Arbitration procedures and practice in the United Arab Emirates: overview

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USE OF ARBITRATION AND RECENT TRENDS

1. How is commercial arbitration used in your jurisdiction and what are the recent trends?

Use of commercial arbitration

Arbitration has increasingly become a popular method of dispute resolution in the region.

Historically, parties preferred litigation and were generally reluctant to use arbitration, particularly since an element of uncertainty was considered to surround the enforcement of arbitral awards. Although a degree of uncertainty in enforcement still prevails, it is fair to say that the local courts are for the most part more familiar with the arbitration process and more willing to recognise and enforce arbitral awards.

Recent trends

Since 2008, many of the arbitrations in the region have related to the construction and real estate sector. However, recent trends have demonstrated a willingness on the part of parties to submit not just specialist disputes to arbitration but a broader range of general commercial matters.

Dubai in particular is considered a popular seat of arbitration in the region. This has been assisted by the presence of arbitration institutions such as the Dubai International Arbitration Centre (DIAC) and the Dubai International Financial Centre (DIFC) Arbitration Centre. Recent developments in arbitration rules and procedures, the promise of an arbitration law and the courts welcoming approach to the New York Convention all show signs of an upward trend in the use of arbitration in the UAE.

Advantages/disadvantages

Some advantages of arbitration over litigation include:

- The proceedings are confidential (unless the parties agree otherwise).
- Arbitrators with the requisite expertise can be appointed to deal with disputes involving technical subject matters.
- Arbitrations can be conducted in English, whereas court litigation is always in Arabic.
- Oral evidence is permitted in arbitration, whereas only written submissions are generally permitted in the courts.
- There are limited avenues for appealing arbitral awards and the merits of a decision cannot be challenged.

Some disadvantages of arbitration when compared to litigation include:

- Arbitral proceedings are generally more costly, considering tribunal and administrative fees.
- To be enforceable, arbitration awards must be ratified by the courts. This may cause delays in the enforcement of an award.
- Uncertainties may arise from the fact that there is no effective doctrine of binding precedent and therefore the courts may in some instances refuse recognition or enforcement of an arbitral award on unanticipated grounds.

LEGISLATIVE FRAMEWORK

Applicable legislation

2. What legislation applies to arbitration? To what extent has your jurisdiction adopted the UNCITRAL Model Law on International Commercial Arbitration 1985 (UNCITRAL Model Law)?

The legislation applicable to arbitration is the Civil Procedure Law of the United Arab Emirates, Federal Law No. (11) of 1992, as amended (Civil Procedure Code (CPC)).

The applicable provisions of the CPC are not based on the UNCITRAL Model Law. It is expected that a new arbitration law based on the UNCITRAL Model Law, which has been in draft form for some time now, will be promulgated in the future.

The DIFC was established as a separate common law jurisdiction within Dubai and has its own arbitration law (DIFC Arbitration Law No.1 of 2008). The provisions of the CPC relating to arbitration do not apply where the seat of arbitration is the DIFC since the DIFC Arbitration Law would apply. The DIFC Arbitration Law is based on the UNCITRAL Model Law.

Arbitration rules are usually determined by the choice of arbitral institution. In the DIFC, the institution of the DIFC-LCIA has its rules closely modelled on the rules of the LCIA. The DIFC-LCIA Arbitration Centre is independent of the DIFC courts but recognises that they exercise a supervisory role over disputes submitted to DIFC-LCIA Arbitration. The local courts exercise this supervisory function over disputes submitted to arbitration before institutions outside of the DIFC, such as the DIAC where the DIAC Arbitration Rules of 2007 (DIAC Rules) would apply. The majority of arbitrations in the UAE are still conducted under the DIAC Rules.

This article mainly discusses arbitration in the UAE as it relates to the CPC and will not generally refer to the laws governing arbitration in the DIFC.

Mandatory legislative provisions

3. Are there any mandatory legislative provisions? What is their effect?

Mandatory legislative provisions relate to a party’s right to apply to invalidate an award on limited grounds (Article 216, CPC) (see
**Country Q&A**

See box, Main arbitration organisations.

