

# **The Rules of Arbitration**

**THE LAW ON  
INTERNATIONAL COMMERCIAL  
ARBITRATION  
(17 September 1997)**

**A.C.I.C**



## CHAPTER I GENERAL PROVISIONS

**Article 1 - Definitions and rules of interpretation:** Definitions of the terms employed in this law are as follows:

(a) **“Arbitration” means the settlement of dispute between two parties; out of court by a natural or juridical person or persons agreed upon by the parties or otherwise appointed;**

(b) **“International arbitration” is in the case where one of the parties, at the time of conclusion of the arbitration agreement, is not a national of Iran under the Iranian laws;**

(c) **“Arbitration agreement” is an agreement between the parties to submit to arbitration all or certain disputes which have arisen or which may arise in respect of a specific legal relationship whether contractual or not. Arbitration agreement may be in the form of an arbitration clause in a contract or in the form of a separate agreement;**

(d) **“Arbitrator” means a sole arbitrator or a panel of arbitrators;**

(e) **“Court” means, for the purposes of this Law, any court of the judicial system of the Islamic Republic of Iran;**

(f) **Where a provision of this Law refers to an agreement that has been or will be concluded by**



the parties, it includes any arbitration provisions expressed in that agreement.

### **Article 2 - Scope of application**

**1. This law applies to arbitration in international commercial relationships** including, inter alias, sales of goods and services, transportation, insurance, financial matters, consulting, investment, technical co-operations, representation, factoring, contract or ship and the like activities.

**2. All persons who have the capacity to pursue a lawsuit may, with mutual consent** and in accordance with this law, submit their international commercial disputes to arbitration, though it has already been referred to a judicial court and whatever stage of proceedings it may be at.

### **Article 3 - Service of documents and notices**

**Unless otherwise agreed by the parties on the method and authority for the service of documents and notices,** the following is the method to apply:

**(a) In institutional arbitrations, the method and authority for the service** shall be in accordance with the rules of that institution.

**(b) The arbitrator may decide, *proprio motu*, on the method and authority** for the service and, on that basis, send the arbitration materials to the parties.



**(c) A party applying for arbitration may send his application, through** registered letter with returned receipt, facsimile, telex, telegram, legal notice or other similar means, to the other party. Such application is deemed to have been received if:

- 1. The receipt of the application by the addressee is duly established;**
- 2. The addressee has taken action in accordance with its content;**
- 3. The addressee has given a due response, be in affirmative or in negative.**

#### **Article 4 - Commencement of arbitral proceedings**

**(a) Unless otherwise agreed by the parties, the arbitral proceedings** commence from the time when, in accordance with Article 3 of this Law, an application for arbitration is received by the respondent;

**(b) Unless otherwise agreed by the parties, the application for arbitration** shall contain:

- 1. A demand that the dispute be submitted to arbitration;**
- 2. The names and addresses of the parties;**
- 3. A statement of claims and the remedy sought;**



#### **4. The arbitration clause or arbitration agreement.**

**The application for arbitration may include information on the number of arbitrators** and the method of their appointment, as specified in Chapter III of this Law, and also information about the agreements, contracts or facts giving rise to the dispute.

#### **Article 5 - Waiver of right to object**

**A party, who knows that non-mandatory provisions of this Law or optional requirements** under the arbitration agreement have not been complied with and yet proceeds with the arbitration without promptly stating his objection to such noncompliance, shall be deemed to have waived his right to object.

#### **Article 6 - Supervising authority**

**1. The functions referred with Articles 9,11(3.4), 13(3), 14(1), 16(3), 33 and 35** shall be performed by the public court of the provincial capital where the place of arbitration is situated, and be the Public Court of Tehran so long as the place of arbitration is not determined. Court decisions in such cases shall be final and subject to no appeal,

**2. In institutional arbitration, the arbitral institution shall perform the functions** referred to in Articles 11(2) and (3), 13(3) and 14(1).



## CHAPTER II ARBITRATION AGREEMENT

### **Article 7 - Form of arbitration agreement**

**The arbitration agreement shall be contained in a document signed by the parties**, or in an exchange of letters, telex, telegrams or other means of telecommunication, which provide a record of the agreement, or in an exchange of statements of claim and defense in which the existence of an agreement is alleged by one party and is not *de facto* denied by another. The reference in a written contract to a document containing an arbitration clause constitutes an independent arbitration agreement.

### **Article 8 - Arbitration agreement and claim pending before a court**

**A court before which an action is brought in a matter which is the subject of an arbitration agreement** shall, if a party so requests not later than when the first session of the court is adjourned refer the parties to arbitration unless it finds that the agreement is null and void, inoperative or impossible to be performed.

