LAW N° 1879/02 FOR ARBITRATION AND MEDIATION - PARAGUAY

In force as from the 24th of April, 2002.

TITTLE I. ARBITRATION ➦

CHAPTER I. GENERAL PROVISIONS ➦

- **Article 1°.Fields of application.**

  This present law shall be applied to private arbitration, national as well as international, without prejudice of the provisions established in the treaties subscribed and ratified by the Republic of Paraguay.

  The provisions of this present law shall be applied only if the place of the arbitration is within the national territory. The provisions as settled in Articles 11, 20 and 44 to 48 shall be applied even when the place of the arbitration is located out of the national territory.

- **Article 2°.Purpose of the arbitration.**

  Any compromising matter as well as of inheritance content may be referred to arbitration, always when a final decree would not had been drafted on such a matter. They shall not be referred to arbitration those matters in which the intervention of the

Public Ministry (Prosecutor's Office) is required.

The State, the decentralized entities, the autocratic bodies and public companies, as well as the municipalities, shall be able to refer to arbitration their disputes with individuals, whether they are nationals or foreign, always when they arise from judicial acts or from contracts regulated by the private law.

- **Article 3°.Definitions.**

  For the purposes of this present law, it shall be understood as:

  a. Arbitration Agreement: the pact by which the parties decide to refer to arbitration all or some controversies that have arisen or may arise between them relating to a determined juridical relation, whether it is or it is not contractual. The arbitration agreement shall adopt the format of a commitment in writing stated in a contract or with the format of an independent agreement.
  b. Arbitration: any arbitration proceeding, independent from being or not managed by a permanent arbitration institution.
  c. International arbitration: is the one in which:
     1. the parties of an arbitration agreement, upon the celebration of such agreement, have their premises in different states; or
     2. the place for the accomplishment of a substantial part of the duties derived from a commercial relationship or the place with which the object of the litigation has a closer relationship, is located out of the State in which the parties are geographically established.

        For the purposes of this article:

        i. if any of the parties has more than one domicile, the one to be taken into account shall be that in which the arbitration agreement has a more tight relationship.
        ii. if any of the parties does not have any establishment expressed, his or her current place of residence shall be taken into account.

  d. Court of arbitration: the one consisting of arbitrator or arbitrators designated by the parties in order to make a decision on a controversy.
  e. Legal costs: court of arbitration's fees; travel and other expenses incurred by the arbitrators: costs of the expert advise or of any other kind of assistance required by the court of arbitration; travel expenses and other costs incurred by the witnesses, subject to approval by the court of arbitration; representative's and legal assistance' expenses of the winning party, if the parties agreed to which the claim of said cost during the arbitration proceeding and only at the extent to which the court of arbitration decides that the amount is reasonable; compensations and expenses of the institution who nominated the arbitrators.

- **Article 4°.Interpreting rules.**

  Whenever a provision of this present law:

  a. allows the parties the faculty to freely decide about a matter, that faculty entails to authorize a third, including an institution, to adopt such a decision, except as in the cases foreseen in the Article 32.
  b. refers to an agreement entered by the parties or that may be entered by them or, when, in any other way, it refers to an agreement between the parties, they shall be deemed as inserted in that agreement all the provisions of the arbitration's regulation to which such agreement is subject to.
  c. refers to a complaint, it shall also be applied to the counterclaim, and whenever

it refers to the answer to complaint, it shall apply in the same way to the answer to counterclaim, except in the cases as foreseen in the clause a) Article 28 and clause b) numeral 1 of Article 37; without prejudice of the arbitrator's decision on his competence to try the complaint and the counterclaim.

- **Article 5°.Reception of written communications.**

  Except as otherwise agreed by the parties:

  a. it shall be deemed as received any written communication that had been delivered in person to the addressee, or when it was delivered at his/her usual premises or residence, or at the legal special domicile as stated by the parties.
  b. the notice shall be deemed as received the day in which such a delivery had been done.

  The provisions of this article do not apply to the notifications done in a proceeding before a judicial court.

- **Article 6°.Calculation/computing of terms.**

  For term calculation purposes established in this present law, said terms shall start to be counted as from the day following to the reception of the notice, communication, note or proposal.

  In case the last day of such a term is an official holiday, or a non-working day at the place of residence or premises of the addressee's business, said term shall be extended until the first following working day.

  The other official holidays or non-working days occurring during the passing of the term, shall be included for counting/computing of the term.

- **Article 7°.Waiver of right to object.**

  It shall be deemed that the party has waived his/her right to object when, being aware that some provision of this present law or some requisite of the arbitration agreement has not been accomplished with, he/she does not express his/her objection to such non-accomplishment within the term for such effect; this term shall be of five working days, counting as from the day following to the moment in which the fact was known.

- **Article 8°.Inadmissibility of the judicial organ' intervention.**

  Except if provided on the contrary, judicial intervention shall not proceed on the matters governed by this present law.

- Article 9°.Authority for accomplishing determined assistance functions and supervision during the arbitration.

