

**Law 57**  
6 August 2008

**Merchant Marine General Directorate**

**The National Assemblé Decrees:**

**Title 1**

Flagging

**Chapter 1**

Ship Registry

**Section 1**

General Provisions

**Article 1:** The flagging, registration or registry of a vessel is the legal act by which the Republic of Panama admits said vessel as part of the National Merchant Marine and permits it to raise its national flag, at the request of its owner, subject to compliance of all stipulations established by the present law.

All vessels registered in the Merchant Marine are subject to the compliance of Panamanian Law, wherever they may be.

The city of Panama shall be recognised as the port of registry to which all vessels registered in the Panama Merchant Marine belong.

**Article 2:** The Merchant Marine shall be integrated by vessels of foreign service as well as local service. The Merchant Marine General Directorate shall categorize all vessels registered in the Merchant Marine, tending to all parameters they may deem convenient and establish the distinct stipulation to determine said categories.

The Panamanian State, its dependents and its officials will not be legally liable for the acts of the registry, the documentation of the vessel and the seamen, and other acts they carry out in exercise of their duties.

**Article 3:** Any person, individual or body corporate, without special requirement of nationality or domicile, can register one or more vessels of their property in the Merchant Marine, complying with the requisites and formalities established for that end.

**Article 4:** To register a vessel in the Merchant Marine, its owner must present a formal application, pay the fees, the applicable tariffs as taxes and submit the documents required by the Merchant Marine General Directorate. The Maritime Authority of Panama can adopt electronic means for such purpose, in accordance with all the innovations of the market.

**Article 5:** Without prejudice to whether the owner has complied with the requirements mentioned in the previous article, the Merchant Marine General Directorate can deny the registry of any vessel in the National Merchant Marine if it determines that said registry

poses a harm to the interests of Panama or the national and international maritime industry, after taking into consideration the following factors:

1. The norms contained in the international conventions, specifically those pertaining to marine safety and protection, prevention of contamination and illicit affairs aboard vessels, control of narcotics trafficking, treating of persons, of money laundering and fishing regulation.
2. The labour conditions of seamen.
3. The age and conditions of the vessel, its antecedents and the activities it undertakes.
4. The political or economic inconveniences with other States or groups of States.
5. The suspicion that the vessel is being used for illicit purposes.
6. The causes determined by the Maritime Authority of Panama for technical and strategic reasons in the market.

**Article 6:** Vessels which are registered in the Merchant Marine under international service may request a change in their service to local service or vice versa. The Merchant Marine General Directorate may authorize a vessel for both services. In these cases, vessels shall be subject to the compliance of all additional requirements for the service they wish to undertake. These changes do not presume the cancellation of the original registry of the vessel, therefore they will not cause the need for payment for cancellation.

**Article 7:** The registration of property titles, the cancellation of mortgages, the mortgages and other documents pertaining to vessels of the National Merchant Marine, in which Panamanian Corporations are involved, will not require the presentation of the annual tax of said corporation in order to process the corresponding transaction at the Public Registry, but payment of said tax must be presented to the Merchant Marine General Directorate prior to the expedition of the cancellation from the Panamanian Registry.

**Article 8:** The Merchant Marine General Directorate shall regulate the general and special procedures and requirements that vessels and other users of the Merchant Marine must fulfill, including among other criteria, the type and size of the vessel, its technical condition, the service it provides, the size of the fleet, the country of origin, the navigation area and the situation of the market. For these reasons, they may dispense, by means of a relevant resolution, the collection of charges, tariffs, and taxes to promote the competitiveness of the Panamanian merchant fleet.

## **Section 2**

### Denomination of Vessels

**Article 9.** The name of the vessel which is to be registered in the National Merchant Marine may not be the same as that of any other vessel registered in Panama's National Merchant Marine. The said name must be printed on the hull of the vessel which must, in addition, carry the National Flag under the conditions stipulated by the General Directorate of the Merchant Marine.

**Article 10.** Any change of name of a vessel registered in the Merchant Marine must be previously approved by the General Directorate of the Merchant Marine and the ship-owners will have the obligation to update the documents of the vessel in order for its navigational patente, radio license, technical certificates, and any other document to reflect the new name of the vessel.

**Article 11.** The change of name of a vessel, once authorized, the General Directorate of the Merchant Marine shall issue a new registration certificate which attests to the new name and will notify of such a change to the Public Registry in Panama.

**Article 12.** At the request of the interested party, the General Directorate of the Merchant Marine may reserve the availability of names for their subsequent use and for the purpose of registration of a vessel in the National Merchant Marine. The General Directorate of the Merchant Marine will regulate the procedure, requirements and costs for such reservations.

### **Section 3**

#### Vessels of International Service

**Article 13.** For vessels of International Service, the application for registration shall be submitted by a qualified lawyer in Panama when effected directly at the General Directorate of the Merchant Marine or by ship-owner or its representative when effected at a consulate, in the Economic and Commercial Office of Panama or in any other authorized office for that purpose by the Maritime Authority of Panama abroad or by electronic means authorized by the Maritime Authority of Panama.

The application for registration submitted by qualified lawyers in Panama directly before the General Directorate of the Merchant Marine may require that the navigational patente and radio license of the vessel be issued by the General Directorate of the Merchant Marine in Panama or by a consulate, or in Economic and Commercial Office in Panama or any other authorized office for those purposes by the Maritime Authority of Panama abroad.

**Article 14.** The information in the documents required for the registration of vessels their renewal or their amendments shall be determined by the General Directorate of the Merchant Marine. At the request of the interested party, the General Directorate of the Merchant Marine may exempt the presentation any of the documents required for the flagging in order that they be presented at a later time but within a term not to exceed thirty days.

**Article 15.** The application for registration of a vessel of International Service in the Merchant Marine must be submitted with the following documents:

1. Original of the document appointing the Resident Agent executed by the owner which if issued abroad must be duly authenticated.
2. Prima facie evidence of the ownership of the vessel or of the intention of acquiring such ownership.
3. Evidence of the payment of taxes, tasas and corresponding legal duties.
4. Any other additional payment required by the General Directorate of the Merchant Marine.

At the request of the interested party, the General Directorate of the Merchant Marine may exempt the presentation of any of the documents previously mentioned when submitting the application for flagging so that these may be submitted at a later date but in a term not to exceed thirty days.

Once the request for flagging has been accepted and the duties, tasas and corresponding legal duties have been paid the General Directorate of the Merchant Marine shall issue a registration certificate as evidence of the registration of the vessel in the Merchant Marine of Panama which will include all particulars of the vessel which the General Directorate of the Merchant Marine may be inconvenient. In addition, the General Directorate of the Merchant Marine shall proceed to issue the patente and radio license to the vessel if it is seaworthy.

The General Directorate of the Merchant Marine will establish the procedures, formalities and form of issuance of the registration certificate.

The documentation issued by the General Directorate of the Merchant Marine or in its name in order to be carried on board vessels of International Service must be issued in Spanish and in English.

**Article 16.** The Maritime Authority of Panama may use the national symbols of the Republic of Panama in the technical documents on board vessels of Panamanian flags.

#### **Section 4**

##### Vessels of Local Costal Service

**Article 17.** For vessels of local costal service the application for registration shall be submitted to the General Director of the Merchant Marine or other dependency of the Maritime Authority of Panama which may have been empowered for such purpose by the owner of the vessel or its representative directly and without need for any lawyer. The General Directorate of the Merchant Marine shall establish a special regimen of registration for vessels which navigate in costal waters including the utilization of floating equipment for sport use and the charges for such service.

**Article 18.** The information and documents required for the registration of vessels of local costal service, their renovation or amendments as well as the requirement for the operation of any vessel which provides service within Panamanian jurisdictional waters shall be established by the General Directorate of the Merchant Marine.

**Article 19.** By reason of navigational routes the type of service, renovation of the age of the fleet and social nature of the service the General Directorate of the Merchant Marine may establish a special regimen of charges for the navigation of vessels of local costal service.

**Article 20.** The application for registration of a vessel of local costal service must be submitted together with the following documents:

1. Report of tonnage and appraisal.
2. *Prima facie* evidence of the ownership of the vessel or the intention to acquire said ownership.
3. Original authentic copy of the builder's certificate or evidence of the deletion of the previous registry of the vessel which if issued abroad must be submitted in a duly authenticated form. At the request of the interested party, the General Directorate of the National Merchant Marine may dispense with the presentation of this requirement at the

time of presentation of the application for flagging subject to its subsequent presentation in a term not to exceed thirty days.

4. Evidence of payment of import taxes or proof of the present of, the relevant guarantee which corresponds before the General Directorate of Customs or the document where the exemption of the import tax is attested to assuming this is the case.

5. In the case of vessels which are used solely for activities of a non-commercial nature, the original of a sworn statement of private use where it is attested that the vessel will not be used for any commercial purposes shall be delivered, which, if issued abroad, must be duly authenticated.

6. Any other document which the General Directorate of the Merchant Marine may require.

**Article 21.** When the applications for flagging have been received and admitted and the duties, tasas and corresponding tasas are paid the General Directorate of the Merchant Marine shall issue a certificate of registration as evidence of the registration of the vessel in the National Merchant Marine of Panama as it made and which will include all particulars of the vessel which the General Directorate of the Merchant Marine deems necessary or convenient. Likewise, the General Directorate of the Merchant Marine will proceed to the issuance of the corresponding patente and radio license assuming the vessel is seaworthy.

**Article 22.** Every vessel of local costal service must have and secure all maritime safety certificates which are applicable issued by the General Directorate of the Merchant Marine or by a recognized organization authorized by the Panama Maritime Authority for such purpose.

## **Section 5**

### Navigation Patentes and Radio Licenses for Vessels of International and Local Services.

**Article 23.** Once the relevant requirements have been complied with for such purpose, the General Directorate of the Merchant Marine shall issue a provisional navigational patente and a provisional radio license valid for six months during which time all requirements must have been complied with for issuance of the regulatory patente and the radio license of the vessel. The General Directorate of the Merchant Marine may establish limits to the validity term of the provisional navigational patente and the radio license for terms less than six months and subject to special circumstances relating to types of vessels or of any vessel in particular.

**Article 24.** Once the six-month term has expired, if the vessel has not paid it regulatory navigational patente or radio license the General Directorate of the Merchant Marine will proceed to grant an additional term of up to six months for the purposes of allowing them to submit those documents required for the purpose of obtaining the regulatory navigation patente or radio license. If once this last term has expired and the regulatory navigational patente or radio license have not been obtained, the General Directorate of the Merchant Marine may grant additional extension terms provided the non-compliance with those requirements for the obtainment of the aforementioned documents are due to proven justified reasons and not attributable to the owner of the vessel.

The General Directorate of the Merchant Marine may limit the validity term of the extension of the provisional navigational patents and provisional radio licenses subject to special circumstances relating to the type of vessel or related to any particular vessel. The General Directorate of the Merchant Marine may revise from time to time the situation of those vessels which have continued in a status of extension for extended periods in order to determine if their non-compliance merits the application of any of the sanctions provided in the present Law.

**Article 25.** The Board of Directors of the Panama Maritime Authority may establish the surge charges to be charged by reason of additional extensions granted during the second extension.

**Article 26.** The regulatory navigational patents and radio licenses for vessels of International Services and of local coastal trading will have a validity of up to five years. The General Directorate of the Merchant Marine may limit the validity term of the regulatory navigational patents and radio licenses to terms less than five years subject to special circumstances relating to types of vessels or of any particular vessel or in the interests of Panama.

**Article 27.** In order to obtain the regulatory navigational patente the following must be provided:

1. Evidence of registration of the ownership title of the vessel at the Public Registry of Panama.
2. Original of the document of appointment of the Resident Agent of the vessel which if issued abroad must be submitted in a duly authenticated form.
3. Original authenticated copy of the deletion certificate of the previous registry of the vessel or builder's certificate in case of newbuildings or the documents which attest to the judicial sale of the vessels which if issued abroad must be submitted in authentic form.
4. Technical and safety certificates which the General Directorate of the Merchant Marine may require subject to the type of service, the vessel, its cargo and other pertinent considerations.
5. Evidence that the vessel has satisfactorily complied with the inspection requirements demanded by the General Directorate of the Merchant Marine.
6. Proof of payment of all applicable duties or *tasas*.
7. Any other requirement that the General Directorate of the Merchant Marine may request.

Vessels of local coastal service are not required to submit the document appointing the Resident Agent to which numeral 2 to refers to when the filing application has been submitted directly by the owner.

**Article 28.** In order to obtain the regulatory radio license of the vessel it must be tax cleared, it must have all its safety and technical certificates in full force and effect and it must submit the following:

1. Application for the radio license duly completed.
2. Proof of payment of applicable duties and tasas.
3. Any other document or information which the General Directorate of the Merchant Marine may require.

**Article 29.** In order to renew navigational patentes or radio licenses the vessel must be tax cleared with all its obligations with Panama and maintain its safety and technical documents in full force and effect.

**Article 30.** In the event of any change in the vessel which may result in information contained in its navigational patentes or radio license not reflecting the particulars of the vessel its owner must then request the issuance of a new navigational patente and/or radio license which accurately reflects the exact information relating to the particulars of the vessel.

