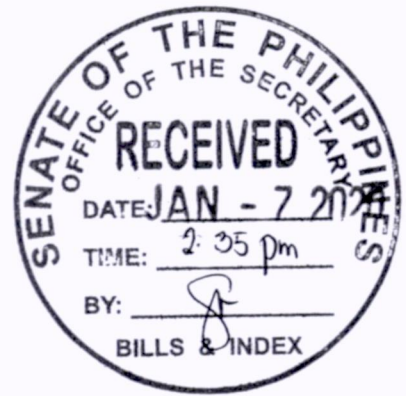


EIGHTEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES  
*First Regular Session*

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**SENATE**

**S. No. 1261**



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**Introduced by SENATOR RAMON BONG REVILLA, JR.**

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**AN ACT**  
**ESTABLISHING THE SCOPE AND PROCEDURE FOR PHILIPPINE SHIP**  
**REGISTRY, RECOGNITION AND ENFORCEMENT OF MARITIME CLAIMS, AND**  
**LIMITATION OF LIABILITY, AS WELL AS PROVIDING ESSENTIAL**  
**INCENTIVES, TO PROMOTE A COMPREHENSIVE AND ORDERLY PHILIPPINE**  
**SHIP REGISTRY SYSTEM FOR THE REGULATION OF VESSELS CARRYING**  
**THE FLAG STATE**

**EXPLANATORY NOTE**

Philippines is widely known to be a major supplier of global maritime professionals on board vessels in different parts of the world. Records will show, however, that we have only about 200 vessels registered under the Philippine flag. Unfortunately, there is no legislation providing for uniform standards on ship/vessel registration.

This bill, therefore, aims to enhance and rationalize the Philippine maritime industry by establishing a ship registry and procedures in registration of ships in compliance with international maritime conventions, regulations and practices. This bill also aims to ensure that Filipino owned and manned maritime fleets or vessels comply the minimum global standards of reliability, safety, competitiveness and effectiveness. This will encourage the expansion in Philippine international trade and encourage Philippine vessel acquisition, development, modernization and expansion.

In view of this foregoing, immediate enactment of this bill is earnestly sought.

  
**RAMON BONG REVILLA JR.**

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*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

1       Section 1. *Short Title.* – This Act shall be known as the “Philippine Ship Registry  
2       System Act”.

3       Sec. 2. Declaration of Policy. — It is the policy of the State:

- 4           a. To establish the Philippines as a leading maritime nation and  
5           respected flag State;
- 6           b. To ensure that Filipino-owned-and-manned maritime fleets or vessels  
7           are strengthened and assisted to meet the minimum global standards  
8           for reliability, safety, competitiveness, and effectiveness;
- 9           c. To provide protection to our merchant marine fleets, and help expand  
10          Philippine international trade;
- 11          d. To encourage Philippine vessel acquisition, development,  
12          modernization and expansion through systemized and sustainable  
13          programs;



- e. To provide policies that will attract more ship owners to register under Philippine flag, thus ensuring the country's economic growth;
- f. To align the tax structure for its domestic and overseas shipping fleet to make it competitive; and
- g. To provide a mechanism for the early adoption and implementation of international maritime regulations and conventions.

Sec. 3. *Implementing Agency.* — The Maritime Industry Authority (MARINA) shall be the implementing agency of this Act. The MARINA shall provide secretariat support in the enforcement of this Act.

Sec. 4. *Definition of Terms.* — As used in this Act:

- a. *Arrest* refers to the attachment of a vessel by judicial process through an order of a competent court in order to secure the enforcement of a maritime claim, which attachment shall produce the effect of detaining or restricting the removal of a ship in execution or satisfaction of a judgment;
- b. *Bareboat charter* refers to a contract for the lease of a ship, for a stipulated period of time, by virtue of which the bareboat charterer has complete possession and control of the ship, including the right to appoint the master and crew of the ship, for the duration of the lease;
- c. *Bareboat charterer* or *charterer* may be used interchangeably and refers to any person, commercial partnership or corporation which bareboat charts a Philippine flag vessel from another Philippine national, or a vessel of compatible foreign registry, for its own use;
- d. *Certificate of Philippine Registration* refers to the document of registration of a vessel registered in accordance with Section 13 of this Act;
- e. *Claimant* refers to a person who asserts that a maritime claim exists in his favor;
- f. *Court* or *Philippine court* or *competent court* may be used interchangeably and refers to a court of appropriate jurisdiction within the territory of the Philippines;

