



## **Report on Formation of the Georgian International Arbitration Centre**

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# 1. General Overview

Development of arbitration is necessary for both the state and private sector. One of the essential aspects for investment flow and development of the business environment in Georgia is the existence of the independent and impartial arbitration institution, as well as flexible and arbitration-friendly legislation.

The number of disputes settled by arbitration globally has significantly increased from year to year. According to PriceWaterHouseCoopers (PWC) and Queen Mary University survey, the majority of corporations surveyed choose arbitration for settlement of the international disputes.<sup>1</sup>

The Government of Georgia is oriented on abolition of the legal barriers to the development of arbitration institution.

The Law On Arbitration, which came into force on 19 June 2009 is based on the UNCITRAL Model Law on International Commercial Arbitration and is the first step for development of arbitration in Georgia. It replaced the 1997 Law On Private Arbitration, which was old and inefficient method for regulation of this field and did not meet the international standards. It was intended primarily for domestic disputes and without clear provisions of the competence-competence and regime for recognition and enforcement of international awards.

Recently, the Ministry of Justice of Georgia has prepared the bill that provides amendments to the 2009 Law On Arbitration and is directed towards increasing the efficiency and flexibility of arbitration in Georgia.

In these circumstances there is a necessity of establishing a strong regional arbitration institution in Georgia, which will be more convenient for the parties taking into account its geographic location and lower arbitration costs, as opposed to the well-known international arbitration institutions.<sup>2</sup>

Additionally, the recent trend shows that in most cases, the parties choose institutional arbitration and not “ad hoc” arbitration,<sup>3</sup> since it is more reliable and the parties have the opportunity to predict the estimated arbitration costs.

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<sup>1</sup>“Overall, businesses continue to show a preference for using arbitration over litigation for transnational disputes.” - PriceWaterHouseCoopers (PWC) 2013 International Arbitration Survey “CORPORATE CHOICES IN INTERNATIONAL ARBITRATION - INDUSTRY PERSPECTIVES”. p.4, Please see the electronic version at official web-site of PriceWaterHouseCoopers- t<<http://www.pwc.com/arbitrationstudy>> (16.12.2014).

<sup>2</sup> “A sizeable number of respondents were supportive of the development of stronger regional arbitration institutions, which are closer to the location of the disputes and which might also be less expensive than established institutions” - PWC SURVEY INTERNATIONAL ARBITRATION: CORPORATE ATTITUDES AND PRACTICES 2006, p.2 Please see the electronic version at official web-site of PriceWaterHouseCoopers <[http://www.pwc.be/en\\_BE/be/publications/ia-study-pwc-06.pdf](http://www.pwc.be/en_BE/be/publications/ia-study-pwc-06.pdf) > (16.12.2014).

<sup>3</sup> Ibid. p.15.

According to PWC Survey 2008, States also prefer the institutional arbitration. The statistics show that 67% of the arbitration proceedings involving a state or a state-owned company were referred to the arbitration institutions.<sup>4</sup>

Consequently, when the state is trying to promote the development of arbitration and there is a need for arbitration in business sector, it is necessary to establish the international arbitration institution in Georgia, which will be provide for an effective and reliable alternative dispute resolution.

Hence, the Georgian Chamber of Commerce and Industry (GCCI) considered the significance of the establishment of an independent and impartial alternative dispute resolution institution in Georgia and in the whole region, taking into account the imminent necessity of modernization of already existing inefficient arbitration court at the Chamber.

The GCCI prepared a detailed project for the establishment of an arbitration institution, which was presented to almost all non-government organizations operating in Georgia, as well as relevant state authorities in order to raise funds necessary for execution of the project.

The Transparency International Georgia expressed its willingness to cooperate with the GCCI in this Project. Consequently, under its Project “Support of the Development of Regional Arbitration in Georgia”, funded by Embassy of the Kingdom of the Netherlands in Georgia, the preliminary plan for establishment of the Arbitration Centre was prepared. The plan included three main components:

- I. **A working visit to the international arbitration institutions**, for sharing the experience;
- II. **An engagement of a foreign expert**, for bringing the project into compliance with the international standards;
- III. **Holding an international conference**, for presenting directions of the Project to international and domestic practitioners in the field of arbitration.

As a result of the efforts of the working group involved in the Project, the Georgian International Arbitration Centre (GIAC) has been established as an international arbitration institution, which meets the international standards and during the creation of which country and regional particularities were taken into account. The involvement of international experts and practitioners guaranteed that the GIAC was based on the long-term arbitration practice as well as on the novelties,

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<sup>4</sup> PWC SURVEY INTERNATIONAL ARBITRATION: CORPORATE ATTITUDES AND PRACTICES 2008, p.4, please see the electronic version at PriceWaterHouseCoopers official web page <[http://www.pwc.co.uk/en\\_UK/uk/assets/pdf/pwc-international-arbitration-2008.pdf](http://www.pwc.co.uk/en_UK/uk/assets/pdf/pwc-international-arbitration-2008.pdf)> (16.12.2014).

which are necessary for the smooth and efficient operation of a modern arbitration institution. The GIAC is ready to administer the arbitration disputes.

