



# PAPER 6: THE ARBITRATION AND CONCILIATION ACT, 1996



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**SPOM SET C Paper 6: The Arbitration and Conciliation Act, 1996**

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## **SPOM SET C Paper 6: The Arbitration and Conciliation Act, 1996**

### **Chapter 1: Introduction**

#### **1. Introduction to Alternative Dispute Resolution (ADR)**

##### **1.1 Definition**

- Alternative Dispute Resolution (ADR) refers to methods of resolving disputes outside the traditional court system.
- ADR provides a more efficient, cost-effective, and flexible alternative to litigation.

##### **1.2 Common Methods of ADR**

1. Arbitration
2. Conciliation
3. Mediation
4. Negotiation
5. Lok Adalats

##### **1.3 Advantages of ADR**

1. More economical and efficient than litigation.
2. Saves time and reduces court case backlog.
3. Maintains confidentiality in dispute resolution.
4. Helps preserve relationships by avoiding adversarial litigation.
5. Allows parties to select an expert decision-maker (arbitrator, mediator, or conciliator).
6. Provides procedural flexibility.

#### **2. Arbitration**

##### **2.1 Definition**

- A formal ADR method where disputing parties appoint a neutral third party (arbitrator) to make a binding decision.

##### **2.2 Key Features**

1. Flexible procedures.
2. Parties can choose the decision-maker.
3. Proceedings remain private and confidential.
4. The arbitrator's decision is final and binding.
5. No appeal is allowed in most cases.

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6. Less formal than court trials.

**2.3 Differences Between Arbitration and Conciliation**

<b>Basis</b>	<b>Arbitration</b>	<b>Conciliation</b>
Third-Party Role	Arbitrator acts as a judge and makes a decision.	Conciliator facilitates discussion but does not impose a decision.
Decision-Making	The arbitrator makes a legally binding decision.	The conciliator helps parties reach a voluntary agreement.
Process Formality	More structured, like a mini-trial.	Less formal, focused on communication.
Binding Nature	Decision is final and enforceable by law.	Non-binding unless the parties accept the conciliator's recommendation.

**3. Conciliation****3.1 Definition**

- A less formal ADR method where a neutral conciliator assists parties in resolving their dispute through communication and negotiation.

**3.2 Key Features**

1. No prior agreement is needed to initiate conciliation.
2. Less formal than arbitration.
3. The conciliator does not impose a decision but helps parties find a solution.
4. If all parties accept the conciliator's recommendation, it becomes final and binding.

**4. Mediation****4.1 Definition**

- A voluntary process where a neutral third party (mediator) helps disputing parties reach a mutually agreeable solution.

**4.2 History of Mediation in India**

1. Ancient roots in **Panchayats** and **Mahajans** (respected business elders).
2. Recognized formally with amendments to **Code of Civil Procedure, 2002**.
3. The **Mediation and Conciliation Project Committee (MCPC)** was established by the Supreme Court in 2005.
4. The **Commercial Courts Act, 2015** promoted mediation for resolving commercial disputes.

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### **4.3 Key Principles of Mediation**

1. **Voluntary and Self-Determined** – Parties must willingly participate.
2. **Impartiality and Neutrality** – The mediator must remain unbiased.
3. **Confidentiality** – Discussions cannot be used as evidence in court.
4. **Explicit Consent** – Parties must agree to mediation before it begins.

### **4.4 Stages of Mediation**

1. **Introduction and Opening Statements** – The mediator explains the process, and parties present their perspectives.
2. **Joint Discussion** – Parties express concerns and discuss common grounds.
3. **Private Discussions (Caucuses)** – The mediator meets privately with each party to explore potential solutions.
4. **Negotiation and Problem-Solving** – The mediator facilitates communication and helps parties reach a consensus.
5. **Agreement** – A formal document is drafted summarizing the resolution.
6. **Closure** – The agreement is reviewed, and the mediation is concluded.

### **4.5 Role of the Mediator**

1. Facilitating open communication.
2. Maintaining impartiality.
3. Helping in conflict resolution.
4. Encouraging creative problem-solving.

## **5. Negotiation**

### **5.1 Definition**

- A direct discussion between parties to resolve a dispute without involving a third party.

### **5.2 Key Principles of Negotiation**

1. **Voluntary Process** – No party is forced to negotiate.
2. **Honest Communication** – Transparency is essential.
3. **Mutual Agreement** – The solution must be acceptable to both parties.
4. **Flexibility** – The process can be customized for different disputes.

### **5.3 Negotiation Process**

1. **Preparation** – Understanding interests, priorities, and possible compromises.

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2. **Opening Statements** – Parties present concerns and objectives.
3. **Bargaining and Concessions** – Exchanging proposals and finding common ground.
4. **Closure and Agreement** – Finalizing and documenting the agreed terms.

### **5.4 Role of Negotiators**

1. Effective communication.
2. Emotional intelligence.
3. Creativity in problem-solving.

### **5.5 Importance of Negotiation in ADR**

1. Saves time and costs.
2. Preserves relationships.
3. Allows customized solutions.

## **6. Lok Adalats**

### **6.1 Definition**

- Lok Adalats ("People's Courts") are legal forums in India that provide fast-track dispute resolution through mediation and conciliation.

### **6.2 Key Features**

1. Established under the **Legal Services Authorities Act, 1987**.
2. Voluntary participation of disputing parties.
3. Handles family disputes, property matters, motor accident claims, etc.
4. Decisions are **final and binding**, with no appeal.
5. Helps reduce case backlog in courts.

## **7. Advantages of ADR**

1. **Cost-effective** – Less expensive than litigation.
2. **Time-saving** – Avoids lengthy court trials.
3. **Confidentiality** – Disputes are settled privately.
4. **Flexible process** – Procedures can be customized.
5. **Expertise availability** – Arbitrators, mediators, and conciliators can be subject-matter experts.
6. **Preservation of relationships** – Less adversarial, promotes amicable settlement.

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Here is a structured, **in-depth** version of **Chapter 2: Fundamentals of Arbitration** from your document, formatted without extra line breaks and numbered according to the chapter structure.

### **Chapter 2: Fundamentals of Arbitration**

#### **2.1 Introduction**

2.1.1 **Arbitration in India** is governed by **Part I** of the **Arbitration and Conciliation Act, 1996** (the Act), which applies to Domestic Arbitration, International Commercial Arbitration, enforcement of Foreign Arbitral Awards, and Conciliation.

2.1.2 The Act extends to the whole of India and came into force on **22nd August 1996** via **Notification G.S.R. 375(E)** by the Central Government.

#### **2.1.3 Need for a Unified Legal Framework:**

- The **United Nations General Assembly** recommended the adoption of the **UNCITRAL Model Law on International Commercial Arbitration** to bring uniformity in arbitration laws worldwide.
- It facilitates international commercial arbitration by ensuring fair and efficient dispute resolution mechanisms.

#### **2.1.4 Importance of the Act in India:**

- The Supreme Court of India has upheld arbitration as an essential alternative dispute resolution (ADR) mechanism.
- In **Salem Advocate Bar Association, Tamil Nadu Vs. Union of India**, the court directed that all courts should encourage arbitration, mediation, and conciliation.
- The **Madras High Court ruling in A.K. Balaji v. Government of India (2012)** allowed foreign lawyers to conduct arbitration proceedings in India.

#### **2.2 Structure of the Arbitration and Conciliation Act, 1996**

2.2.1 The Act is divided into **4 Parts** and contains **88 Sections** along with **seven schedules**.

2.2.2 **Part I:** Domestic and International Commercial Arbitration (**10 chapters**).

2.2.3 **Part II:** Enforcement of Foreign Arbitral Awards (**2 chapters**).

2.2.4 **Part III:** Conciliation procedures.

2.2.5 **Part IV:** Supplementary provisions.

#### **2.3 General Provisions of Arbitration**

##### **2.3.1 Definition of Arbitration**

- Arbitration is a method of **dispute resolution** where **neutral third parties (arbitrators)** are appointed to adjudicate the dispute and make a **binding decision**.

##### **2.3.2 Key Features of Arbitration**

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1. **Flexible procedure:** Parties can agree on procedural rules.
2. **Selection of decision-makers:** Parties can appoint arbitrators of their choice.
3. **Confidentiality:** Arbitration proceedings are private.
4. **Binding nature:** The arbitral award is final and enforceable.
5. **Limited court intervention:** Courts play a minimal role unless specifically required under the Act.

### **2.4 Arbitration Agreement**

#### **2.4.1 Definition (Section 7 of the Act)**

- An **arbitration agreement** is a **written contract** where parties agree to resolve disputes through arbitration instead of court litigation.

