

## **CMI International Working Group**

### **Ship Financing Security Practices – Questionnaire**

#### **1 MARITIME AND OTHER CONVENTIONS**

**1.1** Has your jurisdiction ratified the 1952 and/or the 1999 Arrest Convention or neither?

No.

**1.2** If your jurisdiction has not ratified either of the aforementioned conventions, what categories of claim can be brought by way of arrest<sup>1</sup> of a vessel?

In-rem and in-personam. Maritime liens are taxatively set out in Law No.55 of August 6, 2008 as amended by Law No.27 of October 28, 2014 in its articles:

- Over the vessel – article 244
- Preferred liens on the freight – article 247
- Preferred liens on the cargo – article 248

**1.3** In particular, can arrest be made:

(a) by a mortgagee of a vessel registered under the laws of your jurisdiction?

Affirmative.

(b) by a mortgagee of a vessel registered under the laws of a different jurisdiction?

Affirmative. Panama has an international arresti forum and Article 545-A of Law No.12 of January 23, 2009 sets out the proceedings for such execution.

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<sup>1</sup> The term 'arrest' is used throughout for convenience but it is acknowledged that this may not be a concept known to the laws of all jurisdictions. If in your jurisdiction the equivalent concept is attachment or something else, please briefly explain.

**1.4** Has your jurisdiction ratified the 1926 and/or the 1993 Maritime Liens and Mortgages Convention or neither?

No.

**1.5** If your jurisdiction has not ratified either Maritime Liens and Mortgages Convention does your jurisdiction recognize foreign maritime liens? If so what types of claim are recognised as maritime liens?

Yes. Foreign liens must be proven in court by the corresponding parties applying the foreign substantive law.

Article 557 of Law No.8 of March 30, 1982 as amended by Laws No.11 of May 1986 and Law No.12 of 2009 states that with respect of liens that affect the vessel, the law of the country of registry is the substantive law to be applicable.

**1.6** Does the law of your jurisdiction incorporate the 1961 Hague Convention Abolishing the Requirement for Legalisation of Foreign Public Documents?

Yes, but also kept the other method of legalization. A document coming from abroad to be valid, the same must be duly notarized and legalized either by Panamanian Consul or Apostille.

## **2 NATURE OF THE SHIPS' REGISTER**

**2.1** Is the ships' register<sup>2</sup> in your jurisdiction a register of legal title?

Law No.57 of August 6, 2008 is the General Merchant Marine Law of the Panama Maritime Authority. The registry dates back from 1917 when our first Commercial Code was enacted, contemplating the registration of ships in Panama and it was formalized and better developed by Law No.8 of 1925 and is based on the concept of the sovereignty of states and it gives effect of a registered legal title.

**2.2** Does the ships' register in your jurisdiction (whether or not a register of legal title) provide for registration of the interest of a demise charterer in circumstances where legal title is registered in another jurisdiction (the 'underlying register').

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<sup>2</sup> The term 'ships register' means a specialist register only for ships.

The ship registry in our jurisdiction provides for BBC registration in and out – Article 82 of Law No.57 of 2008 rules bareboat charter registration out and Article 70 rules bareboat charter registration in.

- 2.3** If your jurisdiction does provide for registration of the interest of a demise charterer, does it provide for registration or notation of a mortgagee registered on the underlying register?

Registration of ownership and mortgages must always be made in the registry of origin.

- 2.4** Does your jurisdiction allow a vessel registered in the ships register in the name of the holder of legal title also to be registered in another jurisdiction in the name of a demise charterer? If so is such registrations permitted when the vessel is subject to a mortgage registered in the ships' register in your jurisdiction and is the consent of the mortgagee required?

Yes. It is permitted with the consent of the mortgagee and the mortgages are never registered in the foreign registry. Titles and mortgages are only registered in the registry of origin which is Panama.