This Report presents the actions taken during the establishment of GIAC (2), the chosen approaches for creation of GIAC, and novelties, which are introduced by the GIAC Arbitration Rules (3), and the advantages of the GIAC (4).

## **2. Project - Establishment of the International (Regional) Arbitration Institution in Georgia**

The proposed Project by the GCCI on the establishment of an international (regional) arbitration institution in Georgia is derived from one of its important functions, namely, the development of the alternative dispute resolution.<sup>5</sup>

The essence of the initiative of the GCCI was the creation of an independent and impartial arbitration centre. During the preparation of the project, the most significant motivation of the GCCI were the international trends. The international surveys provided that in recent years the number of disputes settled by regional arbitration institutions has significantly increased. In past decades, the majority of the disputes, arising from the international transactions, were settled by the well-known international arbitration institutions, however, according to the new data, nowadays, the business more often chooses regional arbitration institutions. One of the main reasons for such trend is the cost reduction and increased trust of the high-quality regional arbitration institutions, considering their high standard of the independence and impartiality.<sup>6</sup> The situation in Georgia was an important factor as well, together with the past experiences.

### **2.1. GIAC Formation Working Group**

Considering the complex and comprehensive character of the Project, the GCCI decided to create a working group for determination of the main actions, directions and structural formation issues of the establishment of an arbitration institution.

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<sup>5</sup> Georgian law on “Georgian Chamber of Commerce and Industry” Article 3(2)“n”.

<sup>6</sup> Queen Mary University and White & Case publication: 2010 International Arbitration Survey: Choices in International Arbitration, p. 22, please see the electronic version at White & Case official web page, [http://www.whitecase.com/files/upload/fileRepository/2010International\\_Arbitration\\_Survey\\_Choices\\_in\\_International\\_Arbitration.pdf](http://www.whitecase.com/files/upload/fileRepository/2010International_Arbitration_Survey_Choices_in_International_Arbitration.pdf)> (16.12.2014)

**The members of GIAC  
Formation Working Group:**

**Ms. Mariam Gotsiridze**

Ministry of Justice of Georgia

**Ms. Salome Iobidze**

Ministry of Economy and  
Sustainable Development of  
Georgia

**Mr. Davit Molodini**

Ministry of Finance

**Mr. Aleksandre Tsuladze**

Supreme Court of Georgia

**Mr. Gia Gvilava**

Transparency International Georgia

**Ms. Sophie Tkemaladze**

EWMI/ JILEP

**Mr. Giorgi Narmania**

Georgian Young Lawyers  
Association

**Mr. Irakli Kordzakhia**

Member of Ethics Commission of  
the Georgian Bar Association

**Mr. Archil Giorgadze**

ICC Georgia Arbitration Commission

**Mr. Beka Injia**

Georgian Chamber of Commerce  
and Industry

The Working Group was composed of the representatives of the Ministries of Justice, Finance and Economy and Sustainable Development of Georgia, also representatives of the Supreme Court, NGOs – EWMI (JILEP Project), Transparency International Georgia, Georgian Young Lawyers Association, and as well as representatives of the private sector.

The Working Group was handling the institutional issues. From the very beginning, the aim was to implement the international practice and experience, and at the same time considering Georgian reality. Two main tasks of the Working Group included the determination of a legal form of the institution, as well as the issues of corporate structure.

As a result, the Charter of Georgian International Arbitration Centre and the documents of incorporation were drafted. The charter of GIAC defines the organs of GIAC and their functions.

Simultaneously, several members of the group worked on the first version of the GIAC Arbitration Rules.

During the drafting process of the first version of the GIAC Arbitration Rules, the following arbitration institutions and their arbitration rules were considered: International Court of Arbitration of International Chamber of Commerce (ICC ICA), Arbitration Institute of the Stockholm Chamber of Commerce (SCC), the Netherlands Arbitration Institute (NAI), Vienna International Arbitration Centre (VIAC), and Singapore International Arbitration Centre (SIAC). At the same time, Georgian practice was also taken into account.

## **2.2. The working visit to the Netherlands**

To meet the international standard, it was necessary to study the international practice and to implement it in the process of GIAC formation. Hence, one of the components of the Project carried out by Transparency International Georgia - “Support of the Development of the Regional Arbitration in Georgia,” was the working visit to leading international arbitration institutions.