**ARBITRATION ORGANISATIONS**

5. Which arbitration organisations are commonly used to resolve large commercial disputes in your jurisdiction?

The most commonly used organisations to resolve commercial disputes in the UAE are the:

- Dubai International Arbitration Centre (DIAC) (www.diac.ae).
- Abu Dhabi Commercial Conciliation & Arbitration Centre (ADCCAC) (www.abudhabichamber.ae).
- DIFC-LCIA Arbitration Centre (www.difcarbitration.com).

See box, Main arbitration organisations.

**ARBITRATION AGREEMENTS**

6. What are the requirements for an arbitration agreement to be enforceable?

**Substantive/formal requirements**

The following requirements must be satisfied (Article 203, CPC):

- An arbitration agreement must be in writing.
- The subject matter of the dispute must be specified in the arbitration agreement.
- Arbitration is not permissible where the subject matter of the dispute is not capable of being reconciled. An arbitration agreement can only be made between parties who are legally entitled to dispose of the disputed right (Article 203(4), CPC).

For example, where a developer does not register a property, this would constitute a breach of a public obligation under Article 2 of Dubai Law No. 13 of 2008, regulating the Interim Real Estate Register. This breach cannot be waived by the purchaser as the developer’s obligation to register the unit is towards the State. ([Dubai Court of Cassation Appeal No. 14 of 2012](#)) (see Question 28).

In addition, the wording of the arbitration agreement must be clear and unequivocal. Agreements to arbitrate are construed narrowly.

**Separate arbitration agreement**

The contracting parties can refer a dispute that may arise between them to arbitration either through a clause in the main contract or by way of a separate arbitration agreement (Article 203, CPC).

**Unilateral or optional clauses**

7. Are unilateral or optional clauses, where one party has the right to choose arbitration, enforceable?

In theory, unilateral or optional clauses are enforceable. However, there has not been a judicial determination on this point therefore it is advisable to avoid such clauses until there is clarity on the position.

**Separability**

8. Does the applicable law recognise the separability of arbitration agreements?

The CPC does not expressly provide for the doctrine of separability. However, this doctrine is recognised by the UAE courts. The DIAC also recognises the separability of arbitration agreements and the DIAC Rules provide that unless the parties agree otherwise, an arbitration agreement which forms, or was intended to form, part of another agreement must not be regarded as invalid, non-existent or ineffective because that other agreement is invalid, or did not come into existence or has become ineffective, and the arbitration agreement must for that purpose be treated as a distinct agreement (Article 6.1, DIAC Rules).

**Break of an arbitration agreement**

9. What remedies are available where a party starts court proceedings in breach of an arbitration agreement or initiates arbitration in breach of a valid jurisdiction clause?

Court proceedings in breach of an arbitration agreement

A jurisdictional objection can be made before the local courts on the grounds that there exists an arbitration agreement between the parties. However, any such objection must be made at the first hearing, failing which the court assumes jurisdiction. Normally, the courts decline jurisdiction where a valid arbitration clause is present, if the objection is made during the first hearing.

**Arbitration in breach of a valid jurisdiction clause**

If the underlying contract does not contain an arbitration clause, or provides for dispute resolution in a form other than arbitration, the arbitral tribunal will not have jurisdiction over the dispute and will refuse to arbitrate the matter.

10. Will the local courts grant an injunction to restrain proceedings started overseas in breach of an arbitration agreement?

Interim relief and injunctions can be sought in the local courts. However, in practice, injunctive relief is rarely granted by the courts in such circumstances.
Joinder of third parties

11. In what circumstances can a third party be joined to an arbitration or otherwise be bound by an arbitration award?

The parties to an arbitration must have entered into an arbitration agreement. There is no provision in the CPC which allows a third party to be:
- Joined to an arbitration.
- Bound by an arbitration award.

ARBITRATORS

Number and qualifications/characteristics

12. Are there any legal requirements relating to the number and qualifications/characteristics of arbitrators?

While the law does not set a limit on the number of arbitrators, the number of arbitrators must be an odd number (if there is more than one arbitrator).

An arbitrator cannot be (Article 206, CPC):
- A minor.
- Legally incapacitated.
- Stripped of his civil rights because of a criminal conviction (unless he has been rehabilitated).
- Bankrupt (unless he has been discharged).

