in commercial communications, comply with lawful taxes and licenses, and deal honestly with customers, workers, creditors and competitors.

2. A trader shall maintain a physical or electronic address at which legally effective communications may be received.
3. Failure to perform a public-law duty does not automatically invalidate a transaction unless the law so provides or validity would defeat the law's protective purpose.

Article 23 — Commercial name and identifying particulars

1. A trader shall use the registered commercial name and registration number on invoices, orders, websites and other material commercial communications.
2. A natural person may trade under the person's own name or a registered trade name.
3. Use of a name shall not conceal legal identity, mislead the public or infringe another person's protected name or mark.

Article 24 — Micro and small traders

1. Legislation or regulations authorized by an Assembly Act may prescribe proportionate registration and accounting procedures for micro and small traders.
2. A simplified procedure shall not deprive workers, consumers or creditors of material protection or permit concealment of beneficial ownership.
3. Digital registration and standard forms shall, as far as practicable, be available without professional intermediation.

Article 25 — Cessation and loss of status

1. Trader status ends when commercial activity permanently ceases, without prejudice to outstanding rights, duties and liabilities.
2. The trader shall apply promptly to record cessation in the Commercial Register.
3. Cessation is not effective against a good-faith third party until registered or actually known to that party.

TITLE II
COMMERCIAL OPERATION AND ADMINISTRATION

CHAPTER I
COMMERCIAL REPRESENTATION

SECTION 1
AUTHORITY AND GENERAL DUTIES

Article 26 — Commercial representatives

1. A trader may act through an employee, manager, agent, broker, commission agent, distributor or other representative.
2. Authority may be express, implied by conduct, attached to a position or created by reasonable appearance attributable to the principal.
3. The special rules of this Chapter supplement the law of agency in the Civil Code.

Article 27 — Enterprise manager

1. An enterprise manager is a person entrusted with general management of a commercial enterprise or an autonomous branch.
2. Unless a registered limitation provides otherwise, the manager may perform every transaction ordinarily connected with the enterprise, including representation before public authorities and courts.
3. The manager may not transfer the enterprise, create a security right over substantially all its assets or dispose of immovable property without specific authority.

Article 28 — Registration of manager's authority

1. Appointment, scope of authority and termination of an enterprise manager shall be filed in the Commercial Register.
2. An unregistered limitation is ineffective against a third party who neither knew nor ought reasonably to have known of it.
3. Termination is ineffective against a good-faith third party until registered or actually known.

Article 29 — Apparent authority

1. A principal is bound where the principal's words, conduct, systems or failure to correct a known appearance reasonably causes a third party to believe that a representative is authorized.
2. The third party may not rely on an appearance known to be false or where reliance is commercially unreasonable.
3. A digital credential, account permission or verified business communication may constitute evidence of apparent authority.

Article 30 — Unauthorized act and ratification

1. A person who acts without authority shall notify the third party of that fact and is liable for loss caused by a false warranty of authority.
2. The principal may ratify the act expressly or by conduct with the same effect as prior authority.
3. Ratification may not prejudice an intervening right acquired by a third party before ratification.

Article 31 — Duties of representative

1. A commercial representative shall act loyally, follow lawful instructions, exercise reasonable skill and care, keep the principal informed, account for property and preserve confidential information.
2. The representative shall disclose a material conflict of interest and may not obtain an undisclosed benefit from the representation.
3. A benefit obtained in breach of duty shall be accounted for to the principal without prejudice to further relief.

Article 32 — Duties of principal

1. A principal shall provide information and assistance reasonably necessary for performance, pay agreed remuneration and reimburse proper expenses.
2. The principal shall warn the representative of an unusual risk known to the principal and shall not require unlawful conduct.
3. A principal shall decide within a reasonable time whether to accept a transaction procured by the representative where acceptance is required.

SECTION 2 COMMERCIAL INTERMEDIARIES

Article 33 — Commercial agent

1. A commercial agent is an independent intermediary with continuing authority to negotiate or conclude commercial transactions for a principal.
2. The agency agreement shall identify the goods or services, territory or customers, authority, remuneration and duration.
3. Absence of a signed paper does not invalidate an agency proved by reliable electronic records or performance, but either party may require a durable written statement of terms.

Article 34 — Agent's commission

1. An agent is entitled to agreed commission on a transaction concluded through the agent's action or with a customer assigned to the agent.
2. Commission becomes due when the principal has performed, should have performed, or the third party has performed the transaction.
3. Commission is not payable where it is established that the transaction will not be performed for a reason not attributable to the principal, and an advance shall be repaid.

Article 35 — Termination of agency

1. An agency of indefinite duration may be terminated by reasonable notice having regard to its duration, investment and commercial circumstances.
2. Either party may terminate immediately for a fundamental breach or circumstances making continuation unreasonable.
3. A notice period may not be reduced below a mandatory minimum prescribed by an Assembly Act.

Article 36 — Post-termination protection

1. An agent may receive reasonable compensation where the agent brought substantial new customers or materially increased business and the principal continues to derive substantial benefit.
2. Compensation is unavailable where the agent fundamentally breached the agreement or transferred rights and duties with the principal's consent.
3. A post-termination noncompetition covenant must be written, limited to the entrusted territory or customers and goods or services, and reasonable in duration and scope.

Article 37 — Broker

1. A broker independently brings parties together or assists them to negotiate a transaction without ordinarily having authority to bind either party.
2. A broker shall disclose any material interest, dual representation or remuneration from another party.
3. Unless otherwise agreed, remuneration is due when the transaction results from the broker's services and is concluded.

Article 38 — Commission agent

1. A commission agent undertakes, for remuneration, to transact in the agent's own name but for the account of another person.
2. The commission agent acquires rights and assumes obligations toward the third party and shall transfer the economic result to the principal.
3. The commission agent shall keep entrusted property identifiable and separate so far as commercially practicable.

Article 39 — Distributor and franchise arrangements

1. A distributor buys and resells in the distributor's own name and account; a franchisee operates a business using a system, name or other commercial rights supplied by a franchisor.
2. Before a material franchise commitment, the franchisor shall provide accurate information concerning fees, restrictions, intellectual property rights, required investment, termination and material litigation or insolvency.
3. A party shall not terminate or refuse renewal contrary to good faith after inducing substantial relationship-specific investment without reasonable notice or lawful cause.

CHAPTER II COMMERCIAL RECORDS AND ACCOUNTS

SECTION 1 ACCOUNTING AND RETENTION

Article 40 — Commercial records

1. A trader shall keep records sufficient to explain transactions, identify assets and liabilities, determine financial position and permit preparation and verification of financial statements.
2. Records may be kept in paper or electronic form if complete, accurate, accessible and protected against unauthorized alteration or loss.
3. A trader shall maintain reasonable internal controls proportionate to the size and risk of the enterprise.

Article 41 — Accounting system

1. A trader other than a qualifying micro trader shall use a consistent double-entry accounting system and an accounting period not exceeding twelve months.
2. Entries shall be timely, supported by reliable source records and capable of being traced through an audit trail.
3. Accounting policies shall be applied consistently and material changes shall be disclosed.

Article 42 — Financial statements

1. At the end of each accounting period, a trader required by law shall prepare a statement of financial position, statement of income and expenses, cash-flow information where applicable, and explanatory notes.
2. Financial statements shall present fairly the enterprise's financial position and performance in accordance with standards lawfully adopted for Eritrea.
3. The responsible governing persons shall approve and authenticate the statements.

Article 43 — Electronic accounting and automated systems

1. An accounting system may create, classify and reconcile entries automatically if its rules are documented and material outputs are capable of human review.
2. The trader remains responsible for accuracy, access, security and correction notwithstanding use of a service provider, artificial intelligence or automated process.
3. A material automated correction shall preserve the original entry, reason, time and identity or system credential of the actor.

Article 44 — Retention

1. Commercial and accounting records shall be retained for ten years from the end of the accounting period or the completion of the transaction, whichever is later, unless another Assembly Act requires a longer period.

2. A record may be migrated to a new system if its integrity, accessibility and material metadata are preserved.
3. Pending litigation, investigation or audit suspends lawful destruction of relevant records after notice.

Article 45 — Language, currency and accessibility

1. Records may be kept in any language used by the enterprise, but a public authority or court may require a reliable translation of a relevant record into an official working language.
2. Amounts shall be recorded in nakfa, with material foreign-currency transactions identified and converted by the applicable lawful accounting rate.
3. Records shall be capable of being produced in intelligible form within a reasonable time.

SECTION 2 EVIDENCE, ACCESS AND AUDIT

Article 46 — Evidentiary value

1. Commercial records regularly kept in the course of business are admissible subject to assessment of authenticity, integrity, completeness and the circumstances of their creation.
2. A trader may not rely selectively on favorable parts of an indivisible record while withholding related material necessary for fair understanding.
3. Failure to keep a required record may support an adverse inference but does not relieve the other party of proof where reliable evidence is otherwise available.

Article 47 — Confidentiality and lawful access

1. Commercial records not lawfully public shall be protected from unnecessary disclosure.
2. A court or authorized public body may compel production only under law, for a legitimate purpose and with safeguards proportionate to confidentiality, privacy and privilege.
3. Protective measures may include redaction, restricted access, confidentiality undertakings and closed examination of trade secrets.

Article 48 — Audit

1. An audit required by law shall be performed by an independent person with the qualifications prescribed by an Assembly Act or regulations lawfully made under it.
2. The auditor shall have access to necessary records and shall report material misstatement, inability to obtain evidence and any matter required by law.
3. Management may not obstruct, mislead or improperly influence an auditor.

Article 49 — Simplified records

1. A qualifying micro trader may keep simplified cash, sales, purchase, asset and liability records sufficient to determine the enterprise's position and tax obligations.
2. The Registrar shall make free model ledgers and digital tools available so far as practicable.

3. Simplification does not authorize concealment, false entries or mixing entrusted property with personal property.

CHAPTER III COMMERCIAL REGISTER

SECTION 1 INSTITUTION AND SERVICE

Article 50 — Establishment of Commercial Register

1. A unified Commercial Register is established as the authoritative public register of traders, business organizations and other matters assigned to it by law.
2. The Register shall operate nationally through a secure electronic system with reasonable assistance for persons unable to use electronic services.
3. A filing shall not be required separately in more than one administrative region unless an Assembly Act expressly requires it.

Article 51 — Commercial Registrar

1. The Commercial Registrar shall administer the Register independently, impartially, promptly and in accordance with law.
2. Appointment, tenure, accountability and removal of the Registrar shall be governed by an Assembly Act securing professional competence and protection from improper direction.
3. The Registrar may delegate administrative functions in writing but remains responsible for lawful performance.

Article 52 — Functions of Registrar

1. The Registrar shall receive and examine filings, assign unique identification numbers, maintain reliable records, issue certified information and support interoperability with other lawful public registers.
2. The Registrar shall publish filing requirements, forms, fees, processing times, decisions of general application and system-availability notices.
3. The Registrar may reject only for a reason authorized by law and shall provide a prompt opportunity to correct a curable defect.

Article 53 — Digital service and equal access

1. Registration, search, payment, certificate issuance and filing shall be available electronically at all times subject to reasonable maintenance and security controls.
2. A person shall not be required to appear physically, use an intermediary or submit the same information repeatedly where identity and information can reliably be verified otherwise.
3. Public service centers shall provide reasonable assistance, accessibility accommodations and an alternative process during material system failure.

SECTION 2 REGISTRATION AND LEGAL EFFECT

Article 54 — Persons and matters to be registered

1. Every trader, business organization, foreign branch, enterprise manager and other person or matter designated by this Code or another Assembly Act shall be registered.
2. A filing shall contain only information reasonably necessary to establish legal identity, authority, status, address, accountability and other facts required by law.
3. The Registrar shall not demand information merely because it may be useful to another authority.

Article 55 — Application and authentication

1. An application may be made electronically and shall identify the filer, filing authority and required particulars.
2. An electronic signature, secure credential or other reliable method may authenticate a filing.
3. The Registrar may require further verification where there is a specific and reasonable concern about identity, authority, fraud or integrity.

Article 56 — Time of filing and registration

1. A filing is received when it enters the designated system in accessible form and the system issues an electronic acknowledgment.
2. If accepted, registration takes effect at the recorded date and time of receipt unless the law permits and the filing specifies a later effective time.
3. A system failure shall not prejudice a person who proves timely attempted filing and completes it promptly when service resumes.

Article 57 — Legal effect and reliance

1. A registered fact is effective against a third party from the time prescribed by this Code.
2. A person acting in good faith may rely on certified or current official register information unless the person knew it was incorrect.
3. A registered person may not assert an unregistered or inaccurately registered fact against a good-faith third party where registration was required.

Article 58 — Public access and personal information

1. Register information necessary for commercial transparency shall be publicly searchable without proof of interest and at no more than the reasonable cost of service.
2. Identity numbers, residential addresses, signatures, security credentials and other sensitive personal information shall not be publicly displayed except to the extent strictly required by an Assembly Act.
3. The Registrar shall provide certified extracts and preserve a verifiable history of material changes.

Article 59 — Beneficial ownership information

1. A person required by an Assembly Act to disclose beneficial ownership shall file accurate and current information with the designated register.
2. Public access and access by competent authorities shall be governed by legislation balancing prevention of corruption and financial crime with privacy, security and due process.
3. No administrative rule may expand beneficial-ownership disclosure beyond authority granted by an Assembly Act.

Article 60 — Changes and periodic confirmation

1. A registered person shall file a material change within thirty days after it occurs unless another period is prescribed by law.
2. The Registrar may require a proportionate periodic confirmation that core registered information remains current.
3. A reminder or automated prefilled return may be used, but the registered person remains responsible for accuracy.

Article 61 — Correction and cancellation

1. The Registrar may correct an obvious clerical or technical error after recording the correction and notifying an affected person.
2. A disputed substantive entry may be corrected or cancelled only with consent of the affected person or under a reasoned decision subject to review.
3. Historic information shall be preserved and visibly distinguished from current information.

SECTION 3
REVIEW, FEES AND INTEGRITY

Article 62 — Refusal, suspension and removal

1. The Registrar may refuse a filing that is incomplete, unauthorized, unlawful on its face, materially misleading or technically incapable of registration.
2. Registration shall not be suspended or removed as punishment for an unrelated debt, tax dispute, political opinion or administrative noncompliance unless an Assembly Act expressly authorizes that consequence.
3. Before an adverse decision, the affected person shall receive notice and a reasonable opportunity to respond, except for a temporary measure urgently necessary to prevent fraud or serious harm.

Article 63 — Review and appeal

1. A person affected by a Registrar's decision may request internal reconsideration by a different qualified officer.
2. The person may appeal a final decision to the competent court within thirty days after notice, or later for good cause.

3. The court may affirm, set aside, vary or remit the decision and may order registration or interim protection where lawful.

Article 64 — Fees and open standards

1. Fees shall be transparent, proportionate to reasonable administrative cost and shall not materially impede formation or lawful operation of a small enterprise.
2. Basic public search, filing guidance and downloadable forms shall be free.
3. The Register shall use documented, secure and interoperable standards and shall permit lawful bulk access under safeguards against abuse.

Article 65 — Integrity and accountability

1. The Registrar shall maintain security, backup, continuity, access-control and audit arrangements proportionate to the legal importance of the Register.
2. Unauthorized alteration, suppression, sale or disclosure of register information is prohibited and shall be reported and remedied promptly.
3. The Registrar shall publish an annual report on performance, outages, refusals, review outcomes, fees and material security incidents without exposing protected data.

TITLE III COMMERCIAL ENTERPRISES AND MARKET CONDUCT

CHAPTER I COMMERCIAL ENTERPRISES AND TRADE NAMES

Article 66 — Commercial enterprise

1. A commercial enterprise comprises the organized tangible and intangible assets, relationships and operating arrangements used to carry on commercial activity.
2. Its elements may include premises, equipment, inventory, data, contracts, licenses transferable by law, trade name, goodwill and intellectual property rights.
3. Ownership of the enterprise does not by itself transfer property or rights whose transfer requires a separate form, consent or registration.

Article 67 — Trade name

1. A trade name identifies a trader or commercial enterprise and may be registered independently of a trademark.
2. A trade name shall be distinctive, truthful and not confusingly similar to a name previously protected for related activity.
3. Registration does not authorize use that violates another person's earlier right.

Article 68 — Protection of trade name and goodwill

1. A person shall not use a name, domain, account identifier, presentation or other commercial sign likely to cause confusion about identity, affiliation or origin.
2. A court may order cessation, correction of the Register, transfer or disabling of a bad-faith domain or account, publication of correction, damages and surrender of unjust enrichment.
3. Good-faith descriptive use and truthful comparative reference remain permitted.

Article 69 — Branches and places of business

1. A branch is a geographically or operationally distinct establishment through which the same trader carries on continuing business.
2. A branch has no separate legal personality unless organized as a separate person under Book Two.
3. A branch shall disclose the trader's legal identity and shall be registered where required.

Article 70 — Electronic and platform-based enterprise

1. An enterprise may operate wholly or principally through a website, application, platform, automated system or other electronic means.
2. The operator shall make its legal identity, contact information, material transaction terms and complaint channel readily accessible.
3. A platform's classification of a relationship does not determine its legal nature where actual control, risk allocation and conduct establish otherwise.

CHAPTER II UNFAIR COMPETITION

Article 71 — Unfair competition

1. A person shall not, in commercial activity, act contrary to honest practice in a manner causing or likely to cause material harm to another trader, consumers or the competitive process.
2. Unfair competition includes deception, passing off, commercial disparagement, misappropriation of trade secrets, bribery of commercial personnel, obstruction, coercive interference and systematic imitation likely to confuse.
3. Vigorous competition, price reduction, innovation, employee mobility and truthful comparison are not unfair merely because they harm a competitor.

Article 72 — Misleading commercial conduct

1. A person shall not make or omit a material representation likely to mislead its intended commercial audience concerning goods, services, price, origin, approval, sponsorship, performance, risk or the trader's identity.
2. A representation shall be assessed in its overall context, including design, targeting, automation and information reasonably available to the audience.
3. A person making an objectively verifiable material claim shall possess a reasonable basis for it when made.

Article 73 — Trade secrets

1. Information is a trade secret if it is not generally known or readily accessible, has commercial value because it is secret, and is subject to reasonable measures to preserve secrecy.
2. Acquisition, use or disclosure through breach of confidence, theft, bribery, misrepresentation, unauthorized system access or inducement of breach is unlawful.
3. Independent discovery, lawful reverse engineering, worker skill and experience, and disclosure protected by law are not prohibited.

Article 74 — Remedies for unfair competition

1. A person threatened or injured by unfair competition may seek an injunction, removal of misleading material, preservation of evidence, damages, reasonable royalty, account of profits or other appropriate relief.
2. A court shall make protective orders so that proceedings do not unnecessarily disclose a trade secret.
3. Relief shall be proportionate and shall protect lawful speech, competition, employee mobility and the public interest.

CHAPTER III TRANSFER AND OPERATION OF A COMMERCIAL ENTERPRISE

Article 75 — Transfer of commercial enterprise

1. An agreement to transfer ownership of a commercial enterprise shall be in writing and identify the enterprise, price or method of determination, material included assets, assumed liabilities and effective date.
2. The transfer shall be registered and publicized in the manner prescribed by law.
3. Separate formalities governing immovable property, registered intellectual property, licenses, securities and other special assets remain applicable.

Article 76 — Disclosure on transfer

1. Before transfer, the transferor shall disclose financial statements, material liabilities, litigation, security rights, licenses, employees, key contracts and facts materially affecting value or lawful operation.
2. The transferee shall have a reasonable opportunity to inspect records and assets, subject to confidentiality.
3. A disclaimer does not protect fraudulent concealment or intentional misrepresentation.

Article 77 — Creditors and liabilities

1. The transferor remains liable for an obligation existing before transfer unless the creditor validly releases the transferor.
2. The transferee is liable to the extent expressly assumed and, for an undisclosed enterprise liability, to the extent provided by this Code or another Assembly Act protecting creditors.
3. A transfer made to hinder, delay or defraud creditors may be avoided under applicable law.