- 1 g. *De-registration* refers to the act of deleting a ship from the Registry  
2 of Ships of the Philippines and the cancellation of the Certificate of  
3 Philippine registry in accordance with Section 21 of this Act:
- 4 h. *Foreign flag vessel* refers to a ship which is registered under the laws  
5 of a country other than the Philippines and which is authorized to fly  
6 the flag of that country,
- 7 i. *Foreign registry* refers to the registry of ships of a country other than  
8 the Philippines:
- 9 j. *Maritime claim* refers to any of the claims provided in this Act;
- 10 k. *Maritime lien* refers to a charge that attaches to a ship which rises  
11 from a maritime claim against the ship, its owners, charterers,  
12 managers, or operators that results in a demand for indemnity or  
13 remuneration from the ship or its owners, charterers, managers or  
14 operators and is enforceable by judicial action;
- 15 l. *Mortgages* refers to the person, whether natural or juridical, in whose  
16 favor a ship mortgage is created in order to secure a principal  
17 obligation;
- 18 m. *Mortgagor* refers to a ship owner who constitutes a ship mortgage  
19 over a vessel or a vessel under construction registered in its name in  
20 order to secure the fulfillment of a principal obligation,
- 21 n. *Philippine Flag Vessel* refers to any vessel duly registered under  
22 Philippine Laws and authorized to fly the Philippine flag;
- 23 o. *Philippine national* refers to any individual who is a citizen of the  
24 Philippines, or a commercial partnership or corporation organized  
25 under the laws of the Philippines, at least 60% of the capital of which  
26 is owned by citizens of the Philippines,
- 27 p. *Registration* refers to the act of entering a ship in the Registry of  
28 Ships of the Philippines in accordance with this Act;
- 29 q. *Register of Ships of the Philippines* or *Register* or *Registry* may be  
30 used interchangeably and refers to the official public register  
31 maintained by the MARINA which shall hold the record of all vessels  
32 under Philippine laws;



- 1 r. *Record of Ship Mortgages and Encumbrances* refers to the public  
2 record maintained by the MARINA containing all details of the vessel's  
3 mortgage and encumbrances, as will be further described in details  
4 hereafter;
- 5 s. *Seagoing vessel* refers to any Philippine flag vessel of five hundred  
6 (500) gross tons or more, authorized to carry passengers or cargo,  
7 or both, in trade between a Philippine port and a foreign port, or  
8 between two foreign ports;
- 9 t. *Ship manager* refers to any person, commercial partnership or  
10 corporation to which the technical or commercial management, or  
11 both such technical and commercial management, of a ship has been  
12 entrusted by the ship owner and for that purpose is in charge of the  
13 operation of the ship which may include vessel maintenance and  
14 upkeep, crewing and passenger and cargo solicitations;
- 15 u. *Ship mortgage* refers to a contract executed by the owner of a ship  
16 creating a security interest over a particular vessel or a vessel under  
17 construction in order to secure the performance of a principal  
18 obligation;
- 19 v. *Ship owner* refers to any person, commercial partnership or  
20 corporation authorized to own, operate, manage, control, lease or  
21 charter out, or otherwise engage in the business of shipping;
- 22 w. *Ship operator* refers to any person, commercial partnership or  
23 corporation authorized to operate, manage or control a ship owned  
24 by another,
- 25 x. *Tonnage* or *Gross tonnage* may be used interchangeably unless  
26 otherwise indicated and refers to the ship's gross tonnage calculated  
27 in accordance with the tonnage measurement rules provided in the  
28 applicable international convention on the tonnage measurement of  
29 ships,
- 30 y. *Unit of Account* refers to the Special Drawing Rights (SDR) as defined  
31 by the International Monetary Fund (IMF). The SDR is an

1 international reserve asset, created by the IMF in 1969 to supplement  
2 its member countries' official reserves.

- 3 z. *Vessel* or *ship* may be used interchangeably and refers to any boat,  
4 craft or artificial contrivance capable of floating in water, designed to  
5 be used, or capable of being used, as a means of water transport for  
6 the carriage of passengers or cargo, or both, utilizing its own motive  
7 power or that of another, and shall include a ship under construction  
8 and for purposes of this Act shall continue to be considered as  
9 personal property. It excludes fishing vessels defined and regulated  
10 under existing laws and *bancas*, sailboats, and other water-borne  
11 contrivance of less than three gross tons and not motorized:  
12 Provided, That this does not include those owned and/or operated  
13 by the Armed Forces of the Philippines and by foreign governments  
14 for military purposes: Provided further, That mobile offshore  
15 platforms used in petroleum exploration and development, such as  
16 mobile offshore drilling units and offshore production platforms, shall  
17 be considered as ships when they are mobile and not affixed to the  
18 seabed.