- 2.5** Please describe (briefly) the criteria for registration of a vessel on the ships' register in your jurisdiction, with particular reference to eligibility or not for registration of different types of assets employed in offshore oil and gas exploration, production, processing and storage.

Our ship registry allows for the registration of all type of vessels. The only requirement is a power of attorney to a law firm or attorney, ownership title, tonnage certificate, builder's certificate (if it is a new built vessel) or a deletion certificate (if the vessel comes from a previous registry), valid international tonnage certificate, Ship Management Certificate (SMC) for Panama registry, radio license application form.

There are no limitations of the age, size or purpose of the vessels, nor on the nationality of ownership or seafarers. Only the vessels coming from North Korea are not allowed to be registered in Panama.

### **3 FORMALITIES FOR MORTGAGE REGISTRATION**

**3.1** Does a mortgage in respect of a vessel registered in your jurisdiction need to:

- (a) attach documents, such as a loan agreement, evidencing the obligations secured?

No. It only requires to have the basic legal requirements as set out in Article 260 of Law No.55 of 2008 as amended by Law No.27 of 2014. Basically, these are name of vessel, owner and his address, mortgagee and his address, vessel characteristics (length, breadth, depth, gross tonnage, net tonnage, provisional patent, call letters), mortgage amount, interests, form of payment, mortgage expiration or maturity date, acceptance of mortgage by mortgagee.

- (b) set out in detail the circumstances giving rise to a right of enforcement?

Unfulfillment of the mortgage contract.

**3.2** Does a mortgage in respect of a vessel registered in your jurisdiction need to be notarised and/or legalised?

Yes, it needs to be notarized and legalized by Panamanian Consul or Apostille.

**3.3** What are the registry fees in order to have a mortgage registered against a vessel registered in your jurisdiction?

Public Registry fees for permanent registration of mortgage of a Panamanian vessel are calculated based on net tonnage of the vessel (Net Tonnage x 0.12) with a cap of US\$600.00 plus US\$50.00 review charge.

If you will arrange preliminary registration of the mortgage, the Public Registry fees will be calculated as follows:

US\$450.00 – for the first US\$2,000,000 of mortgage amount

US\$150.00 – for each additional million or fraction with a cap of \$,1,200.00

US\$50.00 – Review charge

**3.4** Is registration indefinite or is there any requirement for re-registration after a certain period?

Registration is indefinite and is valid until the mortgage is cancelled.

**3.5** In your jurisdiction is a mortgage of a vessel required to be registered only in the ships register or, in addition, in another register? If so, please give brief details.

Only in the Public Registry of the Panama Maritime Authority.

#### **4 INFORMATION CONCERNING SECURITY INTERESTS IN SHIPS**

**4.1** Please advise if information concerning security interests in ships registered in your jurisdiction is publicly available, and if so, how it may be obtained, including the following issues, as applicable.

Yes, it is of public records and the *[Public Registry of Panama Maritime Authority has a webpage available for this purpose]*.

(a) Does a person seeking such information need the authorization of the vessel owner to get such information?

No.

(b) Does your jurisdiction certify the accuracy of the information?

Yes.

(c) How much time is generally required to obtain such information?

The very same date.

**4.2** May a vessel subject to a security interest be sold by the owner prior to the release of the security interest, and if so, under what conditions or circumstances.

Yes, with the consent of the security interest holder.

## **5 ARREST OF A CHARTERED VESSEL**

**5.1** Does your jurisdiction allow a mortgagee to arrest vessels on bareboat charter or time charter?

Yes.

**5.2** Under the laws of your jurisdiction, could the mortgagee incur any liability in tort, delict (or similar) to charterers or cargo interests if the mortgagee arrests the vessel when it is subject to charter and/or carrying cargo (on the grounds of interfering with the contractual relationship between owner and charterer or bill of lading holder)?

No, unless it is proven that there is bad faith and there are no grounds for a mortgage foreclosure.

**5.3** What are the procedures or requirements, if any, applied to the cargo on board a vessel that has become subject to judicial sale in your jurisdiction? Must the cargo be discharged before sale, and if so, who bears the costs and risks of such discharge?

