

**THE LAW CONCERNING
INTERNATIONAL COMMERCIAL ARBITRATION
(1998)**

Chapter One - General Regulations

Article 1- Definitions the terms employed in this Law shall have the following definitions :

- a) “Arbitration” includes settlement of disputes between the litigating parties outside the court by mutually acceptable or appointed arbitrators being natural person/s or legal entity/ies .
- b) “International arbitration” means that one party is not Iranian national under Iranian law at the time of conclusion of the arbitration agreement .
- c) “Arbitration agreement” is an agreement between the parties under which any or all of the differences that may arise in relation with one or more contractual or non-contractual legal matter, will be referred to arbitration. Arbitration agreement can be in the form of an arbitration clause in the contract or in the form of a separate agreement .
- d) “Arbitrator-Arbiter” includes both a single arbitrator and board of arbitrators .
- e) “Court” means one of the courts of justice in the Islamic Republic of Iran .
- f) All references in this Law, to existing agreements between the parties or to agreements to be concluded later shall be covered by the arbitration regulations stipulated in such agreements .

Article 2- Scope of Application

- 1. Arbitration of disputes in international commercial relations including purchase and sale of goods and services, transportation, insurance, financial matters, consulting services, investment, technical cooperation, representation, commission agency, contract work and other similar activities shall be carried out in accordance with the provisions of this Law .
- 2. Any person having legal capacity to file a suit shall be allowed to refer to arbitration his international commercial disputes by mutual consent in

accordance with the provisions of this Law whether such disputes have been raised or not in courts, and if raised at whatever stage it could be .

Article 3- Service of the Process and Notices

If no agreement has been reached between the parties concerning the mode of service of process related to arbitration, one of the following methods shall be used :

- a) In institutional arbitration, the mode of service shall be in accordance with the regulations of the institution concerned .
- b) Arbitrators shall personally determine the mode of service and send the arbitration process (papers) for the parties accordingly .
- c) An arbitration applicant may serve a notice, for referring the matter to arbitration, on the other party through return registered letter, fax, telex, telegram, legal notice and alike. The said application shall be considered as having been duly served when :
 - 1) the receipt by the addressee of the notice (application) will be acknowledged;
 - 2) the addressee takes measures in accordance with the provisions of the notice (application); or
 - 3) The addressee, negatively or positively, gives an appropriate response.

Article 4- Commencement of Arbitration Proceedings

- a) Arbitration shall commence when the arbitration application will be notified to the arbitration respondent according to the provisions of Article 3 above, unless the parties (to the arbitration) agree otherwise .
- b) Except in cases where other regulations have been ordained, arbitration notice (application) shall include the following :
 - 1) Notice (application) referring disputes to arbitration;
 - 2) Particulars (names and addresses) of the parties;
 - 3) Details of the claim and relief sought;
 - 4) Arbitration condition and/or arbitration agreement .

Arbitration notice (application) may contain information about the number of arbitrators and the method of their election as stipulated in Chapter 3 of this Law and also about agreements, contracts and events which have caused eruption of disputes .

Article 5- Waiver of Objection

Where one party, being aware of a failure in observing any non-authoritative regulations of this Law or any failure in observing the conditions of the arbitration agreement which failure may lead to removal of an arbitrator, continues with arbitration and fails to raise any objection immediately or within a deadline fixed for this purpose, it shall be considered that such party has waived his right for objection .

Article 6- Supervisory Authority

1. The obligations under Article 9, Clauses 3 and 4; Article 11, Clause 3; Article 13, Clause 1; Article 14, Clause 3; and Articles 16, 33 and 35 shall be fulfilled by public courts located in provincial capitals where the seat of arbitration is located. As long as the seat of arbitration has not been determined, such obligations shall be fulfilled by Tehran's public court. The decisions of the court in these instances shall be final and binding .
2. In institutional arbitration, fulfillment of the, obligations stipulated in Clauses 2 and 3 of Article 11, Clause 3 of Article 13 and Clause 1 of Article 14 shall be the responsibility of the arbitration institution concerned .