**Institution of an action before a court does not prevent the commencement** or continuation of arbitral proceedings, nor making of an arbitral award.



**Article 9 - Arbitration agreement and writ of attachment or interim measure of protection**  
**Before or during arbitral proceedings, each party may request the judge** presiding the court referred to in Article 6, to issue a writ of attachment or order interim measures of protection.

### **CHAPTER III**

#### **COMPOSITION OF ARBITRAL TRIBUNAL**

**Article 10 - Number of arbitrators**  
**The parties in dispute shall determine the number of arbitrators. Failing such** determination, the panel of arbitrators shall be composed of three members.

#### **Article 11 - Appointment of arbitrators**

**1. Subject to the provisions of paragraphs (3) and (4) of this Article, the parties may agree on** the procedure of appointing the arbitrator. Before a dispute arises, the Iranian party may not undertake to submit the dispute to one or more arbitrators who are of the same nationality as the other party or parties.

**2. Failing such agreement, the following steps shall be taken:**



**(a) To appoint a panel of arbitrators, each party shall appoint his arbitrator,** and the arbitrators thus appointed shall appoint the presiding arbitrator. If one of the parties fails to appoint his arbitrator to and obtain his acceptance within thirty days of the commencement of arbitral proceedings, or if the appointed arbitrators fail to agree on the presiding arbitrator and obtain his acceptance within thirty days of their appointment, an arbitrator for the failing party or the presiding arbitrator as the case may be, shall be appointed at the request of the other party in accordance with the provisions of Article 6.

**(b) In arbitration with a sole arbitrator, if the parties are unable to agree on the arbitrator** the latter shall be appointed, on the request of a party, by the authority specified in Article 6.

**3. Where a party fails to act as required under an appointment procedure** agreed upon by the parties, or where the parties or the appointed arbitrators do not reach an agreement, or a third party - whether a natural or juridical person - fails to perform any function entrusted to it under such procedure, any party may refer to the authority specified in Article 6 to take decision, unless other means has been agreed upon by the parties.

**4. The appointing authority shall observe all qualifications required of an arbitrator** as specified in the parties' agreement, and shall have due regard to the independence and impartiality of



the arbitrator. In any case, he shall appoint the presiding arbitrator from nationals of third country; and the arbitrator for the defaulting party shall not be appointed from nationals of the other party's country.

**5. If the parties nominate certain person or persons, in an arbitration agreement, to arbitrate a dispute which has not yet arisen and such person or persons do not accept or are unable to act as arbitrator, the arbitration agreement is null and void, unless the parties agree on arbitration by any other person or persons, or unless they agree otherwise.**

**6. Where there are more than two parties to arbitration, unless otherwise agreed by the parties, the panel of arbitration shall be appointed as follows:**

**(a) The claimant shall appoint an arbitrator, and if there is more than one claimant, they shall jointly appoint an arbitrator. Likewise, the respondent or respondents shall appoint their arbitrator.**

**(b) The appointment of the presiding arbitrator lies with the appointed arbitrators, and if they fail to agree thereon, the authority specified in Article 6 appoints him,**

**(c) In case of a controversy on whether a party or parties are claimant or respondent, the**



authority specified in Article 6 shall appoint a panel of all three arbitrators.

**(d) Other matters in multi-party arbitrations, including challenge and failure,** shall be governed by rules applicable in two-party arbitrations.

### **Article 12 - Grounds for challenge of an arbitrator**

**1. An arbitrator may be challenged if circumstances exist that give rise to** justifiable doubts as to his impartiality or independence, or if he does not possess qualifications agreed to and intended by the parties. A party may challenge an arbitrator that he appointed or participated in his appointment only for reasons of which he becomes aware after the appointment has been made.

**2. A person who is proposed to be arbitrator shall disclose any** circumstances likely to give rise to justifiable doubts as to his impartiality or independence. An arbitrator, from the time of his appointment and throughout the arbitral proceedings, shall delay disclose any such circumstances to the parties unless they have already been informed of them by him.

### **Article 13 - Challenge procedure**

**1. The parties may agree on a procedure for challenging an arbitrator.**



**2. Failing such agreement, a party which intends to challenge an arbitrator** shall, within fifteen days after becoming aware of the institution of arbitration, or after becoming aware of any circumstance referred to in Article 12(1), send a written statement of the reasons for the challenge to the arbitrator. Unless the challenged arbitrator withdraws from his office or the other party agrees to the challenge, the arbitrator shall decide the challenge.

