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RULES OF THE INTERNATIONAL ARBITRATION OF THE PERMANENT ARBITRATION COURT AT THE CROATIAN CHAMBER OF ECONOMY

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General Provisions

Jurisdiction of the Court

Article 1

1. These Rules regulate settlement (arbitration) of disputes under following conditions:
 - that the dispute arises out of commercial relations considering rights which parties may freely dispose of;
 - that the parties have agreed upon the jurisdiction of the Permanent Arbitration Court attached to the Croatian Chamber of Economy;
 - that at least one party is a natural person with a permanent or habitual residence abroad, or a legal person with a seat abroad;
 - that the dispute doesn't fall under the exclusive jurisdiction of Croatian court of law.
2. The parties may derogate procedural provisions of these Rules by their agreement, unless such agreement is contrary to the order public of Republic of Croatia.

Pleas as to the jurisdiction

Article 2

1. The arbitral tribunal shall have the power to rule on objections that it has no jurisdiction, including any objections with respect to the existence or validity of the arbitration clause or of the separate arbitration agreement.
2. The arbitral tribunal shall have the power to determine the existence or the validity of the contract of which an arbitration clause forms a part. An arbitration clause which forms part of a contract and which provides for arbitration under these Rules shall be treated as an agreement independent of the

other terms of the contract. A decision by the arbitral tribunal that the contract is null and void shall not entail ipso jure the invalidity of the arbitration clause.

3. A plea that the arbitral tribunal does not have jurisdiction shall be raised not later than in the statement of defence or, with respect to a counter-claim, in the reply to the counter-claim.

Place of arbitration

Article 3

1. Subject to an agreement by the parties, the place of arbitration shall be at the seat of the Court. With permission of the parties, arbitral tribunal may determine the locale of the arbitration within Republic of Croatia.

2. The arbitral tribunal may meet at any place it deems appropriate for inspection of goods, other property or documents. The parties shall be given sufficient notice to enable them to be present at such inspection.

3. The award shall be made at the place of arbitration.

Language of arbitration

Article 4

1. Subject to an agreement by the parties, the arbitral tribunal shall, promptly after its appointment, determine the language or languages to be used in the proceedings. This determination shall apply to all written statements and, if oral hearings take place, to the language or languages to be used in such hearings.

2. Until the language or languages of arbitration have been determined, statement of claim, statement of defence and any other written statements may be submitted in the official language of the Court, or in the language of the contract or of the arbitration agreement.

3. If arbitrators fail to agree on the language of arbitration, arbitration is to be conducted in Croatian.

4. The arbitral tribunal may order that any documents annexed to the statement of claim or statement of defence, and any supplementary documents submitted in the course of the proceedings, delivered in their original language, shall be accompanied by a translation into the language or languages of arbitration.

Organisation of the Court

Article 5

Concerning the organisation of the Court, the provisions of articles 3 to 11 of the Rules of Arbitration of the Permanent Court of Arbitration attached to the Croatian Chamber of Economy (NN 19/85, 1/89, 15/90 and 69/91) shall apply, unless Zagreb Rules do not provide otherwise.

Waiver of right to object

Article 6

A party who knows that any provision of these rules from which the parties may derogate or any requirement under the arbitration agreement has not been complied with and yet proceeds with the arbitration without stating his objection to such non-compliance without undue delay or, if a time-limit is provided therefor, within such period of time, shall be deemed to have waived his right to object.

Representation and assistance

Article 7

The parties may be represented or assisted by persons of their choice. The names and addresses of such persons must be communicated in writing to the Court and to the other party; such communication must specify whether the appointment is being made for purposes of representation or assistance.

Composition and appointment of the arbitral tribunal

Number of arbitrators

Article 8

If the parties have not previously agreed on the number of arbitrators (i.e. one or three), and if within 15 days after the receipt by the respondent of the statement of claim the parties have not agreed that there shall be only one arbitrator, three arbitrators shall be appointed.