**Article 31.** For vessels of local costal service this application may be effected directly by the owner of the vessel or its representatives before the General Directorate of the Merchant Marine or other dependants of the Panama Maritime Authority authorized for this purpose or by those electronic means which may be established by the Maritime Authority without a need for a lawyer.

For vessels of International Service the application shall be submitted in Panama by a qualified lawyer or by any technological means authorized by the Panama Maritime Authority without prejudice that such application may require that the new navigational patentes and radio license be issued directly by the General Directorate of the Merchant Marine or by a Consulate, an Economic and Commercial Office of Panama or by any other institution authorized for these purposes by the Panama Maritime Authority abroad.

**Article 32.** In the cases provided for in Article 30, the General Directorate of the Merchant Marine reserves the right to request any certification or document to substantiate the changes requested regarding the particulars of the vessel.

**Article 33.** Once the new navigational patentes and radio licenses have been obtained, the owner must provide to the General Directorate of the Merchant Marine documentation necessary to obtain the regulatory navigational patente and radio license. The provisions contained in this Section shall apply for the obtainment of these Patentes and Radio Licenses and their extensions

## **Section 6**

### Updating Navigation Documents for the Transfer of Ownership Title

**Article 34.** The transfer of an ownership title of a vessel registered in the Merchant Marine for the purpose of maintaining such a registry, will require that the owner of the vessel, the promissory buyer or the representative of either one apply for the issuance of a new provisional navigation patente and radio license subject to payment of the corresponding duties for the issuance of the new navigation documents of the vessel. The issuance of the new navigation documents will be subject to the fact that the vessel is tax cleared with all its duties with Panama and that its applicable technical and safety certificates are valid.

**Article 35.** The information required for this procedure will be established by the General Directorate of the Merchant Marine which may utilize electronic means for such purpose.

**Article 36.** The application for this procedure will be subject to the submission of the following documents:

1. Original of the document appointing the Resident Agent which if issued abroad must be presented in authentic form.
2. *Prima facie* evidence of the ownership of the vessel or the intention to acquire such ownership.
3. Evidence from the Public Registry that the vessels are free from encumbrances or the consent of the mortgagee.
4. Any additional document that may be required by the General Directorate of the Merchant Marine.

At the request of the interested party, the General Directorate of the Merchant Marine may dispense with the presentation of documents indicated in Numerals 1 and 2 at the time of presentation of the application subject to its subsequent presentation in a term not to exceed 30 days.

**Article 37.** For vessels of local costal service this application may be effected directly by the owner or its representative at the General Directorate of the Merchant Marine or other dependency of the National Maritime Authority which may be empowered for such purpose or by those electronic means established by the Maritime Authority without the need for a lawyer.

For vessels of International Service the application will be submitted by a qualified lawyer in Panama or by technological means established by the Panama Maritime Authority without prejudice to any such application requiring that the new navigational patente or radio license be issued directly by the General Directorate of the Merchant Marine or by a Consulate or the Economic and Commercial Office of Panama or any other dependency authorized for those purposes by the Panama Maritime Authority abroad.

**Article 38.** Once the new provisional navigational patente and radio license have been obtained, the owner must submit to the General Directorate of the Merchant Marine the necessary documentation to obtain the regulatory navigational patente and the radio license. The provisions contained in Section 5 of this chapter will apply to the obtainment of these patentes and radio licenses, their extensions, renewals and changes or amendments.

**Article 39.** At the request of the new owner, the General Directorate of the Merchant Marine may issue a registration certificate updated for the vessel at the Panama National Merchant Marine.

## **Section 7**

### Assignment of Flagging Data



**Article 40.** The General Directorate of the Merchant Marine, at the request of the interested party, may assign to the newbuildings in anticipation their registration a provisional navigational patente number, a maritime identification service number, call sign and any other data which may be necessary for its identification and for the processing of its documents.

The aforementioned assignment of data will result in the registration of the vessel in the Merchant Marine as of the date of the issuance of the registration certificate.

**Article 41.** The requirements and information necessary for this procedure shall be established by the General Directorate of the Merchant Marine. This procedure requires the payment of the registration tasas applicable to the vessel.

**Article 42.** The assignment of preliminary registration data will grant the owner the right to the use of the assigned data in the documentation which must be prepared for the vessel during its building, financing and/or any other technical and commercial operation which may be of interest to the owner of the vessel.

**Article 43.** The owner of a vessel to which preliminary registration data is assigned will have the following obligations or duties.

- 1, To complete the registration of the vessel in the Merchant Marine prior to beginning its navigation.
2. To notify the General Directorate of the Merchant Marine of any change in the information of the vessel which was submitted at the time of applying for the preliminary data assignment.

**Article 44.** Non-compliance by the owner of the obligations established in this section, will grant the General Directorate of the Merchant Marine the right to retain the duties received in concept of the registration tasas.

## **Chapter II**

### Norms concerning deletion of registration of vessels

#### **Section 1**

##### General Provisions

**Article 45.** The General Directorate of the Merchant Marine will delete vessels registered in the Merchant Marine at the request of the interested party or by mandate in those cases provided by the Law. Once a Panamanian registered vessel has been deleted, the General Directorate of the Merchant Marine shall issue a deletion certificate for its registration at the Public Registry and will distribute the relevant notifications to the National Maritime organizations and other entities designated by Law.

#### **Section 2**

##### Deletion of Registration at the Request of the Owner

**Article 46.** At the request of the owner, the General Directorate of the Merchant Marine will delete the registry of any vessel registered in the Merchant Marine provided that:

1. The vessel is tax cleared.

2. The vessel is free of encumbrances.
3. All deletion tasas or duties have been paid.
4. The ownership of the vessel in favor of the applicant has been confirmed. If the document was issued abroad it must be submitted in original authenticated form.
5. That proof is submitted as to the deletion of the previous registry or newbuildings certificates, whichever may be the case. If these documents are issued abroad, they must be submitted in authenticated form.

The requirements indicated in numerals 4 and 5 will not apply when they are already filed at the General Directorate of the Merchant Marine.

**Article 47.** The application for deletion must include:

1. The name of the purchaser of the vessel in the case of a transfer of ownership title.
2. The new registry of the vessel following its deletion from the Merchant Marine.
3. The reason for which the deletion is required.
4. Any other information which may be required by the General Directorate of the Merchant Marine.

**Article 48.** Vessels in whose favor a consent for deletion has been issued in the month of December will not be subject to the payment of the corresponding annual tasas and tasas relating to the following fiscal period provided that the application for deletion is submitted to the General Directorate of the Merchant Marine during the term of the validity of the consent of deletion.

### **Section 3** Cancellation by Legal Mandate

**Article 49.** The following will constitute reasons for deletion by legal mandate of the registration of a vessel:

1. The performance of acts which affect national interests.
2. Grave non-compliance with the legal provision currently in force in Panama or the laws of maritime safety, pollution prevention, maritime protection or international agreements ratified by the Republic of Panama.
3. The expirations of the provisional navigational patente or of the regulatory patente in cases where these have not been renewed within the term of a period of five years starting at of the date in which they have expired when the reasons for which the renewal application was not submitted in a timely fashion are substantiated.
4. The use of a vessel for contraband, unlawful commerce or clandestine commerce, piracy or the commission of other illegal acts.
- 5, The presentation of false or altered documents.

6. The abandonment of the vessel.
7. The registration of the vessel in another registry saved in the case of special dual registrations in accordance with the formalities provided for in this Law.
8. The total loss of the vessel.
9. The high incidence of detentions due to grave deficiencies or recurrent deficiencies which affect maritime safety.
10. All other cases established by Law and international law.

**Article 50.** The General Directorate of the Merchant Marine when deleting a vessel by legal mandate must do so by means of a motivated resolution. The resolution must state that it is issued for internal administrative purposes of the Panama Maritime Authority and may not be used for any other purpose. In the event that evidence of the deletion of the vessel is required, a deletion certificate will be issued provided that the vessel is tax cleared. This certificate will not cause the payment of any duties.

**Article 51.** When a vessel is subject to a mortgage, the mortgagee will be notified or its legal representative or its attorney will be notified that the General Directorate of the Merchant Marine has initiated the process of deletion of the registration of the vessel so that in the term of 30 business days starting at the date in which the notice is given so that they can exercise their rights. Notice will be made by written communication in the form of mail, fax, electronic mail or email or any other electronic means to the physical address, postal address or email address which may appear in the mortgage contract registered the Public Registry and in lieu thereof to that address which the General Directorate of the Merchant Marine may identify by its own means.

If the General Directorate of the Merchant Marine receives notice that the mortgagee has submitted its inconformity with this deletion by legal mandate, the General Directorate of the Merchant Marine may suspend the deletion process for whatever time it may be necessary in order to consider those reasons submitted by the mortgagee and to take whatever steps the General Directorate of the Merchant Marine may consider convenient.

The General Directorate of the Merchant Marine shall send to the Public Registry copy of the written communication to the mortgagees for its registration in order to give publicity of the notice to third parties. This registration will not have the effects of notifying the mortgagee.

Notwithstanding what it is provided for in the aforementioned paragraph where conditions of such nature arise which prevent Panama from continuing to allow the navigation of a vessel registered in its registry, the General Directorate of the Merchant Marine may, subject to the deletion of the registration, suspend the navigation patente of the vessel giving notice of such fact to the mortgagee in order that it may exercise any right that it may have under the mortgage contract.

**Article 52.** As of January 1, 1993, the debts of vessels registered in the Merchant Marine may only be accumulated for a term of five years in those case where there are reasons which indicate that they may have abandoned the use of the Panamanian flag.

For the purposes of this article, relevant reasons which may be considered for this purpose and for the application of this provision are the fact that none of the navigational documents are renewed or the absence of any application for a process effected by the owner of the vessel its legal representative or agent before any of the offices of the General Directorate of the Merchant Marine in Panama or abroad, the Consulates of Panama, the technical offices or before entities authorized by the Panama Maritime Authority. The General Directorate of the Merchant Marine may suspend the collection of the annual inspection fee and the fee for investigation of accidents and participation of conferences in cases where it is proven that the vessel has not been in operation.

#### **Section 4**

##### **Deletion by Legal Mandate due to Judicial Sale**

**Article 53.** The judicial sale of a vessel extinguishes by Law the registration of the vessel in the National Merchant Marine as of the date of the judicial sale.

**Article 54.** Once the judicial sale of the vessel takes place, the obligations which may affect the vessel shall be extinguished including those taxes, tasas, duties and other charges subject to payment at the time of the judicial sale.

**Article 55.** It will correspond to the interested party to provide to the General Directorate of the Merchant Marine sufficient evidence that the vessel was subject to a judicial sale in any part of the world in order that the deletion of the vessel by Legal mandate be proven and to which previous article refers to. Once the deletion by Legal mandate is evidenced, the General Directorate of the Merchant Marine will proceed to issue a resolution recognizing the deletion of the registry as of the date in which the judicial sale took place and will deliver a copy of this resolution to the Public Registry for the relevant procedures.

**Article 56.** If the buyer of a vessel purchased in a judicial sale wishes to register the vessel in the Merchant Marine it must comply with the requirements and formalities of a new flagging with the exception of the requirement of submitting a deletion certificate from the previous registry of the vessel.

#### **Section 5**

##### **Consent of Deletion of a Vessel of Panamanian Registry**

**Article 57.** The General Directorate of the Merchant Marine may as a first step to the deletion of a vessel and, at the request of the interested party, issued a consent to deletion of the vessel from the Panamanian registry.

**Article 58.** The consent for deletion may issued by the General Directorate of the Merchant Marine or by Consulate, Economic and Commercial Office abroad or by any other dependency authorized for these purposes by the Panama Maritime Authority abroad subject to authorization by the General Directorate of the Merchant Marine.

**Article 59.** In order for a consent for deletion to be granted to a vessel it must be comply with the following:

1. The vessel must be tax cleared.

2. The vessel must be free from encumbrances. If not, the issuance of such a certification must be subject to the presentation of the consent by the mortgagee or the discharge of all encumbrances which may affect the vessel at the Public Registry.
3. The payment of the definitive deletion tasas of the vessel from the Panamanian registry.

**Article 60.** The General Directorate of the Merchant Marine will determine the charges for the issuance of the certification of consent for deletion.

**Article 61.** The certification of consent for deletion from the Panamanian registry will have a validity of 30 calendar days as of the date of its issuance.

The certifications of consent for deletion will cause as of the date of their issuance, the immediate suspension of the payment of any charges which may arise during the term of validity of 30 days. If the definitive deletion application is not submitted within the term of its validity, any tax, surcharge, or charge during that period will be calculated and charged in a retroactive manner.

**Paragraph.** At the request of the interested party, submitted within 30 calendar days as of the validity of the consent for deletion certification, the certifications may be registered in a preliminary manner at the Public Registry according to the procedures established in the Commercial Code for ownership titles and mortgages and subject to the provisions of this paragraph. Any such registration will have the effect of immediately suspending the new ownership titles and mortgages as of the date of entry in the journal of the Public Registry of the said consent and until the expiration period of said certifications. The preliminary registration of the consent for deletion certification will be subject to the payment of those duties which for such effect may be determined by the Public Registry.