#### **2.4.2 Forms of Arbitration Agreements**

1. **Arbitration Clause** – An arbitration provision within a larger contract.
2. **Submission Agreement** – A separate agreement made after a dispute arises.

#### **2.4.3 Requirements for a Valid Arbitration Agreement**

3. **Must be in writing.**
4. **Must clearly state the intent to arbitrate.**
5. **Must define the legal relationship between the parties.**
6. **Must specify the binding nature of arbitration.**

#### **2.4.4 Doctrine of Separability**

- The arbitration agreement is treated as **separate from the main contract**.
- Even if the main contract is declared void, the arbitration clause **remains valid**.

#### **2.4.5 Termination of an Arbitration Agreement**

- **By mutual consent** of the parties.
- **By termination of the principal contract** (except in cases of breach).
- **By death of a party**, though legal representatives may still be bound.
- **By operation of law**, when arbitration is no longer legally valid.

### **2.5 Conduct of Arbitral Proceedings**

#### **2.5.1 Pre-requisites for Arbitration Proceedings**

- **Existence of a valid Arbitration Agreement (Section 7).**
- **Notice to the other party (Section 21).**

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- **Appointment of Arbitrators (Section 10 & 11).**

### **2.5.2 Appointment of Arbitrators (Section 11)**

- The parties can decide the **number of arbitrators**.
- If the parties fail to appoint arbitrators, **courts may intervene**.
- Arbitrators must be **independent and impartial**.

### **2.5.3 Jurisdiction of the Arbitral Tribunal (Section 16)**

- The **arbitral tribunal has the power to rule on its own jurisdiction**, including any objections raised about the arbitration agreement's validity.

### **2.5.4 Principles of Natural Justice in Arbitration (Section 18)**

- Equal treatment of parties.
- Full opportunity for both parties to present their case.

### **2.5.5 Procedure of Arbitral Proceedings (Section 19)**

- Arbitration is **not bound by** the Code of Civil Procedure, 1908 or the Indian Evidence Act, 1872.
- Parties have the freedom to **agree on procedural rules**.

### **2.5.6 Place of Arbitration (Section 20)**

- **Parties can mutually decide the place of arbitration**.
- **If not decided, the tribunal will determine the most suitable location**.

### **2.5.7 Language of Arbitration (Section 22)**

- **Parties can agree on the language of proceedings**.
- **In the absence of an agreement, the tribunal will decide**.

## **2.6 Statement of Claims and Defence (Section 23)**

### **2.6.1 Claimant's Responsibilities**

- File a **statement of claims** with all relevant documents.

### **2.6.2 Respondent's Responsibilities**

- File a **defence statement**.
- May also raise **counterclaims** if they fall under the arbitration agreement.

### **2.6.3 Amendments**

- Allowed unless they **cause delays**.

## **2.7 Hearings and Written Proceedings (Section 24)**

### **2.7.1 Oral or Written Hearings**

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- The tribunal decides if proceedings will be **oral or based on written documents**.
- If a party **requests an oral hearing**, the tribunal **must allow it**.

### **2.8 Default of a Party (Section 25)**

2.8.1 **If the claimant fails to submit claims** – The tribunal may terminate the proceedings.

2.8.2 **If the respondent fails to submit a defence** – The tribunal continues proceedings **without treating it as an admission of claims**.

2.8.3 **Failure to appear or submit evidence** – The tribunal can continue and **issue an award based on available evidence**.

### **2.9 Making of Arbitral Award and Termination of Proceedings (Section 31)**

2.9.1 **Definition of Arbitral Award** – A **final decision** by the arbitrator.

#### **2.9.2 Contents of an Arbitral Award**

- Must be **in writing**.
- Must state **reasons** for the decision.
- Must specify the **seat of arbitration**.

#### **2.9.3 Finality of the Award**

- Once issued, the award is **binding**, and the tribunal's role ends.

### **2.10 Recourse Against Arbitral Award (Section 34)**

#### **2.10.1 Grounds for Challenging an Award**

- **Incapacity of a party**.
- **Invalid arbitration agreement**.
- **Arbitrator misconduct**.
- **Violation of natural justice principles**.

#### **2.10.2 Time Limit for Challenge**

- **Must be filed within 3 months** of receiving the award.

### **2.11 Enforcement of Arbitral Awards (Section 36)**

2.11.1 The award is **enforceable as a court decree**.

2.11.2 A challenge **does not automatically stay enforcement**.

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### **Chapter 3: Enforcement of Certain Foreign Awards**

#### **3.1 Introduction to Arbitration**

- Arbitration is a **private, consensual** dispute resolution mechanism where parties select a neutral arbitrator to adjudicate disputes.
- It offers a **flexible, efficient, and expert-driven** alternative to litigation.
- Arbitration awards are **legally binding** and commonly used in **domestic and international** disputes.

#### **3.2 Types of Arbitration**

Arbitration is classified based on various criteria such as institutional involvement, geography, statutory requirements, and speed.

##### **(i) Ad hoc Arbitration**

- Parties **manage the arbitration process independently** without institutional oversight.
- Features:
  - **Freedom of Arbitrator Selection**
  - **Flexible Procedural Rules**
  - **Self-Managed Administration**
  - **Lower Costs** (No institutional fees)
  - **Enforceable under National & International Laws** (e.g., New York Convention)
  - **High Level of Confidentiality**

##### **(ii) Institutional Arbitration**

- Conducted under the rules of an **established arbitration institution** (e.g., ICC, LCIA, SIAC).
- Features:
  - **Administrative Support** from the institution.
  - **Predetermined Procedural Rules** ensuring consistency.
  - **Impartial Arbitrator Appointment** by the institution.
  - **Higher Costs** due to institutional fees.
  - **Confidentiality provisions** included in institutional rules.

##### **(iii) Domestic Arbitration**

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- Both parties and the arbitration proceedings are **within the same country** (India).
- Governed by **Indian laws** (Arbitration and Conciliation Act, 1996).
- Features:
  - **National law applies** to the arbitration agreement.
  - **Tribunal has adjudication powers similar to courts.**
  - **Awards are enforceable as per local laws.**

### **(iv) International Arbitration**

- **At least one party** is from a foreign country.
- May take place in India or abroad but governed by **international arbitration frameworks.**
- Features:
  - **Neutral Forum** to avoid jurisdictional bias.
  - **Freedom to Choose Governing Law** for disputes.
  - **Enforceable Globally** under treaties like the New York Convention.
  - **Confidentiality and Cost-Effectiveness** compared to litigation.

### **(v) Contractual Arbitration**

- Arbitration is **explicitly agreed upon in a contract** to resolve disputes.
- Features:
  - **Arbitration Clause in the Contract**
  - **Freedom in Selecting Arbitrators & Rules**
  - **Binding & Enforceable Awards**
  - **Faster & More Cost-Effective than Litigation**

### **(vi) Statutory Arbitration**

- **Mandated by law**, without requiring parties' consent (e.g., under the Indian Trusts Act, 1882).
- Features:
  - **Governed by Statutory Law**
  - **Enforceability is Mandatory**
  - **Arbitrator Selection & Process Defined by Law**



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- **Limited Autonomy for Parties**

### **(vii) Fast Track Arbitration**

- **Expedited process** under **Section 29B** of the Arbitration and Conciliation Act, 2015.
- Features:
  - **Shorter Timelines (6 months)**
  - **Limited Documentation & Hearings**
  - **Lower Costs**
  - **Final & Binding Awards**

### **(viii) Foreign Arbitration**

- **Arbitration proceedings conducted outside India.**
- The awards must qualify as "foreign awards" under **international conventions** for enforcement in India.

### **3.3 Types of Arbitral Awards**

- **(i) Ad hoc Arbitral Awards:** Issued in ad hoc arbitration without institutional involvement.
- **(ii) Domestic Arbitral Awards:** Issued in arbitration proceedings within India, governed by **Indian law**.
- **(iii) International Commercial Awards:** Awards from arbitration between **parties of different nationalities**, enforceable under the **New York Convention**.

### **Key Features of International Commercial Awards**

- **Applicable Law** is often determined by parties.
- **Neutral Arbitrators** are chosen with expertise in cross-border disputes.
- **Enforcement Mechanisms** are governed by international treaties.
- **Procedural Flexibility** for parties.
- **Cost-Effective & Time-Efficient** compared to international litigation.
- **Confidentiality** to protect business interests.

