

Arbitration Guide IBA Arbitration Committee

EL SALVADOR

(Updated January 2018)

Ricardo A. Cevallos

BLP

Edificio Avante Oficinas 9-10 Urbanización Madre Selva Antiguo Cuscatlán, La Libertad El Salvador, C.A.

rcevallos@blplegal.com



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I. Background

(i) How prevalent is the use of arbitration in your jurisdiction? What are seen as the principal advantages and disadvantages of arbitration?

Arbitration is not used except for some medium and large companies that understand its benefits. The main advantages are considered to be: speed, as the law requires an award to be issued within three months of the installation of the panel; confidentiality; expertise, as arbitrators tend to be more qualified and with more experience than ordinary judges; dedication, as arbitrators have fewer cases than the courts and a lower likelihood of corruption than the judicial system. The main disadvantage is the cost, which is sometimes considered to be high relative to courts.

(ii) Is most arbitration institutional or ad hoc? Domestic or international? Which institutions and/or rules are most commonly used?

Most arbitration is institutional and domestic under the rules of the Centro de Mediación y Arbitraje de la Cámara de Comercio e Industria de El Salvador (the 'Center'). In the last few years, the number of ad hoc arbitration cases have considerably increased and today ad hoc arbitration plays an important role in the practice. Some law firms provide arbitration services as ad hoc arbitrators. In international arbitration, the rules most commonly used are the AAA and ICC rules.

(iii) What types of disputes are typically arbitrated?

Most disputes involve government contracts, distribution contracts and sales contracts.

(iv) How long do arbitral proceedings usually last in your country?

Three to six months. Three is the maximum under the law, but parties sometimes agree to an extension.

(v) Are there any restrictions on whether foreign nationals can act as counsel or arbitrators in arbitrations in your jurisdiction?

If the substantive law of the arbitration is the law of El Salvador and if the arbitration is a *de jure* arbitration, meaning the arbitrators are required to rule in accordance with the law, then counsel and arbitrators must be attorneys licensed in El Salvador. If the arbitration is in equity or the case will be decided on the basis of the arbitrators' technical expertise (ie, their knowledge of an art, profession or trade, such as an engineer in construction cases), and thus arbitrators' rulings will be based on their consciences or specialised knowledge rather than the law, counsel must be licensed in El Salvador, but arbitrators can be foreign. For arbitrations under foreign law seated in El Salvador, both counsel and arbitrators may be foreign nationals.



II. Arbitration Laws

(i) What law governs arbitration proceedings with their seat in your jurisdiction? Is the law the same for domestic and international arbitrations? Is the national arbitration law based on the UNCITRAL Model Law?

The Ley de Mediación Conciliación y Arbitraje (LMCA) applies to arbitration proceedings in El Salvador. It applies to both domestic and international arbitrations. The LMCA is supposed to follow the UNCITRAL Model Law, but it deviates from it significantly.

(ii) Is there a distinction in your arbitration law between domestic and international arbitration? If so, what are the main differences?

International arbitration is defined in the LMCA as that which occurs in any of the following cases:

- when the parties of an arbitration agreement are domiciled in different states at the time of executing the agreement;
- if any of the following places is located outside of the domicile of the parties:
 - o the place of arbitration;
 - o the place of performance of a substantial part of the obligations of the legal relationship; or
 - o the place with which the object of the dispute is most closely connected.

The LMCA clearly states that the regulation of international arbitrations will always be subject to international treaties and agreements ratified by El Salvador.

- (iii) What international treaties relating to arbitration have been adopted (eg New York Convention, Geneva Convention, Washington Convention, Panama Convention)?
 - The United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the 1958 New York Convention);
 - The Convention on the Settlement of Investment Disputes (ICSID 1965):
 - The Inter-American Convention on International Arbitration (the 1975 Panama Convention);



- The Convention Establishing the Multilateral Investment Guarantee Agency (MIGA 1985); and
- Agreements supporting programs of the Overseas Private Investment Corporation (OPIC).
- (iv) Is there any rule in your domestic arbitration law that provides the arbitral tribunal with guidance as to which substantive law to apply to the merits of the dispute?