  When it is required a judicial intervention, it shall be competent to proceed with the First Instance Judge for Civil and Commercial Matters in turn, at the place where the arbitration is held.

  When the place of the arbitration is located out of the national territory, it shall proceed the recognition and the execution of the decision drafted by the First Instance Judge for Civil and Commercial matters in turn, at the domicile of the defendant or, in its defect, at the location of the assets.

CHAPTER II. ARBITRATION AGREEMENT ➦

- **Article 10°.Format of the Arbitration Agreement.**

The arbitration agreement shall be stated in writing. It shall be understood that an agreement is in writing when same is executed in a document signed by the parties, or is executed by an exchange of letters or registered telegrams in which such an agreement is stated; or by an exchange of complaint's writings and corresponding answer, in which the existence of an agreement and its provisions are expressed by one party without being denied by the other party. The reference made in an agreement, about a document that contains a compulsory clause constitutes, according to the arbitration, an agreement of arbitration, always when the agreement is expressed in writing and the reference implies that such a clause is part of the agreement.

- **Article 11°.Arbitration agreement and complaint regarding the ground before a judge.**

  The Judge to whom a lawsuit is referred about a matter that is suitable for an arbitration agreement shall send the parties to arbitration if required by any of them, at the latest, upon filing of the first writing about the ground of the complaint, unless it is proved that such agreement is null and void, or impossible to be executed.

  In case a complaint is already filed, as mentioned in the preceding paragraph, it shall be feasible, however, to initiate or to continue the arbitration steps, as well as to draft an award, in the meantime the matter is still pending before a Judge, always when the parties desist from the instance before the award is drafted.

CHAPTER III. COMPOSITION OF THE COURT OF ARBITRATION ➦

- **Article 12°.Number of arbitrators.**

  The parties shall freely determine the number of arbitrators, which shall be odd. In case said agreement is missing, the arbitrators shall be three.

- **Article 13°.Nomination of arbitrators.**

  For the nomination of arbitrators it shall be proceeded as follows:

  a. except as agreed on the contrary by the parties, the nationality nor the domicile shall be obstacles for the nomination of arbitrators. For exercising their duties, the foreign arbitrators shall be admitted in the country as non-resident foreign arbitrators, for the term of six months, with this term able to be extended for similar periods and the arbitrator(s) shall receive a compensation for the tasks accomplished.
  b. without prejudice of the provisions stated in paragraphs d) and e) of this present article, the parties shall be able to freely agree for proceeding with the nomination of an arbitrator or arbitrators.
  c. In case said agreement is missing:
     1. in the arbitration with three arbitrators, each party shall nominate one arbitrator and the other two arbitrators shall thus nominate the third one; if one of the parties does not nominate an arbitrator within the thirty days of receiving the requirement for doing so, or in case the two arbitrators do not reach an agreement relating the third arbitrator within the thirty days, counted as from his/her nomination, the nomination shall be done by the judge, upon petition of any of the parties, within the term of seven days. The third arbitrator shall head the court of arbitration.
     2. in the arbitration with only a single arbitrator, if the parties cannot reach to an agreement about the nomination of the arbitrator, this one shall be nominated, upon petition of any of the parties, within the same term as

mentioned in the preceding paragraph.

d. when in a case of a nomination convened by the parties, one of them does not act according with what it is provided for such a proceeding, or when the parties or the two arbitrators cannot reach an agreement according with the before mentioned proceeding, or when a third, even this one being an institution does not accomplish with a duty conferred to him/her/it on such a proceeding, any of the parties may request the Judge to order the parties the accomplishment of said duty as convened by the parties, by adopting the necessary measures, within the term of seven days, unless in the nomination proceeding they are foreseen other means to get such convened issues accomplished.
e. any decision on the matters referred to the judge in the clauses c) or d) of this present article shall be unappealable.
f. upon the nomination of an arbitrator, the judge shall take into account the required conditions established between the parties for an arbitrator for the agreement and shall take all necessary measures in order to assure the nomination of an independent and impartial arbitrator. In case of an international arbitration with only one arbitrator, or in case of the third arbitrator, the judge shall, in the same way, take into account the convenience of nominating an arbitrator with a different nationality than the one of the parties.

- **Article 14°.Reasons for challenge.**

  The person who is put on notice as to his/her possible nomination as arbitrator shall reveal all circumstances that may give credence to justified doubts about his/her impartiality or independence. The arbitrator, since the moment of his/her nomination and all during the arbitration proceedings, shall reveal without delay to the parties such circumstances, unless he/she already had revealed them to her/him.

  An arbitrator may be challenged only if there exist circumstances that give place to justified doubts relating his/her impartiality or independence, or if he/she is not qualified according to what it was agreed by parties. One party may challenge an arbitrator nominated by him/her or in whose nomination he/she has participated, for reasons of which he/she could have knowledge after the nomination was done.

- **Article 15°.Challenge proceeding.**

  The parties shall be able to freely agree on the arbitrators' challenge proceeding.