Chapter Two - Arbitration Agreement

Article 7- Arbitration Agreement Format

The arbitration agreement shall be signed by both parties by way of signature of a document or through exchange of letter, telex, telegram or alike evidencing acceptance of arbitration by both parties. Further, it shall be possible that one party claim the existence of an agreement concerning arbitration through an application or a notice and the other party practically accept it .

An arbitration clause in a contract providing for arbitration shall be considered an independent arbitration agreement .

Article 8- Arbitration Agreement and Pending Actions

A court coming to the handling of any legal proceedings being the subject of an arbitration agreement shall refer the litigating parties to arbitration, if so demanded by any one of the parties. Such demand may be made up to the end of the first court session unless the court holds that the arbitration agreement is null and void or cannot be executed. Raising litigation in court shall not prevent commencement or continuation of arbitration procedure and issuance of arbitration award .

Article 9- Arbitration Agreement and Writ of Attachment or Injunction

Each party may demand, prior to or during arbitration investigation, from the chief justice mentioned in Article 6 above, issuance of a writ of attachment or injunction .

Chapter Three - Composition of the Panel of Arbitrators

Article 10- Number of Arbitrators

Determination of the number of arbitrators shall be the responsibility of the parties to the dispute. If not determined, the board of arbitrators shall comprise three members .

Article 11- Appointment of Arbitrators

1. The parties to a dispute shall agree, duly observing the provisions of Clauses 3 and 4 of this Article, on the method of appointment of arbitrators. The Iranian party cannot, as long as a dispute does not occur, bind himself in any manner whatsoever that in case of occurrence of a dispute it shall be resolved by way of arbitration of one or more arbiters or by a board of arbiters, having the same nationality as that of the party to the transaction .
2. If there is no agreement as such, the case shall be handled as follows :
 - a) For appointment of the members of the board of arbitrators, each party will choose his favorite arbitrator. The elected arbitrators shall then appoint an umpire (a presiding arbitrator). Should one of the parties fail to appoint, within a period of thirty days from the date of commencement of arbitration, his favorite arbitrator or confirm the appointment of his arbitrator, or if the elected arbitrators fail to agree, within a period of thirty days from the date of their appointment, about an umpire, then such appointment of the arbitrator for the abstaining party or the umpire shall be carried out in accordance with the provisions of Article 6 above upon a request by one of the parties, as the case may be .
 - b) In case of agreeing on a single arbiter, he shall be appointed by the authority mentioned in Article 6 above, upon a request by one of the parties if they fail to agree on appointment of an arbitrator.
3. Where a party fails to comply with the mutually agreed method for appointment of the arbitrator and/or the parties or the elected arbitrators do not come to an agreement and/or a third party, whether legal entity or natural person, fails to fulfill the responsibility entrusted to him in this respect, each of the parties shall be authorized to refer to the authority mentioned in Article 6, to make a decision unless another method has been agreed upon by the parties .
4. The appointing authority shall be required to observe all the conditions agreed upon by the parties for appointment of “arbitrator” and maintain the independence and impartiality of the “arbitrator”. In any case, the umpire shall be elected from the nationals of a third country. The arbitrator of the

abstaining party shall not be elected from among the nationals of the country of the opponent party .

5. Where the parties agree, in the arbitration agreement, that certain person/s arbitrate in case of occurrence of dispute and such person/s refuse or be unable to handle the case, then the arbitration agreement shall be considered as null and void unless the parties agree on the arbitration of other person/s or agree otherwise .
6. In cases where more than two parties are involved in arbitration and the parties have not agreed otherwise, the board of arbitrators shall be appointed as follows :
 - a) The plaintiff shall appoint one arbitrator. In case of multiplicity, the plaintiffs shall jointly appoint one arbitrator. The arbiter of defendant/s shall be appointed in the same manner. Should the plaintiffs or the defendants fail to agree on their arbitrator, the arbiter of each of the parties (plaintiffs and defendants) shall be appointed by the authority described in Article 6 above .
 - b) Appointment of the umpire shall be the responsibility of the elected arbitrators. If they do not reach an agreement, the umpire shall be appointed by the authority mentioned in Article 6 above .
 - c) Where a dispute occurs as to whether one or more of the parties must be considered as being defendants or plaintiffs, then the board of arbiters shall comprise three members appointed by the authority mentioned in Article 6 above .
 - d) Other cases in multilateral arbitration including replacement and omission shall be subject to the regulations set for bilateral arbitration .