The parties are free to choose the substantive law applicable to the arbitration. There is no such rule in the LMCA, but article 16 of the Civil Code states that if the property that is the subject of the dispute is located in El Salvador or the effects of a contract executed abroad are to be carried out or fulfilled in El Salvador, Salvadoran law will be applicable to the merits of the dispute unless the parties have chosen otherwise.

III. Arbitration Agreements

(i) Are there any legal requirements relating to the form and content of an arbitration agreement? What provisions are required for an arbitration agreement to be binding and enforceable? Are there additional recommended provisions?

There are no requirements relating to the form and content of an arbitration agreement, except that the arbitration agreement must be in writing. It is recommended that consent to arbitrate be clearly stated.

(ii) What is the approach of courts towards the enforcement of agreements to arbitrate? Are there particular circumstances when an arbitration agreement will not be enforced?

Generally, courts will recognize and enforce arbitration agreements. Arbitration agreements will not be enforced when the consent to arbitrate is not clear.

(iii) Are multi-tier clauses (eg arbitration clauses that require negotiation, mediation and/or adjudication as steps before an arbitration can be commenced) common? Are they enforceable? If so, what are the consequences of commencing an arbitration in disregard of such a provision? Lack of jurisdiction? Non-arbitrability? Other?

Yes, multi-tier clauses are very common. Most of the time there is a negotiation phase before arbitration. It is unusual to have other steps before arbitration. Such clauses are fully enforceable, and if a party attempts to commence arbitration without regard for such a provision the panel will refuse to begin the proceedings for lack of jurisdiction.



(iv) What are the requirements for a valid multi-party arbitration agreement?

None, they are fully valid and executable.

(v) Is an agreement conferring on one of the parties a unilateral right to arbitrate enforceable?

No.

(vi) May arbitration agreements bind non-signatories? If so, under what circumstances?

No.

IV. Arbitrability and Jurisdiction

(i) Are there types of disputes that may not be arbitrated? Who decides – courts or arbitrators – whether a matter is capable of being submitted to arbitration? Is the lack of arbitrability a matter of jurisdiction or admissibility?

Yes. The following types of disputes may not be arbitrated:

- matters that are contrary to the public order or that directly concern the authority or actions reserved for the state or public entities (eg, the selection of a bidder in a public procurement process or the imposition of a fine or interest on payments owed to the government);
- criminal cases, except for civil liability arising from felonies;
- future alimony;
- all controversies relative to assets or rights of incapable persons, without previous judicial authorization;
- those conflicts related to the family status of individuals, except for economic matters between family members;
 - issues on which there is a final and firm judicial decision; and,
- labour disputes.

According to the LCMA, only those matters over which parties have the right to legally dispose of freely can be submitted to arbitration. In this sense, if a subject-matter cannot be freely disposed of in accordance with the law, it cannot be arbitrated.

The arbitral tribunal decides the arbitrability issue. The lack of arbitrability is a question of jurisdiction.



(ii) What is the procedure for disputes over jurisdiction if court proceedings are initiated despite an arbitration agreement? Do local laws provide time limits for making jurisdictional objections? Do parties waive their right to arbitrate by participating in court proceedings?

The opposing party must challenge jurisdiction in its first appearance in court. A party who responds to a complaint in a court without alleging lack of jurisdiction of the court waives the right to arbitrate.

(iii) Can arbitrators decide on their own jurisdiction? Is the principle of competence-competence applicable in your jurisdiction? If yes, what is the nature and intrusiveness of the control (if any) exercised by courts on the tribunal's jurisdiction?

Arbitrators can decide on their own jurisdiction and the principle of competence-competence is applicable. Courts generally will not intrude on this authority of arbitral panels. Furthermore, the principle of competence-competence has been also recognized by the local courts in some rulings.

V. Selection of Arbitrators

(i) How are arbitrators selected? Do courts play a role?

Arbitrators are usually selected by agreement of the parties. If the parties cannot agree on the whole tribunal, they will eac select a arbitrator and the two arbitrators will select a third arbitrator to be the president of the tribunal. If the parties cannot agree, or by consent of the parties, the Center can name the tribunal through a drawing of names from its list or the parties can go to the Civil Appeals Courts, which will name the arbitrators.

