

**CMI STANDING COMMITTEE ON GENERAL AVERAGE INTEREST RATES**

**Report to the CMI Assembly in London (2018)**

Following the adoption of the York-Antwerp Rules 2004 by the CMI Conference at Vancouver in June 2004, including the provision in Rule XXI whereby the rate of interest should be fixed by the Assembly of the CMI from year to year, a small Standing Committee on General Average Interest Rates was appointed to investigate the rates of interest applicable to moneys lent by a first class commercial bank to a ship owner of good credit rating.

In October 2018 under the chairmanship of Mr Bent Nielsen (Denmark) the Standing Committee carried out an email review of this. The following took part:

- Mr Bent Nielsen – in the chair
- Mr Andrew Taylor
- Mr Taco van der Valk– Rapporteur

As in previous years, the investigations by the Standing Committee proved again that in current conditions of the banking market a reasonable interest rate for a loan by a first class commercial bank to a ship owner of good credit rating is very difficult to ascertain as to day such ship owners mainly use other sorts of financing. The interest rate to be charged for providing working capital for one year may be very different to an interest rate used for long term asset finance. Working capital in shipping is often provided on the basis of Libor or Euribor (interbank) rates with an add-on to arrive at the bank’s own lending rate. In practice, the percentage of the add-on will depend on the bank and the ship owner. The Guidelines given to the CMI Assembly by the CMI Plenary in Vancouver 2004, however, limit the scope to the relationship between first class commercial banks and ship owners of good credit rating.

The information collected shows there have been relevant changes in interest rates since 2017. Furthermore the rates of 12 months Libor USD, EURO, GBP, and the 12 months Euribor are quite divergent. Having regard to the Vancouver Guidelines that the level of interest for one-year USD loans shall be given particular consideration, we now recommend that the rate of interest for the period 1 January 2019 – 31<sup>st</sup> December 2019 should be 3.25 %.

Bent Nielsen  
Chairman

Andrew Taylor

Taco van der Valk  
Rapporteur

23 October 2018