Article 78 — Contracts, permits and personal rights

1. A contract forming part of an enterprise transfers only in accordance with its terms and applicable law, including any required consent.
2. A public permit transfers only where the governing law permits and the competent authority approves or records the transfer.
3. A right or obligation depending materially on personal confidence does not transfer without consent.

Article 79 — Employees on transfer

1. The effect of an enterprise transfer on employment is governed by the Labour Proclamation and any other applicable Assembly Act.
2. The parties shall provide workers and competent authorities the information and consultation required by law.
3. A transfer may not be structured to evade accrued wages, benefits, workplace obligations or lawful worker representation.

Article 80 — Preservation of name and records

1. The transferee may use the transferred trade name only within the agreement and subject to protection of third-party rights.
2. The parties shall allocate custody and access to records so that each may comply with law and defend outstanding claims.
3. Commercial confidentiality and personal information shall remain protected after transfer.

Article 81 — Lease or management of enterprise

1. An agreement by which another person operates a commercial enterprise for a period shall state control, risk, remuneration, maintenance, accounts, workers, insurance and return obligations.
2. The operator shall disclose its status and shall not misrepresent ownership.
3. The owner and operator are liable to third parties according to their acts, representations and the rules of agency, without prejudice to mandatory creditor or worker protection.

Article 82 — Contribution and restructuring

1. An enterprise may be contributed to a business organization or transferred in a merger, division or conversion under Book Two.
2. Valuation, disclosure, creditor protection and registration requirements applicable to that restructuring shall be observed.
3. A change in legal form shall not be used to extinguish liability or defeat an accrued right.

Article 83 — Continuity pending later Books

1. Until Books Two through Six of this Code commence, existing commercial legislation continues to govern matters not provided for in this Book to the extent consistent with the Constitution and this Book.
2. A reference in this Book to a later Book takes effect when that Book commences.
3. No inference shall be drawn from this consultation draft that a provision not yet included has been repealed or displaced.

BOOK TWO
BUSINESS ORGANIZATIONS

TITLE I
COMMON RULES OF BUSINESS ORGANIZATIONS

CHAPTER I
NATURE, FORMS AND INTERPRETATION

SECTION 1
SCOPE AND LEGAL NATURE

Article 84 — Scope of Book Two

1. This Book governs the formation, organization, operation, restructuring and termination of business organizations.
2. A business organization is governed by this Book, its constitutive document and lawful decisions made under them.
3. A special law governing a regulated organization prevails only within its proper scope.

Article 85 — Permitted forms

1. A business may be organized as a general partnership, limited partnership, limited-liability partnership, private limited company or share company.
2. A one-person private limited company may be formed by one natural or legal person.
3. An organization shall not be denied registration because its lawful structure or technology was not customary when earlier legislation was enacted.

Article 86 — Legal personality

1. A registered business organization other than a general partnership has legal personality separate from its members from the effective time of registration.
2. It may own property, contract, employ, sue and be sued in its own name and has perpetual succession unless its constitutive document provides a lawful fixed term.
3. A partnership has the personality and capacity expressly provided by this Book.

Article 87 — Limited liability

1. A member of a limited-liability organization is not liable for an obligation of the organization solely because of membership.
2. The member remains liable for an unpaid contribution, personal guarantee, personal wrongdoing and any liability imposed by this Code for abuse.
3. A creditor may not seize a member's personal property to satisfy an organizational debt without a judgment establishing personal liability.

Article 88 — Abuse of legal personality

1. A court may disregard separate personality only where a person used the organization to commit fraud, evade an existing legal duty, conceal ownership of property or produce a comparably grave injustice.
2. Control, common ownership, undercapitalization or failure alone is insufficient without misuse and a causal connection to the claimant's loss.
3. Relief shall be no broader than necessary and shall state specific reasons.

SECTION 2 ORGANIZATION RULES AND TECHNOLOGY

Article 89 — Organization rules

1. The constitutive document and any operating agreement together constitute the organization rules.
2. Organization rules may govern any matter not prohibited by a mandatory provision of law.
3. A restriction on authority or transfer is ineffective against a good-faith third party unless registered or actually known where this Code requires publicity.

Article 90 — Good faith and equal treatment

1. Members, managers and directors shall exercise rights and powers in good faith and for proper purposes.
2. Members of the same class shall be treated equally in equivalent circumstances unless they knowingly agreed to a lawful distinction.
3. A controlling person shall not use control to extract an improper private benefit at the expense of the organization or minority members.

Article 91 — Electronic methods

1. Formation, membership records, notices, consents, meetings, votes, signatures, securities and filings may be electronic where identity, intention, integrity and accessibility are reliably established.
2. A meeting may be wholly or partly remote if participants can contemporaneously communicate, follow proceedings and vote securely.
3. Technology shall not be used to exclude a person entitled to participate, and a reasonable alternative shall be provided where necessary.

Article 92 — Definitions for Book Two

1. In this Book, ‘board’ includes the directors or equivalent governing body; ‘constitutive document’ means the partnership agreement, memorandum, articles or other filed formation instrument; and ‘member’ includes a partner or shareholder.
2. ‘Distribution’ means a direct or indirect transfer of value by an organization to or for a member because of membership.
3. ‘Solvent’ means able to pay debts as they become due and having assets reasonably exceeding liabilities, excluding subordinated claims where appropriate.

Article 93 — Court and Registrar

1. The Commercial Registrar performs the registration functions assigned by this Book.
2. The Commercial Division of the competent court has jurisdiction over internal organization disputes and remedies under this Book.
3. Administrative convenience does not authorize the Registrar to decide a genuinely disputed private right that requires judicial determination.

CHAPTER II FORMATION AND PUBLICITY

SECTION 1 FORMATION

Article 94 — Founders

1. One or more persons may form a business organization by adopting its constitutive document and filing the required formation statement.
2. A founder shall act honestly and disclose a material benefit, conflict, transaction or property acquired for transfer to the organization.
3. A founder is liable for loss caused by fraud, material nondisclosure or misuse of formation funds.

Article 95 — Constitutive document

1. The constitutive document shall state the name, form, purposes or lawful general capacity, registered office, members or initial governing persons, contributions or capital structure, and other particulars required by this Book.
2. It shall be written and authenticated, including by a reliable electronic method.
3. A provision inconsistent with a mandatory rule is ineffective only to the extent of inconsistency.

Article 96 — Name

1. The name shall indicate the organization's legal form by the prescribed words or abbreviation.
2. It shall not be misleading, prohibited, offensive to public order or confusingly similar to a protected name.
3. Reservation of a name creates no right to engage in a regulated activity or infringe an earlier trade name or mark.

Article 97 — Registered office and address

1. An organization shall maintain a registered office or legally recognized service address in Eritrea.
2. It shall also maintain an electronic address capable of receiving authenticated notices.
3. A notice delivered to the registered address in accordance with this Code is effective notwithstanding an internal failure to transmit it.

Article 98 — Formation filing

1. A formation filing shall contain the constitutive document or prescribed particulars, authenticated consent of initial governing persons and a declaration of compliance.
2. The Registrar shall not require information beyond that authorized by an Assembly Act.

3. A false material declaration exposes the responsible person to civil and other liability provided by law but does not automatically invalidate the organization against a good-faith third party.

Article 99 — Effective time

1. An organization is formed when the Registrar records the filing, or at a later time stated in the filing and permitted by law.
2. The electronic certificate and register entry are conclusive evidence of formation unless corrected or set aside for fraud by a court.
3. A defect that could have justified refusal does not retrospectively destroy personality after registration.

Article 100 — Pre-formation transactions

1. A person purporting to act for an unformed organization is personally liable unless the agreement provides otherwise.
2. After formation, the organization may adopt the transaction expressly or by informed conduct.
3. Adoption releases the promoter only if the other party agrees, but the court may allocate liability to prevent unjust enrichment.

SECTION 2 CONTRIBUTIONS, CHANGES AND CURE

Article 101 — Contributions

1. A contribution may consist of money, property, enforceable rights, services already performed or another benefit capable of reliable valuation, subject to rules applicable to the chosen form.
2. A promise of future services may create an obligation but shall not be treated as paid capital where creditor protection requires contributed property.
3. A nonmonetary contribution shall be described and valued honestly using a reasonable method.

Article 102 — Registration of changes

1. A change to the name, form, registered office, capital particulars, governing persons or other registered fact shall be filed within thirty days unless this Book provides otherwise.
2. An amendment binds members when validly adopted and binds a third party as provided by the publicity rules of Book One.
3. The Registrar shall preserve the historical constitutive record.

Article 103 — Defective formation and cure

1. A curable formation defect may be corrected by amendment, ratification, payment or supplemental filing.

2. A court shall prefer cure over nullity where no fraud or irremediable illegality exists and third-party rights can be protected.
3. Nullity shall not prejudice a good-faith transaction completed before the judgment and shall lead to liquidation as directed by the court.

CHAPTER III RECORDS AND TRANSPARENCY

Article 104 — Organizational records

1. An organization shall keep its constitutive documents, member and beneficial-ownership records required by law, minutes, written decisions, financial statements, material contracts and register filings.
2. Records may be electronic if accurate, accessible and protected by a reliable audit trail.
3. A record shall be retained for at least ten years or the longer period required by another law.

Article 105 — Member register

1. A limited-liability organization shall maintain a current register identifying each member, contact address, class and extent of interest, acquisition date and any registered restriction.
2. A transfer is effective against the organization when entered or when the organization receives reliable notice and evidence entitling entry.
3. A person may rely on a certified extract subject to correction of fraud or manifest error.

Article 106 — Beneficial ownership

1. An organization shall obtain, maintain and file beneficial-ownership information to the extent required by an Assembly Act.
2. A member shall provide information reasonably necessary for compliance and update a material change.
3. Access, verification, sanctions and protection of personal information shall be governed by legislation and due process.

Article 107 — Annual confirmation

1. An organization shall file an annual confirmation of registered particulars and any financial information required by law.
2. Failure to file shall result first in electronic notice and a reasonable opportunity to cure.
3. Removal from the Register shall occur only under the safeguards in this Book and shall not extinguish property or liability.

TITLE II
PARTNERSHIPS AND PRIVATE LIMITED COMPANIES

CHAPTER I
GENERAL PARTNERSHIPS

SECTION 1
CONSTITUTION AND PROPERTY

Article 108 — General partnership

1. A general partnership is an association of two or more persons carrying on an enterprise under a partnership agreement with unlimited joint and several liability for partnership obligations.
2. The partnership may own property and sue or be sued in its registered name.
3. Rules of this Chapter apply unless lawfully varied by agreement, except rules protecting third parties and the duty of good faith.

Article 109 — Partnership agreement

1. The agreement shall state the name, enterprise, principal office, partners, contributions, allocation of profits and losses, management and duration.
2. A partner is entitled on request to a durable written or electronic copy.
3. An omission is supplied by this Chapter and does not prevent registration.

Article 110 — Partnership property

1. Property contributed or acquired for the partnership belongs to the partnership and not to partners individually.
2. A partner has no transferable interest in a specific partnership asset.
3. A partner's economic interest consists of the right to distributions and the net amount due on exit or liquidation.

Article 111 — Partner contributions

1. Each partner shall make the agreed contribution and bears loss caused by unjustified delay.
2. Unless agreed otherwise, partners contribute equally and share profits and losses equally.
3. An agreement excluding a partner entirely from profit or all loss is ineffective except for a partner contributing services as lawfully agreed.

SECTION 2
MANAGEMENT, DUTIES AND LIABILITY

Article 112 — Management

1. Each partner has equal rights in management unless the agreement provides otherwise.

2. An ordinary business matter is decided by a majority of partners, but amendment of the agreement, admission of a partner and a fundamental change require unanimity unless the agreement lawfully provides a qualified rule.
3. A partner shall provide material information to the others.

Article 113 — Authority of partner

1. Each partner is an agent of the partnership for transactions apparently in the ordinary course of its enterprise.
2. The partnership is not bound where the partner lacked authority and the third party knew that fact.
3. A registered limitation has effect under the publicity rules of Book One.

Article 114 — Partner duties

1. A partner shall act loyally, account for benefits obtained from partnership activity, avoid undisclosed conflicts and exercise reasonable care.
2. A partner shall not compete with the partnership without informed consent.
3. The partnership agreement may specify but may not eliminate liability for fraud, intentional misconduct or knowing violation of law.

Article 115 — Information and accounts

1. Every partner may inspect and copy partnership records at a reasonable time, personally or through an adviser bound by confidentiality.
2. A restriction that unreasonably denies information necessary to protect the partner's interest is ineffective.
3. The partnership shall render an account at least annually and on a partner's exit.

Article 116 — Liability of partners

1. A partner is jointly and severally liable for obligations incurred while the person is a partner after partnership assets are insufficient or enforcement against them would be futile.
2. A new partner is not personally liable for an earlier obligation beyond the agreed contribution unless the partner assumes it.
3. An outgoing partner remains liable for obligations incurred before effective registration of departure, subject to limitation law.

SECTION 3 TRANSFER, EXIT AND CONTINUITY

Article 117 — Transfer and admission

1. A partner may transfer the economic interest but may not confer management or information rights without consent required by the agreement.

2. A new partner may be admitted by unanimous consent unless the agreement provides otherwise.
3. A transferee is entitled to distributions but not to interfere in management solely by reason of transfer.

Article 118 — Withdrawal and expulsion

1. A partner may withdraw on agreed notice or, in a partnership of indefinite duration, on reasonable notice.
2. A partner may be expelled only under a fair agreement provision or court order for serious breach, incapacity or conduct making continuation impracticable.
3. The outgoing partner is entitled to fair value determined without a minority discount, less lawful obligations.

Article 119 — Continuation after change

1. Death, incapacity, insolvency, withdrawal or expulsion of a partner does not dissolve the partnership if the agreement or remaining partners lawfully continue it.
2. The interest of the outgoing partner shall be settled within a reasonable time.
3. A successor does not become a partner without the required consent.

CHAPTER II

LIMITED AND LIMITED-LIABILITY PARTNERSHIPS

Article 120 — Limited partnership

1. A limited partnership has at least one general partner with unlimited liability and one limited partner whose liability is limited to the unpaid agreed contribution.
2. Its name shall indicate limited-partnership status and shall not misleadingly name a limited partner as a general partner.
3. The general-partnership rules apply except where inconsistent with this Chapter.

Article 121 — Limited partner participation

1. A limited partner may receive information, advise, vote on fundamental matters and exercise rights specified in the agreement without becoming a general partner.
2. A limited partner who knowingly represents having general authority is liable to a third party who reasonably relies on that representation.
3. Participation alone does not create unlimited liability.

Article 122 — Limited-liability partnership

1. A limited-liability partnership is a registered organization in which no partner is personally liable for an obligation solely because of being a partner.
2. A partner remains liable for personal wrongdoing and for persons directly supervised where another law so provides.
3. The organization shall maintain any professional insurance required by special law.

Article 123 — LLP agreement and management

1. The partnership agreement governs contributions, economic rights, management and exit, subject to this Chapter.
2. Unless agreed otherwise, every partner may participate in management and ordinary decisions are made by majority.
3. The LLP shall designate at least one compliance partner responsible for filings without making that person personally liable for all organizational debts.

Article 124 — Conversion of partnership

1. A general or limited partnership may convert to an LLP or private limited company by the approval required to amend its agreement and compliance with the destination form.
2. Conversion does not transfer assets or discharge liabilities because the same organization continues in the new form.
3. A former general partner remains liable for obligations incurred before conversion unless the creditor releases that liability.

CHAPTER III PRIVATE LIMITED COMPANIES

SECTION 1 NATURE, FORMATION AND INTERESTS

Article 125 — Private limited company

1. A private limited company is a separate legal person with one or more members and ownership divided into membership interests not offered to the public.
2. Its name shall include ‘Private Limited Company’ or ‘PLC’ only if that abbreviation cannot reasonably be confused with a public or share company designation prescribed by law.
3. The organization rules may provide flexible governance subject to mandatory member and creditor protections.

Article 126 — One-person company

1. One person may form and remain the sole member of a private limited company.
2. The sole member shall record decisions that would otherwise require a meeting and shall keep transactions with the company identifiable.
3. Sole membership does not by itself justify disregard of legal personality.

Article 127 — Formation particulars

1. The constitutive document shall state initial members, contributions, classes of interest, management structure, distribution rights and restrictions on transfer.
2. No minimum capital is required unless an Assembly Act governing a regulated activity provides it.
3. Formation shall be available through a standardized electronic process.

Article 128 — Membership interests

1. A membership interest carries economic and governance rights stated in the organization rules.
2. Different classes may be created if their rights are stated clearly and members of each class are treated equally in equivalent circumstances.
3. The company shall issue reliable evidence of ownership, which may be electronic and is not a negotiable instrument unless law provides otherwise.

SECTION 2 MANAGEMENT AND MEMBER DECISIONS

Article 129 — Managers

1. A private limited company is managed by its members unless the organization rules appoint one or more managers.

2. A manager may be a natural person or, if allowed by law, a legal person designating an accountable natural representative.
3. Appointment and termination shall be registered where required and do not affect contractual rights.

Article 130 — Manager authority

1. A manager has authority to conduct the company's ordinary affairs and to represent it toward third parties.
2. An internal limitation does not affect a good-faith third party unless the limitation and its relevance were known.
3. A transaction outside stated objects remains valid unless the third party participated in a breach of authority.

Article 131 — Manager duties

1. A manager shall act in good faith, for proper purposes, in the company's best interests and with the care and skill reasonably expected in the circumstances.
2. A manager may consider long-term consequences, workers, creditors when insolvency threatens, the environment and the company's reputation, consistently with law and the company's success.
3. A manager shall exercise independent judgment while properly considering expert advice and member directions lawfully given.

Article 132 — Conflicts and opportunities

1. A manager shall disclose a direct or indirect material interest in a proposed or existing transaction.
2. The transaction may be approved by disinterested members after full disclosure and shall be fair to the company.
3. A manager shall not appropriate a company opportunity or secret profit without informed authorization.

Article 133 — Reliance and delegation

1. A manager may rely in good faith on competent employees, professionals, committees and reliable information after reasonable inquiry.
2. Delegation does not excuse failure to select, instruct and supervise appropriately.
3. A provision eliminating liability for fraud, bad faith, intentional misconduct or knowing violation of law is ineffective.

Article 134 — Member decisions

1. Members decide matters reserved by this Book or the organization rules and may give lawful directions subject to creditor and minority protection.
2. A decision may be made at a physical or remote meeting or by authenticated written consent.

3. Reasonable notice shall state the business, method of participation and information needed for an informed decision.

Article 135 — Voting

1. Voting power is proportional to membership interest unless the organization rules establish lawful classes or another allocation.
2. An ordinary matter is decided by a majority of votes cast; amendment, merger, conversion, sale of substantially all assets and voluntary dissolution require at least two thirds of entitled votes unless a higher threshold applies.
3. A conflicted member's vote may be excluded where this Book requires disinterested approval.

SECTION 3 DISTRIBUTIONS, TRANSFER AND REMEDIES

Article 136 — Distributions

1. A company may make a distribution only if, immediately afterward, it will be solvent.
2. Managers approving a distribution shall make a reasonable assessment based on current information and foreseeable obligations.
3. A member who knew the distribution was unlawful shall repay it, and a responsible manager is liable for resulting loss subject to contribution.

Article 137 — Transfer of membership interest

1. A member may transfer an economic interest subject to a reasonable restriction in the organization rules.
2. Admission of the transferee as a member requires the approval specified by those rules, but approval shall not be withheld in bad faith.
3. A transfer restriction is ineffective against a transferee without notice unless registered or stated in ownership evidence.

Article 138 — Member withdrawal

1. A member may withdraw as provided by the organization rules or by court order where continued membership is oppressive or impracticable.
2. Withdrawal does not entitle immediate payment where payment would cause insolvency.
3. The court may order purchase at fair value, staged payment with security or another equitable arrangement.

Article 139 — Information rights

1. A member may inspect constitutive documents, member records, minutes and financial information reasonably related to membership.
2. The company may protect trade secrets and personal information through reasonable confidentiality measures but may not deny essential information.