(ii) What are the requirements in your jurisdiction as to disclosure of conflicts? Do courts play a role in challenges and what is the procedure?

Upon being appointed by a party, the arbitrator must disclose any circumstance that may affect their impartiality or independence. Courts will only intervene in the case of a sole arbitrator.

(iii) Are there limitations on who may serve as an arbitrator? Do arbitrators have ethical duties? If so, what is their source and generally what are they?

There are no limitations other than those mentioned above. Only the Center has a code of ethics for arbitrator. Outside of the Center, arbitrators are guided by the general rules contained in the LMCA and other laws such as the CPCM and the criminal code. These rules generally prohibit arbitrators to be in a position that would raise doubts as to their independence or impartiality and maintain all information in absolute confidentiality.



(iv) Are there specific rules or codes of conduct concerning conflicts of interest for arbitrators? Are the IBA Guidelines on Conflicts of Interest in International Arbitration followed?

No.

VI. Interim Measures

(i) Can arbitrators issue interim measures or other forms of preliminary relief? What types of interim measures can arbitrators issue? Is there a requirement as to the form of the tribunal's decision (order or award)? Are interim measures issued by arbitrators enforceable in courts?

The LMCA allows arbitrators to issue interim measures or other forms of preliminary relief. There is no list or limitation as to what measures they can issue. Such measures are resolutions in the form of orders, not awards. The measures are enforced only by the courts.

(ii) Will courts grant provisional relief in support of arbitrations? If so, under what circumstances? May such measures be ordered after the constitution of the arbitral tribunal? Will any court ordered provisional relief remain in force following the constitution of the arbitral tribunal?

The rules contained in the CPCM are extremely broad and open in allowing counsel to request any type of measure, including provisional measures. Such measures may be ordered after the constitution of the arbitral tribunal, but only by the tribunal and not by the courts. Court orders will remain in place after the constitution of the tribunal.

(iii) To what extent may courts grant evidentiary assistance/provisional relief in support of the arbitration? Do such measures require the tribunal's consent if the latter is in place?

Courts must assist arbitral tribunals in any request they make, unless they contravene the Constitution. A request made by either party to a court will not be granted. All requests must come from the arbitral tribunal.

VII. Disclosure/Discovery

(i) What is the general approach to disclosure or discovery in arbitration? What types of disclosure/discovery are typically permitted?

There are no rules as to discovery. The arbitrators have broad power to limit disclosure or discovery requests.

(ii) What, if any, limits are there on the permissible scope of disclosure or discovery?



The only limits are that the disclosure or discovery must be useful to deciding the matter, relevant and legally obtained.

(iii) Are there special rules for handling electronically stored information?

No.

VIII. Confidentiality

(i) Are arbitrations confidential? What are the rules regarding confidentiality?

Yes. The LMCA states that all information must be handled with absolute discretion.

(ii) Are there any provisions in your arbitration law as to the arbitral tribunal's power to protect trade secrets and confidential information?

There are no specific rules as to trade secrets, but article 31 of the LMCA states that arbitral proceedings are confidential and the award may be deemed confidential by agreement of the parties.

(iii) Are there any provisions in your arbitration law as to rules of privilege?

No.

IX. Evidence and Hearings

(i) Is it common that parties and arbitral tribunals adopt the IBA Rules on the Taking of Evidence in International Arbitration to govern arbitration proceedings? If so, are the Rules generally adopted as such or does the tribunal retain discretion to depart from them?

No.

(ii) Are there any limits to arbitral tribunals' discretion to govern the hearings?

No, unless requested by the parties. Usually arbitration panels discuss housekeeping matters with the parties and obtain their prior approval on procedural matters.

(iii) How is witness testimony presented? Is the use of witness statements with cross examination common? Are oral direct examinations common? Do arbitrators question witnesses?

Witness testimony may be offered by either party and is presented orally only. Witnesses will usually be subject to direct and cross examination. Arbitrators have authority under the LMCA to question the witnesses directly.

(iv) Are there any rules on who can or cannot appear as a witness? Are there any mandatory rules on oath or affirmation?



Anyone can be proposed as a witness. It is up to the panel to admit the witness or not. There are no mandatory rules on oaths or affirmations.