With joint efforts of the Transparency International Georgia and the GCCI the visit to the Permanent Court of Arbitration in the Hague and to the Netherlands Arbitration Institute was planned. Several members of the GIAC Formation Working Group participated in this working visit. The main aim of the visit was to get acquainted with the operation of these organizations and to share the experience in relation to the formation of the GIAC. The members of the Working Group participated in the consultation meetings organized within the scope of the visit and they received valuable advice and suggestions regarding the Project implementation. The future cooperation possibilities were also discussed.

## **2.3. Involvement of Expert in the project**

The Project “Support of the Development of the Regional Arbitration in Georgia” also called for engagement of an international expert. Mr. Brooks W. Daly was invited to be an expert in the GIAC formation process. Mr. Daly is the Deputy Secretary General of Permanent Court of Arbitration in Hague. He has a long-term experience in arbitration and is one of the leading expert in the field.

He played a major role in designing the corporate structure of the GIAC. The involvement of Mr. Daly was a guarantee for further establishment of GIAC as a high standard alternative dispute resolution mechanism.

## **2.4. Tbilisi International Arbitration Conference**

The Project “Support of the Development of the Regional Arbitration in Georgia” also included a component of holding an international arbitration conference in Tbilisi. The purpose of the conference was to present the GIAC to the international and domestic practicing in the field of arbitration and take the recommendations from them.

The Tbilisi International Arbitration Conference was held on March 11, 2014. The first part of this Conference was dedicated to the presentation of the future

structural model of the Georgian International Arbitration Centre suggested by the GIAC Formation Working Group, while during the second part - invited international arbitration experts and guests discussed the first working version of the Draft GIAC Arbitration Rules. In the final part of the conference was devoted to various topics from the field of arbitration.

Besides the invited expert Brooks W. Daly, the participants of conference were the representatives of recognized international organizations and law firms, such as: Dechert LLP, Shearman & Sterling LLP, White&Case, Specht Bohm, E&A Law Limited, etc.

Following the recommendations of the international experts, it was decided to create an international commission for final revision of the GIAC Arbitration rules. The members of this Commission should have been renowned and recognized arbitration experts and practitioners. The Commission's aim was to finalize the working version of the GIAC Arbitration Rules.

## **2.5. Formation of the Commission for Final Revision of the GIAC Arbitration Rules**

In order to form the Commission for Final Revision of the GIAC Arbitration Rules and to meet the potential members of the commission, the Secretary General of GIAC participated in ICCA XXII Congress.

International Council of Commercial Arbitration (ICCA) is one of the oldest and recognized arbitration organization devoted to promoting the use and improving the processes of arbitration, conciliation and other forms of resolving international commercial disputes.

Multiple meetings were held with representatives of various arbitration institutions during the ICCA Congress, among whom were the high-ranking managers of the International Centre of Dispute Settlement, International Chamber of Commerce, Vienna International Arbitration Centre and the Bahrain Chamber for Dispute Resolution. During these meetings, plans for future cooperation were discussed. The meetings in the scope of the Congress played major role in the formation of the Commission for Final Revision of the GIAC Arbitration Rules.



## 3. Foundation of the GIAC

From the outset of the formation of GIAC, it was aimed to implement the international practice and experience. The legal form of the GIAC was easily determined and it was unequivocally decided that the Arbitration Centre should not be profit-oriented.

The guarantee of the independence and impartiality of the GIAC considered two main factors: **the legal form of the Arbitration Centre and its internal structural arrangement.**

### 3.1. Legal Form

During the selection of the legal form of the GIAC, on one hand the practice of internationally renowned Western and regional arbitration institutions of former Soviet Union and Asia has been studied, and on the other the situation in Georgia was taken into consideration, specifically the reasons of mistrust of business towards arbitration.

On the international scale, in the majority cases, there are two models of formation of the arbitration institute:

- I. First case:
  1. The arbitration institutes are founded as structural bodies within the Chambers of commerce, but structurally they are independent from the Chamber, for example:
    - SCC – The Arbitration Institute of the Stockholm Chamber of Commerce;
    - ICC ICA – International Court of Arbitration of International Chamber of Commerce;
    - CAM – Chamber of Arbitration of Milan, etc.
  2. With the participation of Chamber of Commerce and/or Industry, for example:
    - DIS – The German Institution of Arbitration;
    - NAI – The Netherland Arbitration Institute;
    - VIAC – Vienna International Arbitration Centre;
    - International Commercial Arbitration Court at the Ukrainian CCI, etc.