The unloading of a cargo onboard the vessel subject to a judicial sale will be on the plaintiff and the cargo must be discharged, who in turn will demand such costs from the owner of the vessel subject to a judicial sale.

## **6 PRIORITY ISSUES BETWEEN MORTGAGES REGISTERED IN THE SHIPS' REGISTER IN YOUR JURISDICTION**

**6.1** Does your jurisdiction have a system of "priority notice" to enable priority to be reserved for a period before actual registration of the mortgage?

No. Our jurisdiction and the priority of mortgages whomever register first, has a first priority ranking status.

**6.2** Once a mortgage is registered in your jurisdiction is it possible for a subsequent mortgage to be registered without the consent of the first registered mortgagee?

Yes, Article 1568 of our Civil Code in its Ordinal 4 allows for subsequent mortgages to be registered even without the consent of the first registered

mortgagee. However, the priority ranking status will remain with the first recorded mortgagee.

**6.3** When there are two or more registered mortgages what determines their priority?

The mortgagee who registers first its mortgage.

**6.4** Is there any doctrine of notice such that the priority of a registered mortgage is deferred to that of an earlier but unregistered mortgage of which the registered mortgagee has notice?

No.

**6.5** Can a second registered mortgagee exercise enforcement remedies without the consent of the first registered mortgagee?

Yes.

**6.6** Does your jurisdiction have a system for registration of security or liens other than mortgages, whether consensual or non-consensual? If so, please describe.

No. However, Law No.55 of 2008 as amended by Law No.27 of 2014 in its Article 277-B, provides for the owner of containers to register its bill of sale, financial lease or mortgage agreements or any other lien to be created over the same. However, this is a new concept that has not been proven yet or tested.

## **7 GENERAL ENFORCEMENT ISSUES**

**7.1** Does your jurisdiction make a distinction between the enforcement of mortgages registered under the flag of your jurisdiction and the enforcement of any other foreign mortgages?

No.

**7.2** Is it necessary for the mortgagee to obtain a judgment in your jurisdiction on its claim under the loan agreement or other applicable debt instrument before it can enforce that mortgage?

It must be done through special proceedings for execution of a naval mortgage (Law No.12 of 2009 – Article 545-A onward).

**7.3** If so, how long is it likely to take to obtain a judgment if the claim is contested? Will the local court expedite the proceedings having regard to the ongoing costs of maintaining the vessel?

Judgment can be rendered in less than 30 days' term. If it is contested, depending on the complexity, it can take more than 6 months, but if the vessel arrested is subject to deterioration, upon petition the Judge will order the Marshall to auction the vessel while proceedings are undergoing.

**7.4** Will the court in your jurisdiction accept jurisdiction for the mortgage claim under Article 7 1952 Arrest Convention, or equivalent domestic legislation in your jurisdiction?

Yes.

## **8 JUDICIAL DECISIONS AND APPEALS**

**8.1** Do all courts in your jurisdiction have authority to sell vessels free of maritime liens and prior claims, or is such authority limited to special courts, such as admiralty courts?

The selling of vessels are private competence of our specialized maritime courts or admiralty courts.

**8.2** What formalities, including evidence of claim, or evidence of notice, are required to affect the sale of a vessel free of liens and prior claims?

Not being able to post the required bonds in order to acquire the vessel.

**8.3** If the owner presents an appeal against judgment, will the court make an order for sale of the vessel before that appeal has been heard and decided?

No, unless as mentioned before, the case has been prolonged and the vessel is in danger of serious damage or mutual consent.

## **9 SALE PROCEDURE**

**9.1** Can a mortgagee enforce his mortgage in your jurisdiction by applying for a judicial sale by auction?



A vessel subject to a maritime lien may be sold judicially upon request of its creditors following special procedures as set out in Article 545-A of Law No.12 of 2009 (Proceedings for the Execution of a Naval Mortgage).