3. The court may order access, allocate costs and impose safeguards.

Article 140 — Oppression and deadlock

1. A member may seek relief where the company's affairs are conducted unlawfully, fraudulently or in a manner unfairly prejudicial to that member.
2. In a company with persistent deadlock, the court may regulate affairs, order mediation, require a buyout, appoint a provisional manager or dissolve as a last resort.
3. Relief shall protect the company, workers and creditors and avoid unnecessary destruction of a viable enterprise.

TITLE III
SHARE COMPANIES AND INVESTOR PROTECTION

CHAPTER I
FORMATION, CAPITAL AND SHARES

SECTION 1
FORMATION AND SHARE RIGHTS

Article 141 — Share company

1. A share company is a separate legal person whose capital is divided into shares and which may offer securities to the public only under applicable securities law.
2. A company that does not make a public offer may use the governance flexibilities expressly provided by this Book.
3. Its name shall include the designation prescribed for a share company.

Article 142 — Incorporators and subscription

1. One or more incorporators may form a share company by adopting articles and subscribing the required initial shares.
2. A public subscription shall comply with securities legislation and provide complete, accurate and timely disclosure.
3. Subscription money shall be safeguarded until formation and returned promptly if formation fails.

Article 143 — Articles of share company

1. The articles shall state authorized or issued capital, classes and rights of shares, governance structure, initial directors and any restriction required to be public.
2. The articles may authorize the board to issue shares within stated limits and time.
3. A shareholder is entitled to an accessible current copy.

Article 144 — Shares and classes

1. A share is indivisible as against the company but may be jointly owned through a designated representative.
2. Shares may carry different voting, distribution, redemption, conversion or priority rights if those rights are clearly stated.
3. A class right may be varied only with approval of that class and the general approval required for amendment.

SECTION 2

ISSUE, TRANSFER AND CAPITAL MAINTENANCE

Article 145 — Issue of shares

1. The board may issue shares for fair consideration within its authority and shall determine that noncash consideration is reasonably valued.
2. Shares shall not be issued to improperly dilute a shareholder, entrench control or transfer value to an insider.
3. The issue and resulting ownership shall be entered promptly in the share register.

Article 146 — Pre-emptive rights

1. Unless the articles lawfully provide otherwise, a shareholder has a proportionate right to subscribe for a new issue of shares ranking equally for voting or distribution.
2. The offer shall disclose price, terms and a reasonable acceptance period.
3. Exclusion or limitation requires the approval and justification prescribed for protection against improper dilution.

Article 147 — Share certificates and electronic shares

1. Ownership may be evidenced by a certificate, electronic register entry or a regulated book-entry system.
2. The company shall provide a reliable statement of holdings on request.
3. Loss of a paper certificate does not extinguish ownership, and replacement may be made on reasonable evidence and indemnity.

Article 148 — Transfer of shares

1. A share is transferable subject to law and a valid restriction stated in the articles or ownership evidence.
2. The company shall register a transfer upon receipt of reliable instructions and evidence, unless it gives prompt written reasons for lawful refusal.
3. A listed or intermediated security is transferred under applicable securities and settlement law.

Article 149 — Company acquisition of own shares

1. A company may acquire its own shares only from distributable resources or as otherwise authorized by law and only if it remains solvent.
2. Acquired shares carry no vote or distribution while held by the company.
3. The board shall disclose the purpose, price and effect on capital and control.

Article 150 — Reduction of capital

1. A reduction of stated capital requires shareholder approval, public filing and fair treatment of each affected class.

2. Creditors shall receive notice and may seek security where the reduction materially threatens payment.
3. A reduction does not release an unpaid contribution unless the solvency and creditor safeguards are satisfied.

CHAPTER II BOARD AND SHAREHOLDER GOVERNANCE

SECTION 1 BOARD

Article 151 — Board of directors

1. A share company shall have a board responsible for strategy, supervision, risk oversight, appointment of senior management and accountability to the company.
2. The board has every power not reserved to shareholders by law or the articles.
3. The number, qualification, appointment and term of directors shall be stated in or determined under the articles.

Article 152 — Eligibility and independence

1. A director shall be a natural person with legal capacity and shall disclose a disqualification or material conflict.
2. A public-interest company shall have an appropriate number of independent directors as prescribed by securities or sector law.
3. A director owes duties to the company notwithstanding nomination by a particular shareholder or public body.

Article 153 — Appointment and removal

1. Shareholders appoint directors by the voting method in the articles, subject to any lawful class right or employee representation.
2. A director may be removed by the required shareholder vote after notice and a fair opportunity to respond.
3. Removal does not affect a contractual claim but no contract may prevent exercise of the statutory removal power.

Article 154 — Board procedure

1. The board may meet physically or remotely and shall receive timely information reasonably necessary for decision.
2. A quorum is a majority unless the articles require more, and a decision is made by a majority present; the chair has no casting vote unless the articles provide it.
3. Minutes shall record attendance, declared interests, material deliberation and decisions.

Article 155 — Directors' duties

1. A director shall act in good faith, for proper purposes, in the company's best interests and with reasonable care, skill and diligence.
2. A director shall avoid undisclosed conflicts, misuse of information and appropriation of corporate opportunities.
3. The duties are owed to the company and are enforceable as provided by this Book.

Article 156 — Interested transactions

1. A director shall disclose the nature and extent of a material interest before consideration of the transaction.
2. An interested director shall not vote unless disinterested directors or shareholders authorize participation after disclosure.
3. A transaction is not void solely for interest if properly approved and fair, but the court may set aside an unfair transaction and order restitution or damages.

Article 157 — Audit and risk oversight

1. A share company shall maintain internal controls proportionate to its size, complexity and public impact.
2. A public-interest company shall have an independent audit committee or function as prescribed by law.
3. The board shall oversee financial reporting, external audit independence, material risk, cybersecurity and lawful treatment of whistleblowing reports.

SECTION 2 SHAREHOLDER PARTICIPATION

Article 158 — Shareholder meetings

1. An annual meeting shall be held within six months after the financial year unless unanimous lawful written procedure replaces it in a nonpublic company.
2. Special meetings may be called by the board or shareholders holding the prescribed proportion, which shall not exceed ten percent.
3. Notice, participation and voting arrangements shall provide a reasonable and equal opportunity to act on an informed basis.

Article 159 — Shareholder proposals and questions

1. A shareholder satisfying reasonable ownership and timeliness requirements may place a matter on the agenda and circulate a concise statement at the company's expense.
2. A shareholder may ask questions relevant to meeting business and receive a truthful response, subject to legitimate confidentiality.
3. Rules shall not be administered to silence criticism or entrench management.

Article 160 — Voting and proxies

1. Each voting share carries one vote unless lawful class rights provide otherwise.
2. A shareholder may appoint a proxy electronically or in writing and may revoke the appointment before exercise.
3. Voting procedures shall permit verification, confidentiality where required, and an auditable result.

Article 161 — Major transactions

1. A sale, lease or exchange of substantially all company assets outside the ordinary course requires approval by at least two thirds of votes entitled to be cast.
2. The notice shall disclose material terms, valuation, conflicts and reasonably available alternatives.
3. A dissenting shareholder has appraisal rights where this Book so provides.

CHAPTER III DISCLOSURE AND MEMBER REMEDIES

Article 162 — Financial reporting and disclosure

1. A share company shall prepare annual financial statements and a directors' report in accordance with Book One and applicable standards.
2. A public-interest company shall publish timely material information concerning financial condition, ownership, governance, related-party transactions and foreseeable material risks.
3. Disclosure shall be accurate, accessible, technology-neutral and subject to protection of legitimate confidential information.

Article 163 — Derivative proceeding

1. A shareholder may, after reasonable demand unless demand would be futile, bring a proceeding on behalf of the company to remedy wrong to it.
2. The court may control conduct of the proceeding, protect against abuse and approve settlement only if fair to the company.
3. A successful claimant may receive reasonable costs from the recovery, but the remedy belongs to the company.

Article 164 — Direct shareholder remedy

1. A shareholder may sue for infringement of a personal membership right, including voting, information, class, pre-emptive and distribution rights.
2. The court may declare rights, restrain conduct, correct records, order a meeting, compel purchase at fair value or award damages.
3. A personal claim shall not duplicate recovery for loss belonging to the company.

Article 165 — Appraisal rights

1. A shareholder who properly dissents from a merger, conversion or major transaction designated by this Book may require the company to purchase affected shares at fair value.
2. Fair value shall be determined immediately before the transaction without discount for minority status or the transaction's anticipated effect.
3. The court may appoint an independent valuer and order interest and security for deferred payment.

TITLE IV
GROUPS, REORGANIZATIONS AND FOREIGN ORGANIZATIONS

CHAPTER I
COMPANY GROUPS

Article 166 — Company groups

1. A parent and subsidiary remain separate legal persons notwithstanding control.
2. A controlling enterprise shall not direct a subsidiary to enter an unfair transaction without adequate benefit or compensation.
3. Group reporting and related-party disclosure shall provide a fair view of material control, guarantees, transfers and risks.

Article 167 — Liability within group

1. A parent is not liable solely because it owns or controls a subsidiary.
2. Liability may arise from guarantee, personal wrongdoing, abuse under Article 88 or a specific statutory duty.
3. A court may order compensation where control caused an unfair transfer of value or left the subsidiary unable to meet foreseeable obligations.

CHAPTER II MERGER, CONVERSION AND DIVISION

SECTION 1 MERGER AND CONVERSION

Article 168 — Merger

1. Two or more organizations may merge by combining into one survivor or forming a new organization under an approved merger plan.
2. The plan shall state terms, ownership conversion, governance, treatment of workers, creditors and dissenters, and material valuation information.
3. Approval requires the vote applicable to a fundamental change in each participating organization.

Article 169 — Effect of merger

1. At the effective time, property, rights, obligations and proceedings of each merging organization vest in the survivor without separate transfer, subject to registration systems requiring notice.
2. The nonsurviving organization ceases without liquidation.
3. The merger does not release a guarantee or liability and shall not prejudice a creditor's accrued right.

Article 170 — Conversion

1. An organization may convert from one form under this Book to another by approving a conversion plan and satisfying destination-form requirements.
2. The same legal person continues, and title to property and obligations is not interrupted.
3. A member becoming subject to unlimited liability must give express informed consent.

SECTION 2 DIVISION AND SIMPLIFIED REORGANIZATION

Article 171 — Division and transfer of assets

1. An organization may divide or transfer a defined business undertaking under a plan stating allocation of assets, liabilities, members and consideration.
2. The plan shall provide reasonable creditor notice and protection against arbitrary allocation of liabilities.
3. Participating entities are liable as prescribed in the plan and, where necessary to prevent prejudice, jointly up to the net value received.

Article 172 — Simplified reorganization

1. A wholly owned subsidiary may merge with its parent through a simplified procedure if no minority interest is prejudiced.

2. The board shall approve and file the plan and notify creditors and shareholders.
3. A court may require the ordinary procedure where simplification is used abusively.

CHAPTER III FOREIGN ORGANIZATIONS AND CONTINUITY

Article 173 — Foreign organization registration

1. A foreign organization carrying on continuing business in Eritrea shall register its legal form, governing law, principal office, Eritrean service address and authorized representative.
2. It shall file evidence of valid existence and disclose governing persons and ownership information required by law.
3. Registration does not create a separate Eritrean legal person or authorize a regulated activity.

Article 174 — Foreign organization capacity and liability

1. The capacity and internal affairs of a foreign organization are governed by the law of its formation, subject to mandatory Eritrean law protecting third parties and public order.
2. The foreign organization remains liable for every obligation of its Eritrean branch.
3. A foreign member or director is not personally liable solely because Eritrean law would have organized the enterprise differently.

Article 175 — Authorized representative

1. A registered foreign organization shall maintain an authorized representative and service address in Eritrea.
2. Service on that representative is effective service on the organization.
3. Termination of the representative is ineffective until a replacement is registered or another lawful service arrangement exists.

Article 176 — Disclosure by foreign organization

1. A foreign organization shall disclose its foreign status and jurisdiction of formation in material business communications in Eritrea.
2. It shall file annual confirmation and financial information required by an Assembly Act, with proportionate recognition of equivalent foreign disclosure.
3. A material foreign merger, dissolution, insolvency or loss of legal existence shall be filed promptly.

Article 177 — Cessation by foreign organization

1. A foreign organization ceasing business in Eritrea shall file notice, preserve an address for claims and satisfy lawful tax, worker and creditor procedures.
2. Cessation of registration does not discharge an obligation or prevent proceedings concerning prior activity.
3. The court may restore registration where necessary to determine or enforce a right.

Article 178 — Grounds for dissolution

1. A business organization may be dissolved by expiration, a decision made under its organization rules, completion or impossibility of its purpose, insolvency proceedings or a court order under this Code.
2. The court may dissolve for illegality, persistent deadlock, oppression or abandonment only where a less destructive remedy is inadequate.
3. Dissolution begins liquidation but does not immediately terminate legal personality.

Article 179 — Liquidation and protection of claimants

1. On dissolution, authorized liquidators shall preserve and realize assets, complete necessary transactions, determine claims, pay creditors and distribute any surplus according to rights.
2. Known creditors shall receive direct notice and other claimants reasonable public notice.
3. A distribution shall not be made until adequate provision exists for disputed, contingent and reasonably foreseeable claims.

Article 180 — Administrative removal and restoration

1. The Registrar may remove a defunct organization only after repeated notice, reasonable inquiry and an opportunity to cure.
2. Property is not confiscated by removal, and liability of members and governing persons continues according to law.
3. The court or Registrar, as authorized by an Assembly Act, may restore the organization where just; restoration ordinarily places it as nearly as possible in the position it would have occupied without removal.

BOOK THREE
COMMERCIAL CONTRACTS, TRADE, CARRIAGE AND INSURANCE

TITLE I
GENERAL COMMERCIAL CONTRACTS

CHAPTER I
FORMATION AND INTERPRETATION

SECTION 1
FORMATION

Article 181 — Scope of Title I

1. This Title governs commercial contracts unless a specific rule in this Code or another Assembly Act applies.
2. It supplements the Civil Code and applies to contracts between traders and to a commercial obligation of a trader.

Article 182 — Freedom and binding force

1. Parties may contract and determine terms within mandatory law, and a valid commercial contract binds them according to its terms.
2. A court shall respect negotiated risk allocation while refusing fraud, coercion, corruption, illegality and abuse of mandatory protection.

Article 183 — Good faith and cooperation

1. Each party shall act in good faith throughout negotiation, formation, performance and enforcement.
2. A party shall cooperate to the extent reasonably expected for performance and shall not obstruct satisfaction of an agreed condition.

Article 184 — Pre-contractual liability

1. A person who negotiates or terminates negotiations in bad faith is liable for reasonably foreseeable reliance loss.
2. Bad faith includes negotiating without serious intent, deliberate material deception and misuse of confidential information obtained in negotiations.

Article 185 — Formation by agreement

1. A contract is formed when parties sufficiently manifest agreement and intention to be legally bound.
2. Agreement may be established by words, conduct, electronic communications, automated interaction or performance.

Article 186 — Offer

1. A proposal is an offer when sufficiently definite and indicating intention to be bound upon acceptance.
2. An offer addressed to the public may be accepted by any person performing its stated conditions unless the circumstances show it is only an invitation.

Article 187 — Revocation of offer

1. An offer may be revoked if the revocation reaches the offeree before acceptance.
2. An offer is irrevocable during a stated firm period or where the offeree reasonably relied on an assurance that it would remain open.

Article 188 — Acceptance

1. Acceptance is a statement or conduct assenting to the offer and is effective when it reaches the offeror, unless performance is an authorized method.
2. Silence alone is not acceptance, but established practice, usage or retained performance may establish assent.

SECTION 2

TERMS AND INTERPRETATION

Article 189 — Modified acceptance

1. A response purporting to accept but materially altering price, quantity, quality, delivery, liability or dispute terms is a counteroffer.
2. A nonmaterial addition becomes part of a contract between traders unless promptly objected to or the offer limits acceptance to its terms.

Article 190 — Standard terms

1. A standard term binds a party only if reasonable notice of it was provided before or at formation and it was accessible for retention.
2. An individually negotiated term prevails over an inconsistent standard term, and an ambiguity in a supplier's standard term is interpreted against that supplier.

Article 191 — Conflicting standard terms

1. Where parties perform despite conflicting standard terms, a contract consists of agreed terms and compatible standard terms.
2. Incompatible terms are excluded and replaced by this Code unless a party clearly made agreement conditional on acceptance of its own terms.

Article 192 — Writing and signature

1. A requirement for writing or signature is satisfied by an electronic method meeting Article 7.
2. A party may agree to a higher authentication standard, but may not invoke it opportunistically after knowingly accepting performance.

Article 193 — Authority and attribution

1. A communication is attributed to a party when sent by that party, an authorized person or a system programmed or adopted for that purpose.
2. Attribution does not prove consent where a message resulted from fraud, unauthorized access or material system error known to the recipient.

Article 194 — Entire agreement and modification

1. An entire-agreement clause may exclude reliance on prior statements but does not exclude fraud or a mandatory disclosure duty.
2. A contract requiring written modification may nevertheless be modified by relied-upon conduct to the extent necessary to prevent unfairness.

Article 195 — Interpretation

1. A contract is interpreted according to the parties' common intention or, if not established, the meaning a reasonable commercial person would give it in context.
2. Relevant context includes negotiations, conduct, purpose, nature, course of dealing, usage and good faith.

CHAPTER II PERFORMANCE, BREACH AND REMEDIES

SECTION 1 PERFORMANCE

Article 196 — Express and implied obligations

1. Obligations arise from express terms and from law, good faith, usage, established practice and the nature and purpose of the contract.
2. An implied obligation shall not contradict a clear negotiated allocation of risk unless a mandatory rule requires otherwise.

Article 197 — Price determination

1. Where a contract is formed without a fixed price, the price is the reasonable market price at the relevant time or a reasonable price in the circumstances.
2. A price fixed by one party or a third person shall be set honestly and reasonably; the court may substitute a reasonable price if that mechanism fails.

Article 198 — Time of performance

1. Performance is due at the agreed time or, if none, within a reasonable time after formation or request.
2. A party may reject premature performance where it causes material inconvenience or uncertainty, subject to good faith.

Article 199 — Place and manner of performance

1. Performance shall occur at the agreed place and by the agreed method or, absent agreement, in the commercially reasonable manner indicated by the obligation.
2. Payment is ordinarily due at the creditor's designated lawful account or place of business, while delivery of specific goods is due where they were known to be located.

Article 200 — Payment

1. A monetary obligation shall be paid in the agreed lawful currency and through cash, account transfer or another accepted payment method.
2. Payment is effective when funds become unconditionally available to the creditor, subject to reversal rules governing the payment system.

Article 201 — Currency conversion

1. Where conversion is required, the lawful market rate at the time payment is due applies unless the parties agreed another reasonable reference rate.
2. An administrative exchange rule shall not deprive a person of property except under an Assembly Act consistent with the Constitution.

Article 202 — Performance by third person

1. A third person may perform unless personal performance is material to the contract or the creditor has a legitimate interest in refusing.
2. Performance does not transfer the creditor's rights to the third person except by subrogation, assignment or another rule of law.

SECTION 2

EXCUSE, TERMINATION AND DAMAGES

Article 203 — Nonconforming tender

1. A party tendering nonconforming performance may cure before the due time and afterward if cure is prompt and causes no unreasonable prejudice.
2. The receiving party shall give reasonably specific notice of an apparent nonconformity and permit cure where commercially appropriate.

Article 204 — Withholding performance

1. A party may withhold its performance where the other party has not performed a concurrent obligation or where it reasonably appears that a substantial failure will occur.
2. The withholding party shall give prompt notice and resume performance when adequate assurance is provided.

Article 205 — Force majeure

1. A party is excused from damages to the extent nonperformance was caused by an impediment beyond reasonable control that could not reasonably have been anticipated or overcome.
2. The party shall notify the other promptly, mitigate effects and perform unaffected obligations; termination remains available after substantial or prolonged failure.