Independence/impartiality

13. Are there any requirements relating to arbitrators’ independence and/or impartiality?

Most of the institutional arbitration rules have express provisions requiring arbitrators’ independence or impartiality (for example, Article 9.1, Dubai International Arbitration Centre Rules).

An arbitrator can be recused or disqualified from sitting on a matter for the same reasons as a judge. A judge is recused if (Article 114, CPC):
- He is the spouse of any of the litigants, or a relative or in-law of the litigant to the fourth degree.
- His spouse has an existing dispute with any of the parties (or their spouses).
- He is an agent, trustee or guardian of any of the parties in his private capacity.
- He has given a legal opinion or has pleaded for any of the parties in the lawsuit, or given any written statement during the course of one.

Removal of arbitrators

Arbitrators cannot be dismissed, except with the agreement of all parties to the dispute. However, at a party’s request, a competent court (that is, a court that would have jurisdiction to hear the dispute if it was not submitted to arbitration) can remove an arbitrator if it is proved that the arbitrator deliberately neglected to act in accordance with the arbitration agreement (Article 207(3), CPC).

An arbitrator cannot be recused, except for reasons that are discovered after his appointment. The grounds for recusal are the same as those applicable to a court judge (Article 207, CPC) (see Question 13).

An application to remove an arbitrator must be made to the original court having jurisdiction to hear the dispute within five days from either:
- The arbitrator’s appointment.
- The date on which the cause of recusal occurs or becomes known.

An application to remove an arbitrator will not be accepted if the arbitral award has been handed down or if the pleadings are closed (Article 207(4), CPC).

PROCEDURE

Commencement of arbitral proceedings

15. Does the law provide default rules governing the commencement of arbitral proceedings?

In relation to the start of arbitral proceedings, the arbitrator(s) must, within 30 days after accepting an arbitration, inform the parties of the date and place of the first session fixed for hearing the dispute (Article 208(1), CPC).

Applicable rules

16. What procedural rules are arbitrators likely to follow? Can the parties determine the procedural rules that apply? Does the law provide any default rules governing procedure?

Applicable procedural rules

The parties can, and often do, decide on the applicable procedural rules in the arbitration agreement. If the arbitration agreement is silent, the parties decide on the applicable procedural rules in the terms of reference at the onset of the proceedings.

With institutional arbitration proceedings, the procedural rules of the institution apply.

Default rules

If the parties cannot agree on the procedural rules, the arbitrator(s) must decide on the applicable rules, provided that the selected rules meet the minimum requirements of the CPC.

Arbitrator’s powers

17. What procedural powers does the arbitrator have under the applicable law? If there is no express agreement, can the arbitrator order disclosure of documents and attendance of witnesses (factual or expert)?

The procedural powers of an arbitrator are determined in the arbitration agreement or by the applicable procedural rules (see Question 16).
For example, under the DIAC Rules, the arbitrator(s) can order, at any time during an arbitration:

- Disclosure of documents and taking of evidence.
- Attendance of experts.
- Witness testimony and hearings.

In addition, arbitrator(s) can apply to the President of the competent court (Article 209(2), CPC):

- Penalise witnesses who fail to appear or abstain from answering questions.
- Order third parties to produce documents in their possession that are necessary to render an award.
- Appoint a judicial delegation.

However, to make any of these applications, the arbitrator(s) must first suspend the arbitral proceedings.

**EVIDENCE**

18. What documents must the parties disclose to the other parties and/or the arbitrator? How, in practice, does the scope of disclosure compare with disclosure in litigation? Can the parties determine the rules on disclosure?

**Scope of disclosure**

The scope of disclosure is often very limited in the UAE, both in litigation and arbitration. A party is generally not obliged to disclose any document which is detrimental to its case, unless ordered by the court to do so.

**Parties’ choice**

The parties can determine the rules on disclosure. Increasingly the 2010 IBA Rules on the Taking of Evidence are being adopted within arbitration proceedings. Under the DIAC Rules, the tribunal has the power to decide on the rules of evidence to be applied during the proceedings (Article 27.2, DIAC Rules). In addition, the parties are not required to disclose any document they are not intending to rely on, unless ordered by the arbitrator to do so (DIAC Rules).