Article 12- Objecting to Appointment of an Arbiter

1. Appointment of an arbiter may be objected to if the existing circumstances and conditions cause justified doubt regarding his impartiality and independence, and/or in case the arbiter does not possess the qualifications agreed upon by the parties. Each party shall be allowed to replace his arbiter due to any reasons he may come to know after appointment of his arbiter .
2. A person proposed to act as arbiter shall be under the obligation to declare and make known all the circumstances and conditions that may cause justified doubt about his neutrality and independence. The appointed arbiter shall likewise inform, without delay, the parties of the occurrence of any such circumstances and conditions, from the date of his appointment as “arbiter” and also during the arbitration proceedings, unless he has already informed the parties of such circumstances and conditions .

Article 13- Objection Formalities

1. The parties shall agree on the formalities for objecting to and replacing their arbiters .
2. In case of lack of such agreement, the party intending to object to the appointment of an “arbitrator” shall inform, within a period of fifteen days from the date of being informed of the establishment of “arbitration” or of any conditions and circumstances mentioned in Clause (1) above, the “arbitrator” concerned, in a brief, of the reasons for objection. The “arbitrator” shall make decision on the validity of the objections unless he resigns from his position or the opponent party accepts the objections .
3. Should an objection made in compliance with Clauses (1) and (2) above fail to be accepted, the party objecting to the appointment of an “arbitrator” shall be authorized, within a period of thirty days after the date of service of the notice containing refusal of the objection, to demand, from the authority described in Article (6), to investigate and decide on the objection. As long as such demand will be under investigation, the “arbitrator” shall be allowed to continue the proceedings and issue award .

Article 14- Omission and/or Nonfeasance

1. Should an arbiter become unable, in practice or by virtue of law, to fulfill his responsibilities and/or fails to carry out his obligations due to any other reasons, his assignment shall be terminated. In case of dispute between the parties on removal of arbitrators each party may call on the authority described in Article (6) above to decide about the termination of the assignment of such arbitrator .
2. Mere renunciation and/or acceptance by the other party or termination of assignment of an “arbitrator” shall not be construed as confirmation and acceptance of the reasons for objection, default or nonfeasance .

Article 15- Appointment of Substitute Arbitrator

Where the office of an “arbitrator” is terminated by virtue of Articles (13) and (14) or due to resignation or agreement of the parties to terminate his services or due to any other reasons, a substitute “arbitrator” shall be appointed in accordance with the regulations governing the appointment of the arbitrator which has been substituted .

Chapter Four - Competence of Arbitrator

Article 16- Determining the Competence

1. An arbiter may decide about his own competence and also about the existence and/or validity of the arbitration agreement. An arbitration clause being part of a contract shall be considered an independent agreement for the purposes of this Law. The decision of the “arbitrator” concerning cancellation and

annulment of such agreement, in itself, may not be construed as the annulment of the arbitration provided under a contract .

2. Objection to the competence of an “arbitrator” may not be made after submission of the statement of defense. The mere appointment of “arbitrator” and/or contributing to his appointment by a party shall not prevent objection to the competence of the arbitrator. Objection to “arbitrator’s” action as to being beyond his jurisdiction (competence) during the process of arbitration shall be made immediately after it occurs. An arbitrator may accept, in any of the above cases, an objection given after the due date provided that he considers the delay as justifiable .
3. In case of objection to the competence and/or to the existence or validity of the arbitration agreement (except in cases where the parties, have agreed otherwise) the “arbitrator” shall decide on the objection as a priority matter before examining the merits of the case. Decision about objection to “arbitrator” stepping out of the limits of his capacity which may occur during the arbitral investigation process, may be made part of the award of arbitration. Should an “arbitrator” confirm his competence at the outset, each one of the parties shall be allowed to request, within thirty days after the date of service of the relevant notice, the court mentioned in Article (6) to investigate and make a decision. As long as such request is under investigation, the “arbitrator” shall continue his investigation and may also give his award .