Article 206 — Hardship

1. Where an extraordinary and unforeseeable change fundamentally alters the equilibrium of continuing performance, the disadvantaged party may request good-faith renegotiation.
2. If renegotiation fails, a court may adapt or terminate the contract only where allocation of the risk to that party would be manifestly unreasonable.

Article 207 — Fundamental breach

1. A breach is fundamental when it substantially deprives the other party of what it was reasonably entitled to expect or makes continued reliance unreasonable.
2. Intentional breach, repeated material default and failure after a reasonable cure notice may constitute fundamental breach.

Article 208 — Notice to cure

1. Before terminating for a curable breach, a party shall ordinarily give notice allowing a reasonable cure period.

2. Immediate termination is permitted where cure is impossible, timely performance is essential, trust is destroyed or delay creates serious risk.

Article 209 — Termination

1. Termination releases future performance but does not affect accrued rights, dispute terms or provisions intended to survive.
2. Each party shall restore performance received where restitution is reasonable, with allowance for value consumed or benefits conferred.

Article 210 — Damages and mitigation

1. Damages place the injured party as nearly as money can in the position proper performance would have produced, including foreseeable loss and reasonable incidental expense.
2. Loss avoided or reasonably avoidable is deducted, and the injured party shall take reasonable measures to mitigate.

TITLE II
SALE, SUPPLY, DISTRIBUTION AND DIGITAL TRANSACTIONS

CHAPTER I
COMMERCIAL SALE AND SUPPLY

SECTION 1
SELLER'S OBLIGATIONS

Article 211 — Contract of commercial sale

1. A commercial sale obliges the seller to transfer goods and title and the buyer to accept and pay the price.
2. Goods include movable tangible things and agreed digital products where the nature of the transaction is substantially equivalent to supply of goods.

Article 212 — Supply and manufacture

1. A contract to manufacture or produce goods is a sale unless the customer supplies a substantial part of essential materials or the predominant obligation is labor or professional service.
2. A continuing supply contract is governed by this Chapter with adjustments appropriate to repeated deliveries.

Article 213 — Description and specifications

1. Goods shall conform to agreed description, quantity, quality, type, packaging, labeling and technical or interoperability specifications.
2. A sample or model creates a conformity obligation unless clearly supplied only for illustration.

Article 214 — Fitness and ordinary quality

1. Goods shall be fit for ordinary purposes and possess quality reasonably expected in the trade.
2. They shall be fit for a particular disclosed purpose where the buyer reasonably relied on the seller's skill or judgment.

Article 215 — Digital elements and updates

1. Goods containing digital elements shall function as agreed and receive security and functionality updates reasonably required during the promised or reasonably expected period.
2. The seller shall disclose material technical dependencies, access limits and end-of-support terms before sale.

Article 216 — Seller's delivery obligation

1. The seller shall deliver goods, required documents and control necessary for the buyer to take possession or disposition.

2. Delivery shall occur at the agreed time and place and shall be free of undisclosed third-party rights.

Article 217 — Delivery involving carriage

1. Where the contract requires carriage, the seller shall hand goods to the proper carrier, make a reasonable carriage contract and notify the buyer.
2. The seller shall provide information necessary for insurance, customs, handling and receipt.

Article 218 — Title and intellectual-property claims

1. The seller shall transfer the agreed title free from undisclosed security rights, liens and ownership claims.
2. The seller is responsible for a third-party intellectual-property claim arising from ordinary contemplated use, subject to the buyer's supplied design and prompt notice.

SECTION 2
BUYER'S OBLIGATIONS, RISK AND REMEDIES

Article 219 — Buyer's payment obligation

1. The buyer shall pay the price and take steps reasonably necessary to enable payment.
2. Unless agreed otherwise, payment is due when the seller places conforming goods or controlling documents at the buyer's disposal.

Article 220 — Taking delivery

1. The buyer shall take reasonable steps to receive goods and shall not create unnecessary storage or transport cost.
2. The seller may store, resell or otherwise preserve goods at the buyer's reasonable expense after notice of unjustified refusal.

Article 221 — Inspection and notice

1. The buyer shall inspect goods within a reasonable time appropriate to their nature and transaction.
2. The buyer shall notify the seller of a discovered nonconformity with reasonable specificity, but late notice does not excuse fraud or a defect the seller knew and concealed.

Article 222 — Risk of loss

1. Risk passes as agreed or, absent agreement, when the buyer takes delivery or the goods are duly handed to an independent carrier under a shipment contract.
2. Risk does not pass through a delivery that is fundamentally nonconforming until cure or acceptance.

Article 223 — Preservation of goods

1. A party possessing another party's goods after rejection, delay or termination shall take reasonable preservation measures.
2. Reasonable preservation and sale expenses may be recovered from the party responsible for the situation.

Article 224 — Buyer's remedies

1. For nonconforming goods, the buyer may require cure, repair, replacement or price reduction where proportionate and commercially reasonable.
2. The buyer may terminate for fundamental breach and claim damages under Title I.

Article 225 — Seller's remedies

1. For failure to pay or take delivery, the seller may require performance, withhold delivery, resell after notice or terminate for fundamental breach.
2. The seller may recover the price where the buyer accepted goods or resale is not reasonably possible.

CHAPTER II DISTRIBUTION, FRANCHISING AND SERVICES

SECTION 1 DISTRIBUTION AND FRANCHISING

Article 226 — Distribution agreement

1. A distributor buys and resells goods or services in its own name and account under a continuing commercial arrangement.
2. The agreement shall state territory, products, exclusivity, performance expectations, pricing method, data use, intellectual property and termination.

Article 227 — Supplier and distributor duties

1. The supplier shall provide accurate product information and reasonable support, while the distributor shall promote and handle products diligently.
2. Each party shall protect the other's reputation, confidential information and lawful intellectual-property rights.

Article 228 — Exclusive distribution

1. An exclusivity clause shall be clear, proportionate and consistent with competition law.
2. A party receiving exclusivity shall use commercially reasonable efforts and shall not be subjected to undisclosed discriminatory supply practices.

Article 229 — Termination of distribution

1. A continuing distribution agreement may be terminated for cause or on reasonable notice reflecting duration, investment and dependency.
2. A party inducing substantial specific investment shall not terminate opportunistically without reasonable opportunity for recovery or fair compensation.

Article 230 — Franchise disclosure

1. A franchisor shall provide timely and accurate pre-contract information about fees, required investment, restrictions, intellectual property, operating system, litigation and material failure rates.
2. A material misrepresentation or omission entitles the franchisee to appropriate rescission, damages or adjustment.

Article 231 — Franchise relationship

1. The franchisee is an independent enterprise unless the actual relationship creates employment, agency or another status under law.
2. The franchisor shall exercise contractual control in good faith and shall not impose undisclosed material changes without lawful justification.

SECTION 2 SERVICES AND LICENSING

Article 232 — Commercial services

1. A provider of commercial services shall perform with agreed skill, care, timeliness and professional standards.
2. The customer shall cooperate, provide necessary information and pay reasonable compensation where price was not fixed.

Article 233 — Outcome and effort obligations

1. An obligation to achieve a stated result requires that result subject to an applicable excuse.
2. An obligation of best or reasonable efforts requires the diligence of a competent commercial person in comparable circumstances.

Article 234 — Long-term commercial relationship

1. Parties to a long-term relationship shall communicate material risks, cooperate in adjustment and exercise termination rights consistently with good faith.
2. A review or renegotiation clause shall be implemented honestly and does not authorize unilateral imposition of terms.

Article 235 — Commercial licensing

1. A commercial license shall identify the licensed right, scope, territory, duration, permitted users, remuneration and restrictions.
2. The licensor shall have authority to grant the right, and the licensee shall use it within scope and protect confidential material.

CHAPTER III ELECTRONIC AND AUTOMATED TRANSACTIONS

SECTION 1 ELECTRONIC RECORDS

Article 236 — Electronic contract

1. A contract shall not be denied validity or enforceability because an electronic record was used in its formation or performance.
2. An electronic offer or acceptance may be addressed to a person, a class or an automated system.

Article 237 — Time and place of electronic communication

1. An electronic communication is sent when it leaves the sender's control and received when retrievable at the designated electronic address.
2. It is deemed sent from the sender's place of business and received at the recipient's place of business unless reliable evidence shows otherwise.

Article 238 — Electronic original and retention

1. A requirement for an original is satisfied where integrity is reliably maintained and the record can be displayed to the person entitled to it.
2. Retention requires accessibility, accurate reproduction and preservation of material origin, destination, time and integrity information.

Article 239 — Electronic transferable record

1. A transferable document or instrument may be electronic where a reliable method identifies it, preserves integrity and establishes exclusive control.
2. Transfer of control has the legal effect of transfer of possession where the applicable law requires possession.

Article 240 — Change of medium

1. A paper transferable document may be replaced by an electronic transferable record, and conversely, through a reliable process that prevents simultaneous effectiveness.
2. The change shall be recorded and does not alter underlying rights or obligations.

SECTION 2 AUTOMATED SYSTEMS AND PLATFORMS

Article 241 — Automated contracting

1. A contract may be formed or performed through an automated system without human review of each action.
2. A party may not deny legal effect solely because an automated system made a selection, generated a message or interacted with another system.

Article 242 — Programming and responsibility

1. Use of an automated system is attributable to the person who deployed or adopted it for the transaction.
2. That person remains responsible for legally relevant outputs subject to agreed risk allocation, fraud, unauthorized interference and the error rules of this Chapter.

Article 243 — Input error

1. A person making an input error in an automated transaction may withdraw or correct it where the system offered no reasonable correction opportunity and prompt notice is given.
2. The person shall return value received and compensate avoidable loss caused by failure to use reasonable care.

Article 244 — Automated-system disclosure

1. A trader shall disclose when a customer is materially interacting only with an automated system and shall provide an accessible means to correct material information.
2. Where a decision significantly affects contractual rights, the trader shall provide intelligible reasons or human review when required by an Assembly Act.

Article 245 — Online platform responsibility

1. A platform shall clearly disclose whether it acts as seller, agent, marketplace or payment intermediary and identify the contracting trader.
2. Its contractual allocation does not defeat liability arising from its own representations, control, negligence, unlawful design or receipt of funds.

TITLE III CARRIAGE AND LOGISTICS

CHAPTER I GENERAL RULES OF CARRIAGE

SECTION 1 FORMATION, DOCUMENTS AND INSTRUCTIONS

Article 246 — Contract of carriage

1. A carrier undertakes for reward to transport goods or passengers from one place to another.
2. This Title applies subject to the Maritime Code, aviation law and a binding international carriage regime applicable to the route.

Article 247 — Carrier's general duties

1. The carrier shall provide suitable means of transport, exercise reasonable care and perform without unjustified delay.
2. The carrier shall comply with lawful safety, customs, documentation and handling requirements within its responsibility.

Article 248 — Shipper's duties

1. The shipper shall provide accurate information, proper packaging and documents reasonably necessary for safe and lawful carriage.
2. The shipper is liable for loss caused by dangerous goods or material inaccuracy not known to the carrier.

Article 249 — Transport document

1. A transport document shall identify parties, goods or passengers, route, charges and material reservations.
2. An electronic transport document has equivalent effect where integrity and control are reliably maintained.

Article 250 — Receipt and reservations

1. Acceptance without reservation is prima facie evidence that goods appeared in good condition and corresponded to the document.
2. The carrier shall record an apparent defect or reasonable ground for inability to verify particulars.

Article 251 — Instructions and disposition

1. The person entitled under the transport contract may give reasonable instructions before delivery, subject to reimbursement and noninterference with operations.
2. A transferable transport record controls the right of disposition according to its terms and applicable law.

SECTION 2 LIABILITY

Article 252 — Carrier liability

1. The carrier is liable for loss, damage or delay occurring while goods or passengers are in its charge unless it proves an applicable defense.
2. Liability includes acts of employees, agents and performing carriers acting within assigned functions.

Article 253 — Defenses

1. The carrier is not liable to the extent loss resulted from claimant fault, inherent vice, inadequate shipper packing, undisclosed dangerous nature or an unavoidable event despite reasonable care.
2. A defense is unavailable for intentional or reckless conduct with knowledge that loss would probably result.

Article 254 — Limits of liability

1. A lawful monetary limit may apply according to weight, package, passenger or event under an Assembly Act or applicable convention.
2. A limit is unavailable for fraud or intentional or reckless misconduct and may be displaced by declared value or special agreement.

Article 255 — Delay

1. Delay occurs when delivery or arrival exceeds the agreed time or the time reasonably required by a diligent carrier.
2. The claimant may recover foreseeable loss from material delay subject to notice, mitigation and any lawful limit.

Article 256 — Notice of loss

1. Apparent loss or damage should be notified at delivery and concealed damage within a reasonable inspection period.
2. Failure creates a rebuttable presumption of proper delivery but does not extinguish a claim unless a mandatory international regime provides otherwise.

Article 257 — Successive and performing carriers

1. A contracting carrier remains responsible for the entire contracted carriage notwithstanding use of another carrier.
2. A performing carrier is also liable for the segment performed and may rely on applicable defenses and limits.

CHAPTER II GOODS, PASSENGERS AND MULTIMODAL CARRIAGE

SECTION 1 GOODS AND LOGISTICS

Article 258 — Carriage of goods

1. The carrier shall receive, safeguard, carry and deliver goods to the person entitled under the transport document or contract.
2. Delivery against a controlling document or electronic record shall occur only upon surrender or transfer of control where required.

Article 259 — Freight and charges

1. Freight and lawful charges are payable by the party designated in the contract.
2. A carrier may retain goods for due charges only to the extent authorized by law and shall preserve and account for them.

Article 260 — Undeliverable goods

1. Where delivery is impossible or refused, the carrier shall seek instructions and may store, return or sell perishable goods after reasonable notice.
2. Proceeds shall be applied to reasonable charges and the balance held for the person entitled.

Article 261 — Dangerous goods

1. A shipper shall mark and disclose dangerous goods and provide handling information required by law.
2. The carrier may unload, destroy or render harmless an undisclosed imminent danger without compensation, using proportionate measures.

Article 262 — Warehouse and logistics provider

1. A warehouse or logistics provider shall receive, identify, preserve and release goods with reasonable professional care.
2. It shall maintain accurate inventory and event records and is liable for unauthorized release or unexplained loss while in custody.

Article 263 — Warehouse receipt

1. A warehouse receipt may be negotiable or nonnegotiable as stated and may be electronic under Article 239.
2. The issuer shall deliver only to the person entitled and may assert lawful charges and exceptions appearing from the record.

Article 264 — Freight forwarder

1. A freight forwarder arranging carriage acts as agent unless it undertakes carriage in its own name or represents itself as carrier.
2. It shall select service providers with reasonable care, follow instructions and disclose remuneration or conflicts required by law.

SECTION 2 PASSENGERS AND MULTIMODAL CARRIAGE

Article 265 — Carriage of passengers

1. A passenger carrier shall transport safely, with reasonable dignity, accessibility and punctuality.
2. A term excluding liability for death or personal injury caused by negligence is ineffective except within a lawful international limitation regime.

Article 266 — Baggage

1. The carrier is liable for checked baggage while in charge and for cabin baggage where loss resulted from carrier fault.
2. Reasonable notice and valuation requirements may apply, subject to protection against grossly unfair terms.

Article 267 — Cancellation and interruption

1. For unjustified cancellation or serious interruption, the carrier shall provide prompt information and reasonable rerouting, refund or care appropriate to the journey.
2. Further damages remain available where the carrier lacks a lawful excuse and loss was foreseeable.

Article 268 — Multimodal carriage

1. A contract using two or more modes may be governed as a single multimodal carriage contract.
2. Where the stage of loss is known, mandatory law governing that stage applies; otherwise this Title governs subject to reasonable contractual limits.

Article 269 — Terminal and port operators

1. A terminal or port operator in custody of goods shall exercise reasonable care and maintain reliable receipt and release controls.
2. This Article does not displace the Maritime Code or lawful port regulation.

Article 270 — Limitation period for carriage claims

1. A carriage claim shall be brought within two years after delivery, scheduled delivery or the event giving rise to passenger injury unless a longer mandatory period applies.
2. Written claim, agreed mediation or acknowledgment suspends or interrupts the period as provided by procedural law.

TITLE IV
INSURANCE CONTRACTS

CHAPTER I
FORMATION AND GENERAL OBLIGATIONS

SECTION 1
FORMATION AND DISCLOSURE

Article 271 — Contract of insurance

1. An insurer undertakes, for premium, to provide agreed protection against a defined uncertain event or obligation.
2. Insurance business may be conducted only under the licensing and prudential laws enacted by the National Assembly.

Article 272 — Insurable interest and indemnity

1. A nonlife policyholder or insured shall have a lawful economic interest in avoiding the insured loss at the relevant time.
2. Indemnity shall not exceed actual covered loss except for agreed valued insurance or another lawful benefit policy.

Article 273 — Proposal and policy

1. The applicant shall answer clear material questions honestly, and the insurer shall issue an accessible policy stating coverage, exclusions, limits, premium, duration and claims procedure.
2. A policy may be electronic and shall be delivered before or promptly after coverage begins.

Article 274 — Pre-contract disclosure

1. The applicant shall disclose a material circumstance actually known where the insurer clearly requests it or nondisclosure would be fraudulent.
2. The insurer shall explain unusual or significant exclusions and may not rely on an undisclosed term.

Article 275 — Misrepresentation

1. For fraudulent material misrepresentation, the insurer may avoid the policy and retain premium only to the extent permitted by law.
2. For negligent material misrepresentation, the remedy shall be proportionate to what the insurer would reasonably have done with accurate information.

Article 276 — Intermediaries

1. An insurance intermediary shall disclose capacity, material conflict, remuneration where required and the identity of the insurer.

2. An insurer is responsible for an intermediary acting with actual or apparent authority.

SECTION 2 PREMIUM, RISK AND INDEMNITY

Article 277 — Premium

1. Premium is due as agreed, and the insurer shall provide reasonable notice before suspending or terminating for nonpayment.
2. A late premium accepted without reservation may reinstate or continue coverage according to reasonable expectation and policy terms.

Article 278 — Duration and renewal

1. Coverage begins and ends at the stated times, subject to temporary cover and statutory continuation.
2. A material renewal change shall be clearly notified with reasonable time to consider alternatives.

Article 279 — Alteration of risk

1. The insured shall notify a material increase of risk actually known where the policy clearly requires it.
2. The insurer may reasonably adjust, exclude the increased risk or terminate prospectively, but may not avoid unrelated coverage.

Article 280 — Prevention and mitigation

1. The insured shall take reasonable steps to prevent or reduce covered loss and follow reasonable emergency instructions.
2. The insurer shall reimburse reasonable mitigation expense even if unsuccessful, subject to policy limits or mandatory law.

Article 281 — Subrogation

1. Upon payment of an indemnity claim, the insurer is subrogated to the insured's rights against a responsible third party to the extent paid.
2. Subrogation shall not prejudice the insured's unrecovered loss and ordinarily shall not proceed against a household member or employee without intentional wrongdoing.

Article 282 — Multiple insurance

1. Where the same interest and risk are covered by multiple indemnity policies, the insured may not recover more than the loss.
2. Insurers contribute proportionately according to applicable limits unless another equitable allocation is agreed.

CHAPTER II CLAIMS AND CLASSES OF INSURANCE

SECTION 1 CLAIMS

Article 283 — Notice and proof of claim

1. The insured shall notify a claim within a reasonable time and provide information reasonably necessary to assess it.
2. Delay reduces recovery only to the extent it materially prejudices investigation, except in case of fraud.

Article 284 — Claims handling

1. The insurer shall acknowledge, investigate and decide a claim promptly, fairly and with stated reasons.
2. It shall pay an undisputed amount without awaiting resolution of a genuinely disputed balance.

Article 285 — Bad-faith claims conduct

1. An insurer acting dishonestly or unreasonably delaying or denying a claim is liable for foreseeable resulting loss beyond the policy benefit.
2. A claimant who knowingly presents a materially fraudulent claim may forfeit the affected claim to the proportionate extent determined by law.

