

AIAC Arbitration Rules 2026: A New Framework For Effective Dispute Resolution

19 October 2026

For more information, please contact:

Datuk D P Naban
naban@rdslawpartners.com

Austen Emmanuel Pereira
austen@rdslawpartners.com

Bahari Yeow Tien Hong
bahari@rdslawpartners.com

Farah Shuhadah Razali
farah@rdslawpartners.com

Tan Sri Datuk Harmindar Singh Dhaliwal
harmindar@rdslawpartners.com

Kenny Lam Kian Yip
kenny@rdslawpartners.com

Lim Zhi Jian
jian@rdslawpartners.com

Michael Soo
michaelsoo@rdslawpartners.com

Rosli Dahlan
rosli@rdslawpartners.com

Steven Perian KC
speriankc@rdslawpartners.com

Vinayak Sri Ram
vinayak@rdslawpartners.com

Malaysia's latest arbitration reforms introduce stronger institutional oversight, streamlined procedures and greater transparency in third-party funding, strengthening the country's position as a regional centre for international dispute resolution.

The Asian International Arbitration Centre (AIAC) has introduced its Arbitration Rules 2026, marking an important development in Malaysia's efforts to strengthen its position as a regional centre for international arbitration.

Effective from 1 January 2026, the new Rules introduce significant changes, including enhanced institutional governance, technical review of arbitral awards, expanded fast-track procedures, summary determination of claims and defences, and provisions governing third-party funding.

The reforms reflect a broader shift towards making arbitration more efficient, commercially responsive and better equipped to address increasingly complex cross-border transactions. For businesses, the significance of these changes lies not merely in procedural efficiency, but in whether disputes can be resolved at proportionate cost, within a predictable timeframe and through awards capable of effective enforcement.

Institutional Independence And Quality Control

An important feature of the AIAC's revised framework is the clearer separation between institutional governance and the administration of arbitration proceedings. The framework distinguishes the strategic responsibilities of the Board of

Directors from the functions performed by the Court of Arbitration and Secretariat. This separation seeks to strengthen institutional independence, accountability and confidence among international users.

A particularly significant development is the technical review of draft arbitral awards under Rule 42. The review introduces an additional quality-control mechanism before an award is issued. Its purpose is to identify formal or technical deficiencies that may otherwise result in applications for correction, interpretation or challenges to enforcement. Importantly, technical review is not an appeal or reconsideration of the merits. Responsibility for substantive findings and the final decision remains with the arbitral tribunal. This distinction is essential. While institutional scrutiny can improve the quality and enforceability of awards, excessive intervention risks undermining the tribunal's independence.

The effectiveness of this mechanism will therefore depend on the AIAC's ability to maintain rigorous technical oversight without introducing unnecessary delays or interfering with substantive decision-making.

For businesses engaged in cross-border transactions, the additional review may provide greater confidence that awards will withstand scrutiny when enforcement is sought in other jurisdictions.

Fast-Track Arbitration: Speed Must Be Matched By Suitability

Rule 7 expands access to fast-track arbitration, with monetary thresholds of below RM3 million for international arbitration and RM2 million for domestic arbitration. This procedure is also available where the parties agree or where exceptional urgency justifies its application.

Fast-track arbitration offers the prospect of resolving disputes within a substantially compressed timetable, with an award targeted within six months. However, monetary eligibility should not be confused with procedural suitability. A dispute involving a relatively modest amount may nevertheless raise complex questions of contractual interpretation, disputed factual evidence or technical expert testimony.

Fast-track procedures are generally better suited to disputes involving clearly defined issues, manageable documentary evidence and limited witnesses. Straightforward payment claims, narrow contractual interpretation disputes and confined quantum issues may be appropriate candidates.

Conversely, disputes requiring extensive cross-examination, multiple experts or complicated multi-party arrangements may be unsuitable for an accelerated timetable. Businesses must also consider whether they are operationally prepared to proceed at speed. The availability of relevant documents, witnesses, experts and legal advisers at the outset can determine whether an expedited process achieves its intended purpose.

The commercial objective should therefore be to secure proportionate dispute resolution rather than speed at the expense of procedural fairness.

