

On 18 May 2021, the Russian Ministry of Justice granted the status of Permanent Arbitration Institution (PAI) to the ICC International Court of Arbitration (ICC) and the Singapore International Arbitration Centre (SIAC). This means that the ICC and SIAC now have the right to administer international commercial arbitrations and certain types of corporate disputes with respect to Russian companies.

Legislative reforms to Russian arbitration law introduced in 2016 mean that only PAIs can administer the majority of arbitrations seated in Russia and certain corporate arbitrations seated abroad. Following their successful registration in Russia, the ICC and SIAC have joined the Hong Kong International Arbitration Centre (HKIAC) and the Vienna International Arbitration Centre (VIAC), which secured their PAI status from the Russian Ministry of Justice in 2019.

PAI status grants the ICC and SIAC two important qualifications:

- First, international arbitration proceedings seated in Russia and administered by the ICC and SIAC now qualify as institutional arbitrations. Russian law considers arbitration proceedings seated in Russia, which is administered by a non-PAI as *ad hoc* proceedings, which presents risks related to the enforcement of such an award in Russia and limits tribunals in certain key matters, such as requesting the assistance of the Russian courts in the taking of evidence.
- Second, the ICC and SIAC can now directly administer a significant portion of corporate disputes and other transactions with Russian parties. This includes the majority of disputes arising from mergers and acquisitions, as well as shareholder agreements.

In order to administer certain corporate disputes, including disputes in relation to the liability, termination, appointment, election and suspension of corporate management, PAIs need to adopt Special Rules of Arbitration of Corporate Disputes. At the time of writing, no foreign PAI has done this. Further, a foreign institution without a separate division in Russian territory generally cannot administer Russian domestic disputes. None of the currently registered PAIs have established separate divisions in Russia.

Nonetheless, this development means that both foreign and Russian businesses now have access to a wider range of reputable arbitration institutions to administer their disputes in Russia. This is a welcome development that is likely to increase the popularity of arbitration as a dispute resolution method in Russia, and provide Russian market participants with efficient and reliable methods of resolving disputes. We foresee that further foreign arbitration institutions will follow in the steps of the ICC and SIAC, and continue to make Russia a more arbitration-friendly jurisdiction.

Please contact us for further advice on the matter.

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