Or

II. Second case, the arbitration institutions exist independently, as subjects of private law. They were formed by certain organizations in the form of associations, or are established by an association, such arbitration institutes are:

- LCIA – London Court of International Arbitration;
- AAA/ICDR – International Centre for Dispute Resolution of American Arbitration Association;
- SIAC – Singapore International Arbitration Centre, etc.

The majority of these arbitration institutions are subjects of the private law and are not profit-oriented. Such legal form of the arbitration institutions is determined by the characteristic peculiarities of the arbitration and, alternative dispute resolution mechanisms in general.

As the main principles of the dispute resolution are impartiality and independence, perceiving the arbitration institution as a business entity, puts these main principles under the question.

The aim of the profit-oriented organizations is to bring financial profit to the founder, respectively, credibility of the profit-oriented arbitration institution is always doubtful.

That is why the international arbitration institutions are not profit-oriented and their main goal is the development of the alternative dispute resolution mechanisms.

Before the establishment of the GIAC, the situation in Georgia was contradicting the international practice. All arbitration institutes in Georgia were established as Limited Liability Companies. Such practice in Georgia is based on the law On the Private Arbitration, which was replaced by the new law in 2009. The law On the Private Arbitration expressly provided that the arbitration institute had to be established in the legal form of Limited Liability Company. This provision and the fact that the arbitration institutes were formed as limited liability companies by the law firms, banks and other financial institutions, provided the mistrust towards arbitration. The point was that each arbitration institute was associated with particular law firm or bank and was the opportunity for them to gain profit. Accordingly, taking into account the international and domestic practice, the GIAC was established as a non-commercial, non-profit legal entity in contrast with the widely spread malpractice of establishing arbitration institutions as limited liability companies in Georgia.

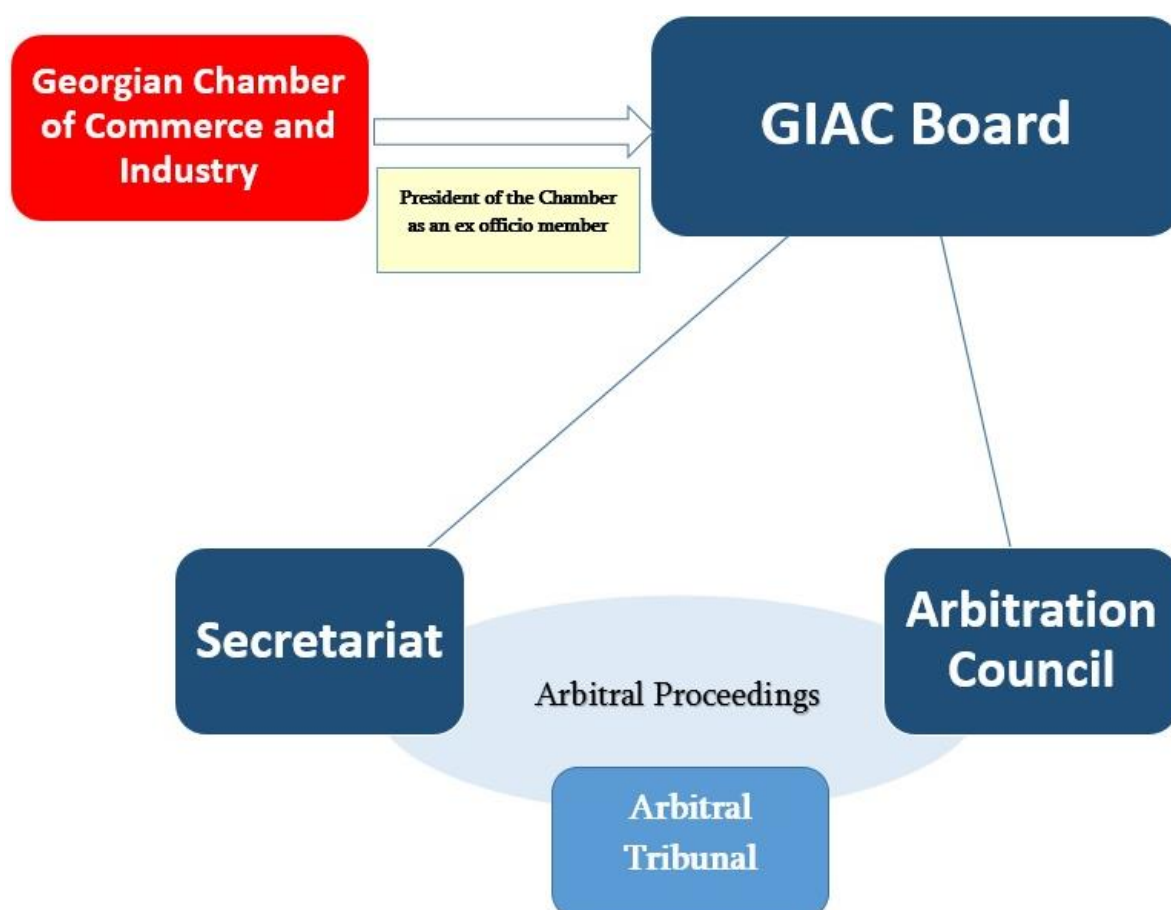
### 3.2. Structural Formation

For the structural formation of the GIAC, it was necessary on the one hand to meet the requirements provided by the law for the non-commercial non-profit legal entity and on the other, to consider the peculiarities of arbitration.