  In case such agreement does not come about, the party that wishes to challenge an arbitrator shall send to the court of arbitration, within the next fifteen days following to the day in which he/she had knowledge about the formation of a court of arbitration or about any of the circumstances mentioned in the Article 14 of this present law, a writing in which he/she shall expose the reasons for the challenge. Unless the arbitrator resigns to his/her position or unless the other party accepts the challenge, it shall fall upon the court of arbitration to decide on this.

  In case the challenge as mentioned in this article, agreed by the parties, is not upheld, the challenging party may be able to request the judge, within the next fifteen days following to the receipt of the notice on the decision for which the challenge is rejected, that within the term of seven days the challenge be resolved, a decision that shall be unappealable.

- **Article 16°.Lack or impossibility of exercise of duties.**

  When an arbitrator is impeded by law or by fact in the exercise of his/her duties or due to other reasons he/she does not act within the term of thirty days, he/she shall cease in his/her position in case he/she waives or if the parties agree themselves on his/her removal. Otherwise, if there exists a disagreement relating any of those reasons, any

of the parties may be able to request the judge a resolution declaring the ceasing in the exercise of his/her duties, resolution this that shall be drafted within the term of seven days and which shall be unappealable.

- **Article 17°.Temporary Arbitrators.**

  Through same proceeding and at the same opportunity when the nomination of the arbitrators that shall form the court of arbitration, the parties may nominate same number of temporary arbitrators, who shall replace those ones when for whatever reasons cease to exercise their duties.

  The requisites for being temporary arbitrator shall be the same than for being nominated permanent arbitrator.

  Temporary arbitrators shall not perceive any compensation until they replace the permanent ones.

- **Article 18°.Substitute Arbitrator**

  If the parties had not proceeded according with what it is provided in the Article 17, when for whatever reasons an arbitrator ceases in exercising his/her duties, it shall be nominated a substitute arbitrator, according with same proceeding by which the arbitrator to be replaced was nominated.

CHAPTER IV. COMPETENCE OF THE COURT OF ARBITRATION ➦

- **Article 19°.Authority of the court of arbitration to decide about its competence.**

  The court of arbitration shall be empowered to decide about its own competence, including on the exceptions relative to the existence or to the validity of the arbitration agreement. For that purpose, a compulsory clause inserted in a contract shall be deemed as an agreement independent from the other provisions of the contract.

  The decision of the court of arbitration that the contract is null shall not mean ipso jure the nullity of the compulsory clause.

  The party who takes exception as to the competence of the court of arbitration shall file demurrers, no later than it submits the response to complaint. The parties shall not be impeded to file demurrers based on the fact that an arbitrator has been nominated or because of they have participated in his/her nomination. The exception based on the fact that the court of arbitration has exceeded its mandate shall be filed as soon as the matter that supposedly is exceeding its mandate is exposed in the meantime the arbitration process is taken place. The court of arbitration shall, in any of the cases, esteem an exception filed later in case it deems the delay is justified.

  The court of arbitration shall be able to decide on the exceptions to which it is made reference in this present article as a previous matter or in an award based on the grounds. If, as a prior matter, the court of arbitration is declared competent,

  any of the parties, within the next thirty days following to the receipt of notice of said decision, shall be able to request the judge to resolve the matter, which shall be done within the term of seven days, with the decision being unappealable.

  While said petition is pending, the court of arbitration shall continue its proceedings, but shall not be able to draft a decision.

- **Article 20°.Authority of the court of arbitration to order preventive or temporary measures.**

  Except as otherwise agreed on the contrary by the parties, the court of arbitration shall be able to, upon petition of one of them, order the adoption of preventive temporary measures deemed necessary relating the object of the litigation. The court of arbitration shall require the petitioner an adequate counter-prevention relating those measures.

  The preventive measures ordered by the court of arbitration shall be executed by judicial order adopted inaudita parte within a third day from the day requested by said court.

  Before the formation of a court of arbitration the preventive temporary measures shall be petitioned to the First Instance Judge for Civil and Commercial matters, and shall be resolved by him. The preventive temporary measures judicially granted shall expire within seven days after having been formed, and the court shall be able to confirm, rise or modify those measures from the moment of its formation.

CHAPTER V. SUBSTANTIATION OF THE ARBITRATION PROCEEDINGS ➦

- **Article 21°.Equitable treat to the parties.**

  The parties shall be treated with equity and each of them shall be given a full chance to exercise their rights.

- **Article 22°.Determination of the proceeding.**

  Subject to the provisions of this present law, the parties shall freely convene the proceeding to which the court of arbitration shall adjust in its proceedings.

  If the parties are unable to decide when the court of arbitration shall convene, that court shall, subject to the provisions of this present law and with notice to the parties, address the arbitration in the way it deems adequate. This authority conferred to the court of arbitration includes the one to determine the admissibility, the pertinence and the value of the evidences.

- **Article 23°.Place of the arbitration.**

  The parties shall be able to freely determine the place for the arbitration. In case of no agreement relating such aspect, the court of arbitration shall determine the place for the arbitration, based on the circumstances of the case, including the convenience of the parties.

