

## ARBITRATION IN SAUDI ARABIA

Arbitration in Saudi Arabia is evolving rapidly under Vision 2030, offering businesses a modern, efficient, and internationally aligned framework for resolving disputes.

Guided by the 2012 Arbitration Law and supported by the Saudi Center for Commercial Arbitration (SCCA), the Kingdom is enhancing transparency, reducing judicial interference, and ensuring enforceability while remaining rooted in Sharia principles.



## Introduction

As Saudi Arabia continues its transformation under Vision 2030, the legal sector is evolving rapidly to support an increasingly dynamic business landscape. Arbitration has emerged as a preferred method of dispute resolution, particularly for commercial, construction, and cross-border transactions.



With a growing emphasis on efficiency, neutrality, and enforceability, the Kingdom is aligning its arbitration practices with international standards while preserving its legal identity rooted in Sharia. This article explores the recent trends in arbitration in Saudi Arabia and outlines best practices for businesses seeking to navigate the arbitration process effectively.



## Legal Framework of Arbitration in Saudi Arabia

The legal framework for arbitration in Saudi Arabia is primarily governed by the Saudi Arbitration Law of 2012 (Royal Decree No. M/34). This law, inspired by the UNCITRAL Model Law, has modernized the arbitration landscape in the Kingdom, emphasizing party autonomy, restricting judicial intervention and aligning with the international standards. It applies to both domestic and international arbitration in Saudi Arabia or when parties agree to its application.

### Key Aspects of the Saudi Arbitration Law

<b>Alignment with International Standards</b>	→	The 2012 law significantly revised the previous framework, incorporating principles from the UNCITRAL Model Law aiming to create a more efficient and predictable system.
<b>Party Autonomy</b>	→	The law emphasizes the ability of parties to determine the rules and procedures of the arbitration process, reflecting a move towards greater party control over dispute resolution.
<b>Enforcement of Awards</b>	→	The law, along with the Enforcement Law of 2012, facilitates the recognition and enforcement of arbitral awards in Saudi Arabia, including those issued in foreign jurisdictions, subject to certain conditions (e.g., compliance with Saudi public policy and Sharia).
<b>Reduced Judicial Intervention</b>	→	The law aims to minimize unnecessary court interference in arbitration proceedings, allowing tribunals and parties to manage the process more independently. Specifically, it restricts courts to visit merits or facts of the case.
<b>Saudi Center for Commercial Arbitration (SCCA)</b>	→	The SCCA plays a crucial role in providing administrative support and rules for arbitration, ensuring transparency, efficiency, and fairness in the process.

### Important Considerations

- Sharia Law**  
 While the Arbitration Law is aligned with international standards, it must also comply with Sharia principles and Saudi public policy.
- Public Policy**  
 Awards that violate Saudi public policy, such as those granting interest (riba), may not be enforceable.
- Enforcement of Foreign Awards**  
 Saudi Arabia is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, meaning foreign arbitral awards can be enforced in Saudi Arabia under certain conditions.



## Best Practices for Businesses Using Arbitration

As arbitration becomes more integral to commercial dispute resolution in the Kingdom, businesses must adopt a proactive and strategic approach to ensure their arbitration proceedings are enforceable, efficient, and aligned with both local and international standards.

**Below are essential best practices to follow:**

### 1 Draft Clear and Comprehensive Arbitration Clauses

**Many arbitration-related issues stem from vague or incomplete dispute resolution clauses. To avoid procedural complications or enforceability challenges:**

- Clearly specify the seat of arbitration (e.g., Riyadh or Dubai).
- Select the arbitration institution (e.g., SCCA, ICC), if it is to be conducted through an institution.
- State the governing law of the contract and applicable rules.
- Determine the language of arbitration (Arabic or English).
- Clarify the number and qualifications of arbitrators.



**Tip:** Avoid boilerplate clauses. Tailor each clause based on the industry, risk exposure, and counterparty.

### 2 Choose Reputable Arbitration Institutions and Arbitrators

**Opt for institutions that provide transparent procedures and local enforceability. The Saudi Center for Commercial Arbitration (SCCA) is particularly effective for domestic and regional matters. When selecting arbitrators:**

- Consider experience in the relevant sector (e.g., construction, energy, M&A).
- Ensure they are familiar with Saudi law and Sharia-compliant practices.
- For cross-border disputes, include neutral or internationally recognized arbitrators.

### 3 Ensure Compatibility with Sharia and Saudi Public Policy

**Saudi courts may refuse to enforce awards that violate Islamic law or public policy such as awards that include interest (riba) or punitive damages. Therefore:**

- Avoid clauses involving interest, compounded penalties, that could conflict with Sharia in contracts if the awards will be enforced in Saudi Arabia.
- Consult Saudi legal counsel during contract drafting to align terms with local enforceability standards.

### 4 Prepare for Enforcement at the Outset

**Even if arbitration is conducted abroad, enforcement may take place in Saudi Arabia. Ensure that:**

- The proceedings followed due process.
- Proper notice is given to all parties.
- Awards are reasoned, signed, and comply with Article 52 of the Arbitration Law.
- Translations (Arabic) are certified and complete when filing before the Saudi courts.