**3. If a challenge under the procedure set forth in paragraphs (1) and (2) of this Article** is not successful, the challenging party may request, within thirty days after receiving the notice of the decision dismissing the challenge, the authority specified in Article 6 to examine and decide the challenge. While such request is pending, the arbitrator may continue the arbitral proceedings and make award.

#### **Article 14 - Failure or impossibility to perform function**

**1. If an arbitrator becomes *de jure* or *de facto* unable to perform his functions** or, for other reasons, fails to act without undue delay, his mandate terminates. If a controversy remains concerning any of these grounds, any party may request the authority specified in Article 6 to rule on the termination of the mandate of the arbitrator in question.



**2. If an arbitrator withdraws from his office or a party agrees to the termination of the mandate of an arbitrator, this does not imply acceptance of the validity of any ground for challenge, failure or impossibility of performance.**

### **Article 15 - Appointment of substitute arbitrator**

**When the mandate of an arbitrator terminates under Articles 13 or 14, or because of his withdrawal from office, or because of the revocation of his mandate by agreement of the parties or for any other reason and in any other case, a substitute arbitrator shall be appointed according to the rules applicable to the appointment of the arbitrator thus being removed.**

## **CHAPTER IV JURISDICTION OF ARBITRATOR**

### **Article 16 - Competence of Competence**

**1. The arbitrator may rule on his jurisdiction as well as on the question of the existence or validity of an arbitration agreement. An arbitration clause that forms part of a contract shall be treated as an independent agreement. A decision by the arbitrator that the contract is null and void shall not entail *per se* the invalidity of the arbitration clause.**



2. A plea that the arbitrator does not have jurisdiction shall be raised not later than the submission of the statement of defense. The mere fact that a party has appointed, or participated in the appointment of, an arbitrator does not preclude him from raising such a plea. The objection that the arbitrator is exceeding the scope of his authority shall be raised soon after it becomes obvious, the arbitrator may, in any of these cases, admit a belated objection if he considers the delay justified.

**3. Unless otherwise agreed by the parties, the arbitrator shall decide, as a preliminary question, any objection as to the jurisdiction or the existence or validity of arbitration agreement.** The arbitrator may rule on the objection that he has exceeded the scope of authority in an award on the merits, had the cause of objection occurred during the arbitral proceedings. If the arbitrator rules on his jurisdiction as a preliminary question, any party may request, within thirty days after the receipt of that ruling. The Court specified in Article 6 to examine and decide the matter. While such request is pending in the court, the arbitrator may continue the arbitral proceedings and render an award.

### **Article 17 - Power of arbitrator to order interim measures**

**Unless otherwise agreed by the parties, the arbitrator may, at the request of a party, order interim measure of protection in respect of the**



subject matter of the claim if an immediate decision is needed, the arbitrator may require the requesting party to provide appropriate security. In either case, if the other party provides a security proportional to the subject matter of the interim measure, the arbitrator shall nullify the measure.

## **CHAPTER V CONDUCT OF ARBITRAL PROCEEDINGS**

### **Article 18 - Equal treatment of parties**

**The parties shall be treated with equality, and each party shall be given a full opportunity to present his claim or defense and submit his evidence.**

### **Article 19- Determination of rules of procedure**

**1. Subject to the mandatory provisions of this Law, the parties may agree on the rules of procedure.**

**2. Failing such agreement, the arbitrator may, subject to the provisions of this Law, conduct and administer the arbitration in an appropriate manner. The arbitrator shall determine the relevance, materiality and weight of any evidence offered.**

### **Article 20 - Place of arbitration**

**1. Arbitration shall be held at the place agreed on by the parties. Failing such agreement, the**



place of arbitration shall be determined by the arbitrator with due regard to the circumstances of the case, and the convenience for the access of the parties.

**2. Unless otherwise agreed by the parties, the arbitrator may meet at any place** he considers appropriate for consultation among its members, hearing witnesses and experts of the parties, or for inspection of goods, other property or documents.

#### **Article 21 – Language**

**The parties may agree on the language or languages to be used in the** arbitral proceedings. Failing such agreement, the arbitrator shall determine the language or languages to be used in the proceedings. The agreement of the parties or the determination of the arbitrator to that effect shall apply to any written statements, documents and evidence provided by the parties, spoken language in hearing and any communications by the arbitrator and making award.

#### **Article 22 - Application and defense.**

**1. Within the period of time agreed by the parties or determined by the** arbitrator, the claimant shall state the undertakings or other grounds supporting his claim. The points in dispute and the relief or damages sought must also be presented. The respondent shall present his defense in respect of these particulars within the



period of time agreed by the parties or determined by the arbitrator. The parties may submit with their application or defense all documents they consider relevant, or attach thereto a list of the documents or other evidence they plan to subsequently submit.