Article 286 — Settlement and defense

1. Under liability insurance, the insurer shall defend or fund defense as promised and shall consider reasonable settlement opportunities in good faith.
2. The insured shall cooperate, but refusal of coverage is justified only to the extent a material breach causes prejudice.

Article 287 — Direct action

1. An injured third party may proceed directly against a liability insurer where an Assembly Act, the policy or insolvency of the insured so permits.
2. The insurer may assert coverage defenses but not a purely personal defense waived against the insured.

Article 288 — Limitation and dispute resolution

1. A contractual claim period shorter than the statutory period is ineffective unless reasonable and expressly authorized by an Assembly Act.
2. A policy may provide mediation or arbitration but shall not unlawfully deprive a protected claimant of access to court.

SECTION 2 CLASSES OF INSURANCE

Article 289 — Property insurance

1. Property insurance covers the insured economic interest in described property against stated risks.
2. Valuation, depreciation, underinsurance and deductible provisions shall be clear and applied consistently with indemnity.

Article 290 — Business interruption insurance

1. Business interruption insurance covers agreed loss of income and continuing expense caused by covered interruption.
2. The insured shall maintain reasonable records, and uncertain loss may be established through reliable projections and comparable performance.

Article 291 — Liability insurance

1. Liability insurance covers the insured's legal liability within the policy and reasonable defense expense as stated.
2. A consent-to-settle term shall not permit unreasonable refusal or expose the insured to avoidable excess liability.

Article 292 — Life insurance

1. Life insurance pays the agreed benefit upon death or survival and is not limited to indemnity.
2. The policyholder may designate and change a beneficiary unless the designation was validly made irrevocable.

Article 293 — Beneficiary protection

1. A named beneficiary's benefit is payable directly and does not form part of the insured's estate except as law or policy provides.
2. A person who intentionally and unlawfully causes the insured event may not benefit from that wrongdoing.

Article 294 — Health and accident insurance

1. Health and accident coverage shall state benefits, exclusions, waiting periods, provider rules and cost sharing in accessible language.
2. A regulated insurer shall not use health data or automated assessment contrary to an Assembly Act protecting equality, privacy and fair treatment.

Article 295 — Group insurance

1. A group policy shall identify the eligible class, policyholder's authority, member notice, contributions and continuation rights.

2. An insured member is entitled to accessible evidence of coverage and direct information concerning a material termination or reduction.

CHAPTER III REINSURANCE, DIGITAL INSURANCE AND CONTINUITY

Article 296 — Reinsurance

1. A reinsurance contract transfers agreed insurance risk from one insurer to another without ordinarily creating a direct right for the original insured.
2. The reinsured shall disclose material portfolio information honestly, and each party shall account for premiums, claims and recoveries.

Article 297 — Digital insurance

1. An insurance contract may be offered, concluded, administered and claimed electronically subject to identity, accessibility and data-protection law.
2. Automated underwriting or claims processing remains attributable to the insurer and shall permit correction of material error.

Article 298 — Compulsory insurance

1. Compulsory insurance may be imposed only by an Assembly Act identifying the protected risk, required minimum coverage and enforcement.
2. A policy issued as compulsory insurance shall provide third-party protection notwithstanding a breach by the insured, subject to a lawful recourse claim.

Article 299 — Insurance insolvency and continuity

1. Rights on insurer insolvency are governed by prudential and insolvency legislation protecting policyholders and claimants.
2. Transfer, run-off or cancellation of a portfolio shall preserve accrued claims and provide clear notice and lawful continuity arrangements.

Article 300 — Continuity pending later Books

1. Until Books Four through Six commence, existing commercial legislation governs matters not provided for in Books One through Three to the extent consistent with the Constitution and those Books.
2. A reference to a later Book takes effect upon that Book's commencement, and this consultation draft does not itself repeal existing law.

BOOK FOUR
NEGOTIABLE INSTRUMENTS, BANKING TRANSACTIONS AND PAYMENT
SERVICES

TITLE I
NEGOTIABLE INSTRUMENTS AND ELECTRONIC TRANSFERABLE RECORDS

CHAPTER I
COMMON RULES

SECTION 1
FORM, CONTROL AND TRANSFER

Article 301 — Scope of Book Four

1. This Book governs negotiable instruments, specified electronic transferable records, banking transactions, payment services and documentary trade finance.
2. Licensing, prudential supervision, monetary policy, currency issuance and systemic regulation remain governed by the National Bank Act and other Assembly Acts.

Article 302 — Technology neutrality

1. An instrument or banking transaction shall not be denied effect because it is electronic, automated or recorded through a distributed system.
2. Functional equivalence requires reliable identification, integrity, control, accessibility and transfer appropriate to the legal function concerned.

Article 303 — Negotiable instrument

1. A negotiable instrument is a signed unconditional promise or order to pay a definite sum, payable on demand or at a definite time, and transferable in a manner giving the holder rights under this Book.
2. A document is negotiable only where this Book, another Assembly Act or its terms recognized by law confer negotiability.

Article 304 — Electronic transferable instrument

1. A negotiable instrument may be constituted by an electronic record where a reliable method identifies the authoritative record and establishes exclusive control.
2. A person in control is treated as holder, and transfer of control is treated as delivery or possession.

Article 305 — Reliability

1. Reliability is assessed in light of purpose, operational rules, security, auditability, industry standards, agreements and the circumstances.
2. A method need not be infallible, but shall provide reasonable assurance against unauthorized alteration, duplication and competing control.

Article 306 — Change of medium

1. A paper instrument may be replaced by an electronic instrument, and conversely, through a process that renders the former medium ineffective.
2. The change shall preserve material terms, endorsements and rights and shall be recorded in the authoritative record.

Article 307 — Signature

1. A signature includes a reliable electronic signature identifying the signer and indicating intention to authenticate the instrument.
2. A forged or unauthorized signature is ineffective as that person's signature but does not invalidate genuine signatures or rights arising under Articles 313 and 314.

Article 308 — Incomplete instrument

1. A signed incomplete instrument may be completed according to authority given.
2. Unauthorized completion may be asserted against a person who knew of it, but not against a protected holder who took the completed instrument in good faith.

SECTION 2 HOLDERS, DEFENSES AND DISCHARGE

Article 309 — Holder

1. A holder is a person in possession of a payable-to-bearer instrument, an identified person in possession under a proper chain of endorsements, or a person in control of an electronic instrument.
2. Joint holders shall act together unless the instrument or applicable system authorizes otherwise.

Article 310 — Transfer

1. An instrument payable to order is transferred by endorsement and delivery or equivalent transfer of electronic control.
2. An instrument payable to bearer is transferred by delivery or transfer of control.

Article 311 — Endorsement

1. An endorsement shall identify the instrument, be authenticated by the endorser and may be blank, special, restrictive or for collection.
2. An endorsement of part of the amount is ineffective as negotiation but may operate as an assignment where otherwise valid.

Article 312 — Protected holder

1. A protected holder takes the instrument for value, in good faith and without notice of overdue status, dishonor, unauthorized signature, material alteration or a valid claim or defense.

2. The protected holder acquires rights free from personal defenses and ownership claims, subject to the real defenses in Article 315.

Article 313 — Value and notice

1. Value includes performance, an irrevocable commitment, security for an existing claim and acquisition of a lien.
2. Notice exists where the person has actual knowledge or consciously disregards facts making the relevant defect apparent.

Article 314 — Payment and discharge

1. Payment in due course to the person entitled to enforce discharges the obligation to the extent paid.
2. A payer with reasonable doubt about entitlement may require evidence, interplead or deposit payment as procedural law permits.

Article 315 — Real defenses

1. A claim may be defeated even against a protected holder by infancy or incapacity rendering the obligation void, duress destroying assent, illegality rendering it void, fraud as to the essential character, discharge in insolvency or a forged signature.
2. The obligor bears the burden of establishing a real defense and shall not rely on a defense created by its own culpable conduct against an innocent holder.

CHAPTER II BILLS OF EXCHANGE AND PROMISSORY NOTES

SECTION 1 FORM AND ACCEPTANCE

Article 316 — Bill of exchange

1. A bill of exchange is an unconditional order by the drawer directing the drawee to pay a definite sum to a named person, order or bearer.
2. It shall identify the drawee, payee where required, payment time and place, and shall be authenticated by the drawer.

Article 317 — Promissory note

1. A promissory note is an unconditional promise by the maker to pay a definite sum to a named person, order or bearer.
2. Rules governing a bill apply to a note so far as consistent, with the maker corresponding to an acceptor.

Article 318 — Unconditional promise or order

1. A promise or order is not conditional merely because it refers to the underlying transaction, states security or permits acceleration.
2. It is conditional if payment depends expressly on an uncertain event other than an authorized reference-rate or calculation mechanism.

Article 319 — Definite sum

1. A sum is definite although it includes interest, a stated exchange rate, lawful charges, installments or an objectively determinable adjustment.
2. An ambiguity in amount is resolved from the instrument as a whole and, if irreconcilable, against the person who issued it.

Article 320 — Time of payment

1. An instrument is payable on demand if it so states or states no payment time.
2. A definite-time instrument may be payable on a fixed date, after sight, after date or by installments with authorized acceleration.

Article 321 — Presentment for acceptance

1. A bill payable after sight or expressly requiring acceptance shall be presented within the stated or a reasonable time.
2. Failure to present discharges a drawer or endorser only to the extent this Book or the instrument makes presentment necessary.

Article 322 — Acceptance

1. Acceptance is the drawee's authenticated assent to the drawer's order and may be written on the bill or recorded in the authoritative electronic record.
2. Acceptance may be general or qualified; a holder may reject a qualified acceptance and treat the bill as dishonored.

SECTION 2 LIABILITY, PRESENTMENT AND RECOURSE

Article 323 — Liability of acceptor and maker

1. The acceptor of a bill and maker of a note undertake to pay according to the instrument's terms at the time of acceptance or issue.
2. Their liability is primary and does not ordinarily depend on prior recourse against another person.

Article 324 — Liability of drawer

1. The drawer undertakes that the bill will be accepted and paid and, upon dishonor and required notice, will pay the holder.
2. The drawer may lawfully exclude liability for acceptance but not for payment where doing so would contradict the instrument's nature.

Article 325 — Liability of endorser

1. An endorser undertakes that the instrument will be paid and, upon dishonor and required notice, will pay a later holder.
2. An endorsement may exclude recourse or prohibit further transfer without invalidating rights already transferred.

Article 326 — Presentment for payment

1. An instrument shall be presented at the proper place, on the due date or within a reasonable period for a demand instrument.
2. Electronic presentment may be made through an agreed or generally accepted system capable of authenticating the instrument and demand.

Article 327 — Dishonor

1. An instrument is dishonored by nonacceptance or nonpayment when proper presentment is refused or payment is not made when due.
2. Presentment is excused where it cannot reasonably be made, the responsible party waived it, or the instrument was repudiated or payment stopped.

Article 328 — Notice of dishonor

1. A holder shall give reasonably prompt notice of dishonor to a drawer or endorser from whom recourse is sought.

2. Delay is excused by circumstances beyond reasonable control, and lack of notice discharges only a person prejudiced as the law provides.

Article 329 — Recourse

1. Upon dishonor the holder may recover the unpaid amount, agreed or lawful interest and reasonable presentment, notice and collection expense.
2. A person paying on recourse acquires the holder's rights against prior liable parties.

Article 330 — Alteration

1. A material unauthorized alteration discharges a party whose obligation is affected, except against a person who assented or is precluded by negligence.
2. A protected holder may enforce the instrument according to its original terms or authorized completion.

CHAPTER III CHEQUES

SECTION 1 ISSUE AND PAYMENT

Article 331 — Cheque

1. A cheque is a bill drawn on a bank and payable on demand.
2. A cheque shall identify the account or funding arrangement and may be paper or an electronic transferable instrument authorized by payment law.

Article 332 — Authority to draw

1. A customer may draw only against available funds or agreed credit and according to the account mandate.
2. The bank may dishonor an unauthorized, irregular, stale, postdated where law permits refusal, or insufficiently funded cheque.

Article 333 — Bank's duty to customer

1. A bank shall honor a properly payable cheque where sufficient funds or credit are available and no lawful stop or restraint applies.
2. Wrongful dishonor makes the bank liable to the customer for foreseeable commercial loss.

Article 334 — Crossing and restrictive directions

1. A cheque may direct payment only through a bank or into an identified account.
2. A bank disregarding a clear crossing or restrictive direction is liable for resulting loss to the extent of its failure of reasonable care.

Article 335 — Certification

1. A drawee bank may certify or otherwise irrevocably confirm a cheque, becoming primarily obligated to pay it.
2. Certification procured by the holder ordinarily discharges the drawer and endorsers to the extent of the confirmed amount.

SECTION 2 STOP ORDERS, COLLECTION AND TRUNCATION

Article 336 — Stop-payment order

1. A customer may issue a timely authenticated stop-payment order identifying the cheque with reasonable certainty.
2. The order remains effective for the agreed or prescribed period, and wrongful payment makes the bank liable subject to proof of underlying loss.

Article 337 — Postdated and stale cheque

1. A bank shall not pay before a clearly stated later date if it has reasonable notice of that date.
2. A bank may refuse a cheque presented after the period prescribed by law or reasonable banking practice.

Article 338 — Collection of cheque

1. A collecting bank shall act with reasonable care in presentment, notice and handling of proceeds.
2. Provisional credit may be reversed upon timely dishonor according to disclosed account terms and payment-system rules.

Article 339 — Payment over unauthorized endorsement

1. A bank paying or collecting over a forged or unauthorized endorsement is liable unless the claimant is precluded by negligence or received the proceeds.
2. Loss shall be allocated among responsible parties according to comparative fault and payment-system rules consistent with this Book.

Article 340 — Cheque truncation

1. A payment system may replace physical movement of a cheque with an authenticated image and data record.
2. The truncated record is admissible and may satisfy presentment and retention requirements if integrity and auditability are maintained.

TITLE II
ACCOUNTS AND PAYMENT SERVICES

CHAPTER I
BANKING ACCOUNTS AND DEPOSITS

SECTION 1
ACCOUNT OPERATION

Article 341 — Banking account

1. A banking account records monetary claims and transactions between a financial institution and customer under an account agreement.
2. The agreement shall identify account type, currency, fees, interest, access methods, statement frequency, error procedure and termination.

Article 342 — Opening and identity

1. A financial institution shall verify identity and authority as required by law through proportionate and accessible procedures.
2. Identity verification shall not be used to impose unlawful discrimination or demand information beyond lawful purpose.

Article 343 — Account mandate

1. An account is operated by the customer and persons authorized under the mandate.
2. A limitation or change is effective when received and reasonably implementable by the institution, subject to protection of a good-faith payment already irrevocably processed.

Article 344 — Statements

1. The institution shall provide periodic accessible statements identifying transactions, value dates, fees, interest and balances.
2. The customer shall review within a reasonable period, but failure to object does not validate fraud or unauthorized activity concealed by the institution.

Article 345 — Account error

1. A customer shall notify a suspected error promptly, and the institution shall investigate fairly and provide a reasoned result.
2. A material error shall be corrected with associated interest and charges, subject to final allocation under this Book.

SECTION 2
FUNDS, CONFIDENTIALITY AND TERMINATION

Article 346 — Deposit

1. Money deposited becomes a debt owed by the institution unless held in trust or custody under a distinct agreement.

2. The institution shall repay according to account terms and lawful restrictions and shall not treat customer funds as State property.

Article 347 — Interest and fees

1. Interest and fees shall be transparent, objectively determinable and disclosed before they apply.
2. A unilateral change requires lawful authority under the contract, reasonable notice and a right to terminate without a new exit penalty.

Article 348 — Set-off

1. A bank may set off matured mutual monetary obligations where law and the account agreement permit.
2. Set-off shall not reach protected funds, trust funds, disputed amounts lacking good-faith basis or funds known to belong beneficially to another.

Article 349 — Account confidentiality

1. A financial institution shall protect account and transaction information against unauthorized access and disclosure.
2. Disclosure is permitted with consent, court order or specific statutory authority subject to necessity, proportionality and security.

Article 350 — Dormant account

1. Before treating an account as dormant, the institution shall make reasonable efforts through recorded contact channels to locate the customer.
2. Dormancy does not transfer ownership to the institution or State except through an Assembly Act providing notice, custody, claim and restoration safeguards.

Article 351 — Account termination

1. A customer may terminate on reasonable notice after satisfying due obligations.
2. An institution may terminate for lawful cause or on reasonable notice, but shall provide continued access long enough to transfer funds unless fraud, sanctions or serious risk requires restraint.

Article 352 — Joint account

1. Rights of joint account holders are determined by the mandate, including signing authority, survivorship and withdrawal rules.
2. The institution shall act on a dispute or death according to the mandate and law and may temporarily restrict only what is reasonably necessary.

CHAPTER II PAYMENT ORDERS AND CREDIT TRANSFERS

SECTION 1 AUTHORIZATION AND EXECUTION

Article 353 — Payment order

1. A payment order is an authenticated instruction to a receiving institution to pay or cause payment of a definite amount to a beneficiary.
2. A credit transfer begins with acceptance of the originator's order and ends when the beneficiary's institution accepts the transfer for the beneficiary.

Article 354 — Authorization

1. A payment order is authorized where issued by the customer or verified through a commercially reasonable agreed security procedure.
2. A procedure is not commercially reasonable if imposed without meaningful choice and grossly inadequate to the customer's circumstances.

Article 355 — Unauthorized order

1. The institution bears loss from an unauthorized order unless the customer acted fraudulently or failed with gross negligence to protect agreed credentials.
2. The customer shall notify promptly after learning of the order, but a reporting deadline shall remain reasonable and shall not excuse the institution's own failure.

Article 356 — Acceptance

1. A receiving institution accepts by executing the order, notifying acceptance, crediting the beneficiary without reservation or failing to reject within the prescribed time.
2. Before acceptance it may reject for insufficient funds, defective instruction, legal restraint or another disclosed lawful reason.

Article 357 — Execution

1. An accepted order shall be executed on the agreed date through an appropriate route and for the instructed amount.
2. The institution shall follow identifying account information unless it knows of a material inconsistency requiring inquiry.

Article 358 — Incorrect execution

1. An institution executing late, to the wrong beneficiary or in the wrong amount shall correct the transfer and compensate direct foreseeable loss.
2. A customer contributing erroneous information bears resulting loss to the extent correction was not reasonably possible.

Article 359 — Intermediary institution

1. An intermediary institution shall execute an accepted order accurately and promptly according to system rules consistent with this Book.
2. Each institution is responsible for a downstream intermediary it selected, subject to a reasonable agreed allocation in a commercial transfer.

Article 360 — Beneficiary institution

1. The beneficiary's institution shall make accepted funds available promptly and provide usable notice.
2. It may apply lawful set-off or restraint but shall identify the basis unless disclosure is prohibited by law.

SECTION 2

FINALITY, CANCELLATION AND CROSS-BORDER TRANSFERS

Article 361 — Finality

1. A payment becomes final when the beneficiary's institution accepts it or at the earlier irrevocable point established by a lawful payment-system rule.
2. Finality is not reversed solely by insolvency occurring after that point, without prejudice to fraud or avoidance law not targeting the settlement itself.

Article 362 — Refund for failed transfer

1. Where a transfer is not completed, the originator is entitled to refund of principal and charges from its institution.
2. Institutions may recover through the chain and shall cooperate to trace and return funds.

Article 363 — Cancellation

1. The originator may cancel before the order becomes irrevocable under the agreement or payment-system rule.
2. After irrevocability, cancellation requires consent of affected institutions and the beneficiary or another lawful basis.

Article 364 — Mistaken payment

1. A person receiving a payment known or reasonably apparent to be mistaken shall return it subject to change-of-position protection under the Civil Code.
2. Institutions shall provide proportionate tracing and recovery assistance while protecting privacy and due process.

Article 365 — Value date and availability

1. A financial institution shall apply the correct value date and shall not retain benefit from artificial delay.
2. Funds shall be available when final subject to disclosed holds reasonably necessary for fraud, clearing or legal compliance.

Article 366 — Charges

1. Payment charges shall be disclosed and allocated as instructed or, absent instruction, according to ordinary practice.
2. No undisclosed deduction shall reduce the beneficiary's principal where the order requires full amount.