Once the validity of the certification of consent for deletion has expired, its preliminary registration will be rendered ineffective and the Public Registry will proceed by Legal mandate to effect the corresponding annotations.

## **Section 6**

### Deletion of Navigation Documents due to Non-compliance with the Registration of the Vessel in the National Merchant Marine

**Article 62.** At the request of the interested party, the General Directorate of the Merchant Marine may cancel provisional navigation documents issued by reason of flagging or change of ownership when evidence is received that the applicant has not acquired ownership title of the vessel and/or that the transaction which gave way to the application for the issuance of navigation documents did not take place.

**Article 63.** The General Directorate of the Merchant Marine may, at the request of the seller, cancel the provisional navigation documents issued by reason of change of owner and restore the validity of the previous navigation document when evidence is received that there has been no transfer of ownership of the title of the vessel.

**Article 64.** The cancellation of a provisional document will be subject to the fact that the vessel is tax cleared and does not give the right to a reimbursement or acknowledgment of credit for those sums paid in concept of flagging, change of ownership, extensions or others.

### **Chapter III**

#### **Certifications**

**Article 65.** The General Directorate of the Merchant Marine may, subject to payment of the corresponding duties, issue an authentic copy or certifications regarding the information which appears in its registry save in those cases where the nature of such information is considered by the Panama Maritime Authority as of a reserved nature or that it may result contrary to the national interest in the event that they be revealed.

**Article 66.** The certification may be issued by the General Directorate of the Merchant Marine or by Consulates of the Merchant Marine, Economic and Commercial Offices of Panama abroad or by any other authorized dependency for such purposes empowered by the Panama Maritime Authority subject to the authorization of the General Directorate of the Merchant Marine.

**Article 67.** The Board of the Directors of the Panama Maritime Authority will determine the charges for the issuance of the certifications mentioned in the aforementioned articles.

**Article 68.** The General Directorate of the Merchant Marine will authorize the issuance of certifications in a language other than the official language of the Republic of Panama.

**Article 69.** The General Directorate of the Merchant Marine may only issue certifications concerning the information which appears in their records at the request of the interested party when the vessel is tax cleared and except in those cases when the certification is required to institute judicial proceedings or at the request of the mortgagee in which case the certification will indicate that it may only be used for those specific purposes.

### **Chapter IV**

#### **Special Registrations**

##### **Section 1**

#### **Registration of Foreign Vessels Pursuant to Bareboat Charterparty in Panama**

**Article 70.** Vessels registered in a foreign registry which are the object of Bareboat charter contract may be registered in the Merchant Marine without having to resign such foreign registry provided that the legislation of the country where the vessel is registered so allows it. In this case, the interested party shall submit formal application to the General Directorate of the Merchant Marine to a qualified lawyer in Panama or at the Consulate, the Economic and Commercial Office of Panama or any other entity authorized for such purpose by the Panama Maritime Authority abroad or by electronic means authorized by said authority. To such application, the following must be attached:

1. Copy of the Bareboat charter contract.
2. Consent of the owner and of the mortgagees, if any, duly authenticated.
3. Certificate of ownership and encumbrances issued by the Registry of the vessel in the relevant foreign country.

4. Certification of the consent of the country of registration of the vessel to its registration in the special charter Registry in Panama.
5. Original of the document appointing the Resident Agent of the vessel issued by the charterer which if issued abroad must be presented in a duly authenticated form.
6. Any other information which the General Directorate of the Merchant Marine may require.

**Article 71.** When a vessel of foreign registry is registered in the Special Charter Registry of Panama:

1. It will be considered as part of the Merchant Marine for the purposes of this Law and, therefore, is subject to the payment of taxes, tasas and other duties of Law.
2. It may not carry the flag of any other country.

**Article 72.** To vessels registered in the Special Charter Registry, the General Directorate of the Merchant Marine may issue a registration certificate as evidence of their registration in the Merchant Marine with all particulars of the vessel which the General Directorate of the Merchant Marine may determine.

This Directorate will issue as well a special navigation patente and radio license on the basis of the charter.

**Article 73.** Vessels registered in the Special Charter Registry will be subject to the same technical, labor and safety obligations imposed by Panamanian legislation to its Merchant Marine.

**Article 74.** In addition to the information normally required for the issuance of navigation patente, the following information must be submitted:

1. The name and address of the charterer.
2. The name and address of the mortgagees of the vessel in its basic registry and rank and amount of said mortgages, if any.
3. Term which the registration of the vessel is requested.

**Article 75.** In the event of any change in the information contained in the special navigation patente and/or special radio license, the charterer must request the issuance of a new special navigation patente and/or special radio license with the updated information.

**Article 76.** The special navigation patentes and special radio licenses under the Special Charter Registration may have a validity of up to a maximum term equivalent to the validity of the charter contract which served as basis for the registration of the vessel. The duties, taxes and tasas which are applicable for the term of duration of the registration certificate, for the patente and radio license shall be paid in advance.

**Article 77.** In cases when the registration of the vessel in the Special Charter Registration has been granted for a period which is less than the validity of the charter contract or when the validity of the said contract has been extended, an extension may

be issued to the special navigation patente and special radio license for the additional period of the validity of the contract. The application for the extension must be submitted together with the documents which substantiate it and must be submitted before the date of expiration of the special navigation patente.

**Article 78.** Property titles or encumbrances of vessels registered in the special charter registration cannot be registered at the Panama Public Registry.

**Article 79.** The special charter registration of any vessel in the Merchant Marine shall be rendered ineffective:

1. On the date of the expiration of the patente of the vessel.
2. By reason of the anticipated termination of the charter contract which served as basis for registration in the Special Charter Registration.
3. Due to the assignment of the charterer of its rights and obligations under the charter contract.
4. At the request of the registered owner of the vessel.

In the event of the advanced termination mentioned in numeral 2 above, the application for the termination must be submitted together with payment of deletion tasas established by the Panama Maritime Authority.

The General Directorate of the Merchant Marine may establish special technical provisions for this type of special registration and any other special registration which may be established.

## **Section 2**

### **Registration of Panamanian Vessels subject to Bareboat Charter Contract abroad**

**Article 80.** Vessels registered in Panama under International Service which are subject to bareboat charter contracts may be temporarily registered in a special foreign charter registration subject to prior consent of the General Directorate of the Merchant Marine and without resigning their Panamanian registration.

**Article 81.** The application for the consent must indicate the name of the charterer and the name of the country of registration where the charter is effected. The issuance of the certificate of consent will be subject to the payment of duties.

**Article 82.** Panamanian vessels temporarily registered in a special charter registration abroad will continue to be subject to all legal and fiscal obligations of the Republic of Panama and may not register in the said registry the ownership title or encumbrances.

The General Directorate of the Merchant Marine may accept trading, security and safety certificates of the vessel issued by the special charter registration abroad and establish the special technical provisions for such type of registration.

**Article 83.** The owner shall have the obligation to submit to the General Directorate of the Merchant Marine evidence of the registration of the vessel in the special charter



registration abroad. It was also notify the deletion of the registration of the vessel in the special charter registration abroad.

**Article 84.** The consent of the General Directorate of the Merchant Marine for the registration of a vessel in the special charter registration abroad shall terminate:

1. When the vessel is no longer registered in the special charter registration abroad which served as basis for the authorization.
2. When the charter contract is terminated for any reason.

**Article 85.** The General Directorate of the Merchant Marine may cancel its consent for the registration of the vessel in the special charter registration abroad:

1. At the request of the owner of the vessel.
2. When said authorization is in detrimental to the national interest of Panama.

**Article 86.** When the General Directorate of the Merchant Marine grants authorization for a vessel to be registered in the special registration abroad, the vessel must only carry the flag of the jurisdiction under which it has been registered in the Special Registry.

**Article 87.** The Panama Maritime Authority may create and regulate special time charter registrations or any other special registrations pursuant to the requirement of the international maritime industry and the national interests. The creation, regulation and charges of any such special registration must be approved by the Board of Directors of the Panama Maritime Authority.

### **Section 3**

#### **Special Provisional Navigation Registration**

**Article 88.** Vessels of International Service destined for demolition, delivery voyages or any other temporary navigational purpose may be registered under a special registration valid for up to 3 months. The General Directorate of the Merchant Marine will establish the necessary technical provisions for this type of special registration.

**Article 89.** Vessels which would like to acquire this special registration must submit the following documents:

1. The original of the document appointing the Resident Agent which if issued abroad must be submitted in a duly authenticated form.
2. Original or certified copy of the document which attest to the ownership title of the vessel and which if issued abroad must be duly authenticated.
3. Original or authenticated copy of the builder's certificate or deletion of the previous registry duly authenticated.
4. Any other document in which the General Directorate of the Merchant Marine may require.

These documents must be submitted in an original form or in the form of a simple copy together with the application for registration. When simple copies are submitted, they must be followed by the originals in a term not to exceed 30 days.

**Article 90.** Vessels registered in the Special Registration previously mentioned will be issued a navigation patente and radio license both valid for up to a period of 3 months.

**Article 91.** The application for special registration will be submitted through a qualified lawyer in Panama when effected directly at the General Directorate of the Merchant Marine or by its owner or representative when effected at the Consulate, the Economic and Commercial Office of Panama or any other dependency authorized for such purposes by the Panama Maritime Authority abroad or by those electronic means which the aforementioned authority approves.

**Article 92.** The special registration will be subject to the payment of a registration tasas which will be determined by the Board of Directors of the Panama Maritime Authority subject to the tonnage of the vessel. The registration tasas will be paid with exclusion of any other tax, tasas, duties, contributions or charges of any nature.

**Article 93.** The registration of the relevant property title and mortgages at the Public Registry is optional for the vessels registered in the special registry. However, the registration of ship mortgages over these vessels will only be allowed when they specifically include the express acknowledgment of the mortgagee that said special registration is to be cancelled by legal mandate on the date of the expiration date of the patente.

**Article 94.** Vessels registered in the special registration which apply for the regular registration are not required to pay the deletion tasas for the special registration as a requirement to be registered in the regular registration.

**Article 95.** The special registration will be cancelled by Legal mandate as of the date of the expiration of the navigation patente. However, at the request of the interested party, the General Directorate of the Merchant Marine may cancel at any moment the registration of the vessel in the special registration subject to payment of the deletion tasas and in compliance with those requirements established by Law.

#### **Section 4**

##### Registration of Recreational Vessels

**Article 96.** Any type of recreational vessels may be registered in the Merchant Marine.

**Article 97.** To register a recreational vessel, the owner must submit to the General Directorate of the Merchant Marine those documents mentioned in Article 15 or 20 of this Law subject to the type of service of the vessel and the original of the Sworn Statement of Non-commercial use in which it is attested that the vessel will not be used for commercial purposes. If the Statement is issued abroad, the document must be legalized by the relevant consulate.

**Article 98.** A special regimen of recreational vessels will be established by the General Directorate of the Merchant Marine. The regulatory navigation patente and radio license for recreational vessels will be valid for two years.

The General Directorate of the Merchant Marine may establish those technical provisions concerning the construction, equipment and maintenance relative to maritime safety and prevention of pollution insofar as it concerns recreational vessels.

## **Section 5** Navigational Permits

**Article 99.** Vessels of International Service and vessels of foreign registry which navigate in Panamanian jurisdictional waters must carry a navigational permit issued by the General Directorate of the Merchant Marine.

The General Directorate of the Merchant Marine will establish the technical requirements which these types of vessels must comply with.

**Article 100.** The General Directorate of the Merchant Marine will regulate the procedure and requirements for the obtainment of the navigational permit.

**Article 101.** The provisions of this Section will not apply to vessels which transit in waters of the Panama Canal and those of innocent passage although these vessels will be required to comply with those requisites contained in the International Conventions for seaworthiness.

## **Chapter V** Resident Agent of the Vessel

**Article 102.** The owners of any vessels registered in the Merchant Marine must designate or appoint a lawyer or a law firm qualified to practice the profession in Panama as its Resident Agent.

**Article 103.** The following will be the duties of the Resident Agent of a vessel:

1. Presentation of applications for flagging, new navigational documents and application for the deletion of the registration of the vessels registered in the Merchant Marine.
2. Payment of fiscal taxes.
3. Payment of fines, representation of vessels in the inquiring processes and to promote those recourses in governmental processes in respect of sanctions imposed against the vessel.
4. Receive notices of any administrative act which must be notified to the vessel, its owner, operator or Captain.
5. Any other faculty or duty which may have been assigned by means of the document whereby the appointment is made.

**Article 104.** Save in the case of the special registration for charters in Panama of foreign vessels, the designation of the Resident Agent must be effected by the owner of the vessel pursuant to a written document addressed to the General Directorate of the Merchant Marine.

**Article 105.** The Resident Agent of any vessel registered in the Merchant Marine must maintain all data information concerning the contact data of the owner or operator of the

vessel which will be submitted to the General Directorate of the Merchant Marine for cases of accidents involving the vessel or any other actions which may endanger lives or safety at sea or at the request of the General Directorate of the Merchant Marine at any time.