**2. Unless otherwise agreed by the parties, either party may amend or supplement his statement of claim or defense during the course of the arbitral proceedings, unless the arbitrator considers that the amendment or supplement is not allowable due to its being untimely or prejudicial to the other party.**

### **Article 23 - Hearings and written proceedings**

**1. The arbitrator has the authority to decide whether to hold hearing for the presentation of evidence and oral arguments.** However, unless the parties have agreed otherwise, the arbitrator shall hold hearing if a party so requests in an appropriate stage of the proceedings.

**2. The arbitrator shall give the parties sufficient advance notice of party hearing and of all procedural meetings for the purpose of inspection of goods, other property or documents.**

**3. All statements, documents or other information supplied to the arbitrator by one party, as well as any expert report or evidentiary document on which the arbitrator may rely in**



making his decision shall be communicated to both parties.

#### **Article 24 - Default of a party**

**1. If the claimant fails to submit his application without showing sufficient** cause, the arbitrator shall order the nullification of the application for arbitration.

**2. If the respondent fails to submit his statement of defense without** showing sufficient cause, the arbitrator shall continue the proceedings without treating such failure in itself as an admission of the claimant's allegations by the respondent. If any party fails to appear at a hearing or to produce his documentary evidence, the arbitrator may continue the proceedings and make the award on the evidence before him.

#### **Article 25 - Appointment of expert**

**Unless otherwise agreed by the parties, the arbitrator may refer specific** issues to an expert and requires that each party make available to the expert any relevant information and access to any relevant documents, goods or other property for his inspection. If a party so requests or the arbitrator considers necessary, the expert shall, after submitting his written report participate in a



hearing and respond to the questions. The arbitrator may also introduce one or more expert witnesses to testify on the points at issue.

### **Article 26 - Intervention of a third party**

**Should a third party considers that it has independently an interest in the** subject matter of the arbitration, or an interest which may be affected by the decision in favor of any party, it may intervene in the arbitral proceedings before its termination, provided that it accepts the arbitration agreement, the rules of procedure, and the arbitrator and that neither party objects to the intervention.

## **CHAPTER VI TERMINATION OF PROCEEDINGS AND MAKING OF AWARD**

### **Article 27 - Applicable law**

**1. The arbitrator shall decide the dispute in accordance with such rules of law** as are chosen by the parties to the substance of the dispute. Designation of the law or legal system of a given state in any manner whatsoever shall be construed as referring to the substantive law of that state. This provision shall not cover the conflict of laws rules, unless the parties have agreed otherwise



**2. Failing any designation by the parties, the arbitrator shall apply the law** which he considers appropriate in accordance with relevant conflict of laws rules.

**3. The arbitrator shall decide *ex aequo et bono* or as *amiable compositeur* if** the parties have expressly authorized him to do so.

**4. In all cases, the arbitral tribunal shall decide in accordance with the terms** of the contract and shall take into account the trade usages relevant to the case.

#### **Article 28 - Settlement**

**If, during arbitral proceedings, the parties settle the dispute, the arbitrator** shall order the termination of the proceedings and, if requested by one of the parties and not objected to by the other, the arbitrator shall record the settlement agreement in the form of an award on agreed terms, subject to the provisions of Article 30.

#### **Article 29 - Decision by panel of arbitrators**

**In arbitral proceedings with more than one arbitrator, any decision of the** arbitral panel shall be made by a majority of its members, unless the parties agree otherwise.

#### **Article 30 - Form and contents of award**



**1. The award shall be made in writing and shall be signed by the arbitrator** or arbitrators. In the proceedings with more than one arbitrator, the signatures of the majority of all members of the arbitral panel shall suffice, provided that the reason for the absence of any other arbitrator's signature is stated.

**2. The award shall state all reasons upon which it is based, unless the parties** have agreed that no reasons are to be stated therein, or the award is made on agreed terms under Article 28.

**3. The award shall state the date and the place of arbitration as provided in Article 20(1).**

**4. After the award is made, a copy shall be delivered to each party.**

#### **Article 31 - Termination of proceedings**

**The arbitral proceedings are terminated by the final award or by an order of the arbitrator when:**

**1. The claimant withdraws his claim, unless the respondent objects to it and the arbitrator find a legitimate interest for the latter in obtaining a final settlement of the dispute;**

**2. The arbitrator finds that the continuation of the proceedings has for any other reason become impossible or unnecessary;**

**3. The parties agree on the termination of proceedings.**



### **Article 32 - Correction and interpretation of award; additional award**

**1. The arbitrator may, at the request of a party or on his own initiative,** correct any errors in computation, clerical errors or any errors of similar nature, or remove any ambiguity in the award. The time limit for such a request by the parties is thirty days from the date of receipt of the award, A copy of the request must be sent to the other party. The arbitrator shall make the correction or give the interpretation within thirty days of receipt of the request or, in cases where the arbitrator acts on his own initiative, within thirty days after issuance of the award.