### **3.4 Enforcement of Foreign Awards**

Enforcement of foreign awards is governed by **Part II** of the Arbitration and Conciliation Act, 1996, incorporating:

- **New York Convention Awards (Chapter I)**

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- **Geneva Convention Awards (Chapter II)**

### **(i) New York Convention Awards**

- **Definition (Section 44):** A foreign award must:
  - Arise from **commercial relationships**.
  - Be based on **written arbitration agreements**.
  - Be made in a country **recognized by India for reciprocal enforcement**.
- **Judicial Referral to Arbitration (Section 45):**
  - Courts **must refer disputes to arbitration** unless the arbitration agreement is invalid.
- **Binding Nature of Foreign Awards (Section 46):**
  - A valid foreign award is **binding on parties** and can be used for legal defense.
- **Evidence for Enforcement (Section 47):**
  - The party seeking enforcement must submit:
    - **Authenticated original award.**
    - **Original arbitration agreement.**
    - **Proof that the award is a foreign award.**
- **Grounds for Refusing Enforcement (Section 48):**
  - Arbitration agreement **not valid** under applicable law.
  - **Improper notice** to the defending party.
  - Award addresses matters **beyond the arbitration agreement**.
  - **Procedural irregularities** in arbitration.
  - Award **violates Indian public policy** (fraud, corruption, etc.).
- **Recognition of Foreign Awards (Section 49):**
  - A foreign award, once enforceable, **is treated as a court decree**.
- **Appealable Orders (Section 50):**
  - Appeals allowed for **refusal to enforce a foreign award**.

### **(ii) Geneva Convention Awards**

- **Definition (Section 53):** Covers arbitration awards **post-July 1924**, applicable in Geneva Convention-recognized countries.

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- **Judicial Referral to Arbitration (Section 54):**
  - Courts **must refer disputes** to arbitration if the contract includes an arbitration clause.
- **Binding Nature of Foreign Awards (Section 55):**
  - Geneva Convention awards are **binding and enforceable**.
- **Evidence for Enforcement (Section 56):**
  - Parties must submit:
    - **Original Award & Arbitration Agreement.**
    - **Proof that the award is final** in the country where it was issued.
- **Grounds for Refusing Enforcement (Section 57):**
  - **Invalidity of Arbitration Agreement**
  - **Incapable Subject Matter**
  - **Improperly Constituted Tribunal**
  - **Award Not Final**
  - **Against Indian Public Policy**
- **Recognition of Foreign Awards (Section 58):**
  - Foreign awards under Geneva Convention **are treated as court decrees**.
- **Appealable Orders (Section 59):**
  - Appeals are allowed against refusal to enforce an award.

**3.5 Key Differences Between New York & Geneva Convention Awards**

<b>Feature</b>	<b>New York Convention</b>	<b>Geneva Convention</b>
Applicability	Countries with reciprocal recognition	Limited to Geneva Convention states
Enforceability	Faster & more widely accepted	Requires proof of finality
Public Policy Exception	Narrowly interpreted	More rigorous scrutiny
Proof Required	Basic proof of award's validity	Award must be <b>final &amp; binding</b>

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### **Conclusion**

- **Arbitration** is an essential alternative dispute resolution mechanism.
- **Foreign awards** can be enforced in India under the **New York** and **Geneva** conventions.
- **Indian courts play a limited role** in reviewing enforcement, focusing only on procedural validity and **public policy considerations**.

### **Chapter 4: Conciliation**

#### **4.1 Introduction to Conciliation**

- **Conciliation** is an **Alternative Dispute Resolution (ADR)** method designed to facilitate a mutually acceptable settlement between disputing parties through the assistance of a neutral third party, known as a **Conciliator**.
- Unlike arbitration, which is adversarial and results in a win-loss outcome, conciliation aims at **preserving relationships** by finding a common ground for settlement.
- Conciliation is similar to mediation, being **voluntary, flexible, and party-driven**.

#### **4.2 Definition and Characteristics of Conciliation**

##### **(i) Definition**

- Conciliation does not have a single, universally accepted definition.
- It can be understood as a **structured negotiation process** where a neutral third party assists disputing parties in reaching an agreement.

##### **(ii) Characteristics of Conciliation**

###### **1. Voluntary:**

- Both parties must agree to participate in conciliation.
- No party can be forced into conciliation.
- If one party refuses, conciliation cannot proceed.

###### **2. Non-Adversarial:**

- Unlike litigation or arbitration, conciliation does not involve competition between parties.
- The goal is to reach a solution where **both parties benefit** rather than a win-lose outcome.

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### **3. Assisted Procedure:**

- The **conciliator assists** the parties in **structuring** the discussion and **exchanging information** for an amicable settlement.

### **4. Finality of Settlement:**

- Once a settlement agreement is reached and signed, it is **final and binding**.

### **5. Confidentiality:**

- All aspects of conciliation, including negotiations, documents, and settlement agreements, remain **confidential**.
- Any information shared with the conciliator can be kept confidential if explicitly requested by a party.

## **4.3 Conciliation in India**

- In India, conciliation is governed by:
  - **Part III (Sections 61 to 81) of the Arbitration and Conciliation Act, 1996**
  - **Section 89 of the Code of Civil Procedure, 1908**
- Any dispute arising from a **legal relationship, whether contractual or not**, can be resolved through conciliation.

### **(i) Application and Scope (Section 61)**

- **Sub-section (1):**
  - Conciliation applies to **all legal disputes**, contractual or otherwise, unless a specific law or agreement restricts its use.
- **Sub-section (2):**
  - Certain disputes cannot be conciliated if **prohibited by law**.

## **4.4 Commencement of Conciliation Proceedings**

### **(i) Procedure for Commencement (Section 62)**

#### **1. Written Invitation:**

- The party initiating conciliation sends a **written invitation** to the other party specifying the subject of the dispute.

#### **2. Acceptance in Writing:**

- Conciliation proceedings **begin only when the other party accepts in writing**.

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### **3. Rejection:**

- If the other party rejects, **conciliation cannot proceed**.

### **4. Non-Response within 30 Days:**

- If there is **no response within 30 days**, the inviting party may treat it as **rejection** and notify the other party accordingly.

## **4.5 Appointment, Number, and Role of Conciliators**

### **(i) Number of Conciliators (Section 63)**

- **Default Rule: One conciliator** unless the parties agree on two or three.
- **If multiple conciliators:**
  - They must act **jointly**.

### **(ii) Appointment of Conciliators (Section 64)**

1. **One Conciliator** → Parties agree on a sole conciliator.
2. **Two Conciliators** → Each party appoints one conciliator.
3. **Three Conciliators** → Each party appoints one, and a third conciliator (presiding conciliator) is mutually appointed.
4. **Appointment via Institution:**
  - Parties may seek assistance from a suitable institution to recommend or appoint conciliators.
  - The institution must ensure **independence and impartiality** in appointments.

### **(iii) Role of Conciliator (Section 67)**

1. **Facilitates Negotiation:**
  - The conciliator **guides parties toward an amicable solution** while remaining **independent and impartial**.
2. **Fair and Objective Conduct:**
  - The conciliator **considers legal rights, trade practices, and circumstances of the dispute**.
3. **Flexible Procedure:**
  - The conciliator **decides on proceedings** based on party agreements.
4. **Proposing Settlement Terms:**
  - The conciliator **can suggest settlements** at any stage without being required to give reasons.

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### **(iv) Submission of Statements to Conciliator (Section 65)**

- The conciliator may request **written statements** describing:
  - The **nature of the dispute**
  - **Points at issue**
  - **Supporting evidence**

### **(v) Conciliator Not Bound by Procedural Laws (Section 66)**

- The conciliator is **not bound** by:
  - **Code of Civil Procedure, 1908**
  - **Indian Evidence Act, 1872**

### **(vi) Communication between Conciliator and Parties (Section 69)**

- The conciliator may:
  - **Meet parties together or separately**
  - **Communicate orally or in writing**
- If no agreement is reached on meeting location, the conciliator **decides the place** after consulting the parties.

### **(vii) Disclosure of Information (Section 70)**

- The conciliator must **disclose any factual information** received from one party to the other.
- However, information **explicitly marked confidential** must **not be disclosed**.

## **4.6 Settlement Agreement**

### **(i) Formulation and Signing (Section 73)**

#### **1. Drafting a Settlement:**

- The conciliator formulates and submits a **draft settlement agreement** based on party discussions.

#### **2. Reformulation Based on Observations:**

- Parties can **suggest modifications**, which the conciliator incorporates.

#### **3. Final Agreement:**

- Once signed, the agreement is **binding** on both parties.

#### **4. Authentication and Copies:**

- The conciliator **authenticates** and provides copies of the agreement to both parties.

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### **(ii) Status and Effect of Settlement Agreement (Section 74)**

- The settlement agreement has the **same legal status as an arbitral award** under **Section 30** of the Arbitration and Conciliation Act, 1996.

### **4.7 Termination of Conciliation Proceedings (Section 76)**

Conciliation proceedings **terminate** when:

1. **A Settlement Agreement is Signed** (Date of Agreement).
2. **Conciliator Declares Further Efforts are Useless** (Date of Declaration).
3. **Both Parties Declare Termination in Writing** (Date of Declaration).
4. **One Party Declares Termination in Writing** (Date of Declaration).