**Article 106.** The Resident Agent will only be liable to the General Directorate of the Merchant Marine for the damages and liabilities which may have been caused due to negligence in the performance of their duties.

**Article 107.** The Resident Agent may be replaced at any time by the owner or may resign from his post directly for which purpose the resignation document must be submitted to the General Directorate of the Merchant Marine. Notices made to the vessels without a Resident Agent pursuant to the resignation which may have been submitted shall be effected by a publication for one single day in journal of national circulation and by affixing an edict in the General Directorate of the Merchant Marine.

**Article 108.** Those proceedings relating to vessels registered in the Merchant Marine should be processed by qualified lawyers except those proceeding of a technical nature or where the Law or administrative practice allow that they be processed by any other person. The General Directorate of the Merchant Marine will determine what proceedings may be handled or processed directly by the interested party.

## **Chapter VI**

### **Consulates of the Merchant Marine, Economic and Commercial Offices of Panama Abroad and other Representations**

**Article 109.** The General Directorate of the Merchant Marine will grant the status of Consulates specializing in Merchant Marine to those consulates or offices abroad which by reasons of the convenience of the market may provide services in support of the Merchant Marine and may delegate in them those powers which are deemed convenient.

**Article 110.** Consulates Specializing in the Merchant Marine, Economic and Commercial Offices of Panama abroad and any other office representation will be empowered to:

1. Execute acts relative to the Merchant Marine which are expressly delegated by the Panama Maritime Authority.
2. Collect taxes, tasas and other duties which vessels registered in the Merchant Marine must pay.
3. Board vessels of the Panamanian registry, by express delegation of the Panama Maritime Authority or the owner or operator voluntarily so request in writing.
4. Exercise those notarial functions which are delegated to them by Law and those established in the Consular Fee Schedule and special laws concerning the Merchant Marine.
5. Undertake all other functions and which may be assigned to them by law, regulation or by virtue of a mandate from competent authority.

**Article 111.** Offices of Consulates Specializing in the Merchant Marine, Economic and Commercial Offices of Panama abroad and other authorized dependencies must send the General Directorate of the Merchant Marine as soon as they are issued and by any technological means approved by the Panama Maritime Authority copies of confirmation of payments of navigation patents, radio licenses, official receipts, certifications and any other documents issued with regard to Panamanian vessels. Likewise, they must comply with the terms of the Law for the submission of monthly reports of expenses and operation.

**Article 112.** Officials of Consulates Specializing in the Merchant Marine, Economic and Commercial Office of Panama abroad and of any other authorized representation may only detain or delay the sailing of a Panamanian vessel subject to the express authorization of the General Directorate of the Merchant Marine.

**Article 113.** Consulates Specializing in the Merchant Marine and directors of Economic and Commercial Offices of Panama abroad and those responsible for any other representation authorized by the Panama Maritime Authority will be liable for damages which may be caused pursuant to their acts and omissions in compliance with their duties, as well as to indemnify Panama for any damages which may result directly or indirectly from said actions.

Breaches incurred by those officials will be penalized by the General Directorate of the Merchant Marine in accordance with the gravity of the fault in accordance with the regulation issued by the Board of Directors of the Panama Maritime Authority.

## **Chapter VII** Maritime Safety

### **Section I** General Provisions

**Article 114.** The General Directorate of the Merchant Marine may execute and implement those measures and controls deemed necessary for the purpose of supervising compliance with the provisions relating to maritime safety insofar as it concerns Panamanian registered vessels wherever they may be found and of any nationality when they are in Panamanian jurisdictional waters. In the exercise of this power, it will be mandatory to provide information for compliance with the Maritime Law and International Conventions ratified by the Republic of Panama.

Any vessel dedicated to commercial transportation of passengers in jurisdictional waters or abroad with an excess of twelve passengers must carry an insurance policy against accidents which covers the loss of human life and property as well as the risk of pollution affecting the marine environment. Minimum requirement for coverage and the submission or not of this policy at the time of registration of the vessel shall be determined by the General Directorate of the Merchant Marine. This General Directorate may require similar financial coverage to other types of vessels which provide service in Panamanian jurisdictional waters or abroad if for the purpose of covering damages provided by International Conventions, in particularly those relating to pollution, damages and loss of human life at sea.

**Article 115.** When there are serious indications and non-compliance with safety provisions by vessels registered in the Merchant Marine, the General Directorate of the Merchant Marine may order restrictions, condition the navigation or detain said vessels

until such time as it has received satisfactory evidence that those deficiencies which gave way to the measure have been corrected. Against the measure which may be adopted there will be no recourse whatsoever.

**Article 116.** When a vessel registered in the Merchant Marine may not attest before the General Directorate of the Merchant Marine that it is in compliance with the applicable provisions for its operation or that it carries the safety certificates which attest to such compliance, the General Directorate of the Merchant Marine may assign the vessel a patente number and issue evidence of its registration in the Merchant Marine without issuing a navigation patente until such time as the necessary requirements are complied with to obtain the corresponding patente in accordance with the assigned number.

## **Section II** Safety Inspections

**Article 117.** Except for the exceptions that the General Directorate of the Merchant Marine may establish, every vessel registered in the Merchant Marine will be subject to an annual safety inspection in order to verify compliance with international and national provisions currently in force. These vessels will be subject to ordinary or extraordinary inspections or re-inspections when the General Directorate of the Merchant Marine may deemed convenient.

**Article 118.** The General Directorate of the Merchant Marine shall be in charge as well with the inspection of the vessel of any nationality which are in Panamanian territorial waters and may order their detention for non-compliance of the national and international provisions in matters of maritime safety and protection, as well as prevention of pollution and International Conventions.

**Article 119.** The General Directorate of the Merchant Marine may contract within or outside Panama the service of ship inspector or other qualified technical personnel of any nationality which may be necessary to undertake the inspections mentioned in the previous articles and specialized services as well as investigations of incidents in which a vessel of Panamanian registry may be involved or a foreign vessel in national waters of Panama in which case the inspection report or investigation must be evaluated by the General Directorate of the Merchant Marine. This General Directorate may authorize and/or contract the services of other national entities and/or private persons to undertake these inspections and investigations.

**Article 120.** Owners of vessels registered in the Merchant Marine, their captains and operators will be obligated to permit and collaborate with the safety inspections of the vessel. The owners, captains and operators of the vessel who refuses to allow the inspection service referred to in this Law will be penalized by the General Directorate of the Merchant Marine.

**Article 121.** The Board of Directors of the Panama Maritime Authority will establish the tasas which must be paid annually by the vessels for the inspections and/or investigations mentioned in the previous articles as well as the fees for those who undertake said inspections and investigations.

**Article 122.** The income resulting from the inspection tasas shall be deposited in a special fund of the General Directorate of the Merchant Marine which will be managed by said entity to cover the necessary expenses for the purpose of undertaking the inspections.

**Article 123.** The General Directorate of the Merchant Marine will issue the necessary regulation to undertake in an effective manner the inspections services referred to in this Law.

**Article 124.** As soon as the inspection of the vessel is completed, the inspectors will send the General Directorate of the Merchant Marine by any means approved by said office a copy of the inspection report and will deliver copy to the Captain of the vessel who must keep it on board.

**Article 125.** The owner or operator will have the obligation of correcting in due course those deficiencies reported by the flag inspectors or those of the Port State.

Once the deficiencies found during a flag or port inspection are corrected, the owner or operator must notify in writing the General Directorate of the Merchant Marine the corrected measures adopted. This Directorate General reserves the right to request the re-inspection of the vessel or request a supplementary institution to attest to the fact that the deficiencies have been corrected or to request additional information concerning the corrections undertaken.

### **Section 3**

#### Accidents and Maritime Mishaps

**Article 126.** The owner or operator of a vessel registered in the Merchant Marine will have the obligation of reporting to the General Directorate of the Merchant Marine the occurrences of accidents and/or maritime mishaps involving its vessels. Non-compliance with this obligation may be penalized by the General Directorate of the Merchant Marine.

**Article 127.** The General Directorate of the Merchant Marine will undertake the investigations concerning accidents which occur involving vessels of Panamanian registration wherever they may be found or of any nationality when in Panamanian jurisdictional waters and reserves the right to require from the owners or operators or supplementary entities which may directly or indirectly be involved in the operation, maintenance and exploitation of the vessel, any information which may be convenient concerning the mishap, as well as the previous or subsequent circumstances which may be related thereto.

### **Chapter VIII**

#### Supplementary Entities of the Registry

**Article 128.** The General Directorate of the Merchant Marine may delegate in other entities its faculty to verify and certify its compliance with norms of safety, navigation, labor, protection and pollution preventions relating to vessels of the National Merchant Marine and may as well limit the powers or number of supplementary entities which undertake any such functions by reasons of control and improvement of the safety standards of its fleet.

Delegation is an administrative act exclusive and sovereign of the Panamanian State executed by the General Directorate of the Merchant Marine for compliance of a specific function assigned by the State submitted to the Laws of the Republic of Panama and its competent courts.

These supplementary entities will be subject to the competent labor law of their domicile.

**Article 129.** The General Directorate of the Merchant Marine will issue a justified resolution where the powers of the supplementary entities are set forth, as well as the rights and duties and, if necessary, will subscribe those contracts which may be convenient to establish the terms and conditions of their relationship with the said supplementary entities.

**Article 130.** The General Directorate of the Merchant Marine is the administrative entity with exclusive competence to fiscalize, supervise and audit the supplementary entities in order to guarantee full compliance with their obligations, as well as to request from them a report and information deemed necessary in respect of the service they provide. The General Directorate of the Merchant Marine will have the power to request information relating to the enforcement of the Maritime Law and compliance with the International Conventions.

The supplementary entity of the Registry which refuses to provide the information requested by the Directorate General will be penalized in accordance with the Law.

**Article 131.** The supplementary entities which are in breach with the provisions relating to the delegations, will be penalized by the General Directorate of the Merchant Marine.

**Article 132.** The supplementary entities will indemnify Panama for those damages which may be suffered, as well as in respect of judicial costs, disbursements and other expenses in which they must incur as a consequence of acts or omissions in the compliance with their duties.

**Article 133.** The supplementary entities shall be liable for damages caused to third parties by reason of proven negligence in compliance with their obligations.

For this purpose, they will be subject to international norms of the Republic of Panama and to its competent courts.

## **Chapter IX**

### Maritime Communications

**Article 134.** The Panama Maritime Authority through the General Directorate of the Merchant Marine will have exclusive competent with regards to those aspects relating to maritime telecommunications concerning vessels of Panamanian registry in order to guarantee that these may have the proper communication and compliance with national provisions and those provisions recommended internationally by the International Telegraphic Union which regulates maritime telecommunications.

In the exercise of this exclusive competence the Panama Maritime Authority may effect agreements with the State institutions.

## **Chapter X**

### Fines

#### **Section 1**

#### General Provisions



**Article 135.** The General Directorate of the Merchant Marine may penalize the vessel, the owner, operators and captains, as well as the supplementary entities, inspectors, Consulates Specializing in the Merchant Marine, Directors of Economic and Commercial Offices of Panama abroad and persons in charge of any other authorized representations for breach of the norms which regulate the Merchant Marine.

When the sanction imposed by the General Directorate of the Merchant Marine consists of a fine to the owners, operators or the Captain of a vessel registered in the Merchant Marine, such vessel will be severally liable for the payment of said fine.

**Article 136.** The General Directorate of the Merchant Marine will impose administrative fines in accordance with the gravity of the fault, their recurrence, the justifying issues and damages caused to third parties.

Breaches for which a specific sanction is not established shall be sanctioned by the General Directorate of the Merchant Marine with a fine and a written admonishment.

The Board of Directors of the Panama Maritime Authority shall regulate the amount of the fines corresponding to breaches committed given the parameters established in this Chapter.

**Article 137.** The written admonishment will apply in cases of breaches which are not considered of a grave matter.

**Article 138.** The fine will proceed in all cases where the breach is a grave matter or when they consist of faults considered of lesser gravity but where there is recurrence.

For the purposes of this article, the timely correction of deficiencies and the history of the vessel when registered in the Merchant Marine will be considered as justifying circumstances.

For the purposes of determining the existence of recurrence, it will be considered if the vessel has been previously penalized for deficiencies of the same nature.

## **Section 2**

### Fines to Vessels and Supplementary Entities

**Article 139.** In addition to the sanctions provided for in the previous articles, the General Directorate of the Merchant Marine may penalize a vessel registered in the Merchant Marine by deleting its registration when they incur in any of the deletion causes established in the present Law.

**Article 140.** The General Directorate of the Merchant Marine may penalize the supplementary entities with a partial or total suspension or cancellation of the authorization to provide services to the Merchant Marine or with the fine.

The supplementary entity which is penalized may only institute an appeal which shall be granted so that it does not suspend the measure until such time as it is resolved.

**Article 141.** When there are indications of grave non-compliance with the obligation of any supplementary entity the General Directorate of the Merchant Marine may include in the report of charges established in Section 4 of this article, order for the suspension of any act effected by it or the restrictions or conditions for providing the services to the

Merchant Marine until such time as the final resolution of the penalizing procedure is firm. There will be no available appeal against the order contained in the report of charges.