Summary Determination: Eliminating Unsustainable Claims And Defences

Rule 9 provides a mechanism for summary determination, including in relation to defences, where the applicable requirements are satisfied. This procedure is designed to allow tribunals to dispose of claims, counterclaims or defences that are manifestly unsustainable without requiring the parties to proceed through a full evidentiary hearing.

The Rules contemplate a decision on whether to allow a summary determination request within 45 days of its filing. The mechanism is particularly relevant where a dispute turns on a narrow legal or jurisdictional question that can be resolved on agreed or undisputed facts. For example, a claim that is plainly barred by an applicable contractual provision, or a defence that is manifestly unsustainable as a matter of law, may be suitable for early determination. However, summary determination should not become a substitute for a full hearing where material facts are genuinely disputed.

Applications requiring the tribunal to assess witness credibility, weigh competing expert opinions or resolve substantial factual disagreements may undermine the purpose of the procedure.

The practical value of Rule 9 lies in its disciplined application. Properly used, it can narrow the issues, reduce costs and shorten proceedings. Misused, it risks creating satellite disputes and unnecessary procedural expense.

Interim Measures: The Importance Of Enforceability

The 2026 Rules also provide mechanisms for interim measures and emergency relief, enabling parties to seek protection before a final award is rendered. Such measures may be particularly important where there is a risk of asset dissipation, interference with contractual rights or conduct that could undermine the effectiveness of the arbitration.

However, the availability of interim relief under institutional rules does not necessarily guarantee its enforceability.

The powers of arbitral tribunals remain subject to the applicable law of the seat, while enforcement may depend on the legal framework of the jurisdiction in which relief is required. This distinction becomes especially important in cross-border disputes involving assets, subsidiaries or related entities located in different jurisdictions.

Unlike final arbitral awards, which benefit from the recognition and enforcement framework established by the New York Convention, interim measures do not enjoy an equivalent universally applicable enforcement regime.

Businesses should therefore assess the appropriate forum for interim relief at an early stage, including whether relief should be sought from the tribunal, an emergency arbitrator or a national court. The decision should be informed by the nature of the relief, the parties against whom it is sought, the location of relevant assets and the availability of effective enforcement mechanisms.

Joinder And Consolidation: Managing Complex Commercial Transactions

Modern commercial projects frequently involve multiple parties operating under interconnected contractual arrangements. Infrastructure and energy projects, for example, may involve separate power purchase agreements, engineering and construction contracts, financing arrangements, operation and maintenance agreements, and long-term equipment supply or servicing contracts. A single commercial dispute may consequently give rise to overlapping claims under several agreements.

The AIAC's joinder and consolidation provisions seek to address this complexity by facilitating the coordinated administration of related disputes. However, an important distinction must be maintained between procedural consolidation and arbitral jurisdiction.

The power to join additional parties or consolidate proceedings does not, by itself, establish jurisdiction over parties that have not consented to arbitration.

Consent remains fundamental to the arbitral process. Businesses negotiating interconnected agreements should therefore consider whether their arbitration clauses are compatible, particularly in relation to the institution, seat, governing law and appointment of arbitrators.

While bespoke multi-contract dispute resolution provisions may be appropriate for complex transactions, excessively elaborate mechanisms can create uncertainty or prove difficult to operate when disputes arise. A carefully structured arbitration clause, supported by flexible institutional rules, may provide a more reliable framework.

Third-Party Funding: Greater Transparency And Commercial Flexibility

One of the most commercially significant developments is the introduction of a more comprehensive framework governing third-party funding in arbitration. Malaysia's framework brings together the amendments to the Arbitration Act 2005, the Code of Practice for Third Party Funding 2026 and Rule 31 of the AIAC Arbitration Rules 2026.

Third-party funding enables a party to obtain financial support for arbitration from an external funder, generally in exchange for an agreed commercial return. This arrangement is increasingly relevant not only to financially constrained claimants but also to businesses seeking to preserve working capital, manage litigation risk and allocate financial resources more efficiently.

