

## ARBITRATION INSTITUTE OF THE STOCKHOLM CHAMBER OF COMMERCE

### ARBITRAL DECISION RENDERED IN 1998 IN CASE 104/1997

**Subject-matters:** (1) Bankruptcy of Respondent during the arbitration.  
Non-binding effect of the award under Finnish law.  
(2) Discontinuance of the arbitration.

**Findings:**

(1) Under Finnish law an award rendered against a party in bankruptcy is not binding in the bankruptcy proceedings.

(2) A request for “discontinuance of” the arbitration was construed as a withdrawal of the case.

**Parties:** Claimant: X (Russian Federation)  
Respondent: Y (Finland)

**Place of arbitration:** Stockholm

**Nationality of arbitrators:** Sole arbitrator, Swedish

**Arbitration costs:** EUR 2 000

### SUMMARY

In June 1995, X and Y entered into an agreement pursuant to which Y was to undertake the construction of a sauna.

The agreement provided for resolution of any disputes between the parties by way of arbitration in the Chamber of Commerce in Stockholm, Sweden.

After disputes had arisen between the parties under the agreement, Claimant, in September 1997, requested arbitration before the Arbitration Institute of the Stockholm Chamber of Commerce. The parties agreed that the dispute was to be resolved by a sole arbitrator. In February 1998, the Arbitration Institute appointed A as sole arbitrator.

The case was referred to the sole arbitrator in July 1998.

## ARBITRAL DECISION

In a document entitled “Arbitral decision”, dated 20 August 1998, the arbitrator ruled as follows:

“Respondent was declared bankrupt by decision of the District Court of Lappeenranta, Finland, in May 1998. In a meeting on 4 August 1998, the creditors of Respondent decided not to continue on behalf of the bankruptcy estate the arbitration proceedings being conducted in Stockholm.

In a letter of 12 August 1998, the sole arbitrator informed Claimant that an award rendered in an arbitration which is ongoing at the time of a bankruptcy under Finnish law, is not binding in the bankruptcy proceedings (such information having been received from the administrator of the bankruptcy estate).

Subsequently, in a fax dated 17 August 1998, Claimant submitted that it asked for ‘the discontinuance of’ this arbitration. This must be construed as a withdrawal of the claims on the part of Claimant.

It is now decided as follows.

This Arbitration is terminated without any ruling under substantive merits of the dispute.

Claimant is ordered to pay... [to the sole arbitrator and the Arbitration Institute of the Stockholm Chamber of Commerce].

The fees and expenses of the arbitrator and the Arbitration Institute will be covered out of the security paid to the Arbitration Institute and shall ultimately be borne by Claimant.”