**Article 142.** The General Directorate of the Merchant Marine will cancel authorizations granted under the present regimen to supplementary companies by reason of any of the following causes:

1. When they are in breach of the functions, duties, and purposes for which they were so authorized.
2. When they have incurred in false statements or have provided information which is not accurate at the time of requesting the authorization or after it has been granted.
3. When the activities are undertaken in detriment of the interest of the Merchant Marine or affect the public interest.
4. When in breach of the norms established by the Panama Maritime Authority or the General Directorate of the Merchant Marine.
5. When it is recommended by an Evaluation Committee appointed so that the performances be evaluated.

### **Section 3**

#### Penalties Imposed on Safety Inspectors

**Article 143.** The General Directorate of the Merchant Marine may penalize safety inspectors with suspension or cancellation of their authorization to provide services to the Merchant Marine. When the sanction described in the present article is applied, the penalized inspector may institute an appeal which will be granted in such form as not affecting the decision until such time as the appeal is resolved.

**Article 144.** When there are reasons to assume grave non-compliance with the obligation of any safety inspector, the General Directorate of the Merchant Marine may include in the report of charges, contemplated in Section 4 of this Chapter, the suspension order or the act executed by it or the restrictions or conditions to provide their services to the Merchant Marine until such time as the final resolution of the proceeding relating to the sanction is confirmed. There will be no recourse whatsoever against the order contained in the report of charges.

**Article 145.** The General Directorate of the Merchant Marine will cancel the authorizations granted under the present regime to safety inspectors for any of the following causes:

1. When they are in breach of the obligations or functions for which they were authorized.
2. When they have incurred in false statements or have provided information which is not accurate at the time of requesting the authorization or subsequent to having so requested.
3. When the activities are undertaken in detriment to the interest of the Merchant Marine or may affect the public order.

4. When the norms established by the Panama Maritime Authority or the General Directorate of the Merchant Marine are breached or not complied with.
5. When a Technical Evaluation Committee is appointed in order to evaluate their performance so recommends it.

#### **Section 4** Procedures for Sanctions

**Article 146.** The General Directorate of the Merchant Marine will impose the corresponding sanctions subject to compliance with the following procedures:

1. The administrative procedure will begin pursuant to a report of the Port State, special reports and reports of investigation of accidents, report of wrongdoing, accusations by a specific party or by the competent official, all of which must be subject to the principles of procedural economy, expeditiousness, efficiency, simplification of procedures, lack of formalities, publicity and impartiality, all of which must be done with full respect to the right of initiative and defense of the interested party.

The General Directorate of the Merchant Marine may order as many proofs and actions which may result in clarifying the facts and in determining the corresponding liabilities and may delegate these functions to other subordinate officials.

2. Having regard to the procedures which may have been undertaken, the General Directorate of the Merchant Marine will prepare a report of charges where the facts are to be elaborated and be notified by edict affixed for five business days and notified to the Resident Agent of the vessel who will be granted a term of thirty business days to reply thereto, and in the same statement of reply, he may submit and provide the evidence which may be deemed convenient and any other justification.

In the case of notices to be effected to, the owners and captains of the vessels, the report of charges will be notified to them by the notice procedure followed in the case of sanctions issued to vessels.

In the case of notices to be effected to, the supplementary entities and inspectors appointed by the General Directorate of the Merchant Marine, the report of charges will be notified by certified mail sent to the address which appears in the records of the General Directorate of the Merchant Marine.

To the supplementary entities and the inspectors a term of thirty business days will be granted so that they can reply and in the same document submitted by them, they are to propose and provide the evidence which they may deem convenient, as well as any other justifications.

In the case of notices to be effected to consulates, the report of charges will be notified to them by certified mail sent to the office of the consulate wherein their functions are performed. Consuls will be given 30 business days to reply and in the same written reply they must propose and provide the evidence which they deem convenient, as well as any other justifications.

In lieu of a reply, the procedure will follow its course and the General Directorate of the Merchant Marine will establish the corresponding sanction.

3. The General Directorate of the Merchant Marine may appoint a period of proof of ten business days in order that any evidence which may be listed in the reply can be practiced.

4. Once the term of proof has expired, if any, the General Directorate of the Merchant Marine must resolve the case within the thirty business days thereafter providing a brief explanation of the proven facts, of the proof relating to the responsibility of the investigated party and the breached Legal provision or the exemption of responsibility, whichever the case may be. This resolution must be notified by edict to the Resident Agent of the vessel.

5. Against the resolutions which the General Directorate of the Merchant Marine issues, the only appeal which may be instituted is one before the Administrator of the Panama Maritime Authority.

When the interested party decides to appeal, it must present the appeal within the ten business days following the removal of the edict. In cases where a fine is imposed, the interested party must deposit or pay the amount thereof within the same term as a requirement to submit the appeal. If the deposit of the fine is not effected within the term within which the resolution becomes firm, the appeal will be considered abandoned and the General Directorate of the Merchant Marine will deny the appeal.

The appeal must be submitted before the General Directorate of the Merchant Marine which must resolve if the submitted recourse is viable and for which purpose it must determine if the appealing party is lawfully able to submit such an appeal, if the resolution or appealed act is susceptible to the recourse, if it was instituted in a timely fashion and if the amount of the fine was guaranteed or paid, as the case may be.

**Article 147.** Once the Panama Maritime Authority receives notice of the infraction the party interested in the change of owner or deletion of the registry of the vessel may request that the fine be established beforehand on the basis of the *prima facie* evidence which is available to the General Directorate of the Merchant Marine which in the event of a fine, must be deposited or paid prior to authorizing the requested change.

**Article 148.** Notices of the process shall be made by means of edict affixed for five business days in a public board of the General Directorate of the Merchant Marine and the term for it to become firm begins as of the date in which the corresponding edict is removed. However, the General Directorate of the Merchant Marine will send the corresponding notice to the postal address of the Resident Agent, a procedure which is necessary in the event that the vessel lacks a Resident Agent. (~~ojo~~-----**PARAGRAPH TO BE CHECKED ACCORDING TO RAB IT MAY NOT BE NECESSARY**-----).

The terms will begin to run as of the date in which the edict is removed. In the event that the interested party is personally notified, the term will begin to run as of the date of notice.

## **Chapter XI**

### **Measures to Optimize and Maintain the Fleet**

**Article 149.** The Panama Maritime Authority by means of the General Directorate of the Merchant Marine may apply the following special tariffs to vessels which at the time of their registration in the Merchant Marine comply with the following prior conditions:

1. In the case of newbuildings, if the vessel has a gross tonnage inferior to 30,000 GRT, it will be granted a thirty percent (30%) discount in the registration tasas, the annual tax and the consular annual tasa applicable to the first year of its registration if the merchant marine, a discount of a twenty percent (20%) in the annual tax and the consular annual tasa for the second year and a ten percent (10%) discount in the annual tax and the consular annual tasa for the third year.

2. In the case of newbuildings, if the vessel has a gross tonnage equal to or greater than 30,000 GRT, but less than 100,000 GRT, it will be granted a forty percent (40%) discount in the registration tax, annual tax, and consular annual tasa applicable to its first year of registration in the Merchant Marine; a discount of a twenty-five percent (25%) in the annual tax, consular annual tasa for the second year and fifteen percent (15%) discount in the annual tax, and consular annual tasa for the third year.

3. In the case of newbuildings, if the vessel has a gross tonnage equal to or greater than 100,000 GRT, it will be granted a fifty percent (50%) discount in the registration tasas, annual tax, and consular annual tasa applicable to its first year of registration in the Merchant Marine; a discount of a thirty-five percent (35%) in the annual tax, and consular annual tasa for the second year and twenty percent (20%) discount in the annual tax, and consular annual tasa for the third year.

4. In the case of vessels registered in the Merchant Marine within the five years subsequent to the date in which the keel was laid, if the vessel has a gross tonnage less than 30,000 GRT, it will be granted a twenty percent (20%) discount in the registration tax, annual tax, and consular annual tasa applicable to its first year of registration in the Merchant Marine; a discount of a ten percent (10%) in the annual tax, and consular annual tasa for the second year and five percent (5%) discount in the annual tax, and consular annual tasa for the third year.

5. In the case of vessels registered in the Merchant Marine within the five years following the date in which the keel was laid, if the vessel has a gross tonnage equal to or superior to 30,000 GRT, but less than 100,000 GRT, it will be granted a thirty percent (30%) discount in the registration tax, annual tax, and consular annual tasa applicable to its first year of registration in the Merchant Marine; a discount of a fifteen percent (15%) in the annual tax and consular annual tasa for the second year and ten percent (10%) discount in the annual tax, and consular annual tasa for the third year.

6. In the case of vessels registered in the Merchant Marine within the five years following the date in which the keel was laid, if the vessel has a gross tonnage equal to or superior to 100,000 GRT, it will be granted a forty percent (40%) discount in the registration tax, annual tax, and consular annual tasa applicable to the first year of its registration in the Merchant Marine; a discount of a twenty-five percent (25%) in the annual tax, and consular annual tasa for the second year and fifteen percent (15%) in the annual tax, and consular annual tasa for the third year.

7. All those **MODUS**----(~~ojo~~----**RAB SAYS TO CHECK THIS WORD TO SEE WHAT IT MEANS**) which prove that they have been registered in the Merchant Marine and request their re-registration within the first two years of the enforceability of this Law shall pay an only registration tasa of two thousand and five hundred Balboas (B/.2,500.00)\* and they shall be exempt from any fiscal contribution for two (2) years with the exception of the annual inspection tasa.

8. In the case of the vessels registered in the National Merchant Marine regardless of their tonnage, type or year of construction but which prove that they have not been detained for an inspection by the Port State for a term of twenty-four (24) months, they shall be granted a fifteen percent (15%) discount in the annual tax and consular annual tasa applicable for the following year provided that the said vessels do not have the right to any other greater discount under the present Law.

The Administrator of the Panama Maritime Authority at the request of the General Directorate of the Merchant Marine will be empowered to amend the percentages previously mentioned subject to the competitiveness of the Registry in the National Maritime Industry.

Similarly, the Board of Directors subject to prior approval from the Administrator may establish special tariffs for the vessels registered in the National Merchant Marine and which train officials or other type of personnel of Panamanian nationality as well as incentives with regard to programs of social corporate responsibility which allow a reduction of the pollution of the sea or atmosphere by vessels of Panamanian flag in international waters and of any nationality in the Republic of Panama.

**Article 150.** The Panama Maritime Authority by means of the General Directorate of the Merchant Marine shall grant the appropriate discounts to vessels which at the time of its registration in the Panamanian Merchant Marine comply with the following prior conditions:

1. In the case of vessels belonging to a single financial group which at the time of the enactment and enforceability of the present Law maintain from five to fifteen vessels registered in the Merchant Marine, the new vessels registered in the Merchant Marine shall then be entitled to a twenty percent (20%) discount in the registration tax, annual tax, and consular annual tasa for their year of registration provided the said vessels do not have the right to any other greater discount under the present law.

2. In the case of vessels belonging to a single financial group which at the time of the enactment and enforceability of the present Law maintain registered in the Merchant Marine from fifteen to sixty vessels, those vessels registered in the Merchant Marine shall be entitled to a thirty-five percent (35%) discount in their registration tax, annual tax, and consular annual tasa for their first year of registration provided the said vessels do not have the right to any other greater discount under the present Law.

3. In the case of vessels belonging to a single financial group which at the time of the enactment and enforceability of the present Law maintain registered in the Merchant Marine more than fifty-one vessels, those new vessels which are registered in the Merchant Marine shall be entitled to a sixty percent (60%) discount in their registration tax, annual tax, and consular annual tasa for their first year of registration provided the said vessels do not have the right to any other greater discount under the present Law.

**Article 151.** The Panama Maritime Authority by means of the General Directorate of the Merchant Marine will grant discounts provided for in the present article to vessels which at the time of their registration in the Panamanian Merchant Marine comply with the following conditions:

1. In the case of groups of three (3) or more vessels of the same financial group which is to be registered in the Merchant Marine simultaneously or within a period not to exceed the end of the calendar year as of the date of the registration of the first of the

vessels, each of the vessels will then be eligible for a discount of twenty-five percent (25%) in the registration tax, annual tax, and consular annual tasa for its first year of registration if its tonnage is less than 30,000 GRT, provided the said vessels do not have the right to any greater discount under the present law.

2. In the case of groups of three or more vessels of the same financial group which are to be registered in the National Merchant Marine simultaneously or in a period not to exceed the end of the calendar year as of the date of registration of the first of the vessels, each of the vessels will then have the right to a discount of forty percent (40%) in the registration tax, annual tax, and consular annual tasa for its first year of registration if its gross tonnage is equal to or higher than 30,000 GRT, but less than 100,000 GRT, provided the said vessels do not have the right to any other higher discount under the present law.

3. In the case of groups of three or more vessels of the same financial group which are to be registered simultaneously in the Merchant Marine or in a period not to exceed the end of the calendar year as of the date of registration of the first of the vessels, each of the vessels shall be eligible for a discount of sixty percent (60%) in the registration tax, annual tax, and consular annual tasa for its first year of registration if its gross tonnage is equal to or higher than 100,000 GRT, provided the said vessels do not have a right to any other higher discount under the present law.