  Without prejudice of the provisions mentioned in the preceding paragraph, the court of arbitration shall, except as otherwise agreed by the parties, meet at any place deemed appropriated in order to make the deliberations among its members, listen to witnesses, its experts or to the parties, or in order to examine their goods or other assets or documents.

- **Article 24°.Initiation of the arbitration proceedings.**

  Except as otherwise convened by the parties, the arbitration proceedings relating a determined controversy shall be initiated the day the defendant had received the requirement for submitting said controversy to arbitration.

- **Article 25°.Language.**

The parties shall freely agree as to which language or languages are to be used in the arbitration proceedings. In case the parties cannot come to such agreement, the court of arbitration shall determine the language or languages to be used for the proceedings. Said agreement or this determination shall be applicable, except as otherwise specified at same, to all writings of the parties, hearings, decisions, awards or notices of any other kind, issued by the court of arbitration.

The court of arbitration shall be able to order that any documentary evidence be attached with a translation to the language or languages as convened by the parties or as determined by the court of arbitration.

- **Article 26°.Complaint and answer to the complaint.**

  Within the term convened by the parties or the one determined by the court of arbitration, the plaintiff must state the facts in which the grounds of the complaint are based on, the controvert points as well as the pretensions of the complaint, and the defendant shall answer the points alleged in the complaint, unless the parties had agreed otherwise relating what elements the complaint and its answer must necessarily contain. The parties shall submit, upon formulation of their allegations, all documents deemed pertinent or shall make reference to documents or other evidences that shall be submitted.

  Except as otherwise agreed by the parties, in the course of the arbitration proceedings, any of the parties shall be able to modify or expand their complaint or answer to the complaint, unless the court of arbitration deems said alteration unfounded due to the delay for doing so.

- **Article 27°.Hearings and proceedings by writing.**

  Except as otherwise agreed by the parties, the court of arbitration shall decide if hearings are to be held for the submission of evidences or for oral alleges, or if the proceedings shall be grounded based on documentation and other evidences.

  It shall be noticed the parties with enough priority, the holding of hearings and meetings of the court of arbitration for the examination of commodities or other goods or documents.

  Any statements, evidencing documentation, expert advise reports or other information that one of the parties submits to the court of arbitration, shall be noticed to the other party.

- **Article 28°.Default of one of the parties.**

  Except as otherwise agreed by the parties, when, without invoking nor submitting enough evidence:

  a. the plaintiff does not submit his/her complaint within the term as stated in the Article 26, the court of arbitration shall deem the proceedings as finished.
  b. the plaintiff does not submit his/her answer within the term as stated in the Article 26, the court of arbitration shall continue the proceedings, without this omission deems itself as an acceptation of the plaintiff's arguments.
  c. one of the parties does not appear in court for a hearing, nor he/she submits evidences or documentary evidences, the court of arbitration may continue with the proceedings and draft a decision based on the evidences available.

- **Article 29°.Nomination of experts by the court of arbitration.**

  Except as otherwise agreed by the parties, the court of arbitration may nominate one or more experts in order they submit their reports on determined and concrete

technical or scientific matters; in the same way, it may also request to any of the parties, to provide or have available for the expert's revision or to give the experts to access to any documents, goods or other pertinent assets.

- **Article 30°.Obligation of the expert after the opinion.**

  Except as otherwise agreed by the parties, when one of them does so request or when the court of arbitration deems it necessary, the expert, after submitting his/her oral or written opinion, shall participate in a hearing in which the parties shall have the opportunity to ask him/her questions and defend his or her decision as to the questioned/argued points.

- **Article 31°.Assistance of the judge for the offering of evidences.**

  The court of arbitration or any of the parties, with approval of the court of arbitration, shall be able to request the assistance of the competent judge for the handling of evidences; the judge shall resolve said request within the term of seven days. The judge shall be able to manage such a petition within the ambit of his/her competence and in conformity with the standards applicable on evidence means.

CHAPTER VI. PRONOUNCEMENT OF THE AWARD AND FINALIZATION OF THE PROCEEDINGS. ➦

- **Article 32°.Standards to be applicable to the ground of the litigation.**

  The court of arbitration shall decide the litigation according with the law standards selected by the parties, deemed adequate to be applied to the grounds of the litigation. It shall be understood that any law or judicial matter of a determined state refers, unless otherwise expressed, to a substantive law of that state and not to its standards for conflict of regulations.

  If the parties do not point out the applicable law, the court of arbitration shall apply the law determined by the standards for conflict of regulations deemed necessary.

  The court of arbitration shall decide in equity only if the parties have authorized for doing so. In case of arbitration of equity or of amicable compound, the arbitrators are not bound to resolve based on the standard of law, but to do it "in conscious" or "according his/her real knowledge and understanding".

  In all cases, the court shall decide according with the provisions of the contract and it shall take into account the commercial customs applicable to the case.