At the same time, the structure of GIAC had to be a guarantor of independence and impartiality of GIAC as well as to provide the dispute resolution efficiently and quality.

The essential factor provided by the Charter of the GIAC is the independence of the arbitration centre in its activities from its founder – GCCI.

After approval of the GIAC Board and the GIAC was registered according to law, the only governing body of the Arbitration Centre is the GIAC Board.



The structural organs of the GIAC are the GIAC Board, the GIAC Arbitration Council and the GIAC Secretariat. The GIAC is fully independent from GCCI and the relation between the governing bodies and their connection to the dispute settlement can be illustrated in the following diagram:

### **3.2.1. The GIAC Board**

As it was mentioned above, the GIAC Board is the highest governing body of the GIAC.

The Board consists of at least 5 and not more than 11 members, out of whom one is the Chairman. Given the fact that the Board is a permanent body of the GIAC, on which the independence of the Arbitration Institution from its founder is based, the membership of the Board is based on so-called *Rotation Principle*. It implies the replacement of the members of the Board at different times.

The Board takes decisions on the matters specified in the Charter of the GIAC. The core duty of the Board is corporative management of the Arbitration Centre. In addition, the Board does not interfere with the arbitration case administration and conduct of the proceedings.

The Board has one so-called *ex officio* member – the GCCI as the founder has one permanent member in the Board – the President of the GCCI.

There are five members in the Board today (including the *ex officio* member) and one honorary member. The members of the Board are experienced managers and lawyers.

The honorary board member makes recommendations regarding the management of the Arbitration Centre and its activities and played a major role in developing the Arbitration Rules of GIAC.

### **3.2.2. The GIAC Arbitration Council**

#### **Members of the GIAC Arbitration Council:**

##### **Eva Kalnina**

Lévy Kaufmann-Kohler (Geneva) –  
Senior Associate

##### **Maria Kostytska**

Winston & Strawn LLP - Of Counsel  
(Paris, Washington D.C.)

##### **Irakli Kordzakhia**

Kordzakhia & Jgenti GP - Partner  
(Tbilisi)

##### **Nicola Mariani**

Dechert - Partner (Tbilisi)

The GIAC Arbitration Council has an important role in dispute resolution process. During the arbitration proceedings the functions provided by the GIAC Arbitration Rules are distributed between the Arbitration Council and Secretariat. The functions of the Arbitration Council are to ensure the efficient conduct of the arbitration proceedings and the compliance of these proceedings with the GIAC Arbitration Rules. The Arbitration Council makes decisions on issues such strictly prescribed by the GIAC Charter and the Arbitration Rules, such as the appointment of members of an arbitral tribunal or its chairperson, issues related to the challenges of arbitrators, etc. The members of the

**Tea Megeneishvili**

SperchtBohm - Attorney (Vienna)

**Sophie Tkemaladze**

JILEP ADR Advisor (Tbilisi)

**Pierre Tercier**

Professor at Fribourg University

Arbitration Council are responsible for resolving the issues, which may arise in the arbitration proceedings; therefore, it is necessary for the member of the Arbitration Council to have in-depth knowledge and experience in the field of arbitration.

The GIAC Arbitration Council is composed of Georgian and foreign lawyers, whose main area of expertise is arbitration.

Currently, there are seven members in the GIAC Arbitration Council, three of whom are Georgian and four are foreigners. The members of Arbitration Council fully cover the three main working languages of GIAC: Georgian, English and Russian. Such composition of the Arbitration Council provides the balanced approach to the issues to be resolved in the future.

### **3.2.3. The GIAC Secretariat**

The arbitration disputes submitted to the GIAC are administered and handled by the GIAC Secretariat. The Secretariat is involved in the GIAC's day-to-day activities and assists the Arbitration Council, as well as the Tribunal in carrying out their functions. The Secretariat communicates with all participants of the arbitration proceedings, in order to conduct the arbitration proceedings in an effective and timely manner. The Secretariat is directly connected to all cases received by the GIAC and is also involved in various projects and activities of the centre. The Secretariat is managed by the Secretary General, who represents the highest-ranking official of the GIAC.