**Article 152.** In order for the owner to be eligible for the benefits contained in this law for financial groups, it must submit by means of a legal representative a petition attesting as to the existence of the financial group and which specifies the number of vessels, gross tonnage, their service, year of construction, their names or the number of the IMO or of the hull.

For the purposes of this Law, it will be understood that there is a financial group when the corporate owners of each of the registered vessels or to be registered in the Panamanian Merchant Marine are subsidiaries of one single person or are affiliated among them for the reason of having a common ownership directly or indirectly of a third party or by reason of being subject to its administrative control. The condition of the financial group may be accredited by a Sworn Statement before a Notary Public on the part of the attorney or authorized representative of the financial group and which must be duly authenticated.

When the case involves incentives for newbuildings, the owner by legal representative must attest to this condition in the form of a copy of the builder's certificate or document issued by the builder certifying the status of the building of the vessel. It is understood that once the requirement demanded by this law is complied with, at the time of the flagging it will be necessary to submit the documentary proof as to the status of the newbuildings in the form of a builder's certificate.

The General Directorate of the Merchant Marine may regulate the procedure for the application in respect of the benefits contained in this law.

**Paragraph 1.** The General Director of the Merchant Marine of the Panama Maritime Authority in special cases of owners and/or ship-owners who maintain groups of vessels registered in the National Merchant Marine may allow payment without surcharge nor interest by special quotas of the annual tasas and other duties which must be satisfied by the vessels already registered in the Panamanian registry provided they comply with the following requirements:

1. That the vessels belong to the same ship-owner or financial group.
2. That the group of vessels of a single ship-owner or financial group is greater than 50 vessels or represent a tonnage which is greater than one hundred fifty thousand gross registered tons (150,000 GRT).
3. That the special quotas allowed to comply with the payment of annual taxes, tasas and other fiscal duties do not exceed the respective fiscal period.

The same benefit may be granted to ship-owners in general in the case of financial crisis or an economic crisis declared by the authorities of a State in which the Republic of Panama has Consulates Specializing in the Merchant Marine for which purpose the ship-owners in general who effect their payments at said consular offices must submit their applications in a justified manner to the Director General of the Merchant Marine of the Panama Maritime Authority.

**Paragraph 2.** The General Directorate of the Merchant Marine of the Panama Maritime Authority may approve payment arrangements for outstanding debts which vessels registered in the Panamanian registry may have with the National Treasury provided that the term granted does not exceed one year as of the date in which the payment arrangement is signed.

## **Chapter XII** Administrative and Procedural Provisions

**Article 153.** The Panama Maritime Authority, in the exercise of its autonomy may establish its organization chart and the structure of its directorates and departments independently and may also choose, appoint, arrange a transfer of category or post, remove its personnel and establish their income with absolute independence in conformity with its own procedural chart of qualifications, internal regulation for the administration of Human Resources and the Institutional Manual for Occupational Classes.

The Panama Maritime Authority may contract foreign personnel for professional services with a view to having them perform the technical functions for which they are qualified. These contracts may be effected for a maximum term or four renewal years.

The technical and administrative officials of the Panama Maritime Authority will have stability in their posts and may not be removed unless it is proven that they have incurred in a serious fault or breach of the Internal Regulation of the Administration of Human Resources and within the frame of what it is established in the Administrative Career.

Those workers under the dependency of the Authority who provide their services in international technical offices and in regional documentation centers abroad, as well as those belonging to the Permanent Mission of Panama before the International Maritime Organization are to be considered officials of the Authority, as well, as those officials of the Authority who provide their services within the national territory regardless of the source of financing of their income.

It is the obligation of the Authority to pay by means of a salary the work of those officials independently of the source of financing of their earnings and they must also enjoy, in



addition to the benefits of Social Security, the coverage of insurance for medical attention abroad. Such coverage shall be extended to those technical workers of the Authority to cover the risk of the functions which they may perform.

**Article 154.** Panamanian public Officials who perform the services for the Panama Maritime Authority abroad shall have the right to the same immigration status which is granted to administrative public officer of the consular service abroad. For such purposes, the Ministry of Foreign Affairs must undertake before the corresponding State, the granting of this right. Those officials shall have the right to the use of a diplomatic passport.

The Administrator and Assistant Administrator of the Panama Maritime Authority, as well as the General Directors of said Authority will have the right to the use of a diplomatic passport. Exceptionally the Officials of the Panama Maritime Authority who travel abroad for the purpose of undertaking investigations of accidents or the spill of contaminating substances, as well as special inspections to vessels of Panamanian registry which are required by any other State will also have the right to the use of this passport, all of which shall be duly substantiated to the Ministry of Foreign Affairs.

The Panama Maritime Authority must absorb cost of these tickets and per diem, as well as those expenses for the installation of the country of destination and the Officials assigned to comply with those duties abroad. Similarly, the Panama Maritime Authority must absorb the costs of repatriation in the event of a termination in the labor relationship of those workers.

The aforementioned officials shall have the right to receive, in addition to their monthly salary, the monthly retribution considered as a destination adjustment for the purposes of compensation them with respect to the cost of living in the country where they are to perform their duties. This amount shall not be subject to the payment of income tax nor any other fiscal charge nor Social Security quotas and its payment will be recognized by retribution issued by the Administrator of the Panama Maritime Authority. The Authority must incorporate this expense budget of the institution.

For the purpose of determining the cost of living in a specific country the recommendations issued by the United Nation assistant must be utilized as reference for said determination.

The destination adjustment shall also be paid when the officer is enjoying vacations, paid leave of absence and when it remains under special assignment outside his place of his destination. In the latter case, he can only receive a payment up to a period of four months. Without prejudice to what has been previously established, the right to receive this remuneration ceases when the official is transferred permanently to comply with his functions in Panama.

**Article 155.** Services offered by the Panama Maritime Authority must be effected by modern and competitive mechanisms which ensure control of the documentation and the efficiency of the service they provide. Documentation services for vessels and sea going personnel, as well as the collection of services in general and the accounting system of the Authority must be performed by electronic means.

**Article 156.** The Panama Maritime Authority through the General Directorate of the Merchant Marine may request the opening of technical offices for the documentation of vessels abroad in order to comply with the regulations of maritime safety and prevention

of pollution. These offices shall be subordinated to the General Directorate of the Merchant Marine and may collect charges for their services in order to be self sufficient in the operation without prejudice to the corresponding budget assignments.

The aforementioned offices will have an operational fund for the payment by direct contact of good and services for the purpose of attending to maritime accidents, investigation of accidents, maritime safety inspections, per diem and transportation, purchase of equipment, advisories, training and counseling relating to maritime safety and prevention of pollution, the participation of international conferences relating to maritime safety and any other emergency where human life at sea may be endangered, as well as ships or the environment.

**Article 157.** The General Directorate of the Merchant Marine shall be under the charge of a General Director who will be assisted in his functions by an General Assistant Director.

In order to hold a position as the General Director of the General Directorate of the Merchant Marine and General Assistant Director, it will be necessary to possess a lawyer's title or a maritime career titles such as Nautical Engineer, Ship Engineer, Legal Architect or other maritime careers with a minimum experience in the exercise of said functions or professional title and minimum experience of seven years in the maritime field of the merchant marine.

In addition to this, it is necessary for the Director General of the Merchant Marine and the Assistant Director General to be knowledgeable with respect to the norms established in International Conventions, in Maritime Law, national legislation, exploitation, functioning and operation of vessels and with the maritime industry.

**Article 158.** In the event of a significant devaluation of the local currency with regard to the currency of the country where the service is provided, the Panama Maritime Authority and the Ministry of Economy and Finance may authorize different rates of exchange in order to compensate the reduction in the income as a result of the devaluation of the national currency. The consulates have the obligation of reporting the income of the authorized rate of exchange, both in the corresponding liquidation as well as in the monthly report of income and expenses.

**Article 159.** The creation of the Panamanian ship-owner's association is authorized in the form of a non-lucrative entity for the purpose of representing and coordinating with the official entities the interests of the national and international ship-owners who utilize the Merchant Marine Panamanian Registry.

For the purposes of compliance with the International Conventions, the Panama Maritime Authority shall have a representation in the Board of Directors of said associations.

**Article 160.** The import into the country of vessels of up to five years old will not pay import taxes when these vessels are dedicated to the transportation of passengers of social interest and local voyages also of social interest. Also, the activity generated by these vessels will be exempt from the payment of income tax and dividend taxes for a period of five years as of the date in which this law becomes enforceable.

The regulation for the navigation of pleasure vessels, as well as the collection of taxes and tasas for navigation services in Panamanian jurisdictional waters shall be regulated by the Board of Directors of the Authority.

**Article 161.** In order to ensure compliance with International Conventions ratified by the Republic of Panama in labor matters, the social security regulation of seamen shall apply to those vessels which regularly provide services within the jurisdictional waters of the Republic of Panama.

**Article 162.** The expense budget for consulate shall be incorporated in the general state budget. Within the general budget for state expenses, a global budget designation shall be established for this purpose attributable to the Panama Maritime Authority in which it must annually submit for the consideration of the Interinstitutional Commission formed by the Minister of Economy and Finance, the Minister of Foreign Affairs, the Administrator of the Panama Maritime Authority and the Comptroller General of the Republic or Officials whom they may designate therefor the monthly authorization of expenses of the consulate of Panama accredited abroad and the specialized technical offices in accordance with the regulation which is approved for that purpose by said Interinstitutional Commission and having regard to the services which these offices provide and the need to conserve income sources.

This global budget designation must be effected bearing in mind the income budget of the Authority and must not affect the participation of this institution to the National Treasury nor the expense budget designated to the institutions.

Expenses authorized in the consulates' budget shall be financed by consular income and, consequently, will be deducted from the corresponding month. Transfers of funds may be authorized to cover the expenses authorized in a specific consular mission or office of the Panama Maritime Authority.

Those contracts signed by the consulate of Panama and the technical offices of the Authority abroad shall be in the form of direct contracting which must fall within their budget for expenses and the provisions established by the Interinstitutional Commission.

Reserve funds in the account of the Consular Mission may also be authorized to finance their monthly operations or authorized expenses but said reserves must be reflected in the statements of accounts and the corresponding consular reports.

The Interinstitutional Commission shall each year approve a monthly expense authorization for each consulate to be debited to the relevant designated global budget. The Commission must keep a budget reserve debited to the said global budget designation in order to support the extraordinary expenses authorized during the fiscal year.

If the total amount of budgeted expenses and extraordinary disbursements which may have been authorized for all consulates exceeds the amount of the global budget designation, the Authority and the Minister of Foreign Affairs must process before the Ministry and Economy Finances and before the corresponding offices an extraordinary credit to support the outstanding expenses.

In any event, the remaining amount in a monthly quota with the exception of rent and personal services may be used on that same month for those quotas where an increase is reported but without exceeding the total authorized amount.

The Interinstitutional Commission may establish special control rules with regard to the special circumstances of each country.

The Authority must adopt the system of electronic collection for services offered by the consulates in order to ensure the control of consulate operations.

Each year the Panama Maritime Authority must issue a technical report which indicates, among other things, the behavior of the international market of the Merchant Marine, the profitability of the Panamanian consulates and offices abroad, the general status of the Panamanian fleet and retention of users, the impact of this maritime sector in the national economy and, in general, the information required to evaluate the behavior of the National Merchant Marine.

The Panama Maritime Authority and the Minister of Foreign Affairs will form an Advisory Council to evaluate joint decisions with regard to the consular system of the Republic of Panama, the service and profitability of the consulates.

**Article 163.** The Board of Directors of the Maritime Authority will establish, by means of resolutions, which consulates will specialize in the Merchant Marine, the same being empowered to add or erase the relevant assignment of functions in favor of specific consulates in accordance with the needs in the National Merchant Marine.

**Article 164.** The taxes, tasas, duties and interests owed by vessels of the Panamanian Registry which are declared inactive by resolution justified by the General Directorate of the Merchant Marine will become time barred in fifteen years.

**Article 165.** The condition of entity of technological storage of data in accordance with what is provided for in the law is granted to the Panama Maritime Authority, the consulates of Panama abroad, the technical offices abroad and any other office authorized to provide merchant marine services.

The General Directorate of the Merchant Marine will regulate the procedure to execute the services in accordance with this status.

Services relating to the Merchant Marine included in this special condition and provided by office other than those previously listed by become subject to additional charges in concept of acknowledgment and processing.

The General Directorate of the Merchant Marine will establish the procedure to perform the steps necessary pursuant to this legislation.

### **Chapter XIII** Other Provisions

**Article 166.** The Panama Maritime Authority will issue the standards required for compliance with the provisions of this law.

**Article 167.** With regard to the international aspect of the International Service of the Panamanian Merchant Marine and in order to ensure its competitiveness:

1. Every document submitted in support of an application which must be delivered to the General Directorate of the Merchant Marine, by virtue of this law and its regulations, may

be presented in the form of a simple copy without the need for any notarization or legalization even when the document is executed abroad unless otherwise provided.