- **Article 33°.Taking of decisions when there are more than one arbitrator.**

  In the arbitration proceedings in which there is more than one arbitrator, any decision of the court of arbitration shall be adopted, except as otherwise agreed on the contrary by the parties, by the majority of votes of all members of the court. However, the head arbitrator shall be able to decide on the proceeding matters, if it is so authorized by the parties or by the members of the court.

- **Article 34°.Transaction and conciliatory agreement.**

  If, during the arbitration proceedings with more than one arbitrator, the parties reach to a deal or to a conciliatory agreement thus resolving the litigation, the court of arbitration shall draft an award or an arbitration sentence, in which he/she shall confirm:

  The award, according with the convened terms, shall be drafted according with the

provisions of Article 36 and it shall be stated on it that is an award. This award has same nature and effect than any other sentence drafted on the ground of the litigation.

The deals and conciliatory agreements confirmed by a court of arbitration shall have the validity of an awarded matter.

- **Article 35°.Suspension of the proceedings.**

  The parties have the right, at any moment before the drafting of an award, to decide, by common agreement, to suspend the arbitration proceedings for a certain and determined period of time.

- **Article 36°.Format and content of the award or arbitration sentence.**

  The award or arbitration sentence shall be drafted in writing and signed by the arbitrator or arbitrators.

  In case of arbitration proceedings with more than one arbitrator, the award shall be signed by a majority of the members of the court, and they shall agree to and submit the reasons for which one or more signatures are missing.

  The award of the court of arbitration must be grounded, unless the parties had agreed otherwise or unless it is dealt with an award pronounced according with the terms convened by the parties as established in the Article 34.

  They must be stated in the award they date in which it has been drafted and the place of the arbitration, determined according with Article 23. The award shall be deemed as drafted in that place.

  After the award is drafted, the court shall notice about it to all the parties, by means of the delivery of one copy signed by the arbitrators according with this present article.

- **Article 37°.Finalization of the proceedings.**

  The arbitration proceedings are finished:

  a. with the award or arbitration sentence.
  b. by order of the court of arbitration, when:
     1. the plaintiff desists from the complaint, unless the defendant refuses it and the court of arbitration recognizes a genuine interest from his/her part to get a final resolution to the litigation.

        Said termination shall impede the plaintiff to reinitiate in the future the same arbitration proceedings.

     2. the Parties agree to finish the proceedings.
     3. the court of arbitration confirms that the continuation of the proceedings shall result unnecessary or impossible.

  The court of arbitration shall cease in its duties upon finishing the arbitration proceedings, except as provided in Articles 38, 39 and 43 of this present law.

- **Article 38°.Correction and interpretation of the arbitration award and the additional award.**

  Within the fifteen days following to the reception of the award, except as other term as agreed by the parties, any of the parties shall be able to, with notice to the other party, request that the court of arbitration:

1. Make in the award corrections of calculation, copying or printing mistakes, or of any other errors of similar nature. The court of arbitration shall be able to correct any of the mistakes mentioned by its own initiative, within the fifteen days following to the award.
2. If it is so agreed by the parties, of an interpretation on an issue of one party defines the award.

If the court of arbitration deems it justified, it shall make the correction or give the interpretation within the fifteen days following to the receipt of the request. The interpretation shall form part of the award.

- **Article 39°.Additional arbitration award.**

Except as otherwise agreed by the parties, within the fifteen days following to the reception of the award, any of the parties, with notice to the other party, shall be able to request the court of arbitration to draft an additional award relating the claims done in the arbitration proceedings, that are omitted in the award. If the court of arbitration deems the petition justified, it shall draft an additional award within the thirty days.

The court of arbitration shall be able to extend, if necessary, the term within which the correction shall be made, the interpretation shall take place or an additional award shall be drafted according with the provisions of the preceding paragraph or with the Article 38 of this present Law.

The provisions of Article 36 shall be applied to the corrections or interpretations of the award or the additional awards.

CHAPTER VII. OBJECTION TO THE AWARD OR TO THE ARBITRATION SENTENCE ➦

- **Article 40°.Resource for nullity.**

Upon an arbitration award, it shall only be feasible to come up before the Court of Appeals for Civil and Commercial Matters with territorial competence on the place where the award had been drafted, by means of the resource of appeal for nullity, according with this present chapter.

The arbitration awards shall be annulled only when:

a. the party that places the petition proves that:
    1. One of the parties, at the arbitration agreement, was affected by an inability, or if said agreement is not valid in virtue of the law to which the parties were subject to, or if nothing was pointed out relating such respect, in virtue of the Paraguayan legislation.
    2. It has not been duly noticed about the nomination of an arbitrator or about the arbitration proceedings, or, for any other reason, it has not been able to make use of their rights.
    3. The award relates to a controversy not foreseen in the arbitration agreement or when it contains decisions that exceed the terms of the arbitration agreement; however, if the provisions of the award that refer to the matters subject to the arbitration may separate from the ones that are not subject to it, it shall only be feasible to annul these lasts; or
    4. The composition of the court of arbitration or of the arbitration proceedings have not been adjusted to the agreement between the parties, except that said agreement was in conflict with any provision of this law that the parties

cannot get apart to, or, in lack of said agreement, that they have not been adjusted to this law; or,

b. The court proves that, according with the Paraguayan Law, the object of the controversy is not susceptible of arbitration or that the award is contrary to the international public order or to the Paraguayan State.