19 Sec. 5. *The Philippine Ship Registry*. — The Philippine Ship Registry,  
20 hereinafter referred to as the "Registry", is hereby established, through which the  
21 State confers nationality, exercises its jurisdiction, protects and enforces private rights,  
22 and undertakes the national and international responsibilities of a flag State, over all  
23 ships flying the Philippine flag.

24 The Registry is comprised of the Register of Ships and the Record of Ship  
25 Mortgages and Encumbrances. It shall be maintained by the MARINA in accordance  
26 with the provisions of this Act, and the rules and regulations that may be issued  
27 pursuant thereto. There shall be one Registry for all domestic and international flag  
28 vessels.

29 Sec. 6. *Register of Ships*. - A Register of Ships shall be kept and maintained by  
30 the MARINA, which shall record essential ship information, including the following:

- 31 a. Name of vessel;  
32 b. Keel number;



- c. Hull material;
- d. Principal dimensions;
- e. Gross tonnage;
- f. Net tonnage;
- g. IMO number;
- h. Official number;
- i. Place of build;
- j. Year of build;
- k. Name and address of registered owner, ship operator, bareboat charterer, manager or other person responsible for the ship;
- l. Date of issuance of CPR;
- m. Class of vessel,
- n. A reference that encumbrances on the vessel appear in the primary registry.

In the case of second-hand tonnage, the following additional data shall likewise be listed in the Registry of Ships:

- o. Place of previous registry;
- p. Name of previous owner. In the case of bareboat chartered vessels, the following additional data shall also be listed in the Registry of Ships:
- q. Place of primary registry;
- r. Name of registered owner appearing in the primary registry;
- s. Name of the vessel as it appears in the primary registry;
- t. A reference that encumbrances on the vessel appear in the primary registry;
- u. Any material change of condition with respect to any of the preceding items and any other fact required by regulation shall likewise be recorded in the Registry of Ships.

The MARINA may add to the required information to be submitted in accordance with international standards.

*Sec. 7. Effect of Registration.* – Any ship registered under the Philippine registry shall be entitled to the following:

- a. Conferment of the nationality and status of a Philippine ship;
- b. Entitlement to the protection of the Philippine flag;

- c. Entitlement to the right to invoke the diplomatic, consular and naval protection of Philippine authorities and the protection of the flag of the Philippines;
- d. Imposition of the duty to fly the Philippine flag;
- e. Obligation to abide by all applicable laws, decrees, orders, rules and regulations of the Philippines;
- f. Entitlement to the privilege to engage, consistently with the limitations provided by law, in Philippine coastwise trade in accordance with corollary permits, certificates and franchises that may be issued to the vessel; and
- g. Entitlement to the right to invoke the exercise of jurisdiction and control by Philippine government authorities over all persons found on board the vessel, or over any incident involving the penal or disciplinary responsibility of the master or any member of the crew whether the same arises from a crime or quasi-delict committed on board the vessel or from any collision or other incident of navigation concerning the ship.

Sec. 8. *One Ship, One Registry Rule.* — A ship may be registered with only one ship register at any one time. Before entering the ship in the Register, the MARINA shall ensure that any previous registration has been deleted, or that the ship has been de-registered from any foreign registry.

In the case of a foreign flag ship under bareboat charter, the MARINA shall ensure that the right to fly the flag of the former flag State is suspended for the duration of its registration with the Philippine Registry. A Certificate of Registration shall be issued only upon the production of evidence indicating the suspension of its previous registration and nationality under the former flag State, and indicating the particulars of any registered encumbrances entered in the previous registry.

It is the duty of the owner, master, or agent of every ship in the Register to inform the MARINA of any change in the facts pertaining to the ship and entered therein.

Sec. 9. *Who may Register.* —

- a) All ships operating within the maritime territory and jurisdiction of the Philippines, except transient foreign flag ships subject to such regulations as the MARINA may prescribe, are mandated to be registered with the Philippine Registry: *Provided*, That they meet the conditions for the grant of registration



1 imposed by this Act and the regulations pursuant hereto. This mandatory  
2 registration under the Philippine Flag is particularly required in the following  
3 cases:

- 4 1. The ship is five hundred (500) gross tons or more, 2s 'The ship is  
5 owned by a qualified person, as may be determined by the MARINA;
- 6 2. The ship meets the requirements for safety, security, marine  
7 environmental protection, crew nationality, training, certification  
8 and competency, and crew welfare.