The Secretariat is composed of the qualified lawyers, through whom the Secretariat is carrying out its functions while administering the dispute. In addition, the Secretariat's staff also participates in GIAC's activities for promotion and facilitation the alternative the dispute resolution.

The Secretariat staff was selected according to multi-stage competition, and the candidates chosen studied in Europe and have experience in Arbitration.

### 3.3. The GIAC Arbitration Rules

The main objective for operating of any international arbitration institution is to have the arbitration rules corresponding with the international practice and reflecting the needs of the parties. These two criteria are particularly important in Georgia, because to the present day, none of the arbitration institutions in Georgia met these requirements. Moreover, there was no arbitration institution in Georgia, which had the necessary legal framework and both technical and human resources for conducting international arbitration proceedings.

As it was mentioned above, the first version of the GIAC Arbitration Rules was drafted by the several members of the GIAC Formation Working Group, which required revision.

#### 3.3.1. The Committee for final revision of the GIAC Arbitration Rules

##### **The members of the Committee for Final Revision of the GIAC Arbitration Rules:**

**Prof. Gabrielle Kaufmann-Kohler**

Levy Kaufmann-Kohler, Partner;  
University of Geneva (Geneva)

**Mr. Brooks W. Daly**

Permanent Court of Arbitration,  
Deputy Secretary General and  
Principal Legal Counsel (The Hague)

**Mr. Charles Nairac**

Withe & Case, Partner (Paris)

**Mr. Timothy J. Lindsay**

Dechert LLP, Partner (London)

**Ms. Ana Stanic**

E&A Law Limited, Partner (London)

**Mr. Nicola Mariani**

Dechert LLP, Partner (Tbilisi)

**Ms. Kirsten Odynski**

White & Case, Associate (Paris)

**Ms. Ketevan Betaneli**

Shearman & Sterling LLP, Associate  
(Paris)

The recommendation of the foreign expert involved in formation of the GIAC and the practitioners invited on Tbilisi International Arbitration Conference was to create an international committee for final revision of the GIAC Arbitration Rules. The Secretary General of the GIAC held meetings with the potential members of this committee during the ICCA International Congress. The final composition of the Committee was approved on 25 April 2014. The selected Committee members are internationally renowned and recognized arbitration experts and practitioners. This ensured that the GIAC Arbitration Rules would be based on the modern standards and best arbitration practices, and increased the awareness and reliability of the GIAC.

The working version of the Arbitration Rules was sent to the Committee on 1 May 2014 and accordingly, the Committee started the process of revision.

On June 18, 2014, the working meeting was held in Paris, France, where the members of the Committee reviewed the comments and proposals regarding the Arbitration Rules. Additionally, the approaches concerning the complex issues in arbitration were finally chosen.

**Ms. Mariam Gotsiridze**

Ministry of Justice of Georgia (Tbilisi)

**Mr. Beka Injia**

Georgian Chamber of Commerce & Industry (Tbilisi)

**Dr. Yas Banifatemi (Chair)**

Shearman & Sterling LLP, Partner (Paris)

During the meeting, the members reviewed each article of the Arbitration Rules and expressed their views.

After the meeting, the Chairman of the Committee, within the powers granted and taking into consideration all the comments of the fellow members prepared the consolidated version of the Arbitration Rules, which was sent to all the members for review.

The final version of the GIAC Arbitration Rules was prepared by the Chairman of the Commission – Yas Banifatemi in the end of August 2014 and was adopted by the GIAC Board on 9 September 2014.

### **3.3.2. The Innovations Introduced by the GIAC Arbitration Rules**

The GIAC is the only arbitration institution in Georgia the arbitration rules of which meet the international standards and combine the recent developments and well-tried provisions. The GIAC Arbitration Rules allow full-scale party autonomy within permissible limits of the applicable legal framework. The parties can choose the language of the proceedings, the seat of arbitration and the applicable substantive law.

All arbitrators, appointed by the parties or by the GIAC Arbitration Council, are required to submit a statement of independence (“disclosure”) to the parties, to their counsels, and the GIAC Secretariat. A full respect of arbitrators’ independence is the very first step to grant a correct conduct of the proceedings. In this respect, the GIAC is committed to constantly monitor the independence and impartiality of the arbitrators. Additionally, the GIAC schedule of fees allows for a predictable cost calculation.

The GIAC Arbitration Rules among others introduced such novelties in Georgia as:

❖ *Primary examination of an arbitration agreement* – If any party raises a claim concerning the jurisdiction of the Arbitration Centre, in order to reduce the costs, before the composition of the Arbitral Tribunal this plea is considered by the Arbitration Council for determination whether or not the arbitration under given arbitration agreement shall proceed. This possibility helps to speed up the process and only in the case when the GIAC manifestly lacks jurisdiction, the Arbitration Council decides that the case cannot proceed; as a result, the parties save time and do not incur expenses associated with the composition of the Arbitral Tribunal.