- **Article 41°.Term.**

  The resource for nullity must be placed within the term of fifteen days, counted as from day of notice on the award or arbitration sentence, or if the petition has been done according with Articles 38 and 39, since the date in which said petition has been resolved by the court of arbitration.

- **Article 42°.Proceedings for Nullity.**

  The party who files an appeal for nullity must ground it in a clear and concrete way, by law and by fact, and must offer all necessary evidences. The documentary evidence shall be accompanied by a writing, and in cases where the party does not have said writing, same shall be individualized indicating its content, place, file, public office, or person in whose hands it is placed.

  The court shall order that notice of same be served for five days upon the parties, who, upon answering them, shall offer their evidences, thus proceeding with the documentary evidence in the way indicated in the preceding paragraph. The serve of notice shall be communicated by means of a document within the third day from the day it was so ordered.

  Upon expiration of the term, with or without answer, the court shall open the discovery phase for no more than ten days, when the nullity refers to de facto matters. In a contrary case, it shall be resolved without more steps, within the term of ten days.

  The experts testimony, in case corresponds to be done, shall be performed by only one expert nominated by the court. No more than three expert witnesses shall be permitted for each party, and statements shall not be received out of the court's facilities, whatever is the address of those.

  Once the notice is served upon or after expiring the term without any of the parties had offered evidences, or upon the reception of the evidence, the court

  shall resolve on the request for nullity, without further steps, within the term of ten days.

  Against the resolutions for taking of steps or the resolutions of ground, issued by the court for the substantiation of the resource for nullity, it shall not proceed any resource.

- **Article 43°.Suspension of the nullity's proceedings.**

  The Court of Appeals, whenever it is required to annul of an award, shall be able to suspend the nullity proceedings, in case it corresponds and if so requested by one of the parties, for a determined term, thus giving the court of arbitration the chance to continue with the arbitration proceedings or to adopt any other measure that, upon judgement of the court of arbitration, eliminates the reasons for the petition for nullity. In this case, it shall be applied, in compatible issues, the provisions of Article 38.

CHAPTER VIII. RECOGNITION AND EXECUTION OF THE

ARBITRATION AWARDS ➦

- **Article 44°.Standards applicable to the recognition and execution of foreign arbitration awards.**

  The foreign arbitration awards shall be recognized and executed in the country, according with the treaties ratified by the Republic of Paraguay on recognition and execution of arbitration awards.

  In case when more than one international treaty is to be applicable, except as otherwise agreed by the parties, it shall be applicable the most favorable one to the party who requests the recognition and execution of an agreement and arbitration award.

  In defect of the applicability of any treaty or international pact, the foreign awards shall be recognized and executed in the Republic according with regulations of this present law and the specific provisions of this chapter.

- **Article 45°.Recognition and execution of arbitration awards.**

  An arbitration award, whatever it is the State in which it has been drafted, shall be recognized as binding and, upon submission of a written petition by the competent judicial organ, shall be executed according with the provisions of this present chapter. It shall be of competence, at option of the party who requests the recognition and execution of the award, the Judge of First Instance for Civil and Commercial, in turn, or, in his defect, the one where the assets are located.

  The party that invokes an award or requests its execution, shall submit the original of the award duly authenticated, or a certified duly authenticated copy of same, as well as the original document of the arbitration agreement to which it refers the Article 10, or a duly certified copy of same. If the award or the agreement are not written in the Spanish Language, the party invoking the same must submit an official translation to this Language, done by an official translator.

- **Article 46°.Reasons for denying the recognition or the execution.**

  The recognition or execution of the arbitration award shall only be able to be denied in the State in which it has been drafted, when:

  a. the party against whom the award is invoked presents evidence before the competent judge that:
     1. one of the parties at the arbitration agreement to which the Article 10 refers was affected by any disability, or that said agreement is not valid in virtue of the law to which the parties have subjected to, or if nothing has been pointed out at such a respect, in virtue of the law of the State in which the award was drafted.
     2. The nomination of an arbitrator or of the arbitration proceedings has not been duly noticed, or the complaining party could not, for any reason, assert his/her rights.
     3. the awards refers to a controversy not foreseen in the arbitration agreement or it contains decisions that exceed the terms of the arbitration agreement. However, if the provisions of the award to which the matters subject to the arbitration may be separated from the ones that are not, it shall be given recognition and execution to the first ones.
     4. the composition of the court of arbitration or the arbitration proceeding were not adjusted to the agreement celebrated between the parties or, in lack of said agreement, the ones that did not adjust to the laws of the State where

the arbitration was held.