9 b) Any other ship, including a foreign-owned ship, may also be registered in  
10 accordance with this Act, provided the following conditions are present:

- 11 1. It is used only in international voyages,
- 12 2. It is managed by a qualified person residing in the Philippines, as  
13 may be determined by the MARINA;
- 14 3. It complies with the applicable provisions that govern the safety and  
15 security of Philippine ships and persons on board;
- 16 4. It complies with the applicable provisions that govern the terms and  
17 conditions of employment on board Philippine flag vessels; and
- 18 5. The ship employs full Filipino crew, unless otherwise authorized by  
19 the MARINA, consistent with applicable treaties, conventions and  
20 internationally-accepted maritime and labor standards and  
21 practices: *Provided*, however, That any exemption granted by the  
22 MARINA must still require that at least majority of the crew of the  
23 seagoing vessel are Filipinos.
- 24 6. Additional incentives for payment of tax tonnage, under Section 24  
25 hereof, shall be granted to the registered foreign-owned vessel  
26 where the ship owner, manager, operator, or bareboat charterer  
27 and all its crew officers, and employees have a valid, subsisting and  
28 duly implemented collective bargaining agreement that conforms to  
29 international labor standards, rules and conventions.

30 c) Vessels of a foreign registry that are covered by a bareboat charter may be  
31 registered under the Philippine flag: *Provided*, That their registration under the

1 foreign flag of primary registration shall not be abandoned, but shall be deemed  
2 suspended, for the duration of the ship's registration under the Philippine flag.

3 Sec. 10. *Licensure*. — Every ship, regardless of size, intended to be used in the  
4 carriage of passengers or cargo, or both, between ports and places, in the coastal,  
5 internal, inland or sheltered waters of the Philippines, shall be covered by a license to  
6 operate: Provided, That such ship is owned by a citizen of the Philippines or a  
7 corporation or association organized under the laws of the Philippines at least sixty  
8 percent (60%) of whose capital is owned by such citizens and the ship meets the other  
9 conditions for the grant of the license imposed by this Act and the regulations pursuant  
10 hereto:

11 Sec. 11. *Conditions for Registration*. — No ship shall be registered unless the  
12 following conditions are present, as determined by the MARINA in accordance with  
13 this Act and regulations issued related hereto:

- 14 a. Proof of Ownership. - There must be satisfactory proof of ownership and/or  
15 management by qualified persons.
- 16 b. Seaworthiness. - A ship must comply with the general requirements for age,  
17 safety, security, navigation, manning, and protection and preservation of  
18 the marine environment in accordance with national and international  
19 standards for ships.
- 20 c. Manning. - A ship must be manned by a crew with such level of skills and  
21 competencies as may be necessary in accordance with applicable  
22 international maritime conventions, rules, and standards as well as national  
23 law and regulations.
- 24 d. Labor and social conditions. - A ship must meet the labor and social  
25 standards required by applicable international labor conventions, rules and  
26 standards as implemented by the MARINA.
- 27 e. Management. - A ship must be managed by a person or entity that is under  
28 the effective jurisdiction of the State.
- 29 f. Payment of fees and dues. - The applicant for ship registration must pay  
30 the corresponding registration fees and tonnage dues as may be imposed  
31 by the State.



1       Sec. 12. *Documentary Requirements.* – Every ship owner, master or agent who  
2       opts to enroll a vessel for registry under the Philippine flag shall submit to the MARINA  
3       the following documents:

- 4       a. A written application for registration;
- 5       b. A documentary proof of ownership over the vessel;
- 6       c. Proof of authority to enroll the ship for registry, if applicable;
- 7       d. A copy of a certification issued by a classification society showing the ship  
8       is of a certain class, if existing and applicable; and
- 9       e. Such other necessary documents that may be required by the MARINA in  
10      accordance with the best international shipping practices or standards.

11      Sec. 13. *Issuance of Certificate of Philippine Registration.* No application for a  
12      Certificate of Philippine Registration shall be approved and issued until the MARINA  
13      has made the proper evaluation that all the conditions and documents required and  
14      mandated for registration under this Act or regulations issued hereto have been  
15      complied with. The MARINA or its deputized representative shall inspect the vessel  
16      and all its documents and ensure that it is qualified for registration under this Act.

17      A certificate of Philippine registry shall be valid for a period of no more than  
18      three (3) years, and may be continuously renewed for a similar period: *Provided,* That  
19      all the requirements for registration or its renewal are met.