### **Conclusion**

- Conciliation is a **flexible, confidential, and voluntary** dispute resolution method.
- It **preserves relationships** by **focusing on solutions** rather than winning or losing.
- The **settlement agreement has the same enforceability as an arbitral award**.

## **SPOM SET C Paper 6: The Arbitration and Conciliation Act, 1996**

### **Chapter 1: Introduction**

**1. Which of the following is NOT a method of Alternative Dispute Resolution (ADR)?**

- a) Arbitration
- b) Conciliation
- c) Litigation
- d) Mediation

**Answer:** c) Litigation

**2. What is the primary advantage of ADR over traditional litigation?**

- a) It is more time-consuming
- b) It ensures public trials
- c) It is cost-effective and faster
- d) It always results in a legally binding decision

**Answer:** c) It is cost-effective and faster

**3. Arbitration involves:**

- a) A court-appointed judge making a decision
- b) A neutral third party making a binding decision
- c) Informal discussions between parties
- d) A mediator guiding the parties to reach a voluntary agreement

**Answer:** b) A neutral third party making a binding decision

**4. What is one key feature of arbitration?**

- a) The decision is non-binding
- b) It is more formal than litigation
- c) It allows disputing parties to choose decision-makers
- d) There is always an option for appeal

**Answer:** c) It allows disputing parties to choose decision-makers

**5. The role of a conciliator is to:**

- a) Make a binding decision
- b) Facilitate communication and suggest solutions
- c) Represent one of the disputing parties
- d) Act as a judge in the case

**Answer:** b) Facilitate communication and suggest solutions

**6. Which of the following is NOT a characteristic of conciliation?**

- a) The conciliator meets the parties separately
- b) The decision is legally binding
- c) The conciliator improves communication between parties
- d) The parties are free to accept or reject the conciliator's recommendations

**Answer:** b) The decision is legally binding

**7. The mediator's role in dispute resolution is primarily to:**

- a) Impose a binding decision on the parties

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- b) Facilitate discussions and encourage mutual agreement
- c) Provide legal advice to both parties
- d) Act as a judge in the dispute

**Answer:** b) Facilitate discussions and encourage mutual agreement

**8. Which of the following is NOT a key principle of mediation?**

- a) Voluntary participation
- b) Confidentiality
- c) Binding decision by the mediator
- d) Impartiality of the mediator

**Answer:** c) Binding decision by the mediator

**9. Which ancient Indian dispute resolution system is considered a predecessor of mediation?**

- a) Lok Adalat
- b) Mahajans and Panchayats
- c) Supreme Court Arbitration
- d) High Court Negotiation Panels

**Answer:** b) Mahajans and Panchayats

**10. What is the main characteristic of negotiation?**

- a) It always requires a neutral third party
- b) It is a non-binding process
- c) It follows strict legal procedures
- d) It is limited to business disputes

**Answer:** b) It is a non-binding process

**11. A skilled negotiator must possess:**

- a) Legal authority to make a decision
- b) Strong emotional intelligence and communication skills
- c) The ability to impose a resolution
- d) The power to enforce agreements legally

**Answer:** b) Strong emotional intelligence and communication skills

**12. What is the primary objective of Lok Adalats?**

- a) To impose legally binding judgments
- b) To facilitate voluntary settlements
- c) To conduct criminal trials
- d) To favor one party in a dispute

**Answer:** b) To facilitate voluntary settlements

**13. Under which law were Lok Adalats established?**

- a) The Arbitration and Conciliation Act, 1996
- b) The Legal Services Authorities Act, 1987
- c) The Indian Penal Code
- d) The Civil Procedure Code, 1908

**Answer:** b) The Legal Services Authorities Act, 1987

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**14. How does mediation differ from arbitration?**

- a) Mediation is legally binding, arbitration is not
- b) Arbitration is informal, while mediation is a formal legal process
- c) In mediation, parties voluntarily agree; in arbitration, the arbitrator imposes a binding decision
- d) Mediation always involves a court decision

**Answer:** c) In mediation, parties voluntarily agree; in arbitration, the arbitrator imposes a binding decision

**15. Which of the following correctly differentiates conciliation from negotiation?**

- a) Conciliation involves a neutral third party, negotiation does not
- b) Negotiation requires formal legal proceedings, conciliation does not
- c) Conciliation results in a binding legal decision, negotiation does not
- d) Conciliation is always conducted in a court setting

**Answer:** a) Conciliation involves a neutral third party, negotiation does not

**16. What is one major advantage of ADR over court litigation?**

- a) It is more expensive
- b) It offers complete confidentiality
- c) It is legally mandatory for all disputes
- d) It always results in an appealable decision

**Answer:** b) It offers complete confidentiality

**17. Which of the following is NOT an advantage of ADR?**

- a) Flexibility in procedure
- b) Cost and time efficiency
- c) Ensures mandatory court trials
- d) Confidentiality of proceedings

**Answer:** c) Ensures mandatory court trials

**18. Two companies disagree over a contract dispute and want to resolve it outside court. They need a binding decision. Which ADR method should they choose?**

- a) Mediation
- b) Negotiation
- c) Arbitration
- d) Lok Adalat

**Answer:** c) Arbitration

**19. A married couple is going through a divorce and wants to resolve custody matters amicably without going to court. Which ADR method is most suitable?**

- a) Litigation
- b) Arbitration
- c) Mediation

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d) Conciliation

**Answer:** c) Mediation

20. **A small business owner has a payment dispute with a supplier but wants to continue their business relationship. Which ADR method would be best?**

a) Mediation

b) Arbitration

c) Litigation

d) Lok Adalat

**Answer:** a) Mediation

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### **Chapter 2: Fundamentals of Arbitration**

1. **Which part of the Arbitration and Conciliation Act, 1996 governs domestic arbitration in India?**

a) Part I

b) Part II

c) Part III

d) Part IV

**Answer:** a) Part I

2. **Which of the following is NOT a fundamental characteristic of arbitration?**

a) Party autonomy

b) Confidentiality

c) Mandatory court involvement

d) Binding decision

**Answer:** c) Mandatory court involvement

3. **As per Section 7 of the Act, an arbitration agreement must be in which form?**

a) Oral agreement only

b) Written agreement only

c) Either oral or written agreement

d) Implied agreement

**Answer:** b) Written agreement only

4. **Under which section of the Act can an arbitral award be set aside?**

a) Section 34

b) Section 36

c) Section 38

d) Section 42

**Answer:** a) Section 34

5. **Which of the following statements about an "Arbitral Tribunal" is correct?**

a) It must always have three arbitrators

b) It can consist of a sole arbitrator or a panel of arbitrators

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- c) It functions under direct supervision of a court
- d) It must be appointed only by the government

**Answer:** b) It can consist of a sole arbitrator or a panel of arbitrators

**6. The seat of arbitration primarily determines which aspect of the arbitration process?**

- a) The nationality of the arbitrators
- b) The substantive law applicable to the dispute
- c) The procedural law governing the arbitration
- d) The location of oral hearings

**Answer:** c) The procedural law governing the arbitration

**7. Which of the following is NOT a ground for refusing enforcement of a foreign arbitral award under Section 48?**

- a) The arbitration agreement is not valid under the governing law
- b) The arbitral tribunal exceeded its jurisdiction
- c) The award was made in a foreign language
- d) The award is against Indian public policy

**Answer:** c) The award was made in a foreign language

**8. What is the maximum number of arbitrators allowed under the Arbitration and Conciliation Act, 1996?**

- a) One
- b) Two
- c) Three
- d) No maximum limit (as long as the number is odd)

**Answer:** d) No maximum limit (as long as the number is odd)

**9. As per Section 18 of the Act, what is the key requirement in arbitral proceedings?**

- a) Parties must be represented by legal counsel
- b) Arbitrators must be appointed by a court
- c) Equal treatment of parties and fair opportunity to present the case
- d) Oral hearings must be conducted in every arbitration

**Answer:** c) Equal treatment of parties and fair opportunity to present the case

**10. Which of the following doctrines ensures that the arbitration clause remains valid even if the main contract is terminated?**

- a) Doctrine of Stare Decisis
- b) Doctrine of Estoppel
- c) Doctrine of Separability
- d) Doctrine of Ultra Vires

**Answer:** c) Doctrine of Separability

**11. Which court has jurisdiction over international commercial arbitration seated in India?**

- a) District Court

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- b) Small Causes Court
- c) High Court
- d) Consumer Court

**Answer:** c) High Court

**12. Under Section 21, when do arbitral proceedings commence?**

- a) On the date the arbitral tribunal is constituted
- b) On the date when the arbitral award is made
- c) On the date the arbitration agreement is signed
- d) On the date the respondent receives notice of arbitration