Appointment of a sole arbitrator

Article 9

1. If the parties have agreed that a sole arbitrator is to be appointed, they shall communicate the name of the sole arbitrator to the Secretariat of the Court.
2. If within 30 days after the statement of defence was submitted to the Secretariat of the Court, or after the statement of defence failed to be submitted, the parties do not communicate the name of a sole arbitrator, a sole arbitrator shall be appointed by an appointing authority.

Appointment of a panel of arbitrators

Article 10

1. If the parties have agreed that a panel of arbitrators is to be appointed, claimant shall appoint his arbitrator in the statement of claim; defendant shall appoint his arbitrator within a period of time fixed for submission of the statement of defence.
2. If one or both parties do not appoint their arbitrators within a period of time referred to in paragraph 1 of this article or if the parties agreed that the appointment is to be done by an appointing authority, arbitrators shall be appointed by an appointing authority; in that case, parties and appointed arbitrators shall be notified thereof.
3. Within 30 days after receipt of a notice of the appointment, two arbitrators shall choose the third arbitrator as the presiding arbitrator of the tribunal. If within that period of time the two arbitrators have not agreed on the choice of the presiding arbitrator, the presiding arbitrator shall be appointed among the names on the list of arbitrators by an appointing authority.

Appointment in the case of multiparty litigation

Article 11

If more than one party appear as claimant or respondent, and if they fail to agree upon a common arbitrator, this arbitrator shall be appointed by an appointing authority.

Appointing authority

Article 12

1. Parties may determine an appointing authority by their agreement.
2. If no such authority has been designated by the parties, or if the appointing authority agreed upon refuses to act, the appointing authority shall be the President of the Court.

Appointment by an appointing authority

Article 13

1. The appointing authority shall appoint the arbitrator as promptly as possible. In making the appointment the appointing authority shall use the following list-procedure, unless both parties agree that the list-procedure should not be used or unless the appointing authority determines in its discretion that the use of the list-procedure is not appropriate for the case:

(a) At the request of one of the parties the appointing authority shall communicate to both parties an identical list containing at least three names;

(b) Within 15 days after the receipt of this list, each party may return the list to the appointing authority after having deleted the name or names to which he objects and numbered the remaining names on the list in the order of his preference;

(c) After the expiration of the above period of time the appointing authority shall appoint the arbitrator from among the names approved on the lists returned to it and in accordance with the order of preference indicated by the parties;

(d) If for any reason the appointment cannot be made according to this procedure, the appointing authority may exercise its discretion in appointing the arbitrator.

2. In making the appointment, the appointing authority shall have regard to such considerations as are likely to secure the appointment of an independent and impartial arbitrator and shall take into account as well the advisability of appointing an arbitrator of a nationality other than the nationalities of the parties.

3. If within 30 days after the appointment of the second arbitrator the two arbitrators have not agreed on the choice of the presiding arbitrator, the presiding arbitrator shall be appointed by an appointing authority in the same way as provided in this article, paragraphs 1 and 2.

Changes in the composition of an arbitral tribunal

Challenge of arbitrators

Article 14

A prospective arbitrator shall disclose to those who approach him in connexion with his possible appointment any circumstances likely to give rise to justifiable doubts as to his impartiality or independence. An arbitrator, once appointed or chosen, shall disclose such circumstances to the parties unless they have already been informed by him of these circumstances.

Article 15

1. Any arbitrator may be challenged if circumstances exist that give rise to justifiable doubts as to the arbitrator's impartiality or independence.

2. A party may challenge the arbitrator appointed by him only for reasons of which he becomes aware after the appointment has been made.

Article 16

1. A party who intends to challenge an arbitrator shall send notice of his challenge within 15 days after the appointment of the challenged arbitrator has been notified to the Court or within 15 days after the circumstances mentioned in articles 14 and 15 became known to that party.

2. The challenge shall be notified to the other party, to the arbitrator who is challenged and to the other members of the arbitral tribunal. The notification shall be in writing and shall state the reasons for the challenge.

3. When an arbitrator has been challenged by one party, the other party may agree to the challenge. The arbitrator may also, after the challenge, withdraw from his office. In neither case does this imply acceptance of the validity of the grounds for the challenge. In both cases the procedure provided in article 9 or 10 shall be used in full for the appointment of the substitute arbitrator, even if during the process of appointing the challenged arbitrator a party had failed to exercise his right to appoint or to participate in the appointment.