**9.2 What are the criteria for an application for a judicial sale by auction and what is the procedure and timetable for such an application and sale?**

The criterias are set out in Article 545-A of our Procedural Law as amended. For the foreclosure of the mortgage, it is required documental evidence of what is owed and what the mortgagor has not complied in the contract. Within 30 days the hearing will take place. If there is no contest, the judicial auction can take place in two months' time. If it is contested, then the proceedings will continue following the rules set out in Article 495 onward (Maritime Ordinary Proceedings).

**9.3 Will the court in your jurisdiction order a sale of the vessel pending judgment (*pendent lite*), recognising that the vessel is a wasting asset?**

Yes.

**9.4 Will the court in your jurisdiction fix a minimum bid price (reserve price) for the vessel and will the amount of that minimum bid price be disclosed to interested parties? What happens if the maximum amount bid for the vessel is lower than the reserve price?**

Yes. The auction shall be carried out by the Marshall and will be put in auction at the price established by an appraisal assigned by the court, unless the parties chooses to appoint by mutual agreement their own appraiser.

**9.5 Can the owner or other creditors influence the amount of the reserve price?**

No.

**9.6 What arrangements will be made for public advertisement of the sale?**

The Maritime Court that orders the auction will issue a resolution to set 3 days for the judicial sale. Said resolution must be published at least twice a week until proceedings for the judicial sale are concluded and the actual sale be carried out by the Marshall on the dates set by the court. If this cannot be carried out, the next working day will be the one for the judicial sale to take place.

**9.7** To what extent is it possible for the owner or other creditors to influence the timetable or procedure for sale?

It is possible that the parties request the court by mutual agreement, to postpone the sale of the vessel, but unilaterally once it is set is not possible, unless sufficient legal grounds are given and proven for the sale to be postponed.

**9.8** Can a mortgagee enforce its mortgage in your jurisdiction by applying for a court approved private sale? If so, what are the criteria for an application requesting the court to approve a private sale and what is the procedure and timetable for such an application and sale?

A mortgagee can, based on Article 272 of Law No.55 of 2008 as amended, carries out a private sale even without the court approval, by giving the owner and recorded mortgagees, at least 20 days' notice prior to the sale or its intention to privately sell the vessel. For this, the mortgagor must give the mortgagee an irrevocable power of attorney.

**9.9** Can a mortgagee bid its debt (*animo compensandi*) so as to allow a set off of the debt against the purchase price (and provide security for the claims of potential prior lien holders)? Or does a mortgagee (or its preferred bidder or buyer) have to pay the full price in cash?

No. The Mortgagee will have to pay the full price on cash, unless he is the sole bidder.

## **10 SALE PROCEEDS**

**10.1** Will the sale proceeds be held in an interest bearing account?

Yes.

(a) Will they be held in the currency of the sale or will they be converted into local currency?

Yes, they will be held in the currency of the sale, which in Panama is always converted in US Dollars. It does not matter if the claim is in other currency.

- (b) Will the proceeds of sale ultimately be subject to any exchange control or similar restrictions (and/or court fees) when they are paid out? If so, what is the procedure and likely timetable for obtaining permission to remove the funds?

No, it will not be subject to exchange control, but the expenses incurred by the Marshall in the maintenance of the vessel or other assets shall be deducted from said sums, after the expenses have been approved by the Court at a hearing with the presence of all the parties to the action and other consolidated actions, within five working days from the presentation of the accounting report by the Marshall. The Marshall shall present said report no later than 30 days after the approval of the judicial sale.

The sums collected from the judicial sale shall be applied by the Court to the payment of the final judgment rendered pursuant to the order of priority of the different creditors.

The plaintiff shall be reimbursed those sums that he delivered to the Marshall for the conservation, maintenance and custody of the auctioned property from the proceeds of the judicial sale of said property before payment is made to the respective creditors of the sums derived from the execution of the judgment and after payment of the costs of the proceedings.