5. the award is not yet compulsory to the parties or it has been annulled or suspended by a judge of the State in which, or according to its laws, said award has been drafted.

b. when the judge confirms that, according with the Paraguayan legislation, the object of the controversy is not susceptible of arbitration; or that the recognition or the execution of the award would result contrary to the international public order or to the Paraguayan State.

- **Article 47°.Postponement of the resolution and request for guarantees.**

  In a case where, according to a Judge of the State, the arbitration' award, nullity or suspension was drafted, the judge to whom it is requested the recognition or the execution of the award shall, if he/she deems proper, postpone his/her resolution, and shall, at instance of the party who requests the recognition or the execution of the award, also be able to order the other party to grant enough guarantees.

- **Article 48°.Proceeding.**

  Upon the initiation of the recognition and execution of an arbitration award or of a sentence, the judge shall serve notice upon the individual convicted by the award, for the term of five days, having this individual to be noticed by a document.

  The convicted individual shall be able to object the execution only based on the reasons as provided in the Article 46, offering all necessary evidences. The documentary evidence shall be attached to the writing, and in case he/she does not have it, it must be clearly identified as to its content, place, file, public office or person in whose hands it is placed.

  If any of those grounds are found, the judge, within the term of five days shall draft a resolution, thus resolving the execution, ordering the requirement to the obliged as well as the foreclose of properties, whatever the case is.

  In case of objection, they shall apply the regulations of the interlocutory proceedings as foreseen in the Civil Legal Code.

  The resolution on the recognition and the execution of the award shall not be object of any kind of resource. In case the execution of the requested award is ordered, this shall be handled according with the legal provisions on national sentences as foreseen in the Civil Legal Code.

CHAPTER IX. LEGAL COSTS ➦

- **Article 49°. Agreement about legal costs.**

  The parties are empowered to adopt, whether it is directly or by reference to an arbitration regulation, rules relating the legal costs of the arbitration. In case the parties fail to come to such an agreement, the provisions of this present chapter shall be applied.

- **Article 50°.Fee's Amount.**

  The fees of the court of arbitration shall be of a reasonable amount, taking into account the quantity of the dispute, the complexity of the matter, the time spent by the arbitrators and whatever other circumstances pertinent to the case. The fees of each arbitrator shall be established separately and shall be fixed by the same court of arbitration.

- **Article 51°.Time for fixation of Fees.**

  Except as otherwise agreed by the parties, when the court of arbitration drafts an order for concluding the arbitration proceedings or an award, according with the terms as convened by the parties, it shall fix the legal expenses of the arbitration in the text of said order or award.

  The court of arbitration shall not charge additional fees for the interpretation, rectification, or completion of its award, or for drafting an additional one.

- **Article 52°. Deposit of legal costs.**

  Once the court of arbitration is formed, it shall request each one of the parties to deposit an equal sum to cover the fees of the arbitrators, travel expenses, and other costs, as well as experts' expenses and any other assistance required by the court of arbitration in the course of the proceedings.

  In the course of the procedures, the court of arbitration shall be able to request additional deposits by the parties.

  In case of having elapsed thirty days since the day the date of the court of arbitration's requirement, the deposits requested have not been paid in whole, the court of arbitration shall report this fact to the parties in order the requested deposit be effected. In case this deposit is not done, the court of arbitration shall order the suspension or conclusion of the arbitration proceeding.

  Once the award is drafted, the court of arbitration shall deliver to the parties an account statement detailing the deposits received, and shall reimburse all of the unused balance in those accounts.

TITTLE II. MEDIATION ➦

CHAPTER I. GENERAL PROVISIONS ➦

- **Article 53°.Definition.**

  The mediation is a voluntary mechanism oriented towards the resolution of conflicts, through which two or more persons manage by themselves the friendly resolution of their disputes, with the assistance of a neutral and qualified third, named mediator.

- **Article 54°.Matters that may be referred to mediation.**

  They shall be object for mediation all matters deriving from a contractual relation or other type of juridical relation, or bounded to them, always when said matters are susceptible of transaction, conciliation or arbitration.

- **Article 55°.Effects of the mediation hearing.**

  In case that before the conciliation hearing is held, as foreseen in the legal regulations, the parties decided to refer to mediation, the written report of the mediator or of the Mediation Center in which it is stated that the parties have appeared at least to one mediation hearing, shall have same legal effects than the conciliation hearing established in said legal regulations.

- **Article 56°.Moment.**

  The mediation hearing shall be able to be held at any moment before the initiation of a

complaint, or at any stage of a complaint, before the final decree is drafted, with the validity of an adjudged case.

- **Article 57°.Confidentiality.**

  The mediation has a confidential nature. The ones who participate on it must keep due discretion and the proposed terms of agreement shall not affect the complaint, in case there is any. The mediator shall not be called to act as witness or under any other capacity at any further complaint between same parties or for same object.

- **Article 58°.Application.**

  The parties shall be able to concur together or by separate to the mediation, by means of a written application to the mediator chosen by them or to the Mediation Center by them determined.