### 5 Leverage Technology and Case Management Tools

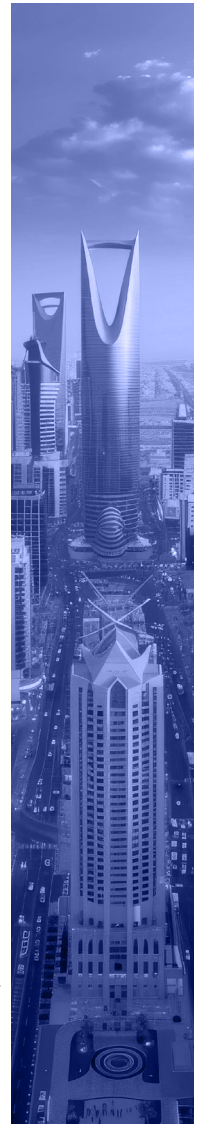
**Institutions like the SCCA offer digital arbitration portals, virtual hearings, and expedited procedures, especially valuable in complex or time-sensitive matters. Businesses should take advantage of:**

- E-discovery tools.
- Online document sharing systems.
- Remote witness testimonies and expert evidence presentations.

### 6 Work with Experienced Legal Counsel

**Arbitration requires a deep understanding of both international standards and Saudi procedural nuances. Legal counsel should:**

- Be involved at the contract stage to draft enforceable dispute resolution clauses.
- Advise during pre-arbitration negotiation and interim relief requests.
- Represent clients during hearings and enforcement proceedings before the Board of Grievances.

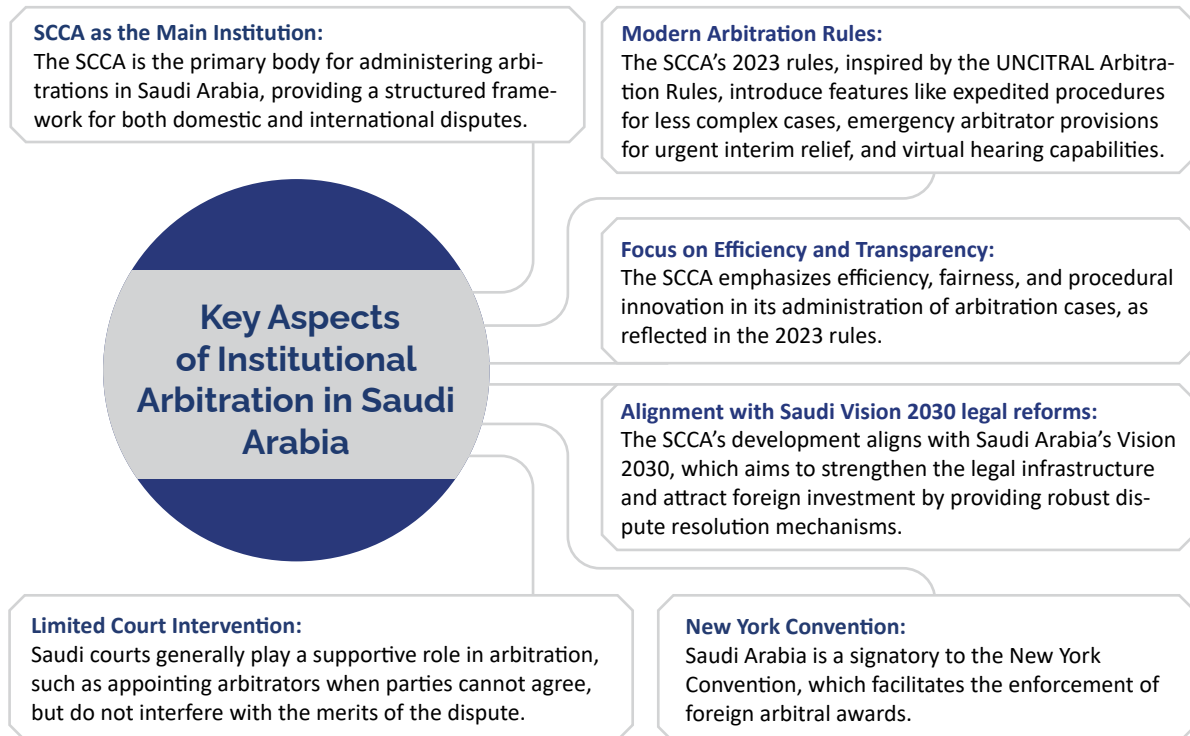




## Institutional Landscape

In Saudi Arabia, institutional arbitration is primarily spearheaded by the Saudi Center for Commercial Arbitration (SCCA). Established in 2014, the SCCA has become the leading institution for administering arbitration, both domestic and international, in line with international best practices. The SCCA's 2023 Arbitration Rules, which came into effect on May 1, 2023, incorporate modern features such as expedited proceedings, emergency arbitration, and online case filing, enhancing efficiency and transparency.

### Key Aspects of Institutional Arbitration in Saudi Arabia



## Conclusion

Arbitration in Saudi Arabia is undergoing a meaningful transformation, one that reflects the Kingdom's broader ambition to become a global business and legal hub under Vision 2030. With a modernized legal framework, the increasing credibility of institutions like the Saudi Center for Commercial Arbitration (SCCA), and growing judicial support for arbitration, Saudi Arabia is steadily aligning itself with international best practices. However, while the infrastructure for arbitration is in place, successfully navigating the process requires more than just legal compliance. **It demands:**

- Culturally and legally tailored contracts
- A deep understanding of Sharia principles
- Careful selection of arbitral seats, rules, and institutions
- Proactive legal strategies from contract drafting to enforcement

At ALGhazzawi & Partners, our arbitration team combines global experience with local insight to guide clients through every stage of the dispute resolution process — ensuring not only procedural success but enforceable outcomes aligned with Saudi law. As arbitration continues to evolve in the Kingdom, businesses that invest in strategic legal planning will be best positioned to resolve disputes efficiently, protect their interests, and maintain long-term commercial relationships.