**CONFIDENTIALITY**

19. Is arbitration confidential?

The general rule is that arbitration proceedings are confidential subject to the arbitration agreement and/or the terms of reference. Under the DIAC Rules, an award can be made public only with the agreement of the parties (Article 37.9, DIAC Rules).

**COURTS AND ARBITRATION**

20. Will the local courts intervene to assist arbitration proceedings?

Interim relief and injunctions can be sought in the local courts. However, in practice it is rare.

21. What is the risk of a local court intervening to frustrate the arbitration? Can a party delay proceedings by frequent court applications?

**Risk of court intervention**

A party can attempt to delay proceedings by frequent court applications but there are limited grounds on which these applications can be made. The type of applications can include, for example:

- A jurisdictional challenge.
- Applications for interim relief.
- Challenges to the appointment of the arbitrator(s).

**Delaying proceedings**

See above, Risk of court intervention.

22. What remedies are available where one party denies that the tribunal has jurisdiction to determine the dispute(s)? Does your jurisdiction recognise the concept of kompetenz-kompetenz? Does the tribunal or the local court determine issues of jurisdiction?

The concept of kompetenz-kompetenz is recognised. For example, in proceedings before the DIAC, if a party raises a plea relating to the existence, validity, scope or applicability of the arbitration agreement, the Executive Committee of the DIAC can decide, without prejudice to the admissibility or merits of the plea, that the arbitration must continue if the Executive Committee is prima facie satisfied that an arbitration agreement exists. In these circumstances, the parties are not enjoined from raising any such jurisdictional objection before the tribunal, and any decision as to the jurisdiction of the tribunal will be taken by the tribunal itself. If the Executive Committee is not so satisfied, the parties will be notified that the arbitration cannot proceed. Any party then retains the right to ask any competent court to determine whether or not there is a binding arbitration agreement (Article 6.2, DIAC Rules).

**REMEDIES**

23. What interim remedies are available from the tribunal?

**Security**

The tribunal can issue any provisional orders, or take other interim or conservatory measures it considers necessary, including injunctions and measures relating to the conservation of goods which form part of the subject matter of the dispute (such as an order for deposit with a third party or an order for the sale of perishable goods).

Under the DIAC Rules, the tribunal can also order that a requesting party provide appropriate security (Article 31.1, DIAC Rules).

**Other interim measures**

See above, Security.

24. What final remedies are available from the tribunal?

The tribunal can award:

- Damages.
- Injunctions (see Question 22).
- Costs (see Question 26).
- Interest.
APPEALS

25. Can arbitration proceedings and awards be appealed or challenged in the local courts? What are the grounds and procedure? Can the parties effectively exclude any rights of appeal?

Rights of appeal/challenge
The award of an arbitral tribunal cannot be challenged on substantive grounds (Article 217, CPC). However, the parties can apply for the invalidation on the following grounds where the award (Article 216, CPC):
- Was rendered without an arbitration agreement or on the basis of an invalid document.
- Has become time barred or ultra vires.
- Was rendered by arbitrator(s) who:
  - have not been appointed in accordance with the provisions of law;
  - were not authorised to render an award; and/or
  - did not satisfy the legal requirements.
- Was rendered on the basis of an arbitration agreement in which the subject of the dispute had not been determined.
- Is invalid or the proceedings were invalid in a manner that affects the award.

Grounds and procedure
See above, Rights of appeal/challenge.

Excluding rights of appeal
It is not possible to exclude the right to seek the invalidation of an award prior to it being issued. However, parties can waive the right to apply for an annulment of an award after it has been issued.

COSTS

26. What legal fee structures can be used? Are fees fixed by law?

Legal fees are not fixed by law. Hourly rates and fixed fee arrangements are commonly used.

27. Does the unsuccessful party have to pay the successful party's costs? How does the tribunal usually calculate any costs award and what factors does it consider?

Cost allocation
In principle, the unsuccessful party may be liable for the successful party's costs.

Cost calculation
Arbitral tribunals can award costs at their discretion. It is possible for a party to make an application to the court for a variation of the tribunal's assessment of costs.