20      In case of a bareboat chartered vessel, the Certificate of Philippine Registration  
21      shall be valid for a period of no more than three (3) years or the period of the bareboat  
22      charter, whichever is shorter.

23      Sec. 14. *Types of Registration.* — Registration of a ship may be permanent,  
24      provisional, or temporary in nature.

- 25      a. Permanent Registration. - Except as provided in the succeeding sections,  
26      the registration of a ship and issuance of a Certificate of Philippine  
27      Registration is deemed to be permanent until the ship is actually de-  
28      registered or deleted from the Register.
- 29      b. Provisional Registration. - Ships constructed and/or acquired abroad, before  
30      being brought to the Philippines, may be issued a Provisional Certificate of  
31      Philippine Registration and a provisional tonnage certificate for conduction  
32      purposes.

1 c. Temporary Registration. - The following may be issued a Temporary  
2 Certificate of Philippine Registration:

- 3 1. Any ship about to be built, or under construction in the Philippines;
- 4 2. Any ship owned and/or operated by an entity duly registered with  
5 the Board of Investments (BOI) under pertinent investment laws,  
6 rules and regulations, to be used exclusively for the purpose of  
7 transporting raw materials and/or finished products within  
8 Philippine waters as an essential element and operation in the  
9 manufacturing, processing, or other business activity or project  
10 registered by such entity with the BOI: *Provided*, That such  
11 temporary registration applies only for the duration of such business  
12 activity or project, and shall not exceed one year, renewable for  
13 another year: *Provided*, further, That the type of ship used or  
14 service undertaken cannot be provided by a Philippine ship owner;
- 15 3. Any ship that is operated and managed under a bareboat charter:  
16 *Provided*, That in case of a foreign flag vessel bareboat-chartered  
17 by a *qualified* person for operation in Philippine waters, the ship  
18 may be temporarily registered with the Registry for the duration of  
19 the charter: *Provided*, *further*, That for the duration of temporary  
20 registration with the Philippines, any registration with a foreign flag  
21 State is suspended: *Provided*, *finally*, That no ship under a bareboat  
22 charter shall be registered if, after the effectivity of its charter, it  
23 has undergone extensive structural modification in a manner that  
24 affects its safety and seaworthiness.

25 Sec. 15. *Markings, Name and Homeport.* — All ships duly registered according  
26 to the provisions of this Act shall have their respective names plainly marked upon  
27 each side of the bow and the stern; and the homeport and International Maritime  
28 Organization (IMO) number upon the stern.

29 Sec. 16. *Change in Ownership of Ships.* — In case of a sale of a Philippine-  
30 flagged ship, the transferee shall present the bill of sale or other certificate evidencing  
31 the transfer of ownership to the MARINA within fifteen (15) days after its execution  
32 for appropriate recording in the Register.



1       Sec. 17. *Correction of Errors in the Registry.* — Errors in recording made in the  
2 Register shall be corrected in the following manner:

- 3       a. Mere clerical errors without any effect on the meaning and substance of the  
4 document shall be corrected by the appropriate and designated officer of  
5 the MARINA who shall make the necessary correction,
- 6       b. Any mistake or error that might affect the meaning and substance of the  
7 documents shall be corrected by order of the MARINA after notice to, and  
8 hearing of, the interested parties.

9       Sec. 18. *Reconstitution of Lost Certificate.* — If the Certificate of Philippine  
10 Registration of a ship is lost or damaged, the owner, master or agent thereof may file  
11 an application with the MARINA for the issuance of a replacement certificate. The  
12 replacement certificate shall indicate that the original certificate is considered  
13 cancelled and revoked. If after the issuance of the replacement certificate, the lost  
14 original certificate of Philippine registry is found, it shall be the duty of the owner,  
15 master, agent or any person having possession of the original certificate to surrender  
16 it to the MARINA.

17       Sec. 19. *Suspension, Cancellation or Revocation of Ship Registration.* — The  
18 registration of a Philippine flag vessel shall be cancelled and its corresponding  
19 Certificate of Philippine Registration shall be revoked in any of the following cases:

- 20       a. The Certificate of Philippine Registration was illegally or fraudulently  
21 obtained;
- 22       b. The ship is sold, transferred and/or assigned to a person not qualified to  
23 register ships in the Philippines under the provisions of this Title or as may  
24 be determined by the MARINA;
- 25       c. In the case of a transfer of ownership over the ship, the new transferee or  
26 assignee has properly applied for change of ownership and/or registration;
- 27       d. The ship is sold by the order of a competent court;
- 28       e. The ship is sold for scrapping;
- 29       f. The ship is determined by the MARINA to be unsafe and unserviceable  
30 beyond repair;
- 31       g. The bareboat charter of the ship has expired, or has been cancelled or  
32 terminated for any reason, in which case the cancellation from the register