## **11 PRIORITIES GENERALLY**

- 11.1** Are priorities determined under local law (*lex fori*), or the law of the jurisdiction in which the claim arose (*lex causae*), or the law of the flag of the vessel?

It will be the law of the flag of the vessel when related to maritime liens that affects the vessel (Article 555 Ordinal 2 of Law No.8 of 1982 as amended). Otherwise, under the substantive law applicable.

- 11.2** If local law, where does the mortgagee rank amongst other maritime claims in the order of priority and which are those claims which rank prior to the mortgagee. Do the claims which rank ahead of a mortgage in your jurisdiction vary depending on whether the mortgage is:

(a) a mortgage of a vessel registered under the laws of your jurisdiction?

In Panama, maritime liens that rank above the naval mortgage are:

- i. The judicial expenses caused in pursuit of the common interest of the maritime creditors;
- ii. The expenses, indemnities and salaries for assistance and salvage; and,
- iii. The salaries, retributions and indemnities owed to the captain and crew members.

(b) a mortgage of a vessel registered under the laws of a different jurisdiction?

The order of priority, in case the mortgage is registered over a vessel under a different jurisdiction, will be given by the law of that other jurisdiction.

**11.3** Are there any special rules on priority for local creditors?

Maritime liens and their order of priority are given by preferred liens on the vessel, freight or cargo. Maritime creditors will rank *pari-pasu* with all of its other unsecured obligations and according to Article 1662, Ordinal 3, paragraph c) of our Civil Code, these credits will have preference over the others based in order of priority of those credits in Public Deed, those by executed judgment or private documents having certain date.

By certain date of a private document, will be the one from the date the signature of the parties have been affixed or recognized before a notary public in the same document.

**11.4** Is it necessary for claimants to introduce their claims prior to the date of sale or within some specified period thereafter?

The claimant must submit its claim prior to the date of sale.

**11.5** What is the timetable leading up to the distribution of the proceeds of sale?

Once the Marshall has presented a report no later than 30 days after the approval of the judicial sale, the distribution is paid once the judicial sale has taken place.

**11.6 Is the distribution order decided by the court?**

Yes. Any lienholder according to Article 531 may challenge the verification or the order of priority of the liens within the five days following the date fixed by the Court for the presentation of the proposal.

**11.7 Is that order subject to a right of appeal?**

According to Article 533, the lienholder to whom the order of priority claimed is denied may seek to assert their rights by moving for reconsideration within the time set forth in the preceding paragraph, which is within three days from the time notice is given.

**12 MORTGAGEE'S SELF-HELP REMEDIES**

**12.1 Under the laws of your jurisdiction does a vessel mortgage governed by and registered in accordance with such laws give the right to take the following enforcement steps without a court order in your jurisdiction?**

(a) to take possession of the vessel;

Yes, Article 273 of Law No.55

(b) to appoint a receiver, manager or other party to operate the vessel;

Yes, Article 273 of Law No.55

(c) to sell the vessel as mortgagee;

Yes, Article 272 of Law No.55. In the mortgage contract, an irrevocable power of attorney must be given by the shipowner to the mortgagee.

(d) to sell the vessel as attorney in fact of the owner.

Yes, Article 272 of Law No.55. In the mortgage contract, an irrevocable power of attorney must be given by the shipowner to the mortgagee.

**12.2 If, under the law of the ships' register (where that is a different law from the law of your jurisdiction) a mortgagee is given the right to take the enforcement steps referred to at (a) – (d) of 12.1 without a court order would its right to do so be recognised or prohibited in each case in respect of a vessel physically located in your jurisdiction?**

The Court will follow the substantive law applicable.

- 12.3** Where answers to the questions in 12.2 are negative would the answers be different in each case if a court order were obtained in the jurisdiction of the ships' register?

Please refer to point 12.2 above.

### **13 INSOLVENCY PROCESSES<sup>3</sup>**

- 13.1** Has your jurisdiction adopted the UNCITRAL Model Law on Cross-Border Insolvency?