**Answer:** d) On the date the respondent receives notice of arbitration

**13. Which of the following is NOT a valid requirement for the appointment of an arbitrator?**

- a) Must be neutral and impartial
- b) Must be a retired judge
- c) Must not have any conflict of interest
- d) Must be competent to resolve the dispute

**Answer:** b) Must be a retired judge

**14. Which section of the Act deals with the waiver of right to object?**

- a) Section 4
- b) Section 9
- c) Section 12
- d) Section 34

**Answer:** a) Section 4

**15. Under Section 26, an arbitral tribunal has the power to appoint which of the following?**

- a) Amicus Curiae
- b) An expert to report on specific issues
- c) A public prosecutor
- d) A judicial magistrate

**Answer:** b) An expert to report on specific issues

**16. What is the primary difference between ad hoc and institutional arbitration?**

- a) Institutional arbitration is faster than ad hoc arbitration
- b) Ad hoc arbitration has no set procedural rules, whereas institutional arbitration follows established rules
- c) Ad hoc arbitration is always more expensive than institutional arbitration
- d) Institutional arbitration does not require an arbitration agreement

**Answer:** b) Ad hoc arbitration has no set procedural rules, whereas institutional arbitration follows established rules

**17. Which international convention provides for the enforcement of foreign arbitral awards?**

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- a) Geneva Convention
- b) New York Convention
- c) Vienna Convention
- d) Hague Convention

**Answer:** b) New York Convention

**18. Which section of the Act allows parties to challenge the arbitrator on grounds of bias?**

- a) Section 8
- b) Section 12
- c) Section 24
- d) Section 36

**Answer:** b) Section 12

**19. Under which circumstances can a party refuse to enforce an arbitral award under Section 34?**

- a) The arbitrator was biased
- b) The award was delivered after three months
- c) The parties had minor procedural disagreements
- d) The losing party disagrees with the decision

**Answer:** a) The arbitrator was biased

**20. Which principle ensures that arbitrators have the authority to decide on their own jurisdiction?**

- a) Doctrine of Competence-Competence
- b) Doctrine of Estoppel
- c) Doctrine of Locus Standi
- d) Doctrine of Judicial Review

**Answer:** a) Doctrine of Competence-Competence

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### **Chapter 3: Enforcement of Certain Foreign Awards**

**1. Which of the following is NOT a type of arbitration?**

- a) Ad hoc Arbitration
- b) Institutional Arbitration
- c) Judicial Arbitration
- d) Fast Track Arbitration

**Answer:** c) Judicial Arbitration

**2. Which type of arbitration allows parties to manage the arbitration process themselves without the involvement of an institution?**

- a) Domestic Arbitration
- b) Institutional Arbitration
- c) Ad hoc Arbitration

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d) Foreign Arbitration

**Answer:** c) Ad hoc Arbitration

**3. Which of the following statements about institutional arbitration is true?**

a) It is administered by an established arbitration institution.

b) It does not provide procedural rules for arbitration.

c) It is always more cost-effective than ad hoc arbitration.

d) It does not allow for party autonomy in selecting arbitrators.

**Answer:** a) It is administered by an established arbitration institution.

**4. Under the Arbitration and Conciliation Act, 1996, which chapter deals with the enforcement of New York Convention Awards?**

a) Chapter I of Part II

b) Chapter II of Part II

c) Chapter III of Part II

d) Chapter IV of Part I

**Answer:** a) Chapter I of Part II

**5. Which international convention governs the recognition and enforcement of foreign arbitral awards?**

a) Hague Convention

b) New York Convention

c) Vienna Convention

d) Geneva Convention

**Answer:** b) New York Convention

**6. Which of the following statements about ad hoc arbitration is false?**

a) Parties have control over procedural rules.

b) It is always more expensive than institutional arbitration.

c) Parties must handle administrative tasks themselves.

d) It offers flexibility in dispute resolution.

**Answer:** b) It is always more expensive than institutional arbitration.

**7. Which type of arbitration is conducted outside India and results in a foreign award?**

a) Domestic Arbitration

b) International Arbitration

c) Foreign Arbitration

d) Fast Track Arbitration

**Answer:** c) Foreign Arbitration

**8. What is the primary benefit of institutional arbitration over ad hoc arbitration?**

a) Lower costs

b) More flexibility in procedures

c) Standardized procedural rules and administrative support

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d) Less enforceability of awards

**Answer:** c) Standardized procedural rules and administrative support

**9. Which section of the Arbitration and Conciliation Act, 1996 defines a "foreign award"?**

a) Section 44

b) Section 46

c) Section 48

d) Section 50

**Answer:** a) Section 44

**10. Under which conditions can the enforcement of a foreign award be refused in India?**

a) The award was induced by fraud or corruption

b) The award is against Indian public policy

c) The arbitration agreement is invalid

d) All of the above

**Answer:** d) All of the above

**11. Which of the following is NOT a feature of Fast Track Arbitration?**

a) Limited number of hearings

b) Accelerated dispute resolution

c) Complex and lengthy procedures

d) Cost-effectiveness

**Answer:** c) Complex and lengthy procedures

**12. Which section of the Arbitration and Conciliation Act, 1996 provides that a foreign award is treated as a decree of the court?**

a) Section 45

b) Section 49

c) Section 50

d) Section 55

**Answer:** b) Section 49

**13. What is the primary distinction between domestic and international arbitration?**

a) The presence of an arbitration institution

b) The nationality of the arbitrators

c) The jurisdiction in which arbitration takes place

d) The amount of money involved in the dispute

**Answer:** c) The jurisdiction in which arbitration takes place

**14. Under which circumstances can a court refuse to refer parties to arbitration under Section 45?**

a) If the arbitration agreement is null and void

b) If the arbitration agreement is inoperative

c) If the arbitration agreement is incapable of being performed

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d) All of the above

**Answer:** d) All of the above

15. **Which convention applies to arbitration awards made before July 28, 1924?**

- a) Geneva Convention
- b) New York Convention
- c) UNCITRAL Model Law
- d) Washington Convention

**Answer:** a) Geneva Convention

16. **What is the key difference between contractual and statutory arbitration?**

- a) Statutory arbitration is voluntary, while contractual arbitration is mandatory.
- b) Contractual arbitration is based on an agreement, while statutory arbitration is imposed by law.
- c) Contractual arbitration applies only to foreign disputes.
- d) Statutory arbitration does not result in enforceable awards.

**Answer:** b) Contractual arbitration is based on an agreement, while statutory arbitration is imposed by law.

17. **Which of the following is NOT a requirement for enforcing a foreign award under Section 47?**

- a) The original award or an authenticated copy
- b) The original arbitration agreement or a certified copy
- c) Proof that the award is final
- d) Proof of the arbitrator's nationality

**Answer:** d) Proof of the arbitrator's nationality

18. **Which of the following awards is NOT considered a foreign award under the Arbitration and Conciliation Act, 1996?**

- a) An award made in a foreign country applying foreign law
- b) An award made in India applying foreign law
- c) An award made in a foreign country between two Indian parties
- d) An award made in India applying Indian law

**Answer:** d) An award made in India applying Indian law

19. **Which of the following is NOT a type of arbitral award?**

- a) Domestic Arbitral Award
- b) International Commercial Award
- c) Judicial Arbitral Award
- d) Ad hoc Arbitral Award

**Answer:** c) Judicial Arbitral Award

20. **Which section of the Arbitration and Conciliation Act, 1996, deals with the appealability of orders related to enforcement of foreign awards?**

- a) Section 50

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- b) Section 52
- c) Section 54
- d) Section 56

**Answer:** a) Section 50

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### **Chapter 4: Conciliation**

#### **1. Which of the following statements is correct regarding the nature of conciliation?**

- A) Conciliation is mandatory for resolving disputes before approaching a court.
- B) The decision of a conciliator is binding like an arbitral award.
- C) Conciliation aims at facilitating a mutually agreeable solution rather than imposing a decision.
- D) A party can be forced to participate in conciliation proceedings under statutory provisions.

**Answer:** C) Conciliation aims at facilitating a mutually agreeable solution rather than imposing a decision.

#### **2. Under the Arbitration and Conciliation Act, 1996, which section defines the scope of conciliation?**

- A) Section 61
- B) Section 62
- C) Section 63
- D) Section 73

**Answer:** A) Section 61

#### **3. In conciliation, a conciliator is required to follow which of the following legal frameworks?**

- A) Code of Civil Procedure, 1908
- B) Indian Evidence Act, 1872
- C) The Arbitration and Conciliation Act, 1996 (Part III)
- D) Both A and B

**Answer:** C) The Arbitration and Conciliation Act, 1996 (Part III)

#### **4. How many conciliators can be appointed under Section 63 if the parties do not specify a number?**

- A) One
- B) Two
- C) Three
- D) Unlimited

**Answer:** A) One

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**5. If there are three conciliators, how is the presiding conciliator appointed?**

- A) The parties jointly appoint the presiding conciliator.
- B) The two conciliators appoint the third conciliator.
- C) The Chief Justice of India appoints the third conciliator.
- D) The conciliators are appointed by the High Court of the concerned jurisdiction.