Article 367 — Foreign-currency transfer

1. A transfer involving conversion shall use the agreed or transparently disclosed market-based rate at the specified time.
2. The institution shall disclose its margin and charges and may not impose a confiscatory official conversion contrary to the Constitution and an Assembly Act.

Article 368 — Cross-border transfer

1. A cross-border transfer is subject to applicable private international law, sanctions and exchange legislation validly enacted.
2. Parties may select recognized system rules, but may not exclude mandatory transparency, authorization and fraud protections.

CHAPTER III CARDS, ELECTRONIC MONEY AND DIGITAL PAYMENT SERVICES

SECTION 1 CARDS AND ELECTRONIC MONEY

Article 369 — Payment card

1. A payment card includes a physical or virtual credential enabling payment or cash access under an account or credit arrangement.
2. The issuer shall disclose limits, fees, security, dispute procedure and consequences of loss or compromise.

Article 370 — Card authorization

1. A card transaction is authorized by the holder through the agreed reliable method.
2. A merchant or acquirer shall not retain or use credentials beyond lawful transaction and security purposes.

Article 371 — Loss and compromise

1. The holder shall notify loss or compromise promptly after discovery, and the issuer shall provide continuously available reporting means.
2. The holder's liability before notice shall be limited as prescribed by an Assembly Act and shall not include loss caused by issuer or merchant security failure.

Article 372 — Chargeback and merchant dispute

1. A payment-system rule may provide reversal for unauthorized, duplicate, undelivered or materially misdescribed transactions.
2. Chargeback procedure does not determine the underlying contractual rights unless the parties validly settle them.

Article 373 — Electronic money

1. Electronic money is monetary value stored electronically, issued on receipt of funds and accepted by a person other than the issuer.
2. Issuance requires authorization under an Assembly Act and safeguarding or equivalent protection of customer funds.

Article 374 — Redemption

1. An electronic-money holder may redeem at par in lawful currency, subject only to disclosed proportionate fees.
2. Redemption may be delayed only for a specific lawful compliance or security reason and with appropriate notice where permitted.

SECTION 2 DIGITAL PAYMENT SERVICES

Article 375 — Payment service provider

1. A payment service provider shall execute services securely, transparently and with reasonable care under a clear agreement.
2. It is responsible for agents and outsourced functions and shall maintain complaint, correction and continuity arrangements.

Article 376 — Digital wallet

1. A digital wallet provider shall disclose whether it holds funds, credentials, digital assets or only access information.
2. It shall segregate or safeguard customer property as required and shall not use it for its own account without informed lawful consent.

Article 377 — Strong authentication

1. A provider shall apply authentication proportionate to transaction value, risk and available technology.
2. Authentication design shall include accessible alternatives and reasonable recovery from lost credentials.

Article 378 — Fraud monitoring

1. A provider may monitor and temporarily delay a transaction on a specific reasonable fraud concern.
2. It shall act promptly, minimize interference, protect information and release or explain the disposition when law permits.

Article 379 — Open interfaces

1. Where an Assembly Act requires interoperable access, an account provider shall provide secure and nondiscriminatory interfaces to authorized providers with customer consent.
2. Access shall be limited to necessary data and shall not transfer liability for the account provider's own systems.

Article 380 — Payment-service records

1. A provider shall maintain reliable records sufficient to establish authorization, execution, fees, notices and finality.
2. Records shall be accessible to the customer and admissible subject to integrity and evidentiary rules.

TITLE III DOCUMENTARY TRADE FINANCE

CHAPTER I DOCUMENTARY CREDITS

SECTION 1 ISSUANCE AND STRUCTURE

Article 381 — Documentary credit

1. A documentary credit is an independent undertaking by an issuer to honor a complying presentation at the request or for the account of an applicant.
2. The credit is separate from the underlying sale or other transaction and binds according to its terms and incorporated rules.

Article 382 — Issuance and form

1. A credit shall be authenticated and state amount, currency, expiry, place or electronic address for presentation and required documents.
2. It may incorporate recognized international rules to the extent consistent with mandatory Eritrean law.

Article 383 — Irrevocability

1. A documentary credit is irrevocable unless it clearly states otherwise.
2. An irrevocable credit may be amended or cancelled only with consent of the issuer, beneficiary and any confirming bank whose undertaking is affected.

Article 384 — Confirmation

1. A confirming bank adds its independent undertaking to honor a complying presentation.
2. Confirmation shall be express, and the confirming bank has the issuer's rights of reimbursement according to their agreement.

Article 385 — Nomination

1. A nominated bank may receive, examine, pay, accept, negotiate or incur deferred payment as authorized by the credit.
2. Nomination alone does not obligate the bank to honor unless it expressly agrees or acts on the presentation.

SECTION 2 PRESENTATION, EXAMINATION AND HONOR

Article 386 — Presentation

1. A presentation may be paper, electronic or mixed as permitted by the credit and shall occur before expiry.

2. An electronic presentation is received when accessible at the designated system and capable of authentication and retention.

Article 387 — Examination

1. A bank shall examine documents on their face with reasonable care and within the period stated in incorporated rules or, absent a rule, five banking days.
2. The bank deals with documents and not goods, services or performance represented by them.

Article 388 — Complying presentation

1. A presentation complies when documents appear consistent with the credit, incorporated rules and each other under standard banking practice.
2. Data need not be identical if not conflicting and if the required commercial meaning is clear.

Article 389 — Refusal notice

1. A bank refusing shall give a single timely notice stating each discrepancy and the disposition of documents.
2. Failure to give proper notice precludes reliance on a discrepancy that reasonable examination should have identified.

Article 390 — Waiver of discrepancy

1. The issuer may seek the applicant's waiver without extending the examination period.
2. A waiver does not bind the issuer unless accepted, and the issuer shall still refuse illegality or a defect it cannot lawfully waive.

Article 391 — Honor

1. Upon a complying presentation the obligated bank shall pay, accept, incur deferred payment or negotiate as the credit requires.
2. Honor discharges the undertaking to the extent performed and creates reimbursement rights under the application agreement.

Article 392 — Transferable credit

1. A credit may be transferred only if it expressly states that it is transferable.
2. Transfer shall comply with the credit and incorporated rules and does not make the transferring bank liable beyond its express undertaking.

Article 393 — Assignment of proceeds

1. A beneficiary may assign proceeds even if the credit is not transferable, subject to law and priority rules.
2. Assignment of proceeds does not transfer the right to present documents or perform conditions.

Article 394 — Fraud exception

1. A court may restrain honor where clear evidence shows a demanded document is forged or fraudulent or the demand has no conceivable basis.
2. Relief shall be exceptional, prompt and protective of a good-faith nominated or confirming bank that already honored.

CHAPTER II DOCUMENTARY COLLECTIONS

SECTION 1 INSTRUCTIONS AND STANDARD OF CARE

Article 395 — Documentary collection

1. In a documentary collection, a bank handles documents according to instructions for payment, acceptance or delivery without undertaking payment.
2. The collection is subject to incorporated recognized rules and this Chapter.

Article 396 — Collection instruction

1. The remitting bank shall provide clear instructions identifying parties, documents, amount, charges and conditions for release.
2. A collecting bank shall follow the instruction or seek clarification and shall not infer authority to depart materially.

Article 397 — Standard of care

1. A collecting bank shall act in good faith and with reasonable banking care in custody, presentment, notice and remittance.
2. It need not verify genuineness or legal effect of documents absent apparent irregularity or contrary instruction.

Article 398 — Presentment and release

1. Documents shall be presented promptly and released only against the instructed payment, acceptance or other condition.
2. A bank releasing contrary to instruction is liable for resulting loss subject to proof and mitigation.

SECTION 2 DISHONOR, CHARGES AND ELECTRONIC COLLECTION

Article 399 — Dishonor and notice

1. On nonpayment or nonacceptance, the collecting bank shall give prompt notice and request instructions.
2. It may store, return or protect documents and goods at the principal's reasonable expense where instructions are unavailable.

Article 400 — Charges and expenses

1. Collection charges and reasonable expenses are borne as instructed or, absent instruction, by the principal.
2. A bank may refuse to act where required advance funding is not supplied, after prompt notice.

Article 401 — Acceptance documents

1. A bank obtaining acceptance shall preserve the accepted instrument and present it at maturity according to instructions.
2. It is not liable for the drawee's authority or solvency absent misrepresentation or negligence.

Article 402 — Electronic collection

1. Collection documents may be electronic where the instruction and applicable law permit.
2. Control, presentation, release and return shall use reliable methods preventing unauthorized access and duplicate disposition.

CHAPTER III INDEPENDENT GUARANTEES AND STANDBY CREDITS

SECTION 1 UNDERTAKING AND DEMAND

Article 403 — Independent guarantee

1. An independent guarantee or standby letter of credit is an undertaking to pay upon a complying demand independent of the underlying relationship.
2. Its character is determined by its terms and commercial function rather than title alone.

Article 404 — Issue and effectiveness

1. The undertaking becomes effective when issued to the beneficiary or at the stated later condition.
2. It shall state guarantor, beneficiary, applicant, amount or determination method, expiry and demand requirements.

Article 405 — Demand

1. A demand shall comply strictly in substance with the undertaking and include any required statement of default.
2. Electronic demand is permitted where the undertaking designates an electronic method or incorporated rules allow it.

Article 406 — Examination and payment

1. The guarantor shall examine a demand in good faith within the stated period or, absent one, a reasonable period not exceeding five banking days.
2. A complying demand shall be paid promptly without requiring proof of the underlying breach beyond stipulated documents.

SECTION 2 REJECTION, EXPIRY AND ABUSE

Article 407 — Rejection

1. A rejection shall be timely and state every discrepancy relied upon.
2. Failure to give proper notice precludes reliance on an apparent discrepancy but not on illegality or clear fraud.

Article 408 — Expiry and reduction

1. The undertaking expires at the stated time, upon return or cancellation accepted by the beneficiary, or when the maximum amount has been paid.
2. A partial payment reduces the available amount unless the undertaking provides otherwise.

Article 409 — Transfer and assignment

1. The right to demand may be transferred only if the undertaking permits, but proceeds may be assigned under ordinary law.
2. A transferee or assignee takes subject to the undertaking and applicable priority rules.

Article 410 — Abusive demand

1. A court may grant provisional relief against a demand that is manifestly fraudulent or has no possible basis in the underlying relationship.
2. The court shall protect independence, act urgently and require appropriate security against wrongful restraint.

TITLE IV
CUSTODY, CLEARING AND CONTINUITY

CHAPTER I
FINANCIAL CUSTODY

Article 411 — Financial custody

1. A custodian shall hold financial assets separately identifiable from its own property and maintain accurate entitlement records.
2. Customer assets are not available to the custodian's general creditors except for a lawful lien or customer obligation.

Article 412 — Securities account

1. A securities account records financial assets credited for an account holder under a custody or intermediary agreement.
2. The intermediary shall execute entitlement orders only with proper authorization and shall provide accessible statements.

Article 413 — Intermediated transfer

1. A transfer of an intermediated financial asset is effective by debit and credit, control agreement or another method recognized by securities law.
2. Priority and protection of an innocent acquirer are governed by the applicable securities and secured-transactions law.

Article 414 — Corporate actions

1. A custodian or intermediary shall transmit material issuer information and process distributions, elections and other corporate actions with reasonable care.
2. It shall disclose cut-off times, currency conversion and charges and account for benefits received.

Article 415 — Use of customer assets

1. A custodian shall not lend, pledge or otherwise use customer assets without informed authorization and lawful safeguards.
2. Authorized use shall be recorded, collateralized where required and terminable according to clear terms.

CHAPTER II

CLEARING, SETTLEMENT AND OPERATIONAL CONTINUITY

Article 416 — Clearing and settlement system

1. A clearing or settlement system shall operate under transparent rules addressing participation, netting, collateral, default and finality.
2. System designation and oversight require authority under an Assembly Act and supervision by the competent financial authority.

Article 417 — Netting

1. A valid netting arrangement determines one net obligation among covered participants according to its rules.
2. It remains effective on participant insolvency to the extent provided by an Assembly Act protecting settlement stability and creditors fairly.

Article 418 — Settlement finality

1. A transfer order and settlement become irrevocable and final at the point established by valid system rules and law.
2. A later insolvency or administrative order shall not unwind final settlement except for fraud remedies that preserve system finality.

Article 419 — Operational resilience

1. A financial service provider shall maintain proportionate security, backup, incident response, recovery and manual contingency arrangements.
2. A material outage or breach shall be notified to affected customers and competent authorities as required by law.

Article 420 — Continuity pending later Books

1. Until Books Five and Six commence, existing commercial legislation governs matters not provided for in Books One through Four to the extent consistent with the Constitution and those Books.
2. A reference to a later Book takes effect upon that Book's commencement, and this consultation draft does not itself repeal existing law.

BOOK FIVE
SECURED TRANSACTIONS AND INSOLVENCY

TITLE I
SECURED TRANSACTIONS

CHAPTER I
SCOPE, CREATION AND EFFECT

SECTION 1
SCOPE AND CREATION

Article 421 — Scope of secured-transactions rules

1. Titles I and II govern a consensual property right in movable assets securing payment or other performance, regardless of transaction form or title.
2. They apply to outright transfers of receivables for effectiveness and priority, but not to a sale of an enterprise outside financing, a financial-market transfer excluded by an Assembly Act or a statutory lien except as stated.

Article 422 — Definitions

1. ‘Grantor’ means a person granting a security right; ‘secured creditor’ means its holder; ‘collateral’ means the encumbered asset; and ‘proceeds’ means identifiable value derived from collateral.
2. ‘Registry’ means the electronic notice registry established by Article 436, and ‘control’ means the legally recognized power to dispose of an asset or account without further consent of the grantor.

Article 423 — Functional approach

1. A conditional sale, finance lease, retention-of-title arrangement, assignment for security and other transaction serving a security purpose are governed by their economic function.
2. Use of a particular label, legal form or location of title does not avoid this Book.

Article 424 — Asset coverage

1. A security right may encumber present or future tangible or intangible movable assets, individually or by generic category.
2. Collateral may include inventory, equipment, receivables, bank accounts, negotiable instruments, documents, intellectual-property rights and digital assets recognized by law.

Article 425 — Secured obligation

1. A security right may secure present, future, conditional, fluctuating or determinable obligations.
2. The agreement shall permit the secured obligation to be identified objectively and shall not secure an unlimited unrelated obligation concealed from the grantor.

Article 426 — Security agreement

1. A security right is created by an authenticated agreement identifying the grantor, secured creditor, secured obligation and collateral with reasonable sufficiency.
2. The agreement may be electronic and may describe collateral by type, category, quantity, computational rule or other objective method.

Article 427 — Rights in collateral

1. A security right attaches only to rights the grantor has or has power to encumber.
2. It attaches when the agreement is effective, value is given and the grantor acquires the relevant rights, in any order.

Article 428 — Future assets

1. A security agreement may cover future assets, and the security right attaches when the grantor acquires rights in them.
2. It does not attach to future wages or another asset excluded by an Assembly Act protecting livelihood or public policy.

SECTION 2

EXTENSION, TRANSFER AND DUTIES

Article 429 — Proceeds

1. A security right automatically extends to identifiable proceeds of collateral unless the agreement provides otherwise.
2. Commingled proceeds remain identifiable to the extent traceable by a reasonable accounting method.

Article 430 — Products and accessions

1. A security right continues in an accession and may extend to products or mass where the agreement and law so provide.
2. A person with rights in the whole is entitled to protection and reimbursement as determined by priority and unjust-enrichment principles.

Article 431 — Commingled goods

1. A security right in goods that lose identity in a product or mass continues in the product or mass in proportion to contributed value.
2. Competing security rights share according to their relative priority and value immediately before commingling.

Article 432 — After-acquired property

1. A generic collateral description may include after-acquired property of that category.
2. A security right in consumer goods does not attach to after-acquired goods acquired substantially later unless they are replacements or expressly financed by the secured creditor.

Article 433 — Transfer of collateral

1. A security right continues in transferred collateral unless the secured creditor authorized a free transfer or a priority rule protects the transferee.
2. The security right also continues in proceeds, but the secured creditor shall not obtain double recovery.

Article 434 — Grantor's use

1. Unless agreed otherwise, the grantor may possess, use and dispose of collateral in the ordinary course before default.
2. The grantor shall preserve material value, maintain agreed insurance and not intentionally impair the secured creditor's lawful rights.

Article 435 — Secured creditor's duties

1. A secured creditor possessing or controlling collateral shall preserve it with reasonable care, maintain identifiable records and account for income.
2. It shall return collateral or release control promptly when the security right is extinguished.

CHAPTER II THIRD-PARTY EFFECTIVENESS AND PRIORITY

SECTION 1 PUBLICITY

Article 436 — Movable Security Rights Registry

1. A unified electronic registry is established for notices of security rights in movable assets.
2. The Registry shall be searchable nationally, continuously available subject to maintenance, and administered under an Assembly Act and Book One safeguards.

Article 437 — Notice registration

1. Third-party effectiveness may be achieved by registering a notice identifying the grantor, secured creditor and collateral and stating the permitted duration.
2. The notice need not disclose the agreement or secured amount and may be filed before or after creation with authorization.

Article 438 — Effectiveness of notice

1. A notice is effective when searchable under the correct grantor identifier and containing a collateral description that reasonably alerts a searcher.
2. A minor error does not invalidate it unless seriously misleading, and an error affecting only some collateral invalidates only that part.

Article 439 — Amendment and continuation

1. A registered notice may be amended with authorization and continued before lapse.
2. An amendment adding collateral or a grantor is effective for the addition only from the amendment time.

Article 440 — Termination of notice

1. When no secured obligation remains and no commitment exists, the secured creditor shall register termination promptly after authenticated demand.
2. Wrongful refusal makes the creditor liable for resulting loss and permits a summary court or Registrar order after notice.

Article 441 — Third-party effectiveness by possession

1. A security right in tangible negotiable documents, instruments, money or goods may become effective against third parties by possession where law permits.
2. Possession shall be actual or through an acknowledged independent custodian and shall not be merely apparent.

Article 442 — Third-party effectiveness by control

1. A security right in a deposit account, electronic transferable record, intermediated security or recognized digital asset may become effective by control.

2. Control may arise by status of the account institution, a control agreement or another reliable method recognized by law.

Article 443 — Continuity of effectiveness

1. A security right remains continuously effective where one authorized method is replaced by another without an unprotected interval.
2. Temporary lapse has the priority consequences prescribed by this Book but does not extinguish the right between the parties.

**SECTION 2
PRIORITY****Article 444 — General priority rule**

1. Priority among competing security rights in the same collateral is determined by the earliest time of registration or other third-party effectiveness, without interruption.
2. An unpublicized security right is subordinate to a publicized right and to a judgment creditor acquiring rights before publicity.

Article 445 — Knowledge

1. Priority ordinarily does not depend on knowledge of another security right unless this Book expressly provides otherwise.
2. Bad-faith collusion, fraud and intentional interference remain subject to judicial remedy.

Article 446 — Buyer in ordinary course

1. A buyer acquiring goods from a seller in the ordinary course takes free of a security right created by that seller, even with general knowledge of its existence.
2. Protection is unavailable where the buyer knows the sale violates a specific enforceable restriction and acts in collusion.

Article 447 — Ordinary-course licensee and lessee

1. A nonexclusive licensee or lessee in the grantor's ordinary course takes its interest free of a security right created by the grantor.
2. The secured creditor retains rights in proceeds and against a transaction outside ordinary course.

Article 448 — Consumer transferee

1. A person buying consumer goods for personal use from another consumer takes free of an unregistered security right if acting in good faith and for value.
2. A registered serial-number notice or actual knowledge may preserve the security right as prescribed by an Assembly Act.

Article 449 — Acquisition security right

1. A security right securing credit or value enabling acquisition of collateral has acquisition priority if publicized within the prescribed period.
2. In inventory, advance notice shall be given to a prior inventory secured creditor before the debtor receives the goods.

Article 450 — Priority in proceeds

1. Priority in identifiable proceeds follows priority in the original collateral.
2. For money, accounts or negotiable proceeds, a person obtaining control in good faith may have priority as provided by this Book.