No.

- 13.2** Do the laws of your jurisdiction provide for recognition of foreign insolvency proceedings? (if the UNCITRAL Model Law has been adopted, in addition to its provisions)

Any foreign resolutions must be enforced through the Fourth Chamber of the Panama Supreme Court through exequatur proceedings. The recognized resolution will carry the same effect as issued by a Panama court and shall thus be brought to relevant instance for enforcement, provided that it is not contrary to Panamanian law, or public order.

- 13.3** Do the laws of your jurisdiction provide that the enforcement of rights of secured creditors (such as the mortgagee of a vessel) can be stayed or suspended during applicable insolvency proceedings?

No.

- 13.4** Is the answer to 13.3 different if the insolvency proceedings did not originate in your jurisdiction but are foreign insolvency proceedings (being recognised in your jurisdiction by whatever means)?

Please refer to point 13.3 above. Again, foreign resolutions must be subject to exequatur proceedings and in order for such resolutions to be accepted

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<sup>3</sup> If your jurisdiction is subject to the EU Insolvency Regulation and will be subject to the 'Recast' EU Insolvency Regulation, please so indicate – but also respond to the questions.

by the Fourth Chamber of the Panama Supreme Court, the following criteria must be met:

- (i) the said foreign court would in similar circumstances recognize a final and conclusive judgment of the courts of the Republic of Panama;
- (ii) the judgment has been issued as a consequence of an action taken "in personam" or in an in-rem cause of action;
- (iii) the judgment was rendered after personal service on the Borrower as defendant or on its agent appointed for such purpose by order of the court rendering judgment or on the master or any other person having the care and custody of the Vessel in an in-rem cause of action;
- (iv) the cause of action on which the judgment is based does not contravene the public policy of the Republic of Panama and that the documents evidencing the judgment are in authentic form according to the provisions of the relevant foreign court, and have been duly authenticated by Panamanian Consul or Apostille.

**13.5** If the mortgage over a vessel located in your jurisdiction is being enforced through a maritime court sale in circumstances where the owner of the vessel is subject to insolvency proceedings in your jurisdiction, do the maritime court sale proceedings take precedence over the insolvency proceedings, or vice versa?

Yes, the maritime court sale proceedings take precedence over the insolvency proceedings, because it is an in-rem proceeding against the vessel, not against the owner being declared insolvent.

**13.6** Is the answer to 13.5 different if the insolvency proceedings did not originate in your jurisdiction but are foreign insolvency proceedings (being recognised in your jurisdiction by whatever means)?

The answer will be the same.

**13.7** If a vessel is sold in your jurisdiction through a maritime court sale is the mortgagee's claim to the sale proceeds subject to the risk of the mortgage being challenged or set-aside by applicable insolvency claw-back rules for transactions prior to insolvency?



No.

- 13.8** Is the answer to 13.7 different if the insolvency proceedings did not originate in your jurisdiction but are foreign insolvency proceedings (being recognised in your jurisdiction by whatever means)?

Refer to answer in point 13.4 above.

- 13.9** Do the insolvency courts of your jurisdiction have, or claim, extraterritorial jurisdiction, such as over vessels located in a different jurisdiction? If so, how?

No.

## **14 LEASING<sup>4</sup>**

- 14.1** In your jurisdiction is leasing of vessels common as a method of financing?

Yes.

- 14.2** Do the laws of your jurisdiction give effect to a lease in accordance with the form of the document (formal approach) or is there a risk they will re-characterise certain leases as security interests (functional approach)?

Formal and functional approach.

- 14.3** If the laws of your jurisdiction adopt a functional approach (14.2) please describe briefly how this is applied; also, please say whether your courts would adopt a functional approach even where the governing law of the lease follows the formal approach.

The Court will adopt a formal approach if the governing law of the lease follow the formal approach.