1 of ships and revocation of the certificate of Philippine registry shall be  
2 automatic;

- 3 h. The ship has been declared lost or missing pursuant to a written and  
4 notarized notice submitted by the owner, master, or agent of a Philippine  
5 flag vessel to the MARINA, containing advice of such loss and the probable  
6 cause thereof;
- 7 i. Gross violations of the safety, security, environment and other standards or  
8 requirements set by the MARINA;
- 9 j. The ship owner, manager, agent or bareboat charterer is proven to have  
10 given or submitted to the MARINA fabricated information or fraudulent  
11 documents relative to the registration or settlement of their fees or taxes;
- 12 k. The ship has engaged in illegal activities;
- 13 l. The ship owner, manager or bareboat charterer commits any act inimical to  
14 the national security or national interests of the Philippines;
- 15 m. The ship is entered in a foreign registry without prior approval of the  
16 MARINA.

17 *Sec. 20. Inspection of the Register.* - The Register of Ships shall be open to  
18 public inspection during ordinary business hours, in the offices of the MARINA and  
19 online. All documents and information provided in connection with the registration of  
20 a ship are considered public documents. Upon request and payment of reasonable  
21 fees, authenticated copies of any document or instrument required to be filed under  
22 this Act and pertinent rules and regulations, or extracts thereof, shall be furnished to  
23 any person.

24 *Sec. 21. De-registration of Ships.* — A ship which is or has been registered in  
25 another State shall not be eligible for permanent registration in the Philippines, unless:

- 26 a. A certificate has been issued by the former flag State to the effect that the  
27 ship has been de-registered; or
- 28 b. A certificate has been issued by the former flag State to the effect that the  
29 ship will be de- registered on the day when such new registration is effected.

30 Except in case of forced sales, a Philippine flagged vessel shall not be de-  
31 registered without the written consent of all holders of registered mortgages.



1           If the de-registration of the vessel is obligatory in accordance with this section,  
2 all holders of registered mortgages shall be notified by the MARINA of the pending  
3 de-registration in order to enable such holders to take appropriate action to protect  
4 their respective interests.

5           If the consent of the holders is not obtained, de-registration shall not be  
6 implemented earlier than three (3) months after notice to such holders of registered  
7 mortgages is given.

8           Sec. 22. *Processing Fee.* — A processing fee shall be paid by the owner, master  
9 or agent of the ship sought to be registered when the application for registration or  
10 when a renewal thereof is filed. The processing fee shall be collected to cover  
11 administrative costs for handling and processing the application. The processing fee  
12 shall be in such reasonable amount as may be determined by the MARINA.

13           Sec. 23. *Registration Fee.* — A registration fee shall be payable by the ship  
14 owner master or agent when the ship is first entered in the Registry and shall be paid  
15 when the Certificate of Philippine Registration is issued. The registration fee shall be  
16 fixed in such reasonable amount as determined by the MARINA.

17           Sec. 24, *Tonnage Tax Fees.* — An annual tonnage tax fee shall likewise be  
18 paid by the owner, manager or bareboat charterer of the vessel in order for the  
19 issuance and continued possession of a valid and subsisting certificate of Philippine  
20 registration. The annual tonnage tax fee shall be computed at the rate of US\$0.10 per  
21 net register tonnage or its equivalent in Philippine Peso based on the present or latest  
22 exchange rate posted by the *Bangko Sentral ng Pilipinas* (BSP) on the date of payment  
23 of the tonnage tax fees. The ship owner, master, or agent shall have the option  
24 whether to pay in US dollars or in Philippine Peso.

25           For all vessels, if the owner, manager, or agent has satisfactorily established  
26 with the MARINA compliance with the conditions stated in Section 9 par. b Subsection  
27 6 hereof, they shall enjoy an additional incentive. In such case, the tonnage tax fees  
28 due from them shall be reduced to the rate of US\$0.08 per net register tonnage or its  
29 equivalent in Philippine Peso based on the present or latest exchange rate posted by  
30 the BSP on the date of payment of the tonnage tax fees: Provided That if the MARINA  
31 determines that the conditions for the additional incentive is violated or proof shown

1 for its existence is fabricated, the Certificate of Philippine Registration may be revoked  
2 in accordance with Section 19 paragraph (j) hereof.