(v) Are there any differences between the testimony of a witness specially connected with one of the parties (eg legal representative) and the testimony of unrelated witnesses?

No.

(vi) How is expert testimony presented? Are there any formal requirements regarding independence and/or impartiality of expert witnesses?

Expert testimony is usually presented in writing in the form of a report. There are no formal requirements regarding independence or impartiality of expert witnesses; the independence or impartiality of an expert witness will be considered by the panel in evaluating his or her testimony.

(vii) Is it common that arbitral tribunals appoint experts beside those that may have been appointed by the parties? How is the evidence provided by the expert appointed by the arbitral tribunal considered in comparison with the evidence provided by party-appointed experts? Are there any requirements in your jurisdiction that experts be selected from a particular list?

No, it is not common for arbitral tribunals to appoint experts. There are no rules governing the consideration of court-appointed expert testimony versus party-appointed experts. There are no lists of experts.

(viii) Is witness conferencing ('hot-tubbing') used? If so, how is it typically handled?

No, witness conferencing is not used.

(ix) Are there any rules or requirements in your jurisdiction as to the use of arbitral secretaries? Is the use of arbitral secretaries common?

The law allows arbitral secretaries, but they are not required. It is somewhat common, especially in complex cases.

X. Awards

(i) Are there formal requirements for an award to be valid? Are there any limitations on the types of permissible relief?

The arbitral award must be in writing and must contain:

- the place and date;
- the names, nationalities, domiciles and general information of the parties and the arbitrators;



- a description of the dispute submitted to arbitration and a summary of the allegations and conclusions of the parties;
- an assessment of the evidence offered and received in an arbitration de jure;
- the reasoning of the award in an equity arbitration;
- the resolution must be clear, precise and consistent with the claims and other requests made by the parties, providing explanation as needed, finding the defendant liable or not, and deciding all matters in dispute separately;
- the determination of the costs of the procedure, if any;
- the signature of all or most of the members of the arbitration tribunal; and,
- In case of an ad hoc arbitral award, it must be dully notarized before a notary public.

There are no legal limits on the types of permissible relief that may be ordered.

(ii) Can arbitrators award punitive or exemplary damages? Can they award interest? Compound interest?

No, punitive or exemplary damages do not exist in Salvadoran law. Arbitrators usually award regular interest but not compound interest.

(iii) Are interim or partial awards enforceable?

No, only the final award is enforceable.



(iv) Are arbitrators allowed to issue dissenting opinions to the award? What are the rules, if any, that apply to the form and content of dissenting opinions?

Yes, arbitrators are allowed to issue dissenting opinions. They must state the reasons behind their dissent. The dissent is usually attached to the award.

(v) Are awards by consent permitted? If so, under what circumstances? By what means other than an award can proceedings be terminated?

Yes, the law allows the parties to reach an agreement and the arbitrators to document it in the form of an award.

(vi) What powers, if any, do arbitrators have to correct or interpret an award?

Arbitrators have the power to correct an award, but only upon the request of the parties. They do not have the power to interpret an award

XI. Costs

(i) Who bears the costs of arbitration? Is it always the unsuccessful party who bears the costs?

Usually each party bears its own costs. Awards on costs usually divide them equally among the parties.

(ii) What are the elements of costs that are typically awarded?

Arbitrator and counsel costs, as well as institutional costs, are typically awarded.

(iii) Does the arbitral tribunal have jurisdiction to decide on its own costs and expenses? If not, who does?

Yes, the arbitral tribunal has jurisdiction to decide on its own costs and expenses.

(iv) Does the arbitral tribunal have discretion to apportion the costs between the parties? If so, on what basis?

Yes, the arbitral tribunal has discretion to apportion the costs between the parties. There is no fixed basis for doing so.

(v) Do courts have the power to review the tribunal's decision on costs? If so, under what conditions?

No, courts do not have jurisdiction that allows them to review the tribunal's decision on costs.



XII. Challenges to Awards

(i) How may awards be challenged and on what grounds? Are there time limitations for challenging awards? What is the average duration of challenge proceedings? Do challenge proceedings stay any enforcement proceedings? If yes, is it possible nevertheless to obtain leave to enforce? Under what conditions?