2. The General Directorate of the Merchant Marine may, at its discretion, accept presentation of documents in English without requiring their official translations. For such purpose, the General Directorate of the Merchant Marine will regulate which documents may be submitted without their translation.

3. The General Directorate of the Merchant Marine, in common accord with the Panama Public Registry, will accept the presentation of documents in the English language for the purpose of the registration of vessels and encumbrances in the National Merchant Marine.

**Article 168.** For the purposes of this Law, the following terms will have the meanings indicated hereunder:

1. *Resident Agent.* A qualified lawyer or law firm appointed in writing by the owner of the vessel for the purpose of processing any steps before the General Directorate of the Merchant Marine.

2. *Panama Maritime Authority.* Panama Maritime Authority.

3. *Registration Certificate.* Document which evidences the registration of the vessel in the Merchant Marine of the Republic of Panama.

4. *General Directorate of the Merchant Marine.* General Directorate of the Merchant Marine of the Panama Maritime Authority.

5. *Supplementary Institutions.* The public or private institutions duly authorized by the Panama Maritime Authority to guarantee compliance with the navigation and safety provisions of the Merchant Marine such as recognized organizations, Protection Organizations, Accounting Authorities for radio stations and providers of Inmarsat services, among others.

6. *Merchant Marine.* Vessels registered in the Republic of Panama.

7. *Vessels.* Any boat destined for the transportation of cargo or passengers, pontoons, dredge, floating barge, drilling platform or any other Hull which is destined to or may be destined to maritime service, as well as any other structure which the Panama Maritime Authority recognizes as a vessel.

8. *Vessels of International Service.* Those vessels of the Merchant Marine which navigate regularly outside the jurisdictional waters of the Republic of Panama.

9. *Vessels of Local Service.* Those vessels of the Merchant Marine which navigate regularly within the jurisdictional waters of the Republic of Panama.

10. *Recreational Vessels.* Those vessels of the Merchant Marine which by their design are used by their owners for non-lucrative activities.

11. *IMO.* International Maritime Organization.

12. *Operator*. Natural person or corporate entity which by virtue of a contract assumes the responsibility of the vessel in its technical, operational and/or commercial aspects.

13. *Recognized Organization*. The entity duly authorized by the Panama Maritime Authority to undertake inspections, audits, to issue certificates in the name of the Republic of Panama, and in general, to undertake those acts which the Panama Maritime Authority may decide to delegate to it.

14. *Panama*. The Republic of Panama.

15. *Tax Cleared*. The condition when a vessel is up-to-date in the payment of all its taxes, tasas, duties, contributions and any other charge owed to the Republic of Panama.

16. *Owner*. The person holding the *in-rem* ownership right of the vessel and who is therefore empowered to transfer it, use it and enjoy it, as well as to possess it in a peaceful and uninterrupted manner.

17. *Public Registry*. The Office of the Public Registry of the Republic of Panama.

#### **Chapter XIV** Final Provisions

**Article 169 (transitory)**. Those provisions which at the time in which the present Law becomes enforceable, regulate tasas and charges in respect of services provided by the Panama Maritime Authority will continue in full force and effect until such time as the relevant institution issues the resolutions which regulate this subject matter.

**Article 170**. Article 51 of the Family Code will remain as follows:

Article 51. Captains of vessels of International Service under Panamanian flag will preside marriages performed on board a vessel at sea whatever the nationality of the contracting parties in the presence of two qualified witnesses.

Those who are to arrange their civil marriages on board of vessel will deliver to the Captain of the vessel a documentation of personal identification issued by their country of origin where their particulars are specified, as well as a statement signed by both interested parties attesting to their intentions of engaging in matrimony and where their names, surnames, civil status, nationality, age, profession and domicile or residence of the future contracting parties are indicated.

In the marriage ceremony, the Captain will ensure compliance with the following formalities:

The Captain, the contracting parties and the witnesses will gather in the vessel and the Captain will read aloud the rights and duties of the wedding parties, which are:

1. The spouses must establish by mutual agreement their family domicile. In lieu of an express statement, it is understood that the woman has adopted her husband's domicile or vice versa, according to the circumstances of each case.

2. The spouses are obligated to live together and to be faithful to each other. The spouses owe each other mutual respect and protection.

3. The husband and wife have in the obligation of contributing with expenses for food, housing, clothing, health, sustenance and any other expenses necessary for the home and the family. Each spouse will contribute to such expenses in proportion to their financial status.

4. The husband and wife will live in the family domicile and each has the right to be received by the other in it.

Thereafter, the Captain will ask the contracting parties if they wish to wed. If they answer affirmatively and without any precondition, the Captain will declare them united in matrimony in the name of the Republic of Panama and by authority of the Law.

The marriage act must be registered in the Journal and in the Wedding Register which will be kept on board the vessel and which must be formally validated at the General Directorate of the Merchant Marine or before a consulate specializing in merchant marine. The said validation will have a cost of one (1) Balboa (B/. 1.00) \* for each page of the register which is validated.

The Captain will issue an extract of the wedding ceremony of each wedding held on board a vessel of Panamanian flag and of International Service and which will include the following:

- a. The date, name of the vessel and the fact that it carries Panamanian flag.
- b. The names, surnames, age, nationality, profession, date and place of birth, profession, domicile and the number of the identification document, passport or social security of the contracting party.
- c. The statement by the contracting parties that they take each other as spouses and of the Captain that they are united in matrimony in the name of the Republic of Panama and by authority of the Law.
- d. The consent of the parents or custodians in the event that any of the contracting parties is younger than eighteen years of age.
- e. The names, surnames, age, nationality, profession, domicile and the number of the identification document, passport or social security of the witnesses.

The extract shall be signed by the Captain, the contracting parties and the witnesses. If any of the participants in the wedding ceremony cannot or does not know how to sign, another person will do so at their request at their behalf attesting to this fact.

The Captain will remit a copy of the wedding act, as it appears in the marriage register or in the journal, as the case may be, to the General Directorate of the Merchant Marine which in turn shall forward it on the Civil Registry in Panama no later than 30 days after the marriage is held in order for the same to be registered at the Panama Civil Registry. In addition, he must keep in his archives all documents which attest to said marriage. The extract issued by the Captain shall be authenticated by a consul of the Republic of Panama.

The General Directorate of the Merchant Marine of the Panama Maritime Authority may establish a special regimen for weddings and their registration.

\* One Balboa equals One U.S. Dollar

**Article 171.** Article 1507 of the Commercial Code will remain as follows:

**Article 1507.** The following credits will constitute privileged credits against the vessel and will participate in its price in the order expressed in this Article:

1. Judicial costs incurred in the common interest of maritime creditors.
2. Disbursements, compensations, and salaries for assistance and salvage owed for the last voyage.
3. Salaries, payments, and compensations owed to the Captain and crew members for the last voyage.
4. The ship mortgage.
5. Credits owed to the Panamanian State in concept of annual charges and taxes.
6. Salaries and stipends owed to stevedores and dock workers directly hired by the owner, the shipping company or Captain of the vessel for the loading or unloading of cargo during its last docking.
7. Compensations owed for damages caused by fault or negligence.
8. Amounts owed by reason of contribution in general average.
9. Amounts owed by reason of liabilities contracted for the necessities and supplies of the vessel.
10. Amounts taken in bottomry against the hull of the vessel and appurtenances for the equipment, arming and preparation thereof if the contract were to have been signed and delivered prior to the vessel departing from port where any such obligations may have been contracted; and the insurance premiums for the last six months.
11. Salaries of pilots, custodians, and conservation and custody expenses of the vessel, its appurtenances and equipment after the last voyage and port entry.
12. Compensations owed to the shippers and passengers for failure to deliver cargo or for damage thereto attributable to the Captain or the crew during the last voyage.
13. The price of the last purchase of the vessel and the interest accrued during the last two years.

**Article 172.** Numeral e of Article 708 of the Fiscal Code will remain as follows:

**Article 708.** The following will not incur in taxes:

e. Income arising from international maritime commerce by national merchant vessels legally registered in Panama, even when the charter contracts are effected in this country. It is understood that the activities undertaken in Panamanian jurisdictional waters are the subject of income tax in Panama, regardless of the registration or flag of the vessel.

**Article 173.** The second paragraph of Article 23 of Law 7 of 1990 will remain as follows:

**Article 23...**

Hire arising from the financial leasing of merchant vessels of foreign service engaged in commerce in international waters will not incur in any income or dividend taxes in the Republic of Panama. In any case, the financial leasing will be transcribed in a Public Deed and registered in the Public Registry as is hereby authorized by this Law



for the purposes of the same being notified and enforceable against third parties as well as for the purpose of acquiring a legally certain date. In such cases, the contract must indicate the names of the parties, the description of the vessel or container with its serial number, the amount and term of the contract, the form of payment and other clauses which the parties thereto may determine. The registration taxes applicable to this type of contract shall be equivalent to those amounts charged for the registration of ship mortgages.

**Article 174.** Article 1 of Decree Law 7 of February 10, 1998, will remain as follows:

**Article 1.** The Panama Maritime Authority hereinafter known as the Authority is a State entity with its own corporate personality, the power to administer itself and autonomy in its internal regimen both administratively and from a functional point of view, with its own human resources and the power to engage in direct contracting and with its own financial ability and the power to prepare its budget; consequently, it will freely exercise the power to receive, hold in custody, assign and invest its financial resources and to grant concession and/or operation licences, subject only to the policies, orientation and inspection by the relevant entities of the Executive Branch and the fiscalization by the Comptroller General's Office of the Republic.

The Authority must use the income derived from *tasas* for those purposes outlined where the *tasa* is defined.

In addition, the Authority will have an emergency fund which is reimbursable for the purpose of covering any expenses as a result of direct contracting for investigation of maritime accidents, detentions by the Port State, spills, drilling, transportation and related expenses, assistance in navigation, salvage, maritime and labor safety inspections, repatriation of crew members, participation in international conference and congresses relating to maritime safety and the promotion of registrational vessels and any other emergency where human life at sea is endangered, as well as ships, navigation in national or international waters or marine environment.

With the creation of the Authority the form in which the coordination of all the institutions and authorities of the Republic linked to the maritime sector is institutionalized as provided for in the final paragraph of Article 317 of the Political Constitution of the Republic of Panama so that the Authority will hold all rights and privileges which guarantee its condition as supreme authority for the enforcement of the national maritime strategy. The Administrator of the Authority shall be considered the equivalent of a Minister for the purposes of his/her participation and attendance in Cabinet meetings.

**Article 175.** Article 10 of the Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 10.** Notwithstanding those functions which the Political Constitution confer to the Comptroller's General Office of the Republic, the Authority shall have its own auditing system.

The Authority shall be empowered to engage in the services of independent external auditors, of renowned prestige and international experience, as well as of companies for the assignment to third parties of services relating to issuance of invoices, collections, accounting, marketing and others which it may determine. The cost of these services

may be assumed by the expense budget of the office to be audited and the commissions for those services must be approved by the Ministry of Economy and Finances.

**Article 176.** Article 14 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 14.** The Board of Directors of the Panama Maritime Authority shall be comprised of:

1. The Minister of the Presidency who shall preside and shall be replaced in his/her temporary absences by the Assistant Minister.
2. The Minister for canal issues who shall be replaced in his/her absences by the Administrator of the Panama Canal.
3. The Minister of Economy and Finance who shall be replaced in his/her absences by the Assistant Minister of Economy or by the Assistant Minister of Finances.
4. Four members appointed by the President of the Republic with more than seven years experience in the maritime sector and of renowned prestige. These members shall be replaced in their temporary absences or when a conflict of interest exists and the issues to be dealt with, by their Alternates who are to be appointed by the President of the Republic for the same term for which their principals where appointed.

The Administrator of the Panama Maritime Authority will act as Secretary of the Board of Directors and shall have the right to be heard.

The members of the Boards of Directors and their Alternates shall remain in their post for a period of five years concurrently with the presidential term.

The members of the Board of Directors may only be removed from their posts by decision of the Executive Branch for those causes set forth in Article 19 of this Decree Law.

The Comptroller General of the Republic of the official whom he may designate, the Assistant Administrator and the General Directors of the Panama Maritime Authority shall participate in the Board of Directors with a right to be heard.

**Article 177.** Article 15 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 15.** In order to be a member of the Board of Directors of the Authority, the following is required:

1. To be a Panamanian national.
2. To be more than 30 years old.
3. Not to have been convicted of a crime with intent or against the Public Administration.
4. At the time of his/her designation, not to be related among themselves within the fourth degree of blood relationship or second of affinity with regard to the other members of the Board of Directors, the President of the Republic, the Administrator or the Assistant Administrator of the Authority.

5. To hold a college degree with a minimum experience of seven years in the maritime sector and to be involved therein at the time of his/her appointment.

**Article 178.** Article 16 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 16.** The members of the Board of Directors of the Authority shall not receive a salary nor representation expenses by reason of their status but they may receive a *per diem* for attending meetings of the Board of Directors.

**Article 179.** Article 17 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 17.** The Board of Directors shall meet in ordinary sessions at least once a month and in extraordinary sessions by decision of the Administrator or two of its members.