Article 17

1. If the other party does not agree to the challenge and the challenged arbitrator does not withdraw (article 16, paragraph 3) the decision on the challenge will be made:

- When the initial appointment was made by an appointing authority, by that authority;
- When the initial appointment was not made by an appointing authority, but an appointing authority has been previously designated, by that authority;
- In all other cases, by the appointing authority to be designated in accordance with the procedure for designating an appointing authority as provided for in article 12.

2. If the appointing authority sustains the challenge, a substitute arbitrator shall be appointed or chosen pursuant to the procedure applicable to the appointment or choice of an arbitrator as provided in articles 9 to 14 except that, when this procedure would call for the designation of an appointing authority which decided on the challenge.

Replacement of an arbitrator

Article 18

1. In the event of the death or resignation of an arbitrator during the course of the arbitral proceedings, a substitute arbitrator shall be appointed or chosen pursuant to the procedure provided for in articles 9 to 14 that was applicable to the appointment or choice of the arbitrator being replaced.

2. In the event that an arbitrator fails to act or in the event of the de jure or de facto impossibility of his performing his functions, the procedure in respect of the challenge and replacement of an arbitrator as provided in the preceding articles shall apply.

Repetition of hearings in the event of the replacement of an arbitrator

Article 19

1. If under articles 16 to 18 a member of the panel of arbitrators is replaced, any hearings held previously shall be repeated. With permission of the parties, arbitral tribunal may decide that hearings need not to be repeated.

2. If a sole arbitrator is replaced, hearings shall be repeated.

Arbitral proceedings

General provisions

Article 20

1. Subject to these Rules, the arbitral tribunal may conduct the arbitration in such manner as it considers appropriate, provided that the parties are treated with equality and that at any stage of the proceedings each party is given a full opportunity of presenting his case.

2. If either party so requests at any stage of the proceedings, the arbitral tribunal shall hold hearings for the presentation of evidence by witnesses, including expert witnesses, or for oral argument. In

the absence of such a request, the arbitral tribunal shall decide whether to hold such hearings or whether the proceedings shall be conducted on the basis of documents and other materials.

3. All written statements, documents or information supplied to the arbitral tribunal by one party shall at the same time be communicated by that party to the other party.

Statement of claim

Article 21

1. Arbitral proceeding shall be instituted by submission of a statement of claim.
2. The statement of claim shall include the following particulars:
 1. The names and addresses of the parties;
 2. The relief or remedy sought;
 3. A statement of the facts supporting the claim;
 4. A statement of the evidence;
 5. A statement of the arbitral agreement, if existing;
 6. A statement of the appointment of an arbitrator;
 7. A statement of the value of the dispute.
3. If such documents exist, a copy of the contract, and of the arbitration agreement if not contained in the contract, shall be annexed thereto.
4. The claimant may annex to his statement of claim all documents he deems relevant or may add a reference to the documents or other evidence he will submit.

Statement of defence

Article 22

1. Secretariat of the Court shall communicate the statement of claim with the documents annexed to the respondent and determine a period of time within which the statement of defence in writing is to be communicated. The statement of defence is to be submitted to the Secretariat of the Court, which sends it, with the documents annexed, to the claimant and to the each arbitrator.
2. The provisions of article 21, paragraphs 2 and 4, shall appropriately apply to a statement of defence.

Counterclaim

Article 23

1. Until closure of the hearing the respondent may submit to the Court a counterclaim or a claim relied on for the purpose of a set-off in the form of a counterclaim, if the counterclaim or the claim relied on for the purpose of a set-off arises out of a legal relation included in the arbitral agreement.
2. If parties submit independent claims against each other arising out of different contracts, and if there exists a jurisdiction of the Court for all such claims, the Secretariat of the Court shall attempt to join the proceedings and continue them before the same arbitral tribunal.