Article 17- Power of an “Arbitrator” in Issuing Injunctions

An “Arbitrator” may issue injunction upon a request by a party in matters related to the dispute which require immediate suggestion on the proper course to pursue unless the parties have agreed otherwise. In such case, the “arbitrator” may prescribe that the party applying for injunction shall deposit a proper guarantee. In both cases, should the other party deposit a guarantee compatible with the subject of the injunction, the “arbitrator” shall nullify the injunction .

Chapter Five - Method of Arbitral Investigation

Article 18- Equal Treatment of the Parties

Treatment of the parties shall be equal. Adequate opportunity shall be given to each party to initiate proceedings, defend against a counterclaim and offer arguments .

Article 19- Determining the Rules of Investigation

1. The parties may agree on the arbitration procedures provided that they observe the imperative rules of this Law .

2. In the absence of such ‘agreement, an “arbitrator” shall appropriately administer and take charge of arbitration with due observation of the regulations of this Law. Recognition of the relations, relevance and value of any argument shall be the responsibility of the “arbitrator .”

Article 20- Venue of Arbitration

1. Arbitration shall take place at a mutually agreed venue. In case of lack of agreement, the venue of arbitration shall be determined by the “arbitrator” with due consideration of the circumstances and conditions of the case and easy access for the parties .
2. The “arbitrator” may convene meetings at a venue at his discretion for consultation between the members, hearing the testimony of witnesses and the experts appointed by the parties, or for inspection of goods and other properties and/or deeds and documents unless the parties have agreed otherwise .

Article 21- Language

The parties shall agree on the language/s to be used in arbitration proceedings. Otherwise, the “arbitrator” may determine the language/s to be used in arbitration. The agreement of the parties or a decision by the “arbitrator” in this regard shall include any letters of defense, documents and evidences furnished by the parties, deliberations of the investigation proceedings, “arbitrator’s” correspondence and issuance of award .

Article 22- Petition and Defense

1. A plaintiff shall render, within the period agreed upon by the parties or determined by the “arbitrator”, the obligations and other circumstances by virtue of which he considers himself as deserving, and also the points of dispute and petition or the damages he claims. The defendant shall also submit his plea regarding the said matters within the period agreed upon by the parties or determined by the “arbitrator”. The parties may present all the related documents and evidences or a list of the documents and evidences they intend to submit later together with their petition or plea .
2. If no other arrangement has been agreed upon by the parties, each one of them may amend or complete his petition or plea during arbitration proceedings unless the “arbitrator” does not authorize such amendment or completion due to delay or discrimination against the opponent party .

Article 23- Hearing Session and Proceedings

1. Recognition of the necessity to convene a session for presentation of arguments and explanations shall be the responsibility of the “arbitrator”. However, holding a hearing shall be obligatory if a party requests convening of a meeting at an appropriate time, unless the parties have agreed otherwise .
2. The “arbitrator” shall notify the parties with an adequate time-limit of the date and venue of any hearing sessions or investigation meetings for inspection of goods and/or other properties and/or examination of the documents of the parties .
3. All pleas, documents or other information presented to the “arbitrator” by a party as well as the experts opinions and any other reports or evidences that the “arbitrator” may refer to while making a decision, shall be notified to both parties .

Article 24- Defaults of Each Party

1. If the plaintiff fails to present his notice (application) without a plausible excuse, the “arbitrator” shall issue a writ on annulment of arbitration request.
2. Should the defendant fail to submit his plea without a plausible excuse, the “arbitrator” shall continue the proceedings. Such default on the part of the defendant may not be construed as acceptance of the claims of the plaintiff by the defendant .
3. Should a party fail to attend hearings or to present his arguments, the “arbitrator” shall continue the proceedings and issue judgment on the basis of the existing documents .