**Answer:** A) The parties jointly appoint the presiding conciliator.

**6. Which section of the Arbitration and Conciliation Act, 1996 states that a conciliator is not bound by the Code of Civil Procedure and the Indian Evidence Act?**

- A) Section 65
- B) Section 66
- C) Section 67
- D) Section 73

**Answer:** B) Section 66

**7. In conciliation, if a party provides confidential information to the conciliator, what is the conciliator's duty under Section 70?**

- A) The conciliator must disclose it to the other party.
- B) The conciliator must keep the information confidential unless authorized to disclose it.
- C) The conciliator can use the information to influence the other party.
- D) The conciliator can disclose it if it benefits the conciliation process.

**Answer:** B) The conciliator must keep the information confidential unless authorized to disclose it.

**8. Which of the following is a mandatory requirement for conciliation to commence?**

- A) A written invitation to conciliate.
- B) Oral consent from the parties.
- C) Court approval.
- D) Approval from a statutory authority.

**Answer:** A) A written invitation to conciliate.

**9. When does conciliation officially commence under Section 62 of the Arbitration and Conciliation Act, 1996?**

- A) When the initiator sends a written invitation.
- B) When the other party accepts the invitation in writing.
- C) When the conciliator is appointed.
- D) When both parties meet for the first session.

**Answer:** B) When the other party accepts the invitation in writing.

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**10. A party has received an invitation for conciliation but has not responded within 30 days. What is the legal effect under Section 62(4)?**

- A) The invitation is automatically deemed accepted.
- B) The conciliation proceedings are initiated regardless of the response.
- C) The initiating party may treat it as a rejection and notify the other party accordingly.
- D) The initiating party must send another invitation before proceeding.

**Answer:** C) The initiating party may treat it as a rejection and notify the other party accordingly.

**11. In conciliation, what role does a conciliator play in resolving a dispute?**

- A) The conciliator issues a legally binding decision.
- B) The conciliator imposes a solution on both parties.
- C) The conciliator facilitates communication and assists in reaching a voluntary settlement.
- D) The conciliator represents the party that appointed them.

**Answer:** C) The conciliator facilitates communication and assists in reaching a voluntary settlement.

**12. Under Section 67(4), what is unique about the proposals made by a conciliator?**

- A) They must be in writing.
- B) They must contain a justification for each proposal.
- C) They need not be in writing and need not be accompanied by reasons.
- D) They require the approval of both parties before being made.

**Answer:** C) They need not be in writing and need not be accompanied by reasons.

**13. How does a settlement agreement reached through conciliation compare to an arbitral award?**

- A) It has no legal binding effect.
- B) It is equivalent to an arbitral award under Section 30.
- C) It requires court approval to be enforceable.
- D) It is only binding if executed as a contract.

**Answer:** B) It is equivalent to an arbitral award under Section 30.

**14. How is a conciliation settlement enforced under the Arbitration and Conciliation Act, 1996?**

- A) By filing a fresh suit in court.
- B) By treating it as an arbitral award on agreed terms under Section 74.
- C) By registering it with a notary public.
- D) By obtaining approval from the Ministry of Law and Justice.

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**Answer:** B) By treating it as an arbitral award on agreed terms under Section 74.

**15. When do conciliation proceedings terminate under Section 76?**

- A) When the conciliator submits the final report.
- B) When the parties fail to reach an agreement.
- C) When a settlement agreement is signed, or a party or conciliator formally declares termination.
- D) When a court intervenes to stop the proceedings.

**Answer:** C) When a settlement agreement is signed, or a party or conciliator formally declares termination.

**16. What is the effect of a written declaration by a party to terminate conciliation?**

- A) It is not valid unless the other party agrees.
- B) It terminates the conciliation proceedings immediately upon submission.
- C) It requires approval from the conciliator.
- D) It must be confirmed by a court.

**Answer:** B) It terminates the conciliation proceedings immediately upon submission.

**17. Which of the following disputes cannot be submitted to conciliation?**

- A) Contractual disputes.
- B) Employment disputes.
- C) Disputes where conciliation is barred by law.
- D) Commercial disputes.

**Answer:** C) Disputes where conciliation is barred by law.

**18. Which provision provides that conciliation proceedings are confidential?**

- A) Section 65
- B) Section 66
- C) Section 67
- D) Section 70

**Answer:** D) Section 70

**19. What is the role of administrative assistance in conciliation?**

- A) It is required for conciliation to commence.
- B) It helps with logistical support if requested by the conciliator or parties.
- C) It determines the final settlement.
- D) It is provided only by government agencies.

**Answer:** B) It helps with logistical support if requested by the conciliator or parties.

**20. Which section governs the submission of statements in conciliation proceedings?**

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- A) Section 61
- B) Section 62
- C) Section 65
- D) Section 76

**Answer:** C) Section 65

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**MCQs MOCK TEST.**

**Total Marks: 100**

**The test consists of 80 questions:**

60 one-mark MCQs

20 two-mark case study-based questions

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1. Which of the following is NOT a mode of Alternative Dispute Resolution (ADR)? **(1 Mark)**
  - a) Arbitration
  - b) Litigation
  - c) Mediation
  - d) Conciliation
  
2. The key principle differentiating Arbitration from Mediation is: **(1 Mark)**
  - a) Arbitration results in a binding decision, while mediation does not.
  - b) Mediation is adversarial, while arbitration is cooperative.
  - c) Arbitration does not involve third-party intervention.
  - d) Mediation decisions are always legally enforceable.
  
3. **Case Study:** A dispute arose between a construction company and a supplier regarding delayed material delivery. The supplier claimed force majeure due to transportation strikes, but the company demanded compensation. Which ADR method is most suitable for a fair resolution? **(2 Marks)**
  - a) Arbitration
  - b) Mediation
  - c) Litigation
  - d) None of the above
  
4. In arbitration, the final decision given by the arbitrator is called: **(1 Mark)**
  - a) Judgment
  - b) Arbitral Award
  - c) Settlement Agreement
  - d) Mediation Report
  
5. **Case Study:** A contract between two parties states that disputes will be resolved through arbitration under the rules of a recognized arbitral institution. Later, one party refuses arbitration and files a lawsuit in civil court. What should the court do as per the Arbitration and Conciliation Act, 1996? **(2 Marks)**
  - a) Allow the lawsuit to proceed
  - b) Enforce the arbitration agreement and refer the case to arbitration
  - c) Nullify the contract altogether
  - d) Offer mediation instead of arbitration

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6. What is the primary objective of Lok Adalats? **(1 Mark)**
  - a) To impose strict penalties
  - b) To facilitate a voluntary settlement
  - c) To increase court litigation
  - d) To replace the judiciary
7. Which Indian law governs Arbitration? **(1 Mark)**
  - a) Indian Contract Act, 1872
  - b) Companies Act, 2013
  - c) Arbitration and Conciliation Act, 1996
  - d) Civil Procedure Code, 1908
8. Mediation is considered successful when: **(1 Mark)**
  - a) The mediator imposes a decision
  - b) The parties agree on a mutually acceptable solution
  - c) The case is escalated to arbitration
  - d) One party withdraws from the process
9. **Case Study:** A customer bought an insurance policy, and later a dispute arose over claim settlement. The policy contract included an arbitration clause. The insurance company refused arbitration. What legal recourse does the customer have? **(2 Marks)**
  - a) File a lawsuit in court
  - b) Approach the Insurance Ombudsman
  - c) Seek intervention under the Arbitration and Conciliation Act, 1996
  - d) Any of the above
10. A key characteristic of Conciliation is: **(1 Mark)**
  - a) It is legally binding
  - b) The conciliator acts as a decision-maker
  - c) The conciliator helps parties reach a voluntary settlement
  - d) The decision is imposed by the judiciary
11. **Case Study:** A commercial contract between an Indian company and a foreign supplier includes an arbitration clause specifying arbitration in London under ICC rules. Later, a dispute arises. Which law applies? **(2 Marks)**
  - a) Indian Arbitration Law
  - b) UK Arbitration Law
  - c) ICC Arbitration Rules
  - d) The parties can mutually decide
12. **Case Study:** Two companies enter a supply contract that mentions arbitration as the dispute resolution method. However, no specific arbitration institution or rules are mentioned. Is the arbitration agreement valid? **(2 Marks)**
  - a) No, as arbitration rules must be explicitly stated
  - b) Yes, arbitration remains valid despite missing details

