



PANAMA MARITIME AUTHORITY

MERCHANT MARINE CIRCULAR MMC-11

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To: Ship-owners/Operators, Company Security Officers, Legal Representatives of Panamanian Flagged Vessels, Panamanian Merchant Marine Consulates and Recognized Organizations (RO).

Subject: Mortgage Contract

Reference: Article 260 of Law N° 55 of August 6, 2008.

Reference is made to article 260 of Law N° 55 of August 6, 2008, which stated that mortgages granted within or outside the Republic of Panama before an authorized official (as Panamanian consulates) shall be recorded in a Public Deed.

The Mortgage may also be executed according to the laws and formalities required in the country where is granted. In every instance, the mortgage must include:

1. The name and address of mortgagor and mortgagee and mortgagee.
2. Fixed or maximum amount of guaranteed capital or insured obligations. Mortgage also guarantees, in addition to the capital and secured stipulated obligations the full amount of interest accrued, cost, collection expenses, amount resulting from the currency fluctuation or the means of payment any other sums agreed upon by the mortgage contract. It is presumed that both between the parties as regards to third parties unless proven otherwise, that the owed amount whether for capital, interests and other sums secured by the mortgage will be the amount mentioned in the complaint.

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<i>Control N°: F-RIN-04-01</i>	<i>Version: 03</i>	<i>Date: 06 July, 2011</i>	Page 1 of 3

3. The Dates for the payment of the capital of fulfilment of the secured obligation and interest, or the method used to determine said dates, except if the mortgage is created to secure obligation payable on demand, future obligations or obligations subject to precedent conditions.
4. If it had been agreed interests should be determined in the mortgage the interested rate agreed or how to calculate. The interest may be stipulated according to therefore of the rate prevailing on a specific market or the rate used for the banks clients in any market; or to reference due the cost of funds. The prevailing rate may be adopted at the time the contract is signed or according to rate fluctuations occurring during the terms of the credit.

Loans secure by Ship Mortgages shall not be subject to maximum interest, and therefore, to the legal provisions that limited them. Nevertheless, the national banking commission may establish a maximum interest rate for those credits when the mortgage lien is located for ships engaged in local trade.

5. The name, Registry Certificate number (“Patente”), call signs, if any, tonnage and measures of registry. If the mortgaged vessel is under construction the provisions established in article 263 must be indicated.
6. When several vessels are mortgaged to secure an only loan, may be determine the amount or part of the lien of which each vessels is liable. If such determination is not made, the mortgage may proceed against any or all of the vessels in order to obtain the full guarantee amount.

The provisions referred to in paragraphs 3 and 4 in this Article may be included in the mortgage agreement or its extracts, contracts or schedules attached to the registered mortgage.

If the mortgage turns into a credit guarantee or debt whose existence or amount cannot be ascertained at the time of the execution of the mortgage agreement if the essential particulars of the ship allow the obligation to be identified and the maximum secured amount are included, the shall be deemed sufficient.

Article 263 establishes that:

In order to create a mortgage on a vessel under construction it is indispensable the duly register of the ownership in the Public Registry and evidence thereof shall be provided by means of a builders’ certificate setting forth the following particulars:

1. Name of the person for whom the vessel is being built.

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		Page 2 of 3

2. Registration Number and Call Sign granted.
3. Main measurements, tonnages and type of services of the vessel.
4. Place, name and address of the builder.
5. Statement of the intention of the builder, to transfer the vessel's property title to the person for whom is building for, and the acceptance of the sale.

The validity of the preliminary record of the property title and the mortgage on vessels under construction will be dated with the date and time of the annotations of the preliminary record in the Public Registry diary.

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Inquiries concerning the subject of this Circular or any request should be directed to:
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