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<sup>4</sup> By 'leasing' is meant a demise chartering of a vessel where the holder of legal title ('lessor') is a financier rather than a commercial shipping company and the vessel is demise chartered to a shipping company ('lessee'). It might or might not involve the lessee having an option to purchase for a pre-agreed price or title automatically passing to the lessee at the end of the lease term. It covers both finance leases, where the lessee by one means or another has substantially the whole economic interest in the vessel and operating leases where the lessor retains some economic risk and interest in the vessel.



- 14.4** Do the laws of your jurisdiction permit the parties to the lease of a vessel governed by that law to expand by contract the rights and remedies of the lessor on default by the lessee? Or are such rights and remedies provided for exclusively by law?

The laws of Panama will enforce the law of the contract.

- 14.5** Do the rights and remedies of the lessor of a vessel include steps to terminate the leasing and re-take possession of the vessel through self-help or is this only possible in your jurisdiction with the assistance of the court?

Panama law provides the rights and remedies of the lessor of a vessel including steps to terminate the leasing and taking possession of the vessel with the assistance of the court, but if uncontested also by private means.

- 14.6** Under the laws of your jurisdiction is a leased vessel considered to be an asset of the lessor or the lessee, or both?

It is to be considered the asset of the lessor until title is passed to the lessee.

- 14.7** Under the laws of your jurisdiction what impact would an insolvency process (or different processes) in respect of the lessee have on the rights and remedies of the lessor of a vessel? Is this affected by the type and terms of the lease?

It will depend on the type and terms of the lease.

- 14.8** Under the laws of your jurisdiction can a lessor arrest a vessel which it leases? Can it join in arrest proceedings initiated by a third party?

Yes.

- 14.9** Under the laws of your jurisdiction what priority is given to the rights of a lessor of a leased vessel as against third parties with maritime liens/claims?

The priority given to registered contracts and inferior to a third party with a maritime lien.

- 14.10** Do the laws of your jurisdiction recognise registered leases in respect of vessels registered in a different jurisdiction? If so, please give brief details.

Yes, if proper evidence is presented before court of the registered leases on the vessels registered abroad.

- 14.11** In your jurisdiction is there generally a wish to promote leasing of vessels, including by reforming the law? If so please provide a brief explanation.

Yes, generally there is a wish to promote leasing of vessels and this is the reason why in the latest amendments made to Law No.55 of 2008 (which replace Book II of our Commercial Code on Maritime Trade) through Law No.27 of 2014, an article 277-B was added which allows that financial lease agreements on Panama registered vessels to be registered also. Before this was not possible.

**15      RESERVATION OF TITLE<sup>5</sup>**

- 15.1** Do the laws of your jurisdiction treat the holder of title under reservation of title as the holder of a security interest?

Panama jurisdiction recognizes titleholders once the respective document of bill of sale is duly recorded at the Public Registry of Panama Maritime Authority.

- 15.2** Do the laws of your jurisdiction provide for reservation of title arrangements to be registered in the ships' register in any way different from a standard registration of the holder of title as registered owner? If so, please give brief details.

Besides the common bill of sale, a deletion certificate from the previous registry can be registered at the Public Registry of Panama Maritime Authority, if only a transfer of registry occurs and the owner is not changed. Therefore, the deletion certificate from the previous registry will be considered as an ownership title. Also a builder's certificate issued by the shipyard in behalf of the buyer will be considered as given title to the vessel.

- 15.3** If the laws of your jurisdiction do provide for reservation of title arrangements to be registered as referred to in 15.2, what rights and remedies are given to the holder of title?

Please refer to our explanation above.

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<sup>5</sup> References to 'reservation of title' are intended to include arrangements where a seller retains title to the vessel until the buyer pays the full price in circumstances where the buyer's obligation to pay the full price is deferred over time

**15.4** Do the laws of your jurisdiction recognise foreign reservation of title arrangements of a type referred to in 15.2? If so, please give brief details of how these arrangements would be recognised.

No.