Amendments to the claim

Article 24

During the course of the arbitral proceedings either party may amend or supplement his claim unless the arbitral tribunal considers it inappropriate to allow such amendment having regard to the

delay in making it or prejudice to the other party or any other circumstances. However, a claim may not be amended in such a manner that the amended claim falls outside the scope of the arbitration clause or separate arbitration agreement.

Further written statements

Article 25

The arbitral tribunal shall decide which further written statements shall be required from parties or may be presented by them and shall fix the periods of time for communicating such statements.

Periods of time

Article 26

1. The periods of time fixed by the arbitral tribunal for the communication of written statements should not exceed 45 days. However, the arbitral tribunal may extend the time-limits if it concludes that an extension is justified.

2. For the purposes of calculating a period of time under these Rules, such period shall begin to run on the day following the day when a notice, notification, communication or proposal is received. If the last day of such period is an official holiday or a non-business day at the residence or place of business of the addressee, the period is extended until the first business day which follows. Official holidays or non-business days occurring during the running of the period of time are included in calculating the period.

Default

Article 27

1. If within the period of time fixed by the arbitral tribunal the respondent has failed to communicate his statement of defence without showing sufficient cause for such failure, the arbitral tribunal shall order that the proceedings continue.

2. If one of the parties, duly notified under these Rules, fails to appear at a hearing, without showing sufficient cause for such failure, the arbitral tribunal may proceed with the arbitration.

3. If one of the parties, duly invited to produce documentary evidence, fails to do so within the established period of time, without showing sufficient cause for such failure, the arbitral tribunal may make the award on the evidence before it.

Closure of hearings

Article 28

1. When arbitral tribunal considers the case heard in such a manner that the award can be made, it will declare the hearings closed; after that, the arbitral tribunal shall return to discussion and voting in order to reach the decision.

2. During discussion and voting, arbitral tribunal may decide to reopen the hearings, if it considers it necessary to fulfil the proceedings or make clear some important issues.

Notice

Article 29

1. Any notice, including a notification, communication or proposal, is deemed to be valid if it is delivered against receipt or forwarded to the addressee by registered post.

2. Notice is deemed to be valid if it is done, according to the provisions of this article, paragraph 1, either to the party or to its representative.

Number of copies of written statements and annexed documents

Article 30

Statement of claim, statement of defence, annexed documents and any other written statements and annexed documents which a party sends to the Court during the course of the proceedings shall be submitted through the Secretariat of the Court in number of copies sufficient to provide one copy for each opposing party and one for each arbitrator.

Evidence

Article 31

1. The arbitral tribunal may, if it considers it appropriate, require a party to deliver to the tribunal and to the other party, within such a period of time as the arbitral tribunal shall decide, a summary of the documents and other evidence which that party intends to present in support of the facts in issue set out in his statement of claim or statement of defence.
2. At any time during the arbitral proceedings the arbitral tribunal may require the parties to produce documents, exhibits or other evidence within such a period of time as the tribunal shall determine.

Article 32

1. The arbitral tribunal may appoint one or more experts to report to it, in writing, on specific issues to be determined by the tribunal. A copy of the expert's terms of reference, established by the arbitral tribunal, shall be communicated to the parties.
2. The parties shall give the expert any relevant information or produce for his inspection any relevant documents or goods that he may require of them. Any dispute between a party and such expert as to the relevance of the required information or production shall be referred to the arbitral tribunal for decision.
3. Upon receipt of the expert's report, the arbitral tribunal shall communicate a copy of the report to the parties who shall have the opportunity to express, in writing, their opinion on the report. A party shall be entitled to examine any documents on which the expert has relied in his report.
4. At the request of either party the expert, after delivery of the report, may be heard at a hearing where the parties shall have the opportunity to be present and to interrogate the expert. At this hearing either party may testify on the points at issue. The provisions of article 33 shall be applicable to such proceedings.

Oral hearing

Article 33

1. In the event of an oral hearing, the arbitral tribunal shall give the parties adequate advance notice of the date, time and place thereof.
2. If witnesses are to be heard, at least 15 days before the hearing each party shall communicate to the arbitral tribunal and to the other party the names and addresses of the witnesses he intends to present, the subject upon and the languages in which such witnesses will give their testimony.
3. The arbitral tribunal shall make arrangements for the translation of oral statements made at a hearing and for a record of the hearing if either is deemed necessary by the tribunal under the circumstances of the case, or if the parties have agreed thereto and have communicated such agreement to the tribunal at least 15 days before the hearing.