- **Article 59°.Management.**

  Except as otherwise agreed by the parties, within the five working days following to the filing of an application for mediation, the center shall nominate the mediator or mediators and shall convoke the parties, at determined date and time to hold the mediation meeting.

- **Article 60°.Agreements.**

  During the course of the hearing, the mediator shall cooperate with the parties in a way to clearly determine the facts adduced by them, as well as the positions and the interests in which they are founded, in order to jointly elaborate the agreement clauses that may or may not be then approved by the interested parties.

  The parties shall cooperate IN good faith with the mediator and, in particular, shall make efforts to accomplish the requirements of this and to attend THE hearings whenever these are called for.

- **Article 61°.Effects.**

  The mediation agreement binds the parties as from the moment they and the mediator subscribe the act of mediation, thus evidencing it by means of the document, which shall have effects of adjudged case since the moment in which the competent judge approves it.

  If the mediation agreement had place and there exists a pending complaint, the judge shall be competent to approve it, which shall also produce the effect of ending of the process.

  If the mediation agreement was a partial one, it shall be left constancy about that in the mediation act and the parties shall be able to discuss at the complaint the non mediated issues.

- **Article 62°.Termination.**

  The proceedings of the mediation shall conclude with:

  a. the subscription of a mediation act containing the agreement to which the parties have reached to, according with the provisions of Article 61.
  b. the subscription of an act by means of which the mediator and the parties leave constancy about the impossibility to reach to a mediation.
  c. the certification issued by the center before which the petition for mediation was filed, in the sense that it existed the impossibility for celebrating the hearing due to the absence of one or more of the parties summoned for the hearing.

CHAPTER II. MEDIATION CENTERS ➦

- **Article 63°.Mediation Centers.**

  The Centers for Mediation shall be entities equipped with all logistic and technical elements necessary to serve as support for the management of the mediations and for the training of mediators.

- **Article 64°. Authenticated copies.**

  The Mediation Centers shall organize and keep a record of acts containing the agreements achieved, and others regarding situations wherein no agreement was obtained between the parties and shall be able to issue authenticated copies of same to the parties.

CHAPTER III. THE MEDIATOR ➦

- **Article 65°.Requisites.**

  The mediator shall be a person of recognized honorability, well trained and impartial, and his/her work shall be to freely address the management of the mediation, guided by the principles of impartiality, equity and justice.

  As a previous requisite to the exercise of his/her functions, the mediator shall have to participate in a special training course dictated by a Mediation Center.

- **Article 66°.Inability.**

  Whoever act as a mediator shall not be allowed to intervene as arbitrator, witness, advisor, proxy or in any other capacity, at any judicial or arbitration process related to the conflict object of the mediation.

  The Mediation Centers shall not intervene in cases in which their principals or staff are directly interested.

- **Article 67°.Self-disqualification and challenge.**

  The person to whom it is noticed his/her possible nomination as mediator shall reveal all circumstances that may give place to justified doubts about his/her impartiality or independence. The mediator, since the moment of his/her nomination and all during the mediation process, shall reveal, without delay, such circumstances to the parties unless he/she has already reported it. A mediator shall be able to be challenged if there are circumstances that give place to justified doubts relating to his/her impartiality or independence. The party wishing to challenge a mediator shall send to the Mediation Center, within the three days following to the day he/she had knowledge about the nomination of the mediator, a writing in which he/she shall state the reasons for the challenge. Unless the challenged mediator resigns to his position or unless the other party accepts the challenge, it shall fall upon the director of the Mediation Center to make a decision on the challenge.

TITTLE III. FINAL AND REPEALING CLAUSES ➦

- **Article 68°.Arbitration proceedings in process.**

  The pending arbitration proceedings, upon the enforcement of this law, shall be

handled and resolved according to the provisions of the Book V “The Arbitration Process”, of Law N° 1337 dated November 4, 1988 “Civil Legal Code”.

- **Article 69°.Repeal of legal provisions.**

  They are hereby repealed the following legal provisions:

  1. Articles 774 to 835 of the Book V “Of the Arbitration Process” of Law N° 1337 dated November 4, 1988 “Civil Legal Code”.
  2. Article 536 of Law N° 1337 dated November 4, 1988 “Civil Legal Code”.
  3. In general, all those legal or regulating provisions that are opposed to this present law.

- **Article 70°.Notification to the Executive Branch.**

  This Project of Law is approved by the Honorable Chamber of Deputies, on November 1st, 2001, and by the Honorable Chamber of Senators, on April 11, 2002, being it enacted, according with the provisions of Article 207, numeral 1, of the National Constitution.

  (signature) (signature)

  Juan Dario Monges Espinola Juan Roque Galeano Villalba

  President President

  H. Chamber of Deputies H. Chamber of Senators

  Page 30.-

  (signature) (signature)

  Juan Jose Vazquez Vazquez Nidia Ofelia Flores Coronel

  Parliamentary Secretary Parliamentary Secretary

  (signature)

  Luis Angel Gonzalez Macchi

  (signature)

  Diego Abente Brun

  Ministry of Justice and Work