**2. Within thirty days of receipt of the award, a party may, with notice to the** other party, request the arbitrator to make an additional award as to the claims submitted but omitted from the award. If the arbitrator considers the request justified, he shall make an additional award within sixty days. If necessary, the arbitrator may extend the time limit.

**3. The provisions of Article 30 shall apply to a correction or interpretation** of the award or so an additional award.

## **CHAPTER VII RECOURSE AGAINST AWARD**



### **Article 33 - Application for setting aside**

**1. The arbitral award may be set aside, at the request of a party, by the court specified in Article 6 on the following grounds:**

**(a) One of the parties was under incapacity;**

**(b) The arbitration agreement is not valid under the law designated by the parties, or, in the case of silence of the applicable law, the agreement conflicts with explicit provisions of the Iranian laws;**

**(c) The provisions of this Law have not been complied with in regard to the service of notices concerning the appointment of arbitrator or the application for arbitration;**

**(d) The requesting party could not proffer his evidence and documents due to reasons beyond his control;**

**(e) The arbitrator has made an award beyond the scope of his authority, the matters submitted to arbitration can be separated, only that part of the award which has been beyond the scope of the arbitrator's authority may be set aside;**

**(f) The composition of the arbitral panel or the arbitral procedure was not in accordance with the arbitration agreement or, in case of the silence of the agreement or failing such agreement, was in conflict with the provisions of this Law;**



**(g) The arbitral award has received the concurrent and casting vote by an arbitrator whose challenge had been accepted by the authority specified in Article 6;**

**(h) The arbitral award is based on evidence proved, by a final judgment, to be forgery;**

**(i) After the issuance of award, evidence is found proving the entitlement of the objecting party, provided it is established that the other party had concealed, or caused to be concealed, such evidence,**

**2. With respect to paragraphs (h) and (i) of this Article, the party injured as a result of the forged or concealed evidence may ask the arbitrator to reopen the case before applying for nullification of the award, unless the parties have agreed otherwise.**

**3. A request for nullification of the award in accordance with paragraph 1 of this Article may be made to the court specified in Article 6 within three months of receipt by the requesting party of the award including also corrective, interpretative or additional awards; otherwise the request shall not be granted.**

## **Article 34 - Nullity of award**



**The arbitrator's award is *ab initio* unenforceable, null and void, when:**

- 1. The subject matter of the dispute is not capable of settlement by arbitration** under the laws of Iran;
- 2. The award is against the public policy or good moral respected in the country**, or against any mandatory provisions of this Law;
- 3. The award with respect to immovable property located in Iran is incompatible** with the mandatory provisions of the laws of the Islamic Republic of Iran, or with the official deeds unless, in the latter case, the arbitrator has been given the authority to make a compromise.

## **CHAPTER VIII ENFORCEMENT OF AWARDS**

### **Article 35 - Enforcement of award**

- 1. Except in cases provided for in Articles 33 and 34, the arbitral awards** made under this Law are final and shall be enforceable after it has been served. Upon a written request to the court specified in Article 6, the procedure for the enforcement of court judgments shall be implemented.
- 2. If one of the parties requests the annulment of the award from the court** specified in Article



6 and the other party applies for its recognition and enforcement, the court may, upon a request by the party applying for the recognition and enforcement, order the requesting party for the annulment to provide an appropriate security.

## **CHAPTER IX OTHER PROVISIONS**

### **ARTICLE 36 - Other Provisions**

**1. Arbitration in international commercial disputes within the scope of this Law** is excluded from the application of provisions of the Code of Civil Procedure and other laws and regulations concerning arbitration,

**2. This Law shall not affect any other laws of the Islamic Republic of Iran** by virtue of which certain dispute may not be submitted to arbitration,

**3. If other terms and arrangements are provided for in treaties and agreements** between the Government of the Islamic Republic of Iran and other states concerning the arbitrations provided for in this Law, such terms and arrangements shall prevail. This Law, including nine Chapters and thirty-six Articles, has been approved in the open session of the Islamic Consultative Assembly in Wednesday, 26 Shahrivar 1376 [171997] and received the approval of the Council of Guardians.