



The Marshall Islands Registry

## **Recent Legislative Changes in the Republic of the Marshall Islands**

*Singapore, 10 April 2013*

Two bills were recently passed by the Republic of the Marshall Islands (RMI) Nitijela in October 2012 and March 2013 respectively. These bills amend the RMI Maritime Act (the “Act”) to include provisions for vessels under construction to be registered and mortgages recorded on such vessels (Bill No. 17) and provisions allowing for the recordation of a financing charter to protect a vessel lessors’ security interest (Bill No. 25).

Bill No. 17 allows a vessel under construction to be registered when the keel is laid or a similar act is commenced. Documents for registration will be similar to those required in a traditional vessel registration except that, in lieu of the Builder’s Certificate, the party seeking registration must provide a certified copy of the construction contract and documentary evidence that construction of the vessel has commenced. The RMI Maritime Administrator will then issue a Construction Certificate of Registry providing provisional registration of the vessel under construction. Upon completion of construction, the vessel must meet statutory requirements to obtain full and permanent registration under the RMI flag. Further, the amendments allow a vessel under construction mortgage to be recorded with the RMI Maritime Administrator and for this mortgage to have the same priority as a preferred mortgage until the mortgage is discharged.

Bill No. 25 allows equipment lessors, who provide lease financing of vessels, to enjoy the same security in collateral as a mortgagee enjoys under a preferred mortgage. New section 302A of the Act permits the registration and recording of a financing charter as the equivalent of a preferred mortgage against the vessel and allows for the recordation of any renewals, amendments, supplements, assignments or other instruments related to a recorded financing charter. A financing charter must be signed and acknowledged by the documented owner and must include the name and official number of the vessel, the date of the financing charter contract, the names and addresses of the documented owner and the charterer, and the aggregate of the nominal amount of all charter hire payments and purchase option amounts payable, or which may become payable, under the financing charter, exclusive of any interest, indemnities, expenses, or fees. All other provisions applicable to a preferred mortgage will also apply to a financing charter. The amendments in Bill 25 bring the Act in line with the United States Uniform Commercial Code.

“These amendments were made in response to requests from the international shipping community to better protect their interests in a vessel under construction and/or a chartered vessel,” said Bill Gallagher, President of International Registries, Inc. “We are fortunate to be able to work efficiently with the RMI Nitijela to ensure that the most modern legal provisions are in place to provide a necessary competitive advantage in today’s challenging world markets,” he concluded.