Article 451 — Deposit account priority

1. A financial institution with which a deposit account is maintained has priority over another security right unless it agreed otherwise.
2. Among other secured creditors, priority is determined by control and then by the general priority rule.

Article 452 — Negotiable assets and money

1. A protected holder of a negotiable instrument and a good-faith transferee of money take free of a competing security right as provided by Books Three and Four.
2. A person acquiring control of an electronic transferable record in good faith receives equivalent protection.

CHAPTER III ENFORCEMENT

SECTION 1 DEFAULT AND REMEDIES

Article 453 — Default

1. Default occurs as defined in the security agreement or upon failure to perform the secured obligation when due.
2. A default term or remedy is subject to good faith, proportionality and mandatory insolvency law.

Article 454 — Right to cure

1. Before acceleration or enforcement, the secured creditor shall give notice and reasonable opportunity to cure unless cure is impossible, repeatedly failed or delay creates serious risk.
2. A consumer or small-enterprise grantor may have additional reinstatement rights under an Assembly Act.

Article 455 — Enforcement standards

1. After default, a secured creditor may enforce judicially or by peaceful nonjudicial means expressly authorized by this Book.
2. Every method, aspect, time, place and term of enforcement shall be commercially reasonable and shall not involve violence, intimidation or breach of peace.

Article 456 — Possession after default

1. A secured creditor may take possession with grantor consent given after default or through judicial process.
2. Pre-default consent does not authorize entry into a home, forcible seizure, disabling essential medical equipment or conduct threatening public safety.

Article 457 — Judicial protection

1. A grantor or affected person may seek expedited relief against unlawful, disproportionate or commercially unreasonable enforcement.
2. The court may condition relief on adequate protection and may award restoration, damages or penalties authorized by an Assembly Act.

Article 458 — Collection of receivable

1. After default and notice, a secured creditor may collect an encumbered receivable directly from the account debtor.
2. The creditor shall account for collections and is subject to defenses and discharge rules in Articles 473 through 480.

Article 459 — Control enforcement

1. A secured creditor with control of an account or financial asset may apply value to the secured obligation after default according to the agreement and applicable system law.
2. It shall give notice where practicable and account for valuation, fees and surplus.

Article 460 — Disposition

1. Collateral may be sold, leased, licensed or otherwise disposed of publicly or privately in a commercially reasonable manner.
2. The secured creditor may purchase only at a public disposition or a recognized market, unless the court approves another fair method.

Article 461 — Notice of disposition

1. Reasonable prior notice shall be given to the grantor, guarantor, registered competing claimant and other person who timely asserted an interest.
2. Notice may be waived only after default and is unnecessary for perishable collateral, recognized-market assets or urgent preservation.

SECTION 2 PROCEEDS, REDEMPTION AND LIABILITY

Article 462 — Application of proceeds

1. Enforcement proceeds are applied to reasonable expenses, the enforcing obligation, subordinate claims presented in time and then the grantor.
2. The enforcing creditor shall provide a clear account and pay surplus promptly.

Article 463 — Deficiency

1. The grantor remains liable for a deficiency unless law or agreement provides otherwise.
2. A deficiency shall be reduced by loss caused by unreasonable enforcement or undervaluation.

Article 464 — Acceptance of collateral

1. A secured creditor may accept collateral in full or partial satisfaction after default with authenticated consent or an unopposed proposal to affected persons.
2. Objection within the notice period requires disposition or court determination.

Article 465 — Redemption

1. Before disposition, collection or acceptance is completed, the grantor or another secured claimant may redeem by performing secured obligations and paying reasonable expenses.
2. A pre-default waiver of redemption is ineffective.

Article 466 — Subordinate rights

1. A disposition transfers the grantor's rights and discharges subordinate security rights when notice and commercial-reasonableness requirements are met.

2. Senior rights remain unless their holders consent or applicable law provides otherwise.

Article 467 — Good-faith transferee

1. A good-faith transferee for value takes the disposed asset free of discharged interests even if the secured creditor failed a procedural duty.
2. The injured person retains a damages claim against the enforcing creditor.

Article 468 — Possessory lien

1. A person providing services or materials for goods has priority for a possessory lien authorized by law while retaining possession.
2. The lien secures reasonable charges related to the goods and is subordinate to a protected purchaser as provided by law.

Article 469 — Enforcement against essential assets

1. Enforcement against tools, basic household goods or assets essential to livelihood shall respect exemptions enacted by the National Assembly.
2. A court may structure enforcement to prevent disproportionate harm without destroying the secured creditor's substantive right.

Article 470 — Damages for noncompliance

1. A person suffering loss from failure to comply with this Title may recover foreseeable damages and seek appropriate equitable relief.
2. Statutory damages or administrative sanctions may be imposed only by an Assembly Act.

TITLE II RECEIVABLES AND SPECIAL COLLATERAL

CHAPTER I RECEIVABLES AND FACTORING

Article 471 — Assignment of receivable

1. A receivable may be assigned outright or as security, including future and bulk receivables described with reasonable certainty.
2. The assignment is effective between assignor and assignee without debtor consent unless law makes the claim personal or nonassignable.

Article 472 — Contractual restriction

1. A term restricting assignment does not invalidate an assignment of a commercial receivable, but may create liability between contracting parties.
2. This rule does not override confidentiality, financial-market restrictions or a statutory prohibition protecting the account debtor.

Article 473 — Notice to account debtor

1. The account debtor may discharge by paying the assignor until receiving authenticated notice reasonably identifying the assigned receivable and assignee.
2. After notice, discharge requires payment to the assignee unless the debtor reasonably requests and does not receive proof of assignment.

Article 474 — Account-debtor defenses

1. The assignee takes subject to defenses and set-off arising from the original contract before notice.
2. The account debtor may not assert an unrelated later claim against the assignee except as the assignment or another law permits.

Article 475 — Modification of assigned contract

1. A good-faith modification made before notice binds the assignee.
2. A later modification binds where commercially reasonable and contemplated by the contract, without prejudice to recourse against the assignor.

Article 476 — Priority among assignees

1. Priority among assignments is determined by the secured-transactions priority rules regardless of whether an assignment is outright or for security.
2. Payment made in accordance with Article 473 discharges the account debtor notwithstanding a competing priority claim.

Article 477 — Factoring

1. A factoring agreement may include purchase, financing, collection, ledger administration and credit protection for receivables.

2. The factor shall disclose fees, recourse and reserve arrangements and shall account accurately for collections.

Article 478 — Notification factoring

1. A factor collecting directly shall identify itself, provide payment instructions and handle disputes with reasonable care.
2. It shall not make a misleading representation concerning the debtor's default or the assignor's authority.

Article 479 — Nonrecourse factoring

1. In nonrecourse factoring, the factor bears agreed credit risk but not invalidity, dilution or dispute arising from assignor breach unless agreed.
2. Risk allocation shall be stated clearly and interpreted according to commercial purpose.

Article 480 — Receivables data

1. An assignor may disclose information reasonably necessary for assignment, collection and risk assessment subject to confidentiality and data-protection law.
2. The assignee shall use information only for lawful transaction, compliance and enforcement purposes.

CHAPTER II

INVENTORY, ACQUISITION FINANCE AND SPECIAL ASSETS

Article 481 — Inventory security

1. A security right may cover rotating inventory and automatically attach to replacements and proceeds under the agreement.
2. Ordinary-course dispositions are protected by Article 446 while proceeds remain collateral.

Article 482 — Equipment finance

1. An acquisition security right in equipment has priority if registered within the prescribed period after the grantor obtains possession.
2. A fixture filing or notice to a relevant immovable-property registry may be required where equipment becomes a fixture.

Article 483 — Agricultural assets

1. A security right may cover crops, livestock, farm products and related proceeds, subject to land and livelihood protections.
2. The agreement and notice shall identify location or production cycle where reasonably necessary to alert third parties.

Article 484 — Intellectual property

1. A security right may encumber transferable economic rights in intellectual property.
2. Third-party effectiveness and priority may require registration in a specialized registry where an Assembly Act so provides.

Article 485 — Digital assets

1. A security right may encumber a transferable digital asset recognized by law through registration or control.
2. Control shall be established by a reliable method giving the secured creditor exclusive practical power subject to agreed conditions.

Article 486 — Document of title

1. A security right in a negotiable document may extend to represented goods and may be made effective by possession or electronic control.
2. A protected transferee of the document receives priority according to Books Three and Four.

Article 487 — Purchase of receivable

1. An outright purchaser of a receivable may register to establish priority and may enforce under Articles 471 through 480.
2. The purchase is not recharacterized as secured solely because of recourse, discount or collection services.

Article 488 — Lease with security function

1. A lease securing acquisition or repayment is treated as a security transaction where economic substance leaves the lessee with substantially all ownership benefits and risks.
2. A true operating lease remains governed by contract law but may be registered by notice where an Assembly Act permits protective publicity.

Article 489 — Priority against insolvency representative

1. A security right effective against third parties before commencement remains effective in insolvency subject to avoidance, stay and plan provisions.
2. An unpublicized security right is subordinate to the insolvency representative acting for unsecured creditors.

Article 490 — Registry transition

1. Existing movable-security filings may be continued in the new Registry during a transition period prescribed in Book Six.
2. Priority existing before commencement shall be preserved if continuation requirements are met without unreasonable interruption.

TITLE III INSOLVENCY AND REORGANIZATION

CHAPTER I COMMENCEMENT AND EFFECTS

SECTION 1 COMMENCEMENT

Article 491 — Objectives of insolvency law

1. Titles III and IV shall preserve viable enterprises and employment, maximize estate value, distribute loss predictably and provide an orderly fresh start where appropriate.
2. Proceedings shall be fair, transparent, timely and subject to independent judicial supervision.

Article 492 — Insolvency proceedings

1. Proceedings include reorganization, liquidation and a simplified proceeding authorized for micro and small enterprises.
2. A proceeding is collective and shall not be used merely to resolve a bona fide bilateral dispute.

Article 493 — Insolvency court

1. The competent Commercial Division has jurisdiction and may use specialized judges, insolvency administrators and electronic case systems.
2. Decisions materially affecting rights shall state reasons and be subject to review as procedural law provides.

Article 494 — Insolvency representative

1. An insolvency representative shall be qualified, independent, insured where required and free from material conflict.
2. The representative owes duties to the estate as a whole, shall preserve confidentiality and shall report transparently to the court and creditors.

Article 495 — Debtor application

1. A debtor may apply where unable or likely to become unable to pay debts as they become due.
2. The application shall disclose financial condition, creditors, assets, employees, ownership, related parties and recent material transactions.

Article 496 — Creditor application

1. One or more creditors may apply where a due undisputed debt remains unpaid and evidence establishes general inability to pay.

2. The debtor shall receive notice and opportunity to contest, and the applicant is liable for loss from a bad-faith or abusive filing.

Article 497 — Commencement standard

1. The court shall commence if statutory conditions are met and dismissal or another procedure would not better serve justice.
2. The order shall identify the proceeding, representative, debtor control, stay and first reporting obligations.

Article 498 — Public notice

1. Commencement shall be registered and publicized electronically, with direct notice to known creditors, workers and affected authorities.
2. Notice shall state claim procedure, deadlines, stay consequences and access to case information.

SECTION 2
ESTATE, STAY AND CONTRACTS

Article 499 — Estate

1. The estate includes the debtor's property and rights at commencement and property recovered or acquired for the estate afterward.
2. Property held in trust, custody or validly owned by another is excluded subject to identification and return procedures.

Article 500 — Automatic stay

1. Commencement stays individual enforcement, execution, creation of post-commencement liens and termination solely for insolvency.
2. The stay does not bar criminal proceedings, specified family or worker protections, regulatory action not collecting a debt or another exception enacted by the National Assembly.

Article 501 — Duration and relief from stay

1. The stay continues for the period necessary to administer or reorganize, subject to periodic court review.
2. A secured creditor may obtain relief for lack of adequate protection, absence of reorganization value or other cause after notice.

Article 502 — Adequate protection

1. A secured creditor is adequately protected by payments, replacement security, preservation measures or an equity cushion reasonably maintaining collateral value.
2. Protection shall not give the creditor more than the value and priority of its pre-commencement right.

Article 503 — Executory contracts

1. The representative may continue, assume or reject an unperformed contract subject to court supervision and cure of defaults where appropriate.
2. A clause terminating solely because of insolvency or commencement is ineffective except for a personal, financial-market or other protected contract specified by an Assembly Act.

Article 504 — Essential supply

1. A supplier shall not discontinue essential service solely for an unpaid pre-commencement debt after receiving reasonable assurance for post-commencement supply.
2. The court may order continued supply on fair terms where necessary to preserve life, operations or reorganization value.

Article 505 — Debtor duties

1. The debtor and responsible officers shall preserve assets, provide complete information, cooperate and avoid unauthorized transactions.
2. The court may compel compliance and impose liability for concealment, destruction, fraud or knowing violation of the stay.

CHAPTER II REORGANIZATION

SECTION 1 OPERATION AND AVOIDANCE

Article 506 — Debtor in possession

1. In reorganization, existing management may remain in control subject to supervision unless fraud, gross mismanagement, conflict or loss of confidence requires replacement.
2. Management owes duties to the estate and creditors while insolvency persists.

Article 507 — Ordinary-course operation

1. The debtor may continue ordinary business and pay post-commencement expenses necessary for operation.
2. A transaction outside ordinary course requires notice and court approval after considering value, risk and alternatives.

Article 508 — Post-commencement finance

1. The court may authorize new finance necessary to preserve or reorganize the enterprise.
2. Priority or security granted to new finance shall be proportionate and shall not prime an existing secured creditor without adequate protection.

Article 509 — Sale during proceeding

1. Estate assets may be sold in ordinary course or, with approval, outside ordinary course through a transparent value-maximizing process.
2. A sale free of interests shall attach those interests to proceeds according to priority and protect a good-faith purchaser.

Article 510 — Avoidable preference

1. A transfer favoring a creditor shortly before commencement may be avoided where it gives more than the creditor would receive in liquidation.
2. Ordinary-course exchange, contemporaneous value, protected settlement and another defense prescribed by law may prevent avoidance.

Article 511 — Undervalued transaction

1. A transfer for manifestly inadequate value may be avoided if made during the prescribed suspect period while insolvent or causing insolvency.
2. A good-faith transferee may retain value given or a lien to the extent equitable.

Article 512 — Fraudulent transaction

1. A transaction intended to hinder, delay or defraud creditors may be avoided and property or value recovered.

2. Relief may extend to a knowing beneficiary, while protecting a good-faith transferee for value.

Article 513 — Related-party transaction

1. A related-party transaction within the extended suspect period receives heightened scrutiny for fairness and disclosure.
2. The related party bears the burden of establishing good faith and reasonable equivalence where law so provides.

SECTION 2
PLAN AND CONFIRMATION

Article 514 — Proposal of plan

1. The debtor, representative or creditor authorized by the court may propose a reorganization plan within the prescribed period.
2. The plan shall classify claims, state treatment, finance, governance, implementation, projections and comparison with liquidation.

Article 515 — Disclosure statement

1. Before voting, affected creditors and members shall receive accurate information sufficient for an informed judgment.
2. The court shall approve disclosure and may require independent valuation or expert review.

Article 516 — Classification

1. Claims and interests may be placed together only where substantially similar in legal rights and economic treatment.
2. Classification shall not be manipulated to manufacture acceptance or discriminate unfairly.

Article 517 — Voting

1. A class accepts by the majority in number and value prescribed by an Assembly Act or by a simplified value rule for widely held claims.
2. A person unaffected by the plan is deemed to accept, while an insider vote may be excluded or separately classified.

Article 518 — Confirmation

1. The court shall confirm a plan that complies with law, is feasible, proposed in good faith and provides each dissenting claimant at least liquidation value.
2. A dissenting class may be bound where the plan is fair, nondiscriminatory and respects relative priority subject to justified restructuring.

Article 519 — Effect of confirmed plan

1. Confirmation binds the debtor, creditors, members and successors as stated, whether or not they voted.
2. The plan discharges or modifies claims only within its lawful terms and does not release a guarantor or wrongdoer unless law and fairness permit.

Article 520 — Implementation and failure

1. The debtor and representative shall implement and report material performance under court supervision.
2. On material default or infeasibility, the court may modify, appoint a supervisor, convert to liquidation or grant other proportionate relief.

TITLE IV LIQUIDATION, CROSS-BORDER INSOLVENCY AND SMALL ENTERPRISES

CHAPTER I LIQUIDATION

Article 521 — Liquidation order

1. The court shall order liquidation where rescue is unavailable, rejected, failed or would destroy value.
2. The order displaces management authority to the extent necessary and directs realization and distribution.

Article 522 — Continuation for sale

1. The representative may operate the enterprise temporarily where going-concern sale is likely to maximize value and protect employment.
2. Continued operation shall be monitored and shall not impose unjustified loss on the estate.

Article 523 — Claims

1. A creditor shall submit a claim with sufficient basis, amount, priority and security information by the stated deadline.
2. Late claims may be allowed where administration is not materially prejudiced, subject to costs and prior distributions.

Article 524 — Verification and objection

1. The representative shall examine claims and may admit, compromise or object with reasons.
2. A disputed claim shall receive notice, opportunity to respond and judicial determination or lawful estimation.

Article 525 — Priority of distributions

1. Estate value is distributed first to administration costs, then protected worker and other priority claims enacted by the National Assembly, secured claims from collateral, unsecured claims and subordinated claims.
2. Members receive only a surplus after all allowed claims and lawful interest are satisfied.

Article 526 — Secured claims

1. A secured creditor receives collateral value up to the allowed secured claim and participates as unsecured for a deficiency.
2. Surplus collateral value belongs to the estate after enforcement cost and the secured obligation.

Article 527 — Worker claims

1. Reasonable unpaid wages, leave, severance and employment benefits receive the priority fixed by an Assembly Act.

2. Worker priority shall be balanced with rescue, secured-credit predictability and any public wage-protection scheme.

Article 528 — Distribution

1. The representative shall make interim and final distributions when prudent and provide a transparent account.
2. A reserve shall be maintained for disputed, contingent and unlocated claims in a proportionate amount.

Article 529 — Closure

1. The court shall close after realization, distribution, final account and disposition of records and remaining property.
2. Closure releases the representative subject to fraud, concealed property and duties expressly surviving.

Article 530 — Discharge

1. An honest natural-person entrepreneur may receive discharge of eligible business debts after liquidation or completion of a plan.
2. Fraud, intentional injury, specified public or family obligations and debts excluded by an Assembly Act are not discharged.

CHAPTER II CROSS-BORDER AND SIMPLIFIED PROCEEDINGS

Article 531 — Access by foreign representative

1. A foreign insolvency representative may apply directly to the Eritrean court and participate without diplomatic or reciprocal formality.
2. Access alone does not submit the foreign representative or debtor to unrelated Eritrean jurisdiction.

Article 532 — Application for recognition

1. The application shall provide a certified decision commencing the foreign proceeding and appointing the representative or equivalent reliable evidence.
2. The court may presume authenticity subject to contrary evidence and may require translation.

Article 533 — Foreign main proceeding

1. A foreign proceeding is main where conducted in the State of the debtor's center of main interests.
2. Registered office is presumed to be that center unless objective and ascertainable evidence shows otherwise.

Article 534 — Foreign non-main proceeding

1. A foreign proceeding is non-main where conducted in a State in which the debtor has an establishment.
2. Relief shall relate principally to assets or operations connected with that establishment and coordination needs.

Article 535 — Recognition

1. The court shall recognize promptly where the proceeding and representative meet this Book and recognition is not manifestly contrary to fundamental public policy.
2. Public-policy refusal shall be narrow, reasoned and used only for serious incompatibility with constitutional justice.

Article 536 — Relief on recognition

1. Recognition of a main proceeding triggers a stay and preservation measures comparable to domestic commencement.
2. The court may grant additional or non-main relief necessary to protect assets, creditors and coordination, subject to adequate protection.

Article 537 — Cooperation

1. The court and insolvency representative shall cooperate directly with foreign courts and representatives to the maximum lawful extent.