Under Rule 31, parties are required to disclose the existence of third-party funding arrangements and the identity of the funder. The obligation is continuing and extends to relevant changes, including termination of funding. These requirements seek to address potential conflicts of interest involving arbitrators, counsel and funders, while improving transparency throughout the proceedings. However, disclosure of the funding relationship does not automatically require disclosure of the entire funding agreement.

Commercially sensitive information, including funding returns, litigation budgets, settlement thresholds and assessments of the merits, may warrant confidentiality protection. Further disclosure may nevertheless be appropriate where particular contractual terms are material to issues such as conflicts of interest, security for costs, adverse costs liability or improper funder control.

The Rules also permit funding arrangements and compliance with disclosure obligations to be considered in decisions concerning costs. Importantly, the mere existence of third-party funding should not automatically be treated as evidence of financial weakness or as justification for security for costs.

A further issue concerns the extent to which costs orders may affect third-party funders, particularly where a funded party is insolvent or the funder exercises substantial control over proceedings. The distinction between the funded party and a non-party funder remains important. Any attempt to impose direct liability on a funder raises separate questions of jurisdiction, consent and the applicable statutory framework.

The effectiveness of Malaysia's funding regime will ultimately depend on achieving an appropriate balance between transparency, protection against conflicts of interest and preservation of legitimate commercial confidentiality.

Mediation Alongside Arbitration: Encouraging Commercial Settlement

Rule 49 accommodates mediation alongside arbitration, reflecting the growing recognition that formal dispute resolution and negotiated settlement need not be mutually exclusive.

Although mediation is often incorporated as a preliminary step before arbitration, an early mediation requirement may prove ineffective where the parties have not sufficiently understood each other's positions. In some disputes, mediation may be more productive after the initial exchange of pleadings or submissions, when the parties have a clearer understanding of the legal issues, evidence and commercial risks.

The flexibility to pursue mediation during arbitration allows parties to identify an appropriate settlement window without necessarily abandoning the arbitral process. For businesses seeking to preserve commercial relationships, particularly in long-term infrastructure, supply or joint venture arrangements, this approach may offer significant advantages.

The objective is not merely to encourage settlement, but to create opportunities for informed negotiations at a stage when parties can realistically evaluate their positions.

What Businesses Should Consider

The AIAC Arbitration Rules 2026 represent an important step towards aligning Malaysia's arbitration framework with evolving international practices.

For businesses, the reforms warrant a review of existing dispute resolution arrangements, particularly in relation to the suitability of fast-track procedures, opportunities for early determination, coordination of multi-contract disputes and access to third-party funding. Equally important is the selection of the arbitral seat and institution. Procedural flexibility under institutional rules must be considered alongside the applicable arbitration law, available court support and prospects of enforcement.

The introduction of technical review also places renewed emphasis on award quality, reinforcing the importance of balancing procedural efficiency with enforceability. Ultimately, the success of the 2026 Rules will be measured not simply by the number of new procedures introduced, but by their practical application. For commercial parties, the central question remains whether arbitration can deliver a fair, efficient and enforceable outcome at a cost proportionate to the dispute.

By strengthening institutional governance, introducing targeted procedural mechanisms and providing greater clarity on third-party funding, the AIAC's revised framework offers businesses a more comprehensive platform for managing domestic and international commercial disputes.

www.rdslawpartners.com

This publication is for educational and informational purposes only and is not intended and should not be construed as legal advice.

KUALA LUMPUR

Level 16, Menara 1 Dutamas No. 1, Jalan Dutamas 1,
Solaris Dutamas, 50480 Kuala Lumpur
T: +603 6209 5400
F: +603 6209 5411
enquiry@rdslawpartners.com

PENANG

Suite S-21E & F21st Floor, Menara Northam,
No. 55, Jalan Sultan Ahmad Shah, 10050
Penang
T: +604 370 1122
F: +604 370 5678
generalpg@rdslawpartners.com

JOHOR BAHRU

8-35, Menara Delima Satu, Jalan Forest City 1,
Pulau Satu, 81550 Gelang Patah, Johor Bahru
T: +607 585 6414
F: +607 509 7614
generaljb@rdslawpartners.com