❖ Consolidation and Joinder - if two (or more) arbitration proceedings are conducted in parallel or the party intends to present this type of arbitration request, the parties are eligible to request the Arbitration Council (or Arbitral Tribunal) to consolidate the arbitral proceedings. Consequently, the parties will reduce the time and costs which would be necessary for parallel proceedings. According to same principle, the parties may request the joinder of the third party in the pending proceedings.

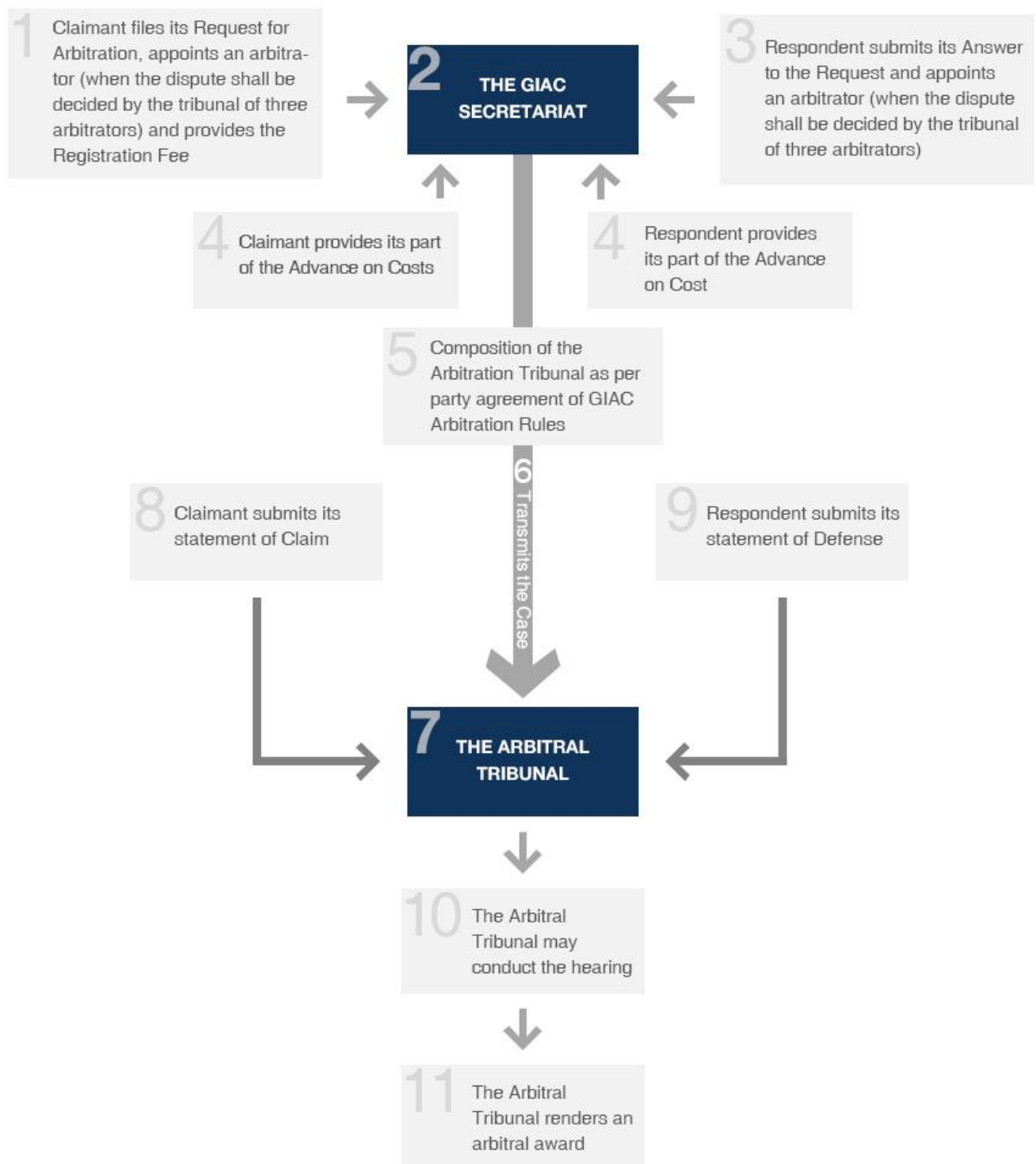
❖ Multiparty Arbitration - Due to complexity of the business, there are arbitration proceedings, in which there is several entities representing the Claimant and/or Respondent party. In this cases, the correct balance of the procedural right of each party and entity to that end, is of utmost importance. The GIAC Arbitration Rules implemented the international practice when approaching this sensitive issue. The Rules not only provide the possibility for the parties to choose Multiparty Arbitration, but also guarantee the equality of each party especially during the composition of the arbitral tribunal, in order to ensure the high chances of the enforcement of the future arbitral award. It should be noted that none of other arbitration institutions operating in Georgia provide the possibility of such kind of arbitration proceedings.