Factors considered
Costs are generally awarded on the basis of the:
- Parties' submissions.
- Complexity and nature of the dispute.
- Time spent.

- Discretion of the arbitral tribunal.

It is advisable to have an express provision for the allocation of costs from the outset within the arbitration agreement.

ENFORCEMENT OF AN AWARD

Domestic awards

28. To what extent is an arbitration award made in your jurisdiction enforceable in the local courts?

Arbitral awards must be ratified through the local courts. Therefore, the party seeking to enforce an award must apply to the court to have the award ratified. This involves filling a civil suit in the form of a claimant seeking ratification of the award in the Court of First Instance. The original award and any annexes must be filed with the application. If the award has been rendered outside the UAE it must, in addition:
- Undergo the process of legalisation, which involves:
  - the notarisation and consularisation of the award at the level of the UAE Embassy in the country in which it is issued; and
  - further authentication of the award by the Ministries of Foreign Affairs and Justice in the UAE.
- Be translated (where required).

The application is then served on the defendant and the matter proceeds as a civil claim, with the defendant having an opportunity to respond.

A decision of the Court of First Instance can be appealed to the Court of Appeal and then to the Court of Cassation.

In recent judgments, the Dubai Court of Cassation has increased the scope of the grounds set out in Article 216 of the CPC under which the court may refuse an application to ratify an arbitration award for enforcement. The Court has held that an arbitration clause is invalid when the dispute referred to arbitration relates to the application of Article 3 of Dubai Law No. 13 of 2008 (Regulating the Interim Real Estate Register in the Emirate of Dubai). Article 3 contains provisions concerning the registration of any sale or other disposition of property in the Interim Real Estate Register. The Court has held that Article 3 relates to matters concerning public order and that such matters are not capable of resolution by arbitration. Reference was also made to Article 203(4) of the CPC which provides, among other things, that arbitration is not permissible in matters where the subject matter of the dispute is not capable of being reconciled. An arbitration agreement can only be made between parties who are legally entitled to dispose of the disputed right (see Question 8).

Public order or policy in the UAE is widely defined and can include matters relating to freedom of trade, circulation of wealth, rules of private ownership and other "rules and foundations upon which society is based" so as not to conflict with the "definite provisions and fundamental principles of Islamic sharia". The Court of Cassation has held that the regulation of wealth and personal ownership are matters of public order and therefore cannot be subject to arbitration and accordingly has refused the ratification and enforcement of such awards.

Foreign awards

29. Is your jurisdiction party to international treaties relating to recognition and enforcement of foreign arbitration awards, such as the Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (New York Convention)?

The UAE is party to the following relevant international treaties:
• The New York Convention.
• Arab Convention on Judicial Co-operation (Riyadh Convention).
• Agreement of Execution of Judgments, Delegations and Judicial Notifications in the Arab Gulf Cooperation Council Countries (GCC Treaty).

Therefore, arbitral awards rendered by an arbitral tribunal in the UAE are enforceable (subject to the local laws) in jurisdictions that are parties to the above treaties.

In addition, the UAE has entered into certain bilateral treaties for judicial co-operation and enforcement of judgments with a number of countries, for example, with France and India.

30. To what extent is a foreign arbitration award enforceable in your jurisdiction?

The UAE is party to a number of international and bilateral treaties relating to, among other things, the enforcement of arbitral awards (see Question 29). Therefore, the enforcement of foreign arbitral awards in the UAE is subject to the applicable treaty(ies). If no treaty applies, a civil claim must be filed, and the award can be produced as evidence. Although the principle of reciprocity is supported by the CPC, in the absence of a treaty, the courts tend to treat the matter de novo (that is, the court considers all the evidence and facts of the case afresh).

The enforcement of a foreign arbitration award will be denied if the award either:
• Contradicts the provisions of the Islamic sharia or the UAE’s Constitution.
• Was issued in absentia (that is, the defendant was not present when the award was issued).

If the award is rendered outside of the UAE, it is treated as a foreign award and is subject to the rules relating to foreign awards if:
• There was an existing arbitration agreement.
• The parties were properly summoned.
• The award is not against the public policy of the UAE.
• The ruling is in writing.