3       Sec. 25. *Adjustments in Fees and Taxes.* — The MARINA may review the rates  
4 for the processing fee, registration fee, and tonnage tax fees from time to time and  
5 with the approval of the Department of Transportation, may, by regulation, adjust or  
6 increase various fees, but for a reasonable amount.

7       Sec. 26. *Exemption from Duties and Taxes.* — The importation by the owner,  
8 manager, agent or bareboat charterer of a vessel, and the spare parts, steel/metal  
9 plates and equipment needed for the refurbishing, repair and maintenance of such  
10 vessel shall be exempt from the payment of import duties and taxes, value added  
11 taxes and all other pertinent taxes.

12       In the case of a registered vessel, the annual tonnage tax fees shall be in lieu  
13 of any income tax due from the ship owner, manager, agent or bareboat charterer  
14 and the withholding tax due on the lease or bareboat charter fees earned by the ship  
15 owner. Likewise, all crewing personnel of the registered foreign-owned vessel shall be  
16 exempt from income tax and all other taxes that may be imposed on their salaries and  
17 remunerations received by reason of or in connection with their employment with the  
18 ship owner, manager or bareboat charterer of the registered foreign-owned vessel.

19       Sec. 27. *Record of Ship Mortgages and Encumbrances.* - The MARINA shall  
20 maintain a Record of Ship Mortgages and Encumbrances containing the details and  
21 documents regarding all transfers, mortgages, encumbrances, or other documents  
22 proving or affecting the title to any ship registered in the Register of Ships. All  
23 documents, certificates, receipts, or acknowledgments canceling or satisfying any such  
24 obligation in whole or in part shall likewise be recorded. The date and time of recording  
25 shall be expressly stated.

26       Sec. 28. *Effect of Recording.* — In order to be valid and enforceable, every  
27 mortgage, encumbrance, or other right over a Philippine flag vessel, whether  
28 permanent or temporary in nature, in favor of a person other than the registered ship-  
29 owner or his agent, must be entered into the Record. Priority in time of recording  
30 determines the priority in rights between different rights-holders.



1           Sec. 29. *Requirements of Recording.* — A ship mortgage, encumbrance, or  
2 other rights shall be entered into the Record upon submission to the MARINA of the  
3 following:

- 4           a. A copy of the contract or other instrument evidencing such mortgage,  
5           encumbrance, or other rights, which contain all the essential details thereof;
- 6           b. A copy of the Certificate of Philippine Registration;
- 7           c. In case of a ship under construction, a copy of its Temporary Certificate of  
8           Philippine Registration, or if such has not yet been issued, a declaration  
9           stating the ship's name, the location of the shipyard, the yard number, and  
10          the dimensions and appropriate deadweight of the vessel upon completion.

11          Sec. 30. *Annotation of Mortgages and Encumbrances.* — Upon request of the  
12 mortgagee, holder of the right, or his agent, and submission of the necessary  
13 documents required in this Act for recording, the MARINA shall cause the annotation  
14 of a ship mortgage, encumbrance, or other right on the back of the corresponding  
15 Certificate of Philippine Registry of the vessel concerned, referring to the entry  
16 number, date and time of entry, and nature or subject matter of the document as  
17 contained in the Record.

18          If a new or replacement certificate is issued, the annotations upon the previous  
19 certificate shall automatically be transferred and annotated upon the back of the new  
20 or replacement certificate.

21          Sec. 31. *Rights Over Vessels Under Construction.* — Any right in respect to a  
22 vessel under construction in the Philippines may be entered and recorded after the  
23 keel has been laid or equivalent construction work has been performed.

24          Vessels under construction contracted by a Philippine national may be  
25 registered in accordance with the provisions of this Act. In order that the vessel may  
26 be the subject of registration under this Act, it is necessary that the keel of the vessel  
27 must have been laid and a keel number assigned by the shipyard at the time of  
28 application.

29          Sec. 32. *Inspection of the Record.* — The Record shall be open to public  
30 inspection during ordinary business hours in the offices of the MARINA and online.  
31 Upon request and payment of reasonable fees, extracts from the Record of Ship  
32 Mortgages and Other Rights, and/or authenticated copies of any document or

1 instrument required to be filed under this Title and/or pertinent rules and regulations,  
2 or extracts thereof, shall be furnished to any person.