The Board of Directors may meet with a simple majority of its members and its decisions shall be approved by a majority of votes.

**Article 180.** Article 19 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 19.** The members of the Board of Directors of the Authority shall be suspended and, depending on the case, removed from their posts in the event of the commitment of crimes with intent or against the Public Administration.

Also, the members of the Board of Directors may be suspended or removed in the event of proven physical, mental or administrative impairment, subject to decision by the Executive Branch.

The decision to suspend or removed shall be enforced without affecting any applicable penal sanction.

**Article 181.** Article 20 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 20.** An Advisory Board is hereby formed to be comprised of ten representatives of the national and international maritime industry also linked to maritime transportation and to be appointed by the Administrator of the Panama Maritime Authority for the purpose of advising the Panamanian Maritime Administration in respect of the improvement, development and efficiency of the merchant marine service and among which a member of the Panama Maritime Chamber, a member of the Panamanian Maritime Law Association and a member of the Panamanian Marine Officials Associations shall necessarily participate.

The members of said board will represent, among other sectors, the industry of the maritime transportation, the lawyers, the ship-owners of the Registry, the industry of the construction and repair of ships, the P & I Clubs, the Banks, Classification Societies and recognized organizations, maritime telecommunication companies, ship operators, maritime safety experts and seamen.

This board shall be comprised of persons of renowned prestige in the international maritime industry and who are able to ensure an efficient advise regarding the interests and inclinations of the international market, preferably users of the National Merchant Marine.

The Authority will cover the cost of the travel ticket, food expenses and *per diem* of the members of the Advisory Board, wherever they may be convened by the Administrator or the Assistant Administrator of the Authority to render their advise. Furthermore, the Authority will cover those expenses resulting from the relevant meetings at the place where they may be convened.

The International Advisory Board will be convened at least once a year.

**Article 182.** Article 21 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 21.** The Assistant Administrator of the Authority shall preside the Advisory Board and may delegate his/her functions in any of the Directors of the General Directorates.

**Article 183.** Article 22 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 22.** The Authority may establish specialized advisory committees for issues concerning the registration of vessels and to which the same prerogative may be granted as are given to the International Advisory Board.

**Article 184.** Article 23 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 23.** Recommendations given by the International Advisory Board and by the specialized advisory committees will be submitted to the Administrator for his/her knowledge to the relevant Director General and to the Board of Directors of the Authority in order that their implementation may be considered with priority.

**Article 185.** Article 24 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 24.** The Executive Branch will appoint the Administrator and Assistant Administrator of the Authority. The Administrator will hold the legal representation of the institution and the same shall be delegated to the Assistant Administrator in the temporary or permanent absence of the Administrator.

In the event that, for any reason, the Assistant Administrator is unable to replace the Administrator, the legal representation will be vested in the Secretary General and in his/her absence, in the Substantive Director appointed by the Administrator.

The Administrator will be in charge of the full administration of the Authority and may undertake subject to the authorization of the Board of Directors whenever this Decree Law may so require, all types of operations, acts, agreements or contracts in issues which according to this Decree Law may be required.

**Article 186.** Article 27 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 27.** The following are duties of the Administrator:

1. To comply with and ensure that the decisions of the Board of Directors are complied with.
2. To prepare and submit for approval of the Board of Directors the policies, plans and programs of the maritime sector.

3. To prepare and submit for approval of the Board of Directors the proposal for the annual or multi annual budget of income and expenses of the institution, the extraordinary expenses, the decisions concerning the destination of the surplus for the establishment of term deposits as well as for the operations and transactions of the institution.
4. To submit and present to the Board of Directors a proposal to establish a method of appraisal of the resources of the maritime sector in the national accounting system in order to ensure that it has the necessary means to facilitate the planning and assignment process of said resources.
5. To submit to the Board of Directors an annual report of its performance and the reports which it may request.
6. To issue resolutions relating to the performance of and services provided by the Authority.
7. To appoint the General Directors and those necessary for due performance of the institution.
8. To appoint and confirm the advisory, consulting, enforcement and coordination boards of the Authority which he/she may be inconvenient subject to prior authorization of the Board of Directors and in accordance with the internal regulation of the Authority.
9. To appoint, transfer, promote, suspend, separate and remove the subordinate personnel in accordance with what it is established in the Law and in the internal regulation of the Authority.
10. To propose and coordinate with the relevant institutions the necessary steps for the protection and conservation of the marine environment.
11. To arrange the signing of contract, agreements, performance of acts or operation which must be effected by the Authority and the amounts of which do not exceed one million Balboas (B/. 1,000,000) \* subject to what is established in the Law and without affecting the right of the Board of the Directors to exercise a prior and subsequent control.
12. To sell, transfer, exchange or assign moveable assets or real estates owned by the institution the value of which does not exceed one hundred thousand Balboas (B/. 100,000).
13. To authorize and approve unforeseen expenses of the technical offices of the Authority abroad in concept of extraordinary expenses, maritime safety inspectors, repatriation, investigation of accidents, advisory on issues of maritime safety and pollution prevention, international conferences and implementation of national agreements.
14. By virtue of those activities relevant to the maritime sector and as a consequence of the tasas charged by the institution, the Administrator may disbursed those urgent expenses which must be met by reason of spills, maritime accidents, investigation of accidents, dredging, per diem costs, transportation expenses, shipping signals, purchase of equipment necessary for the process of salvage, bunkering, advisories and

consulting relative to maritime mishaps, labor and maritime safety inspections, repatriation of crew members, participation in international conferences and congresses relating to maritime safety and any emergency where human life at sea may be endangered as well as ships or the environment. The Office of the Comptroller General of the Republic, will exercise with priority the subsequent control regarding the use of these resources.

15. To acknowledge, collect and supervise the taxes, tasas and other charges which must be paid by the tax payers and users of the Authority.

16. To decide on appeal, the recourses and claims submitted by the users of the Authority and which have been reviewed or have been decided upon by the different Directors of the institution, thereby finalizing the administrative channel.

17. To authorize the elimination or final disposal of assets no longer in use, those which have been depreciated or have been rendered obsolete and which are kept on inventory by Panamanian consulate and international offices abroad with due notice as to the steps to be taken in accordance with the Law.

18. To authorize the elimination or destruction of documents which are no longer in use or of any value and which are kept in inventory by Panamanian consulate and international offices abroad with due notice as to the steps to be taken in accordance with the Law.

19. To submit for the consideration of the Board of Directors proposals for the purpose of upgrading consulates of the Republic of Panama to the category of those specializing in Merchant Marine.

20. To form the Interinstitutional Commission for the approval of the budget of consulates.

**Article 187.** Article 30 of Decree Law 7 of February 10, 1998, shall remain as follows:

**Article 30.** The following are functions of the Director General of the Merchant Marine.

1. To perform the administrative acts relative to the registration of vessels in the National Merchant Marine to authorize changes in said Registry and to decide on their loss by reasons stipulated in the Law.

2. To establish the procedure which must be followed by the different offices of the Authority in order to approve the process of documentation for vessels, the collection of the services and the necessary controls for an optimum and efficient service.

3. To consider, propose, coordinate and approve the steps, actions and strategy necessary to maintain the competitiveness of the National Merchant Marine.

4. To deny applications for flagging when in his/her judgement they are contrary to the National interests.

5. To issue the regulations, norms and technical and administrative procedures for the registration and for the issuance of technical documentation to vessels.

6. To delegate in other public officials of the General Directorate of the Merchant Marine the authority to perform acts relative to the registration of and issuance of technical documentation to vessels.
7. To delegate in consulates specializing in the National Merchant Marine the performance of acts relating to the provisional registration of vessels subject to the conditions and limitations established by Law.
8. To propose and recommend taxes, tasas and other charges to be paid by vessels registered in the National Merchant Marine as well as to collect and/or supervise the collection of taxes, tasas, duties and other obligations which must be paid by vessels registered in the National Merchant Marine in accordance with the laws and regulations currently in force.
9. To ensure that the income resulting from tasas and duties to be paid by vessels registered in the National Merchant Marine are incorporated in the corresponding budget quotas destined for those purposes for which they were established.
10. To supervise and ensure collection of income and remittances relating to the National Merchant Marine arranged by public officials of the Panama Maritime Authority, by the consuls of the Republic of Panama and by authorized Officials abroad.
11. To render ineffective those debits applied to consuls and public officials of the Authority considering existing evidence and the reasons behind them, subject to final approval by the Office of the Comptroller General of the Republic.
12. To approve or deny applications for special discounts on taxes, tasas, flagging taxes, exemption from payment of surcharges and interests and other amounts which must be paid by vessels registered or to be registered in the National Merchant Marine subject to the conditions and limitations established by Law.
13. To approve or deny applications for credits in respect of taxes, tasas, duties, or other collections by reason of payments made in excess or in any other concept in relation to vessels registered in the National Merchant Marine subject to the conditions and limitations established by Law.
14. To ensure strict compliance with and efficient enforcement of legal provision currently in force in the Republic of Panama, of international agreements, codes or indications relative to maritime safety, prevention of pollution and maritime protection of its vessels.
15. To undertake investigations of maritime accidents and spills or pollution involving vessels of Panamanian Registry wherever they may be found or of any nationality when in the jurisdictional waters of the State.
16. To impose fines on those in breach of legal provisions or regulations concerning the National Merchant Marine.
17. To issue navigation permits which may be required by vessels remaining in Panamanian territorial waters.
18. To establish the procedures for the inspections of vessels of the National Merchant Marine with the purpose of ensuring adequate compliance with safety norms, prevention

of the pollution of the environment and other obligations established by the national legislation.

19. To appoint and supervise the inspectors of vessels of the National Merchant Marine with the purpose of ensuring adequate compliance with safety norms, prevention of the pollution of the environment and other obligations established by the national legislation.

20. To coordinate and supervise the performance of functions relating to the merchant marine by consulates specializing in merchant marine, the Economic and Commercial Offices of Panama and other authorized representation or offices created by the Panama Maritime Authority to handle matters relating to the registration of vessels abroad as well as to impose fines to public officials who are in breach of their legal obligations and obligations.

21. To exclusively authorize, supervise, audit and control Recognized Organizations, Recognized Protection Organizations and other similar offices acting by delegation of the Panamanian State and to regulate those procedures applicable thereto. This function may not be delegated without the prior consent of the Panama Maritime Authority.

22. To declare as sunken and to order the total or partial removal of vessels, their belongings and any merchandise which may have been abandoned by them and which may pose a risk in national or international waters and to the marine environment and to assign to third parties any such removal subject to authorization of the Administrator of the Authority.

23. To approve the plans for the construction and repair of vessels in Panama.

24. To act as a regulating entity and as coordinator of the policies, strategies and decisions which, directly or indirectly, affect the registration of vessels in the Republic of Panama in anything which may concern compliance with national and international provisions currently in force and applicable to vessels of the National Merchant Marine.

25. To perform the functions of a Flagging State and to ensure compliance by vessels of Panamanian Registry and those foreign vessels in jurisdictional waters with the national legal provisions and with those which may be a part of international agreements in force which have been ratified by the Republic of Panama relative to maritime safety, safety of navigation, maritime protection and prevention and control of pollution at sea as well as the indications and international codes relative to the Flagging State.

26. To perform and ensure compliance with the national legal provisions, the international agreement in force which may have ratified by the Republic of Panama, the indications and international codes relative to the Port State.

27. To ensure compliance with all other functions established by Law, regulations, by the Administrator or by the Board of Directors of the Authority.

**Article 188.** This Law amends Article 51 of the Family Code, Article 1507 of the Commercial Code, Numeral e of Article 708 of the Fiscal Code and Articles 1, 10, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 27 and 30 of Decree Law 7 of February 10, 1998 and replaces Law 8 of August 12, 1925, Law 54 of December 11, 1926, Law 11 of January 25, 1973, Law 83 of September 20, 1973, Decree 93 of August 18, 1965, Cabinet Decree 45 of February 14, 1969, Articles 9, 10, 12 and 14 of Law 2 of January 17, 1980,



Article 5 of Law 21 of July 9, 1980, Law 25 of July 18, 1997, Articles 8, 9 and 10 of Law 14 of May 27, 1980, Article 4 of Law 19 of August 3, 1992, Article 2 of Decree 18 of May 30, 1984, Articles 22, 23 and 24 of Law 36 of July 6, 1995 and Law 25 of June 3, 2002.

**Article 189.** This Law will become enforceable six months after it is published in the Official Gazette.

**BE IT COMMUNICATED AND COMPLIED WITH**

Project 342 of 2007, approved in third debate at the Justo Arosemena Palace, City of Panama, on the twenty-six day of the month of June of the year 2008.

The President,  
(sgd) Pedro Miguel González P.

The Secretary General  
(sgd) Carlos José Smith S.

NATIONAL EXECUTIVE BRANCH, PRESIDENCY OF THE REPUBLIC.  
PANAMA, REPUBLIC OF PANAMA, AUGUST 6, 2008.

(sgd) MARTIN TORRIJOS ESPINO  
President of the Republic

(sgd) DILIO ARCIA TORRES  
Minister of the Presidency