4. Hearings shall be held in camera unless the parties agree otherwise. The arbitral tribunal may require the retirement of any witness or witnesses during the testimony of other witnesses. The arbitral tribunal is free to determine the manner in which witnesses are examined.

5. Evidence of witnesses may also be presented in the form of written statements signed by them.

6. The arbitral tribunal shall determine the admissibility, relevance, materiality and weight of the evidence offered, and which party has to discharge the burden of proof.

Interim measures

Article 34

1. At the request of either party, the arbitral tribunal may recommend any interim measure it deems necessary in respect of the subject-matter of the dispute, including measures for the conservation of the goods forming the subject-matter in dispute, such as ordering their deposit with a third person or the sale of perishable goods.

2. A request for interim measures addressed by any party to a judicial authority shall not be deemed incompatible with the agreement to arbitrate, or as a waiver of that agreement.

Decision making

Article 35

1. When there are three arbitrators, any award or other decision of the arbitral tribunal shall be made by a majority of the arbitrators.

2. Presiding arbitrator may decide on his own in the case of questions of procedure. On the proposal of an arbitrator, such decisions are subject to revision by the arbitral tribunal.

Form and effect of the award

Article 36

1. The award shall be made in writing. The award is final, binding, and no appeal may be filed against it. The parties undertake to carry out the award without delay.

2. The arbitral tribunal shall state the reasons upon which the award is based, unless the parties have agreed that no reasons are to be given.

3. An award shall be signed by the arbitrators and it shall contain the date on which and the place where the award was made. Where there are three arbitrators and one of them fails to sign, the award shall expressly state the absence of the signature.

4. The award may be made public only with the consent of both parties.

5. Copies of the award signed by the arbitrators shall be communicated to the parties by the arbitral tribunal.

Interlocutory and partial award

Article 37

In addition to making a final award, the arbitral tribunal shall be entitled to make interlocutory and partial awards.

Applicable law

Article 38

1. The arbitral tribunal shall apply the law designated by the parties as applicable to the substance of the dispute. Failing such designation by the parties, the arbitral tribunal shall apply the law determined by the conflict of laws rules which it considers applicable.
2. The arbitral tribunal shall decide as amiable compositeur or ex aequo et bono only if the parties have expressly authorized the arbitral tribunal to do so.
3. In all cases, the arbitral tribunal shall decide in accordance with the terms of the contract and shall take into account the usages of the trade applicable to the transactions.

Interpretation of the award

Article 39

1. Within 30 days after the receipt of the award, either party, with notice to the other party, may request that the arbitral tribunal give an interpretation of the award.
2. The interpretation shall be given in writing within 45 days after the receipt of the request. The interpretation shall form part of the award and the provisions of article 36 shall apply.

Correction of the award

Article 40

1. Within 30 days after the receipt of the award, either party, with notice to the other party, may request the arbitral tribunal to correct in the award any errors in computation, any clerical or typographical errors, or any errors of similar nature. The arbitral tribunal may within 30 days after the communication of the award make such corrections on its own initiative.
2. Such corrections shall be in writing, and the provisions of article 36 shall apply.

Additional award

Article 41

1. Within 30 days after the receipt of the award, either party, with notice to the other party, may request the arbitral tribunal to make an additional award as to claims presented in the arbitral proceedings but omitted from the award.
2. If the arbitral tribunal considers the request for an additional award to be justified and considers that the omission can be rectified without any further hearings or evidence, it shall complete its award within 60 days after the receipt of the request.
3. When an additional award is made, the provisions of article 36 shall apply.