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- c) Only if both parties later agree on an arbitrator  
d) The agreement becomes a mediation clause
13. The role of an Arbitrator is most similar to: **(1 Mark)**  
a) A Judge  
b) A Mediator  
c) A Negotiator  
d) A Lawyer
14. The primary legislation governing the enforceability of foreign arbitral awards in India is: **(1 Mark)**  
a) Indian Evidence Act  
b) Arbitration and Conciliation Act, 1996  
c) Foreign Exchange Management Act  
d) Indian Penal Code
15. **Case Study:** A franchise agreement states that all disputes shall be referred to arbitration seated in Mumbai. The franchisee disputes the arbitration clause, claiming they never agreed to it. What is the correct legal principle to be applied? **(2 Marks)**  
a) The contract prevails, and arbitration must be followed  
b) The matter should be decided in court  
c) Mediation should be attempted before arbitration  
d) The franchisee can refuse arbitration on any grounds
16. The principle of party autonomy in arbitration allows parties to: **(1 Mark)**  
a) Select their arbitrator  
b) Choose the applicable law  
c) Decide the seat of arbitration  
d) All of the above
17. **Case Study:** A contract states that arbitration will be conducted under "XYZ Arbitration Rules," but one party refuses to abide by it. What is the best course of action? **(2 Marks)**  
a) Proceed to court immediately  
b) Seek an order from the court to enforce the arbitration agreement  
c) Ignore arbitration and proceed with mediation  
d) Terminate the contract
18. The arbitration agreement must be: **(1 Mark)**  
a) Oral  
b) Written  
c) Verbal with witness confirmation  
d) Signed by a government authority
19. The finality of an arbitral award means: **(1 Mark)**  
a) It cannot be challenged in any case

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- b) It can only be challenged under specific grounds in court
  - c) It is always open for modification
  - d) It requires approval from a judge
20. **Case Study:** A dispute arose regarding a breach of contract. The arbitration agreement specifies Singapore as the seat of arbitration. What does this mean? **(2 Marks)**
- a) Singapore laws will govern the arbitration process
  - b) The arbitration must take place in Singapore physically
  - c) Indian courts will have jurisdiction over the dispute
  - d) The seat and venue of arbitration are always the same
21. The main difference between arbitration and litigation is that arbitration is: **(1 Mark)**
- a) A private dispute resolution process
  - b) More time-consuming than court proceedings
  - c) Always handled by government authorities
  - d) A non-binding dispute resolution mechanism
22. The arbitrator must be: **(1 Mark)**
- a) Impartial and independent
  - b) Appointed only by the government
  - c) A legal expert
  - d) The same nationality as the disputing parties
23. **Case Study:** A real estate dispute is referred to arbitration. One party later argues that the arbitrator was biased. What can be done? **(2 Marks)**
- a) Accept the decision, as arbitration awards cannot be challenged
  - b) Challenge the arbitral award in court on the grounds of bias
  - c) Ignore the arbitration and proceed with fresh litigation
  - d) Request a second arbitration panel
24. The UNCITRAL Model Law is related to: **(1 Mark)**
- a) Criminal law
  - b) International arbitration
  - c) Indian domestic dispute resolution
  - d) Taxation law
25. The term "seat of arbitration" refers to: **(1 Mark)**
- a) The physical location where arbitration occurs
  - b) The legal jurisdiction governing the arbitration
  - c) The residence of the arbitrator
  - d) The headquarters of the arbitration institution
26. **Case Study:** A contract does not mention any dispute resolution clause. A dispute arises, and one party insists on arbitration. What is the legal position? **(2 Marks)**

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- a) Arbitration cannot be forced without an agreement
  - b) The court will automatically refer the case to arbitration
  - c) The parties must go for conciliation first
  - d) Arbitration can be implied if both parties agree later
27. Arbitration is preferred over litigation because: **(1 Mark)**
- a) It is more confidential
  - b) It is more cost-effective
  - c) It is faster than court trials
  - d) All of the above
28. The function of a mediator in a dispute is to: **(1 Mark)**
- a) Impose a decision on the parties
  - b) Guide the parties toward a mutually acceptable resolution
  - c) Represent one of the parties
  - d) Act as a judge
29. **Case Study:** A dispute is submitted to arbitration, but one party fails to participate in the proceedings. What happens? **(2 Marks)**
- a) The arbitration cannot proceed without both parties
  - b) The arbitrator may continue and issue an award
  - c) The arbitrator must terminate the arbitration
  - d) The dispute is automatically sent to court
30. Mediation is most effective when: **(1 Mark)**
- a) Both parties are open to settlement
  - b) There is a criminal dispute
  - c) A legally binding decision is needed
  - d) The government is involved
31. Arbitration is governed under which Part of the Arbitration and Conciliation Act, 1996? **(1 Mark)**
- a) Part I
  - b) Part II
  - c) Part III
  - d) Part IV
32. Which of the following disputes cannot be referred to arbitration? **(1 Mark)**
- a) Commercial contract disputes
  - b) Criminal offenses
  - c) Business disagreements
  - d) Real estate contract breaches
33. **Case Study:** A contract between two businesses contains a mandatory mediation clause before arbitration. One party refuses to mediate. What happens? **(2 Marks)**
- a) The court will impose mediation

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- b) The dispute can proceed to arbitration
  - c) The contract becomes void
  - d) The case must go directly to court
34. An arbitral award can be set aside if: **(1 Mark)**
- a) The arbitrator was biased
  - b) The decision violates public policy
  - c) The arbitration process was unfair
  - d) All of the above
35. **Case Study:** A company enters a contract with a foreign party and includes an arbitration clause. Later, the company refuses arbitration. What should the foreign party do? **(2 Marks)**
- a) File a lawsuit in an Indian court
  - b) Seek arbitration as per the agreement
  - c) Cancel the contract
  - d) Apply for mediation
36. Arbitration is legally enforceable when: **(1 Mark)**
- a) It is mutually agreed upon
  - b) It is ordered by a court
  - c) It is mandated by a government agency
  - d) It is not written but understood
37. **Case Study:** A contract specifies that disputes will be resolved through arbitration under UNCITRAL rules. Later, one party refuses arbitration. What can the other party do? **(2 Marks)**
- a) Seek an injunction against court proceedings
  - b) Ignore the contract and go to court
  - c) File a criminal complaint
  - d) Request a new contract without arbitration
38. Which is NOT a feature of arbitration? **(1 Mark)**
- a) Confidentiality
  - b) Binding decision
  - c) Public trial
  - d) Selection of arbitrator by parties
39. What happens if an arbitral award contradicts public policy? **(1 Mark)**
- a) It remains binding
  - b) It can be challenged in court
  - c) It is automatically nullified
  - d) It must be renegotiated
40. **Case Study:** A dispute arises under an international contract containing an arbitration clause specifying "governing law: Indian Arbitration Act." Which law will be applied? **(2 Marks)**

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- a) International law
  - b) Indian Arbitration and Conciliation Act, 1996
  - c) The law of the foreign party's country
  - d) Any mutually decided law by parties
41. The key advantage of arbitration over litigation is: **(1 Mark)**
- a) Faster resolution
  - b) Greater confidentiality
  - c) Cost-effectiveness
  - d) All of the above
42. **Case Study:** A business contract includes an arbitration clause but does not specify the arbitrator's appointment process. What should be done? **(2 Marks)**
- a) The parties must mutually decide the process
  - b) The contract is invalid
  - c) The court must appoint the arbitrator
  - d) Arbitration cannot proceed
43. Mediation is different from arbitration because: **(1 Mark)**
- a) The mediator imposes a decision
  - b) Mediation is always legally binding
  - c) Mediation encourages voluntary settlement
  - d) Mediation requires a judge's approval
44. What is the primary purpose of conciliation? **(1 Mark)**
- a) To force a settlement
  - b) To provide a legally binding judgment
  - c) To facilitate a mutually agreed resolution
  - d) To increase litigation costs
45. **Case Study:** A commercial dispute is referred to arbitration. One party later claims they were unaware of the arbitration agreement. What legal principle applies? **(2 Marks)**
- a) The arbitration agreement is invalid
  - b) The court will review the agreement's validity
  - c) The party must still participate in arbitration
  - d) The agreement must be renegotiated
46. What happens if an arbitrator has a conflict of interest? **(1 Mark)**
- a) The arbitration continues as usual
  - b) The arbitrator can be removed
  - c) The arbitrator must withdraw voluntarily
  - d) The arbitration process must restart
47. **Case Study:** A contract includes a mediation clause. One party refuses to mediate. What can the other party do? **(2 Marks)**
- a) Enforce the mediation clause in court