2. Cooperation may include communication, protocols, coordinated sales, information exchange and allocation of responsibilities with privacy safeguards.

Article 538 — Concurrent proceedings

1. A domestic proceeding may coexist with a recognized foreign proceeding, with relief coordinated to avoid conflict and maximize estate value.
2. Creditors of the same rank shall receive substantially equivalent treatment, accounting for distributions received elsewhere.

Article 539 — Simplified MSE proceeding

1. A qualifying micro or small enterprise may use simplified commencement, claims, plan, liquidation and discharge procedures with reduced cost and formality.
2. The procedure shall preserve notice, creditor participation, worker protection, review and safeguards against abuse.

Article 540 — Continuity pending Book Six

1. Until Book Six commences, existing transitional and final commercial legislation applies to matters not governed by Books One through Five to the extent consistent with the Constitution and those Books.
2. This consultation draft does not itself repeal existing law, and commencement, repeal and transition shall be provided in Book Six.

BOOK SIX
IMPLEMENTATION, CROSS-BORDER COMMERCE AND FINAL PROVISIONS

TITLE I
COMMERCIAL ADMINISTRATION AND JUSTICE

CHAPTER I
IMPLEMENTATION AND ADMINISTRATION

SECTION 1
FOUNDATIONAL DUTIES

Article 541 — Purpose of Book Six

1. This Book provides institutions, adjudicative principles, cross-border rules, transition and commencement necessary to implement the Code as one coherent commercial law.
2. It shall be applied to promote legality, open and competitive markets, commercial certainty, accessible justice and constitutional protection of persons and property.

Article 542 — Coherent interpretation of the Code

1. Books One through Six constitute one Code and shall be interpreted together, with a specific provision prevailing over a general provision only to the extent of genuine inconsistency.
2. A court shall prefer an interpretation that gives effect to every provision and preserves technology neutrality, party autonomy, good faith and mandatory public protections.

Article 543 — Constitutional conformity

1. Every institution exercising authority under this Code shall act consistently with the Constitution, an Assembly Act and lawful procedural safeguards.
2. A delegated rule, direction, licence condition or administrative practice inconsistent with the Constitution or this Code is invalid to the extent of inconsistency.

Article 544 — Legality of commercial administration

1. No ministry, regulator, registrar or other executive body may create an offence, tax, compulsory payment, confiscation, trade prohibition or material restriction on commercial liberty without authority in an Assembly Act.
2. Administrative discretion shall be exercised for the statutory purpose, reasonably, proportionately, transparently and without discrimination.

SECTION 2
IMPLEMENTING INSTITUTIONS

Article 545 — Commercial Law Council

1. A Commercial Law Council is established to monitor implementation, identify conflicts and obsolete provisions, and recommend evidence-based reform to the National Assembly.

2. The Council shall include judicial, legal, commercial, labour, consumer, financial, technological and academic expertise and shall publish its recommendations and disclosed conflicts of interest.

Article 546 — Functions of the Council

1. The Council shall review the operation of the Code, consult affected persons, compare regional and international developments and propose accessible model forms and nonbinding guidance.
2. It shall report annually to the National Assembly on implementation, market access, compliance costs, judicial performance and any exercise of delegated authority.

Article 547 — Lead implementing ministry

1. The ministry assigned commercial affairs shall coordinate executive implementation without displacing powers conferred by law on an independent institution, court or other public body.
2. Coordination includes legislative review, public information, technical assistance and preparation of proposals, but does not authorize alteration of private rights by administrative direction.

Article 548 — Inter-agency coordination

1. Registrars, financial authorities, customs, tax, competition, consumer, labour and data-protection institutions shall exchange information necessary for lawful administration through secure and documented procedures.
2. Information exchange shall observe purpose limitation, confidentiality, cybersecurity, due process and the right to correct materially inaccurate public records.

Article 549 — Digital public infrastructure

1. Registers and filing systems under this Code shall use interoperable, technology-neutral and auditable digital infrastructure capable of reliable identity, time, payment, search and preservation functions.
2. A public body shall provide reasonable assisted access and an alternative procedure where disability, remoteness, system failure or lack of connectivity would otherwise deny effective access.

Article 550 — Implementation standards

1. An implementing institution shall publish service standards, required documents, lawful fees, expected processing time, responsible office and procedures for review and complaint.
2. It shall measure performance, publish aggregate results and correct recurring delay, arbitrary requirements and unnecessary movement of persons or paper between offices.

CHAPTER II COMMERCIAL ADJUDICATION

SECTION 1 COURTS AND PROCEDURE

Article 551 — Commercial jurisdiction

1. Commercial disputes under this Code shall be heard by the competent court or Commercial Division designated by an Assembly Act or procedural law.
2. Allocation to a specialized division concerns administration of justice and does not diminish the constitutional independence, ordinary jurisdiction or remedial authority of the court.

Article 552 — Accessible and timely justice

1. A court shall manage commercial proceedings proportionately to value, complexity, urgency and the parties' resources and shall prevent tactical delay or oppressive cost.
2. Procedural law may provide simplified claims, electronic filing, remote appearance, interim protection and accelerated determination while preserving notice, equality and a meaningful opportunity to be heard.

Article 553 — Commercial expertise

1. The Judicial Service Commission may support continuous education in accounting, finance, technology, competition, insolvency and international commerce for judges assigned commercial work.
2. An expert may assist the court on a technical issue, but shall disclose conflicts, remain subject to examination and may not decide a question reserved to the judge.

Article 554 — Electronic proceedings

1. A filing, service, hearing, order or court record shall not be denied legal effect solely because it is electronic or generated through a reliable information system.
2. The court shall ensure authentication, access, preservation, public availability where required and a practical alternative for a person unable reasonably to use the electronic system.

SECTION 2 EVIDENCE AND REMEDIES

Article 555 — Commercial evidence

1. Commercial facts may be proved by any reliable evidence, including electronic records, automated logs, business records, communications, market data and a course of dealing.
2. Weight depends on authenticity, integrity, completeness, ordinary method of creation, opportunity for challenge and all surrounding circumstances rather than medium alone.

Article 556 — Burden and preservation of evidence

1. A party asserting a right ordinarily bears the burden of establishing its material elements, subject to a presumption or burden expressly provided by law.
2. A person who controls relevant information shall preserve it when litigation is reasonably anticipated, and the court may draw a proportionate inference or impose a lawful remedy for intentional loss or concealment.

Article 557 — Interim protection

1. The court may preserve assets, evidence, confidential information or the practical effectiveness of a final judgment where the applicant shows urgency, a serious issue and risk of irreparable or difficult-to-repair harm.
2. Relief shall be proportionate, ordinarily follow notice, protect affected persons through security or conditions where appropriate and receive prompt reconsideration if granted without notice.

Article 558 — Commercial remedies

1. A court may award performance, payment, restitution, damages, account, declaration, injunction, rescission or another remedy authorized by law and suitable to the violated right.
2. A remedy shall restore lawful expectations without punitive or duplicative recovery unless an Assembly Act expressly provides otherwise.

Article 559 — Alternative dispute resolution

1. Parties may submit a commercial dispute to negotiation, mediation, arbitration or another lawful process by free and informed agreement.
2. A court shall respect a valid agreement and may support settlement or arbitration, but shall not enforce a process that denies mandatory protection, impartiality or a meaningful opportunity to present a case.

Article 560 — Publication and precedent

1. Final commercial judgments of general legal importance shall be published promptly in searchable and anonymized form where privacy or legitimate confidentiality requires protection.
2. Courts shall reason consistently, identify controlling authority and explain a material departure from an established interpretation.

TITLE II
CROSS-BORDER COMMERCIAL LAW

CHAPTER I
APPLICABLE LAW

SECTION 1
GENERAL CHOICE-OF-LAW RULES

Article 561 — International character

1. Titles II and related provisions shall be interpreted with regard to their international character, the need for uniform application and the observance of good faith in cross-border commerce.
2. Questions not expressly settled shall be resolved by the general principles of this Code before resort to otherwise applicable law.

Article 562 — Party autonomy in applicable law

1. Parties to an international commercial relationship may choose the law governing all or part of it, expressly or by terms clearly demonstrating their agreement.
2. A choice may be made or changed after formation without prejudicing vested third-party rights or the formal validity of the transaction.

Article 563 — Limits on choice of law

1. A choice of law does not displace an Eritrean rule that expressly applies regardless of chosen law and is necessary to protect constitutional order, competition, workers, consumers, financial integrity or another fundamental public interest.
2. Application of foreign law may be refused only to the extent its result would be manifestly incompatible with fundamental Eritrean public policy.

Article 564 — Law applicable without choice

1. Without an effective choice, a commercial contract is governed by the law of the State with which it has the closest and most real connection.
2. Relevant connections include the characteristic performance, habitual residence or principal establishment of the performing party, place of performance, location of the subject matter and the parties' justified expectations.

Article 565 — Formation and form

1. The law governing a contract under Articles 562 through 564 determines formation, interpretation, performance, breach, remedies, extinction and limitation unless another provision applies.
2. A contract is formally valid if it satisfies that governing law, the law of the place where made or, for parties in different States, the law of either party's relevant establishment.

SECTION 2

SUBJECT-SPECIFIC RULES

Article 566 — Business organizations

1. The law of the State under which a business organization is formed governs its legal personality, internal affairs, member rights, management authority and dissolution.
2. Eritrean law governs registration and conduct required for operations in Eritrea and protects a third party who reasonably relied on publicly represented local authority.

Article 567 — Property and security rights

1. Rights in tangible property are governed by the law of its location when the event creating, transferring or extinguishing the right occurs.
2. Effectiveness and priority of a security right are governed by Book Five and the connecting rule prescribed for the relevant collateral, with continuity protection when that connection changes.

Article 568 — Receivables and intangible assets

1. The relationship between assignor and assignee is governed by their chosen law or, without choice, the law governing their assignment relationship.
2. The law governing the receivable determines assignability, account-debtor protection and discharge, while third-party priority is governed by the law prescribed in Book Five.

Article 569 — Electronic and digital transactions

1. The location of equipment, a server or a distributed record alone does not determine applicable law or jurisdiction.
2. In identifying the relevant establishment, the court shall consider the place from which the person conducts the transaction and exercises meaningful control, not a purely technical or artificial location.

Article 570 — Insolvency

1. Cross-border insolvency jurisdiction, recognition, relief and cooperation are governed by Articles 531 through 539.
2. The law of the State opening the main proceeding governs its conduct and effects, subject to protected local property rights, payment systems, employment rights and exceptions stated by law.

CHAPTER II JURISDICTION, RECOGNITION AND COOPERATION

SECTION 1 JURISDICTION AND INTERNATIONAL ASSISTANCE

Article 571 — Jurisdiction by agreement

1. Parties may choose an Eritrean or foreign court for an international commercial dispute by an agreement evidenced in writing or another reliable record.
2. A chosen court shall ordinarily exercise jurisdiction and a nonchosen Eritrean court shall ordinarily decline it, subject to invalidity, incapacity, manifest injustice, impossibility or exclusive jurisdiction prescribed by law.

Article 572 — Jurisdiction without agreement

1. An Eritrean court has jurisdiction where the defendant is habitually resident or established in Eritrea, the relevant obligation was substantially performed in Eritrea or the harmful commercial conduct and direct injury occurred in Eritrea.
2. Jurisdiction shall not rest solely on temporary presence, unrelated property, digital accessibility or another connection insufficient to make adjudication fair and reasonable.

Article 573 — Parallel proceedings

1. Where substantially the same dispute is pending before courts of different States, the Eritrean court may stay or decline proceedings after considering priority in time, chosen forum, connection, fairness and likelihood of an effective judgment.
2. The court may continue or protect a party if the foreign proceeding is unreasonably delayed, incapable of effective relief or inconsistent with a valid exclusive Eritrean forum agreement.

Article 574 — Service and taking of evidence abroad

1. A court may request or provide international assistance for service, evidence, inspection or information by a treaty, statute, judicial cooperation arrangement or other lawful means.
2. Assistance shall protect privilege, confidentiality, data security, sovereignty and the procedural rights of every affected person.

Article 575 — Proof of foreign law

1. The content of foreign law may be established through legislation, judgments, official information, expert evidence or another reliable source.
2. The court may ascertain foreign law independently and shall give parties an opportunity to address material information on which it proposes to rely.

SECTION 2 RECOGNITION AND ENFORCEMENT

Article 576 — Recognition of foreign judgments

1. A final and enforceable foreign commercial judgment shall be recognized without reconsidering its merits if the originating court had an adequate jurisdictional basis and the proceeding was fair.
2. Recognition may be refused for defective notice, fraud affecting process, irreconcilable judgments, violation of a valid forum agreement or manifest incompatibility with fundamental public policy.

Article 577 — Enforcement of foreign judgments

1. A recognized foreign judgment is enforceable through the procedures and remedies available for an equivalent Eritrean judgment.
2. Enforcement shall not grant a remedy unavailable under Eritrean law, but the court shall adapt relief as closely as possible to preserve the judgment's lawful effect.

Article 578 — Foreign arbitral awards

1. Recognition and enforcement of a foreign arbitral award are governed by an applicable treaty and the Assembly Act governing arbitration.
2. Refusal shall be confined to the grounds stated in that law and shall not permit review of the merits disguised as public policy.

Article 579 — International judicial cooperation

1. Eritrean courts may communicate and cooperate with foreign courts in commercial, insolvency and evidence matters through transparent procedures consistent with judicial independence.
2. Parties shall receive notice of a substantive communication and access to its record, except for routine scheduling or urgent protection later disclosed.

Article 580 — Equal treatment and reciprocity

1. A foreign person has the same access to commercial courts and registries as an Eritrean person, subject only to a lawful and proportionate requirement equally connected to the service provided.
2. Recognition or assistance shall not be denied solely for lack of reciprocity unless an Assembly Act or applicable treaty expressly requires reciprocity.

TITLE III TRANSITION, REPEAL AND COMMENCEMENT

CHAPTER I TRANSITION

SECTION 1 CONTINUING RELATIONSHIPS

Article 581 — General transition principle

1. A right validly acquired and an obligation validly incurred before commencement remain effective, subject to prospective procedural and public-protection provisions of this Code.
2. Transition shall preserve legitimate reliance while moving registrations, organizations and continuing relationships into the new legal framework within reasonable periods.

Article 582 — Existing traders and enterprises

1. A trader or commercial enterprise lawfully operating at commencement may continue without re-formation but shall update registration information within the period prescribed under this Code.
2. Failure to update does not alone extinguish legal personality or ownership, but may justify notice, proportionate administrative measures and loss of reliance on an inaccurate public record.

Article 583 — Existing business organizations

1. A business organization validly formed before commencement continues in its existing form and is governed prospectively by Book Two except where this Code provides a transition choice.
2. Its constitutive documents remain effective to the extent consistent with mandatory provisions and shall be conformed at the first material amendment or within the prescribed transition period.

Article 584 — Existing contracts

1. A contract formed before commencement remains governed by the law previously applicable to formation and accrued rights.
2. This Code governs performance occurring after commencement where application is practicable and does not substantially impair a vested right or impose an unforeseen material obligation.

Article 585 — Existing negotiable instruments and payments

1. An instrument issued and a payment order initiated before commencement are governed by prior law through completion unless the parties and affected institution lawfully agree otherwise.

2. A system operator may migrate continuing accounts and services after reasonable notice, preservation of value and a practical opportunity to object or terminate without an unfair charge.

SECTION 2 REGISTRATIONS AND PROCEEDINGS

Article 586 — Existing security rights

1. A security right effective against third parties before commencement retains its priority during the transition period even if the former publicity method differs from Book Five.
2. The secured creditor shall continue the right in the Movable Security Rights Registry within the prescribed period, after which priority is determined from the time of continuation unless another transitional safeguard applies.

Article 587 — Registry migration

1. The responsible registrar shall migrate reliable existing records where technically and legally practicable and shall provide public notice, verification and correction procedures.
2. No person shall lose priority solely because of an administrative migration error that the person did not cause and could not reasonably discover and correct.

Article 588 — Pending proceedings

1. A judicial, arbitral, insolvency or administrative proceeding begun before commencement continues under prior procedure unless the tribunal determines that immediate use of a new procedural provision is fair and efficient.
2. A substantive right, limitation defense, perfected priority or completed procedural act shall not be impaired by retrospective application.

Article 589 — Existing licences and approvals

1. A commercial licence, approval or registration valid at commencement continues until its stated expiry or lawful replacement, subject to immediate measures necessary to prevent serious harm.
2. Renewal or replacement shall comply with this Code, and an authority shall not require repetitive information already held in a reliable public register.

Article 590 — Transition period and public notice

1. The Minister shall propose necessary transition periods to the National Assembly and may prescribe only administrative dates expressly authorized by the commencement Act.
2. Every transition date, required action, legal consequence, form and assistance channel shall be published sufficiently in advance and remain freely accessible.

CHAPTER II FINAL PROVISIONS

SECTION 1 RELATIONSHIP, REPEAL AND SAVINGS

Article 591 — Relationship with the Civil Code

1. The Civil Code applies to a commercial matter not governed by this Code, consistently with the commercial character, usage and policies of this Code.
2. Where both Codes address a matter, the specific commercial provision governs the commercial relationship without displacing a mandatory civil protection expressly made applicable.

Article 592 — Relationship with other Assembly Acts

1. Labour, consumer, competition, tax, customs, land, intellectual-property, data-protection, environmental and sectoral Assembly Acts continue to apply according to their terms.
2. A later Assembly Act displaces this Code only where it expressly so provides or the inconsistency is direct and cannot reasonably be reconciled.

Article 593 — International obligations

1. A commercial matter governed by a treaty validly made part of Eritrean law shall be decided consistently with that treaty and its constitutional rank.
2. Where a treaty is not directly applicable, a court may consider it only to the extent permitted by the Constitution and an Assembly Act and shall not use interpretation to create unlegislated obligations.

Article 594 — Repeal and replacement

1. The Commercial Code of 1960, as continued or adapted in Eritrea, is repealed on the commencement date of this Code to the extent stated in the commencement Act.
2. A proclamation, legal notice or rule inconsistent with this Code is repealed or superseded to the extent identified in a schedule enacted by the National Assembly.

Article 595 — Savings

1. Repeal does not revive an earlier law, invalidate a completed act, extinguish an accrued right or liability, or discontinue a lawful proceeding unless the commencement Act expressly provides otherwise.
2. A reference in another law to a repealed commercial provision shall be read as a reference to the corresponding provision of this Code where the subject and purpose remain substantially the same.

SECTION 2 DELEGATED LEGISLATION AND COMMENCEMENT

Article 596 — Delegated regulations

1. A Minister or other executive institution may make regulations only where a provision of this Code or another Assembly Act expressly delegates a defined matter and states the purpose and limits of the power.
2. A regulation may implement procedure, forms, interoperability and technical standards but shall not alter a right, duty, priority, remedy, offence, tax or institutional independence established by an Assembly Act.

Article 597 — Procedure for delegated legislation

1. Before making a regulation of general commercial effect, the authorized institution shall publish a draft, legal authority, impact explanation and reasonable consultation period except for a narrowly justified emergency.
2. The final regulation shall identify its authority, address material comments, state commencement, remain publicly accessible and be submitted to the National Assembly for oversight as law provides.

Article 598 — Review of existing subordinate legislation

1. Every executive institution administering commercial law shall review existing regulations, directives, forms, fees and practices for consistency with the Constitution and this Code.
2. An inconsistent instrument shall not be enforced and shall be repealed, replaced or submitted to the National Assembly where legislation is required.

Article 599 — Authoritative publication and consolidation

1. The Code shall be published in authoritative Eritrean language versions that are equally accessible and maintained with reliable version control.
2. An official consolidated electronic form shall show commencement, amendments, repeals and any judicially declared invalidity without displacing the enacted text.

Article 600 — Commencement

1. This Code commences on a date or dates appointed by an Assembly Act after essential registries, courts, procedures and public guidance are reasonably ready.
2. Different Books or provisions may commence at different times, but the commencement scheme shall protect continuity, provide adequate notice and specify the law governing every transition.