Generally, awards may be challenged only through annulment proceedings. But if the case is *de jure*, there might be an appeal before the second instance courts.

The grounds for an annulment are the following:

- The absolute nullity of the arbitration agreement for illegal purpose or cause;
- If the tribunal was not constituted in a legal manner;
- If notices were not done in accordance to the LMCA:
- When, without legal grounds, evidence requested in a timely manner was not applied or the processes necessary to evaluate them were not carried out as long as those omissions affect the award and the interested party has claimed them in the due manner and time;
- Issuing the award after the legally established deadline or its extensions;
- When it is evident that the award was granted *in equity* when it must have been *de iure*;
- When the award contains arithmetic errors or contradicting statements;
- When the award deals with matters that were not before the tribunal or when the tribunal awarded more than what was requested;
- When the tribunal omitted to decide on issues that were subject to the arbitration.

Annulment and appeals procedures usually last between two and four months. Any challenge proceeding stays enforcement. Leave to enforce may not be granted by any court while a challenge is pending.

(ii) May the parties waive the right to challenge an arbitration award? If yes, what are the requirements for such an agreement to be valid?

Parties may waive the right to appeal, but not to seek annulment. The only requirement is that the agreement is in writing and the waiver is clear.

(iii) Can awards be appealed in your country? If so, what are the grounds for appeal? How many levels of appeal are there?

Yes, awards can be appealed. There is only one level of appeal. Under the CPCM, the following items are reviewable on appeal:

• the application of the rules governing the acts and rights of the parties;



- the facts that were proven and used in the decision, and how the proof was weighed;
- the law applied to resolve the object of the dispute; and
- any evidence that was not admitted.
- (iv) May courts remand an award to the tribunal? Under what conditions? What powers does the tribunal have in relation to an award so remanded?

No, courts must enforce the award unless it does not meet the legal requirements.

XIII. Recognition and Enforcement of Awards

(i) What is the process for the recognition and enforcement of awards? What are the grounds for opposing enforcement? Which is the competent court? Does such opposition stay the enforcement? If yes, is it possible nevertheless to obtain leave to enforce? Under what circumstances?

Domestic arbitration awards, and foreign awards after they have been recognized in El Salvador, may be enforced on an expedited basis. Recognition of foreign arbitral awards is done by the Supreme Court of Justice in full (i.e. with all judges present). This procedure, called the exequatur, is handled by the Supreme Court of Justice (There is no exequatur requirement for domestic awards.) Opposition to enforcement stays the enforcement itself, and it is not possible to obtain leave to enforce until the opposition is ruled upon.

The party requesting the recognition and enforcement must file the award and the arbitration agreement, all duly legalized and translated. If the arbitral award comes from a state that is party to an international convention to which El Salvador is also a party, the rules stated in such convention will apply to the recognition procedure.

The LMCA contains other requirements for the recognition and enforcement of a foreign arbitral award in the absence of an applicable international convention. The grounds for denial of recognition and enforcement of an international arbitral award must be alleged by the interested party, and they are the following:

- One of the parties to the arbitration agreement lacked legal capacity;
- The arbitration agreement is invalid by virtue of the law to which the parties subjected it to or, failing any indication thereon, under the law of the country in which the award was granted;
- The party against whom the award is invoked was not given proper notice of the appointment of an arbitrator or of the arbitral proceedings, or was unable, for any other reason, to exercise its rights;



- The award refers to a dispute not included in the arbitration agreement or contains a decision that exceeds the terms of the arbitration agreement. However, if the provisions of the award that refer to the matters that are subject to arbitration can be separated from those matters that are not, the former can be recognized and enforced;
- The composition of the arbitration tribunal or the arbitration procedure was not in accordance with the agreement executed between the parties, or in the absence of such agreement, are not in accordance to the laws of the place in which the arbitration took place
- The award is not binding on the parties or has been annulled or suspended by the tribunal that issued it; and,
- The object of the dispute is not subject to arbitration in accordance with the LMCA; or
- The recognition or enforcement of the award is contrary to public order.