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- b) Proceed with arbitration or litigation
  - c) Terminate the contract
  - d) Accept the refusal and drop the case
48. Who enforces an arbitral award in India? **(1 Mark)**
- a) Arbitrator
  - b) Lok Adalat
  - c) High Court/Supreme Court
  - d) Private legal firms
49. An arbitration agreement must be: **(1 Mark)**
- a) Written
  - b) Oral
  - c) Registered with the government
  - d) Signed before a judge
50. **Case Study:** Two companies sign a contract with an arbitration clause. Later, one party claims fraud. Can the dispute be arbitrated? **(2 Marks)**
- a) No, fraud cases must go to court
  - b) Yes, if the contract allows arbitration for fraud cases
  - c) Only if both parties agree
  - d) Only if fraud is proven before arbitration
51. The term "arbitral tribunal" refers to: **(1 Mark)**
- a) A panel of judges
  - b) A single arbitrator or a panel of arbitrators
  - c) A government-appointed commission
  - d) A mediation committee
52. Arbitration clauses are usually found in: **(1 Mark)**
- a) Contracts
  - b) Criminal cases
  - c) Divorce cases
  - d) Government policies
53. **Case Study:** A company wins an arbitral award, but the other party refuses to comply. What is the next step? **(2 Marks)**
- a) File for enforcement in court
  - b) Restart arbitration
  - c) Negotiate a lower settlement
  - d) Cancel the award
54. What is a major disadvantage of arbitration? **(1 Mark)**
- a) Time-consuming process
  - b) Expensive compared to litigation
  - c) Limited right to appeal
  - d) Open to public scrutiny

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55. In arbitration, an interim award is: **(1 Mark)**
- a) A final binding decision
  - b) A temporary ruling before the final decision
  - c) A settlement agreement
  - d) A court order
56. **Case Study:** A supplier delivers defective goods. The buyer wants to resolve the issue without going to court. What ADR method is best? **(2 Marks)**
- a) Arbitration
  - b) Mediation
  - c) Conciliation
  - d) Any of the above
57. The Indian Arbitration Act follows principles from: **(1 Mark)**
- a) United Nations Commission on International Trade Law (UNCITRAL)
  - b) Indian Penal Code
  - c) International Criminal Court
  - d) World Trade Organization
58. What is NOT a ground to set aside an arbitral award? **(1 Mark)**
- a) Lack of arbitrator's impartiality
  - b) Disagreement with the decision
  - c) Violation of natural justice
  - d) Award conflicts with public policy
59. **Case Study:** A company wants to enforce a foreign arbitral award in India. What law applies? **(2 Marks)**
- a) The Indian Arbitration and Conciliation Act, 1996
  - b) The Companies Act
  - c) Foreign Exchange Regulation Act
  - d) The Indian Penal Code
60. Arbitration decisions are: **(1 Mark)**
- a) Always binding
  - b) Subject to unlimited appeals
  - c) non-enforceable
  - d) Optional
61. In arbitration, the process of selecting an arbitrator is usually: **(1 Mark)**
- a) Determined by a court
  - b) Mutually decided by the parties
  - c) Chosen by the government
  - d) Randomly assigned
62. **Case Study:** A commercial lease agreement contains an arbitration clause. The tenant defaults on rent, and the landlord wants an immediate resolution. What should the landlord do? **(2 Marks)**

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- a) File a lawsuit in civil court
  - b) Invoke the arbitration clause and request an interim relief
  - c) Cancel the lease without legal recourse
  - d) Approach the police
63. Which of the following is NOT a recognized ADR mechanism? **(1 Mark)**
- a) Arbitration
  - b) Mediation
  - c) Negotiation
  - d) Prosecution
64. Which statement about mediation is true? **(1 Mark)**
- a) The mediator makes the final decision
  - b) Mediation always results in a legally binding decision
  - c) The mediator facilitates discussions but does not impose a decision
  - d) Mediation requires court intervention
65. **Case Study:** A partnership dispute arises between two business owners. They prefer an informal process with a neutral facilitator. Which ADR method is best? **(2 Marks)**
- a) Arbitration
  - b) Litigation
  - c) Mediation
  - d) None of the above
66. Arbitration is generally preferred over court litigation because it: **(1 Mark)**
- a) Is more time-consuming
  - b) Has limited appeal options
  - c) Ensures confidentiality
  - d) Requires multiple levels of approval
67. The final step in an arbitration process is: **(1 Mark)**
- a) Cross-examination
  - b) Submission of evidence
  - c) Issuance of the arbitral award
  - d) Filing a court appeal
68. **Case Study:** An arbitral tribunal delivers an award in favor of one party. The losing party refuses to comply. What can the winning party do? **(2 Marks)**
- a) Accept the loss and move on
  - b) File for enforcement in court
  - c) Request another arbitration
  - d) Approach the police
69. What is the role of an arbitral institution? **(1 Mark)**
- a) Provides administrative support for arbitration
  - b) Replaces the arbitrator in decision-making

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- c) Ensures all awards are challenged in court
  - d) Acts as a mediator
70. **Case Study:** A company signs a contract with a government agency, including an arbitration clause. A dispute arises, and the agency refuses arbitration. What should the company do? **(2 Marks)**
- a) Request arbitration under the contract terms
  - b) File a lawsuit in court
  - c) Ignore the issue
  - d) Approach an ombudsman
71. Arbitration awards can be set aside under which section of the Arbitration and Conciliation Act, 1996? **(1 Mark)**
- a) Section 9
  - b) Section 34
  - c) Section 48
  - d) Section 52
72. **Case Study:** A dispute between two companies involves both Indian and foreign parties. Which type of arbitration applies? **(2 Marks)**
- a) Domestic arbitration
  - b) International commercial arbitration
  - c) Consumer dispute resolution
  - d) Negotiation
73. The principle of "natural justice" in arbitration ensures: **(1 Mark)**
- a) The arbitrator must be partial
  - b) Fair hearing and impartiality
  - c) The arbitrator must favor the stronger party
  - d) Delayed decision-making
74. **Case Study:** A contract states that arbitration will be conducted online. One party argues that online arbitration is invalid. What is the legal stance? **(2 Marks)**
- a) Online arbitration is valid if both parties agreed
  - b) Arbitration must be conducted in person
  - c) Only courts can handle online disputes
  - d) Online arbitration is illegal
75. In arbitration, an arbitrator's decision is: **(1 Mark)**
- a) Always final and binding
  - b) Subject to unlimited appeals
  - c) Optional for the parties
  - d) Decided by the government
76. **Case Study:** A manufacturing company and a supplier agree to arbitration but fail to specify the number of arbitrators. What happens? **(2 Marks)**

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- a) The default rule applies (single arbitrator)
  - b) Arbitration is invalid
  - c) The government appoints the arbitrator
  - d) The dispute must go to court
77. Lok Adalats primarily handle: **(1 Mark)**
- a) Criminal cases
  - b) Matrimonial disputes
  - c) Civil disputes and public grievances
  - d) Constitutional matters
78. **Case Study:** A company wants to challenge an arbitral award. Under what conditions can this be done? **(2 Marks)**
- a) If there was procedural misconduct
  - b) If the arbitrator was biased
  - c) If the award violates public policy
  - d) Any of the above
79. The process of arbitration must be: **(1 Mark)**
- a) Informal and unstructured
  - b) Conducted with due process and fairness
  - c) Supervised directly by a judge
  - d) Open to public scrutiny
80. **Case Study:** A company wins an arbitration case against a foreign business. The foreign company refuses to comply. How can the award be enforced in India? **(2 Marks)**
- a) File a case in an Indian court under the Arbitration Act
  - b) Ignore the issue
  - c) Seek help from a mediator
  - d) Request another arbitration
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**SPOM SET C Paper 6: The Arbitration and Conciliation Act, 1996****MCQs Answer Key**

Q No.	Answer	Q No.	Answer	Q No.	Answer	Q No.	Answer	Q No.	Answer
1	b	17	b	33	b	49	a	65	c
2	a	18	b	34	d	50	b	66	c
3	b	19	b	35	b	51	b	67	c
4	b	20	b	36	a	52	a	68	b
5	b	21	a	37	b	53	a	69	a
6	b	22	a	38	c	54	c	70	a
7	c	23	b	39	b	55	b	71	b
8	b	24	b	40	b	56	b	72	b
9	c	25	b	41	d	57	a	73	b
10	c	26	a	42	a	58	b	74	a
11	b	27	d	43	c	59	a	75	a
12	b	28	b	44	c	60	a	76	a
13	a	29	b	45	c	61	b	77	c
14	b	30	a	46	b	62	b	78	d
15	a	31	a	47	b	63	d	79	b
16	d	32	b	48	c	64	c	80	a