Settlement or other grounds for termination

Article 42

1. If, during the arbitral proceedings, the parties agree on a settlement of the dispute, the arbitral tribunal shall either issue an order for the termination of the arbitral proceedings, or, if requested by both parties and accepted by the tribunal, make the award by consent. The arbitral tribunal is not obliged to give reasons for such an award.
2. If, before the award is made, the continuation of the arbitral proceedings becomes unnecessary or impossible for any reason not mentioned in paragraph 1, the arbitral tribunal shall inform the parties of its intentions to issue an order for the termination of the proceedings. The arbitral tribunal shall have the power to issue such an order unless a party raises justifiable grounds for objection.

3. Copies of the order for termination of the arbitral proceedings or of the arbitral award on agreed terms, signed by the arbitrators, shall be communicated by the arbitral tribunal to the parties. Where an arbitral award on agreed terms is made, the provisions of article 36, paragraphs 1 and 3 to 5, shall apply.

The powers of the Secretary of the Court and the Court

Article 43

1. The Secretary of the Court may be present at all hearings and sittings of any arbitral tribunal on which decision have to be made.
2. The Secretary of the Court shall be present at all hearings and sittings mentioned in paragraph 1, if the sole arbitrator or a member of the arbitral panel is not a lawyer by education.
3. The Secretary of the Court may warn the arbitrators to pay attention on legal issues of importance for decision making, and especially on the issues concerning the substance and the form of the procedural actions which have to be taken.
4. Before signing an award, the arbitral tribunal shall submit it in draft form to the Court.
5. The Court may lay down modifications as to the form of the draft. The Court may, without affecting the liberty of decision of the arbitral tribunal, draw it's attention to points of substance.
6. Arbitral tribunal may not pass an award before it has been, in respect to its form, approved by the Court.

Conciliation

Article 44

At the request of a party, conciliation proceedings may take place within the jurisdiction of the Court as to the subject matter. The valid arbitration agreement is not needed for the institution of the conciliation proceedings.

Article 45

The request for the institution of the conciliation proceedings shall be submitted to the Secretariat of the Court, which shall invite the opposing party to reply within 30 days after service of the request. If the other party does not accept the request or fails to reply within that period, the conciliation proceedings are deemed to be failed.

Article 46

1. If the opposing party accepts the request for the institution of the conciliation proceedings, the Presidium of the Court shall appoint one of its members or other qualified person to act as a conciliator.
2. The mediator shall examine the statements and proposals of the parties, and, if necessary, collect certain information and invite the parties for oral hearings.
3. After the case has been sufficiently examined, the conciliator shall make a written proposal of the settlement and communicate it to the parties.

Article 47

If a settlement has been concluded between parties, it shall be noted in a record signed by the parties and the conciliator. At the request of the parties, and if the parties submit the valid arbitration agreement, the Presidium shall appoint the conciliator as an arbitrator, which shall, at the request of the parties, make the award by consent.

Article 48

If the parties fail to conclude a settlement, the mediation proceedings are deemed to be failed. The statements of the parties given during conciliation proceedings cannot be used in following arbitration proceedings. The conciliator may not, except in the case referred to in the article 47, be an arbitrator in the same case.

Final provisions

Definitions of some keywords

Article 49

For the purposes of these rules (Zagreb Rules):

- "Court" means the Permanent Arbitration Court attached to the Croatian Chamber of Economy;
- "arbitral tribunal" means a panel of arbitrators or a sole arbitrator;
- "arbitrator" means a sole arbitrator or a member or a presiding arbitrator of the panel of arbitrators;
- "conciliator" means a person in charge of conciliation proceedings;
- "award" means a decision of the arbitral tribunal concerning the substance of dispute;
- "arbitration" means all activities concerning arbitration proceedings.

Application of these rules

Article 50

These Rules (Zagreb Rules) shall apply in all international proceedings brought before Permanent Arbitration Court attached to the Croatian Chamber of Economy, no matter when they are instituted.

Costs

Article 51

The provisions concerning costs of the arbitration of the Permanent Arbitration Court attached to the Croatian Chamber of Economy (fees of the arbitral tribunal, administrative costs, costs of presenting evidence and other costs) shall be determined by an act of the Executive Committee of the Croatian Chamber of Economy.

Coming into force

Article 52

These Rules shall come into force upon the expiry of 8 days of the date of their publishing in "Narodne novine".