Article 25- Seeking Expert Opinion

An “arbitrator” may refer the matter, on cases he deems necessary, to experts and call on each party to provide any information related to the matter to the expert and prepare the ground for his access to the documents, goods or other properties for inspection, unless the parties have agreed otherwise. The expert shall attend the hearing after presentation of his written report and answer the questions upon request by a party and/or if the “arbitrator” so recommends. The parties may also introduce expert/s as witness/s concerning the points of dispute .

Article 26- Joinder by a Third Party

Where a third party considers for himself an independent right in the subject of the arbitration and/or considers himself beneficiary in the rightfulness of one of the parties, he shall join the arbitration as long as the termination of proceedings have not been announced provided that he accepts the validity of the agreement, arbitration rules and the “arbitrator” and his joinder shall not be objected to by either one of the parties .

Chapter Six - Termination of Proceedings and Issuance of Award

Article 27- Governing Law

1. The “arbitrator” shall issue his award according to regulatory laws adopted by the parties for investigation of the merits of the dispute. Determination of the Laws or the legal system of a certain country, set in whatever way, shall be considered as referring to the substantive laws of that country. The rules for resolution of conflicts shall not be governed by the provisions of this Article unless the parties have agreed otherwise .
2. In case no governing law has been determined by the parties, the “arbitrator” shall take cognizance of the merits of dispute on the basis of a law which is compatible with the rules for resolution of conflicts .
3. Should the parties explicitly authorize the arbiter, he may give his award by bringing about a compromise made on the basis of equity in an arbitral manner .
4. The “Arbitrator” shall decide, in all cases, on the basis of the conditions of the contract, and also take into consideration the commercial practice of the subject concerned .

Article 28- Compromise

If the parties resolve their disputes in the course of proceedings, through compromise, the “arbitrator” shall issue a writ on termination of arbitration. Should one of the parties demand for a compromise and the other party makes no objection, the arbiter shall issue the compromise agreement in the form of arbitration award on the basis of the mutually acceptable conditions and with due observation of the provisions of Article (30) below .

Article 29- Decision-Making by a Board of Arbitrators

In arbitrations practiced by more than one arbitrator, decisions of the board of arbitrators shall be made by a majority of the votes of the members of the board unless the parties agree otherwise .

Article 30- Form and Content of Award

1. Judgment (award) shall be in writing and meet the signature of the arbitrator/s. In cases where there is more than one arbitrator, the signature of the majority of the arbitrators shall be sufficient provided that the reasons for non-signature by other members will be mentioned .
2. All the reasons on which a judgment (award) has been relied upon shall be stated in the text of the award unless the parties agree not to mention such reasons, or the judgment (award) has been issued on the basis of the mutually agreed upon conditions pursuant to Article 28 .

3. The award shall contain the date and venue of arbitration being subject of Clause (1) to Article (20) hereof .
4. After the award has been signed, a copy thereof shall be given to each party .

Article 31- Termination of Proceedings

Arbitration proceedings shall terminate upon issuance of the final award or upon an order from the “arbitrator” in the following cases :

1. Withdrawal of the case by the plaintiff unless the defendant makes objection to such withdrawal and the “arbitrator” holds justified and legal interests for him in the final settlement of dispute .
2. Lack of possibility or lack of necessity for continuation of proceedings due to other reasons at the discretion of the “arbitrator .”
3. Mutual agreement of the parties to terminate the proceedings .

Article 32- Amendment and Interpretation of the Award and Complementary Award

1. The “Arbitrator” shall amend any kind of errors in calculation, writing or similar errors in the judgment and/or remove ambiguity from it personally or upon a demand by each one of the parties. The time-limit for such demand by the parties shall be thirty (30) days from the date of service of the award. A copy of the said demand shall be sent to the other party. The “arbitrator” shall amend or make interpretations of the award within a maximum period of thirty (30) days from the date of receipt of the demand. Should he personally learn of any errors or of any ambiguity within a period of thirty (30) days from the date of issuance of the award, the arbiter shall likewise amend the award or make an interpretation thereof .
2. Each party, while sending a notice to the other party, may demand, within a period of thirty (30) days from the date of service of the award, from the “arbitrator” to issue a complementary judgment, regarding the claims he has filed but kept in abeyance. The “arbitrator” shall issue complementary judgment within a period of sixty (60) days provided that he recognizes the application as plausible. The “arbitrator”, shall extend the said period, if necessary .
3. The provisions of Article (30) above shall also apply to the amendment, interpretation and making complementary judgments (awards).