(ii) If an exequatur is obtained, what is the procedure to be followed to enforce the award? Is the recourse to a court possible at that stage?

Once an award is recognized in the manner stated in the treaties, pacts or conventions, after the exequatur, the award will be enforced before the judge that has jurisdiction under the *Codigo Procesal Civil y Mercantil* (CPCM) – in other words, the judge that would have hear the dispute absent an arbitration agreement. No recourse to a court is possible at this stage.

(iii) Are conservatory measures available pending enforcement of the award?

Yes, conservatory measures can be requested from the court before which the recognition and enforcement proceedings are pending.

(iv) What is the attitude of courts towards the enforcement of awards? What is the attitude of courts to the enforcement of foreign awards set aside by the courts at the place of arbitration?

In general, courts usually proceed with enforcement of arbitral awards without undue delay. Petitions to enforce foreign arbitral award are very uncommon in El Salvador. In 2011 the Supreme Court granted permission to enforce an international arbitral award (*Ricardo Humberto Artiga Posada vs Empresa Propietaria de La Red S.A*). In such decision a criterion in favor of protecting and recognizing the validity of a foreign arbitral awards was established. If an award has been set aside by a foreign court, the Supreme Court will probably refuse to enforce it.



(v) How long does enforcement typically take? Are there time limits for seeking the enforcement of an award?

It usually takes about two to four months. The statute of limitations to initiate an action for enforcement is 10 years.

XIV. Sovereign Immunity

(i) Do state parties enjoy immunities in your jurisdiction? Under what conditions?

No, they do not enjoy immunities.

(ii) Are there any special rules that apply to the enforcement of an award against a state or state entity?

Even though state parties do not enjoy immunities, the enforcement of money arbitral awards against the state must follow a special procedure established in the Law of Mercantile and Civil Procedures (Ley de Procedimientos Mercantiles y Civiles "LPMC") for this purpose. Once the warrant that orders the payment of an owed amount of money is issued, the court must notify the public employee in charge, who must authorize and issue the payment orders. If it is not possible to pay in the current budget, the debt will be included in the State budget of the next year. The seizure of Government's property is forbidden.

XV. Investment Treaty Arbitration

(i) Is your country a party to the Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States? Or other multilateral treaties on the protection of investments?

Yes. El Salvador is also a party to CAFTA-DR with Guatemala, Honduras, Nicaragua, Costa Rica, Dominican Republic and the United States.

(ii) Has your country entered into bilateral investment treaties with other countries?

Yes, there are 24 BITs signed by El Salvador.

XVI. Resources

(i) What are the main treatises or reference materials that practitioners should consult to learn more about arbitration in your jurisdiction?

Arbitration in Central America, Several Authors, CCA Abogados, 2011. Comentario

al Código Procesal Civil y Mercantil, Libro Primero Artículos 1 – 238, René Alfonso Padilla y Velasco, 2010

El Nuevo Proceso Civil y Mercantil Salvadoreño, Varios Autores, 2010



Medios de Impugnación en el Proceso Civil Salvadoreño III, Oscar A. Canales Cisco – con comentarios al CPCM.

Derecho Procesal Civil Salvadoreño I, Oscar A. Canales Cisco – con comentarios al CPCM.

El Arbitraje y la Solución de Controversias en los Tratados de Libre Comercio, Harold C. Lantán, Colección Jurídica Universidad Tecnológica de El Salvador.

Fundamentos Jurídicos y prácticos para el desarrollo del arbitraje comercial internacional en ES, Mancía y Amaya, Universidad Centro Americana "José Simeón Cañas" (UCA).

(ii) Are there major arbitration educational events or conferences held regularly in your jurisdiction? If so, what are they and when do they take place?

The Center usually holds three to four events per year. One of them which takes place every year is the Investment Arbitration Conference.

XVII. Trends and Developments

(i) Do you think that arbitration has become a real alternative to court proceedings in your country?

Arbitration is a real and valid alternative, but its use has not become widespread.

(ii) What are the trends in relation to other ADR procedures, such as mediation?

Mediation has been used in small claims in civil matters, family and criminal matters where mediation is allowed by law.

(iii) Are there any noteworthy recent developments in arbitration or ADR?

Nothing noteworthy