❖ Challenge of an arbitrator - The issue of challenge of an arbitrator often arises in practice. In this case, the GIAC Arbitration Rules provides well-defined procedural rules for avoiding the conflict of interests, both - before the appointment of the arbitrator, and - after such appointment. Each arbitrator is required to submit the statement of independence and impartiality to the GIAC Secretariat, in which an arbitrator must disclose all circumstances that might affect his/her appointment, taking into account his/her independence and impartiality. After receiving the statement of independence and impartiality the parties of the arbitration proceedings may express their objections to the appointment of this arbitrator. In the case, when the issue of challenge of the already appointed arbitrator arises, the matter is decided by the GIAC Arbitration Council and not the arbitrator (or Arbitral Tribunal), in contrast with other arbitration institutes in Georgia. According to the GIAC Arbitration Rules, the decisions made by the Arbitration Council with regard to the challenge of the arbitrators is final.



### 3.3.3. Stages of Arbitration Proceedings according to The GIAC Arbitration Rules

An arbitration case in the GIAC passes through certain stages. The following diagram shows only standard procedures and in every particular dispute, depending its specific, may be a need for an additional action.



## 4. Advantages of the GIAC

The main function of GIAC is to administer the arbitration proceedings. Additionally, it aims to develop and popularize the alternative dispute resolution mechanisms in Georgia and in entire region as Georgia has a great potential to become the suitable arbitration forum in the whole region:

|   |   |
|---|---|
| ✓ | Georgian legal system is modern and arbitration-friendly with its Law on Arbitration based on the UNCITRAL Model Law on International Commercial Arbitration; |
| ✓ | Georgia is the signatory of the New York Convention on Recognition and Enforcement of the Foreign Arbitral Awards of 1958;                                    |
| ✓ | Georgian legislation permits parties' freedom of choice of counsel and arbitrators;   |
| ✓ | Georgia has open economy, low level of corruption and pro-business environment;   |
| ✓ | Georgia is best located in the region on the crossroads of Europe and Asia;   |
| ✓ | Georgian legislation permits foreign residents to carry out arbitration without work permits or additional formal requirements;                               |
| ✓ | Georgia is a low cost environment, hotels and restaurants prices are, on an average, substantially lower than in other European countries;                    |

The GIAC Arbitration Rules have no analogue in Georgia. In addition to the flexible arbitration rules, the GIAC provides the necessary facilities for dispute settlement, such as meeting rooms for arbitration hearings, party negotiations, arbitrators' deliberations, mediation proceedings, etc. and assistance with further logistical organization, e.g. identifying and obtaining court reporters, administrative secretaries or interpreters.

### 4.1. GIAC arbitration is cost effective

The GIAC costs for arbitrators and administrative services are significantly lower in comparison to other arbitration institutions, as well as litigation. Additionally, The GIAC fee schedule allows for a predictable cost calculation. It should be mentioned, that GIAC facilities for dispute settlement are free for the parties, which also reduces the costs associated with the dispute resolution.

## **4.2. Close cooperation with leading international organizations and experts**

Many internationally renowned experts participated in the GIAC formation process. GIAC continues to cooperate with the internationally recognized experts, arbitration institutions and law firms.

Additionally, the GIAC runs the arbitrators list, which is constantly updated. Currently, GIAC arbitrators list includes arbitrators from leading international law firms of London, Paris, Vienna etc. In addition, negotiations are underway for addition of the new arbitrators on the list. The parties may choose the arbitrator from the list, who will be maximally adapted to the specific of their dispute.

### **Partner organizations and law firms:**

*Transparency International Georgia;*

*Georgian Association of Arbitrators;*

*Permanent Court of Arbitration in the Hague;*

*White & Case;*

*Dechert LLP;*

*E&A Law Limited;*

*Shearman & Sterling LLP;*

*Lévy Kaufmann- Kohler.*

It should be also mentioned, that the GIAC will be featured in *Guide to Regional Arbitration 2015* of Global Arbitration Review (GAR).

Global Arbitration Review (GAR) is nowadays recognized as the leading resource for international arbitration news and community intelligence. This organization publishes annually the list of regional arbitration institutes, in which is given the information about them.

The GIAC will be the first Georgian arbitration institution, which will be published in GAR's Guide to Regional Arbitration.