Chapter Seven -Objection to the Award

Article 33- Application for Cancellation of the Award

1. The arbitration award shall be nullified by the court described in Article (6) above, upon a request by one of the parties in the following cases :
 - a) If a party lacks legal capacity .
 - b) If the arbitration agreement is not valid by virtue of a law the parties have consented to and in case of silence on the governing law, it is in open contradiction with the Iranian law .
 - c) If the regulations of this Law concerning notification of arbitrator appointment or arbitration application are not observed .
 - d) If the annulment applicant fails to present his reasons out of his control .
 - e) If the “arbitrator” issues a judgment beyond the sphere of his powers. Should the matters referred to arbitration be separable, only that part of the judgment which is beyond the powers of the “arbitrator” shall be nullified .
 - f) If the composition of the board of arbitrators or the procedural law is not in accordance with the arbitration agreement and/or in case of silence and/or lack of existence of arbitration agreement being opposed to the provisions of this Law .
 - g) If arbitration judgment includes the affirmative and effective view of the arbitrator whose replacement has been accepted by the authority described in Article (6) hereof .
 - h) If the award of the arbitrator relies on a document whose fabrication has been proved by virtue of a final judgment .
 - i) If a document is found, after the issuance of arbitrator’s judgment, proving the rightfulness of the objector and is confirmed that the opponent party has concealed that document and/or has caused its concealment.
2. Concerning the cases mentioned in Clauses (h) and (i) of the above clause, the party having incurred a loss as a result of the forged or concealed document may request, prior to applying for cancellation of arbitration judgment, from the “arbitrator” to re-investigate the matter unless the parties agree otherwise.
3. Application for cancellation of an award set forth under Clause 1 above shall be delivered, within three months from the date of notification of the arbitrator’s judgment including amending, complementary or exegetic judgment to objector, to the court being subject of Article (6) above. Otherwise, it will not be acceptable .

Article 34- Nullification of Award

Arbitrator’s award shall be nullified and inexecutable in the following cases :

1. In case the principle subject of dispute could not be settled through arbitration under Iranian laws .

2. In case the content of the judgment is incompatible with public order or good neighborliness of the country and/or the imperative regulations of this Law .
3. In case the arbitrator's award concerning immovable properties located in Iran is in contradiction with imperative regulations of the Islamic Republic of Iran and/or with the provisions of valid notarized documents, unless the "arbitrator" has the right of compromise in the case of the latter .

Chapter Eight - Implementation of Award

Article 35- Enforcement

1. Excluding the cases mentioned in Articles (33) and (34), the arbitration award issued in accordance with the regulations of this Law shall be final and binding after notification. In case of written application from the court mentioned in Article (6), the arrangements for enforcement of court verdicts shall be executed .
2. In case one of the parties demands the cancellation of the award from the court mentioned in Article (6) of this Law and the other party demands its recognition or enforcement, the court shall prescribe that the party demanding nullification to deposit an appropriate guarantee provided that the party demanding recognition or enforcement of the judgment requests so .

Chapter Nine – Other Regulations

Article 36- Other Regulations

1. Arbitration to international commercial disputes mentioned in this Law, shall be excluded from the arbitration rules mentioned in the Civil Procedure Code and other rules and regulations .
2. This Law shall have no impact on other regulations of the Islamic Republic of Iran on the basis of which certain disputes cannot be referred to arbitration .
3. In case other arrangements and conditions have been provided for arbitration of disputes being subject to this Law, in the treaties and accords concluded between Government of the Islamic Republic of Iran and other governments, the same arrangements and conditions shall be practiced .

The end