31. How long do enforcement proceedings in the local court take, from the date of filing the application to the date when the court makes its final order? Is there an expedited procedure?

The rules of summary procedure apply to the enforcement of arbitral awards (Article 212, CPC). However, enforcement proceedings can take anywhere between six to 24 months, or even longer if the party against whom the enforcement is sought resists.

REFORM

32. Are any changes to the law currently under consideration or being proposed?

The promulgation of a new federal arbitration law in the UAE is awaited. It is expected that the new law will be based on the UNCITRAL Model Law, as well as influenced by Egyptian Arbitration Law.

MAIN ARBITRATION ORGANISATIONS

Dubai International Arbitration Centre (DIAC)
Main activities. DIAC was established in 1994 by the Dubai Chamber of Commerce, as a centre for commercial conciliation and arbitration. It was significantly modified in 2007 and now handles over 300 cases a year.
WWW www.diac.ae

Abu Dhabi Commercial Conciliation & Arbitration Centre (ADCCAC)
Main activities. ADCCAC was established by the Abu Dhabi Chamber of Commerce in 1993 and was the first arbitration centre established in the Gulf region.
WWW www.abudhabichamber.ae

DIFC-LCIA Arbitration Centre
Main activities. The DIFC-LCIA Arbitration Centre was established in 2008 and is a joint venture between the DIFC and the LCIA with the aim of promoting more effective resolution of international business disputes through arbitration and mediation worldwide.
WWW www.difcarbitration.com
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**Professional qualifications.** NWFP Bar Council, Pakistan  

**Areas of practice.** Dispute resolution; corporate and commercial; infrastructure and project finance; joint ventures; franchises; distributorships.

**Recent transactions**
- Representing one of two defendants in advancing its Defence and Counterclaim in one of the most complex multi-party disputes before the common law courts of the Dubai International Financial Centre (the DIFC Courts).
- Representing the Respondent in ICC Arbitration relating to a dispute concerning the termination of a supply contract.
- Representing a major developer in Dubai with respect to multi-million dollar claims asserted by a contractor.

**Non-professional qualifications.** LLM Fordham University School of Law, LLB, University of Bristol

**Languages.** English, Urdu


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**Areas of practice.** DIFC courts’ litigation; dispute resolution; general commercial litigation; international arbitration.

**Non-professional qualifications.** BA Joint Honours (Law and Arabic), School of Oriental and African Studies (SOAS), University of London

**Recent transactions**
- Representing the Defendant in advancing its Defence and Counterclaim before the English Commercial Court relating to the sale of an oil rig.
- Representing one of two Defendants in advancing its Defence and Counterclaim in one of the most complex multi-party disputes before the common law courts of the Dubai International Financial Centre (the DIFC Courts).
- Representing the Respondent in ICC Arbitration relating to a dispute concerning the termination of a supply contract.
- Representing the Applicant in a first of its kind, test application before the Dubai World Tribunal.

**Languages.** English, Arabic, Gujarati, Urdu

**Professional associations/memberships.** Member of the Honourable Society of Lincoln’s Inn; Member of Mansfield Chambers; Eastham Scholar and Buchanan Prize winner; involved in a number of projects advocating access to justice in the MENA region; received an Honourable Mention in October 2012 at the DIFC Courts’ first Access to Justice Awards for dedication and commitment to the Courts’ Pro Bono Programme; sits on the DIFC Courts’ Pro Bono Committee; Member of the Editorial Board of the Arab Law Quarterly; recommended as a dispute resolution practitioner, Legal 500 EMEA.

**Publications.** *Resolving Rental Disputes at DIFC Properties,* Gulf News, 4 June 2014; *The DIFC in Focus, Afridi & Angell’s “inBrief”,* May 2014; *World Arbitration Reporter,* (co-author of UAE chapter), March 2014; *Enforcing Money Judgments between the UAE and the UK,* Global Legal Post, May 2013; *Practising Law Abroad,* ABA Newsletter, May 2012; *Gateway to a Resolution - Modernising Dubai’s Business Disputes Regime,* Legal Week, March 2012; *Dispute Resolution in Dubai,* Financier Worldwide, April 2012.