3       Sec. 33. *Nature of Maritime Liens.* — Maritime liens arise and are enforceable  
4 whether the claims secured by such liens are against the owner, or against the demise  
5 or other charterer, manager or operator of the ship. Except in case of forced sale of  
6 the ship, the maritime liens shall be attached to the ship notwithstanding any change  
7 of ownership, registration, or flag.

8       Sec. 34. *Claims Secured by Maritime Liens.* — The following claims in relation  
9 to a ship shall be secured by maritime liens on the ship:

- 10       a. Claims for wages and other sums due to the master, officers and other  
11       members of the ship's complement in respect of their employment on the  
12       ship;
- 13       b. Claims in respect of loss of life or personal injury occurring, whether on land  
14       or on water, in direct connection with the operation of the ship;
- 15       c. Claims based on tort and not capable of being based on contract, in respect  
16       of loss or damage to property caused by the operation of the ship other  
17       than loss of or damage to cargo, containers and passengers' effects carried  
18       on the ship;
- 19       d. Claims for port, canal, and other waterway dues, tonnage dues, light dues,  
20       pilotage dues, other public taxes, dues and charges of the same character;  
21       and
- 22       e. Claims relating to the salvage, wreck removal and contribution in general  
23       average.

24       Sec. 35. *Claims Not Secured by Maritime Liens.* — No maritime lien shall attach  
25 to a ship to secure claims for damages in connection with the carriage of oil or other  
26 hazardous or noxious substances by sea for which compensation is payable to the  
27 claimants pursuant to international conventions, local laws, or compulsory insurance,  
28 or those which arose out of or which resulted from the radioactive properties or a  
29 combination of radioactive properties with toxic, explosive or other hazardous  
30 properties of nuclear fuel, or of radioactive produce or waste.

31       Sec. 36. *Priority of Maritime Liens.* - The maritime liens set out in Section 33  
32 hereof shall take priority over registered mortgages, hypothèques, and charges. No



1 other claim shall take priority over such maritime liens or over such mortgages,  
2 hypothèques, or charges except as may be specifically provided under this Act. The  
3 maritime liens set forth in sub-sections (a) to (e) of Section 34 hereof shall rank equally  
4 as between themselves.

5       *Sec. 37. Maritime Liens in case of Salvage, Wreck Removal, or General Average*  
6 *Acts.* — Maritime liens securing claims for salvage, wreck removal and contribution to  
7 general average shall take priority over all other maritime liens which have attached  
8 to the ship prior to the time when the operations giving rise to the said liens were  
9 performed.

10       Such liens shall rank in the inverse order of the time when the claims secured  
11 thereby accrued. Claims for contribution to general average shall be deemed to have  
12 accrued on the date on which the general average act was performed, while claims  
13 for salvage shall be deemed to have accrued on the date on which the salvage  
14 operation was terminated.

15       In the event of a forced sale of a wreck of a ship, following its removal by the  
16 MARINA, the costs of such removal shall be paid out of the proceeds of the sale before  
17 all other claims secured by maritime lien on the ship.

18       If at the time of the forced sale, the vessel is in the possession of a ship-builder  
19 or a ship-repairer who enjoys a right of retention, such a ship-builder or ship-repairer  
20 shall surrender possession of the ship to the purchaser but is entitled to obtain  
21 satisfaction of a claim out of the proceeds of the sale after the satisfaction of the  
22 claims of holders of maritime liens mentioned in Section 34 hereof.

23       *Sec. 38. Extinguishment of Maritime Liens.* — Maritime liens shall be  
24 extinguished after a - period of one (1) year from the time when the claims secured  
25 thereby arose unless, prior to the expiration of such period, the ship has been arrested  
26 and the ownership thereof transferred through a forced sale ordered by a competent  
27 court or tribunal.

28       The period of one (1) year shall not be subject to suspension or interruption:  
29 Provided, That the time shall not run while the person enforcing the lien is prevented  
30 from arresting the ship legally or by circumstances beyond his control.

31       Maritime liens which arose prior to the effectivity of this Act shall be  
32 extinguished one (1) year after the date of such effectivity.

1       Sec. 39. *Rights of Retention.* — The following persons, when in possession of  
2 ship or ship that is under construction, shall have the right to retain such ship or ship  
3 under construction, without need of a court order:

- 4       a. a shipbuilder, to secure claims arising out of the construction of, or other  
5       work carried out in relation to the ship; and
- 6       b. a ship repairer, to secure claims arising out of the repair of, including the  
7       modification, conversion or reconstruction of the ship, or other work carried  
8       out in relation to the ship, affected during such possession.

9       Sec. 40. *Extinguishment of Rights of Retention.* — The rights of retention under  
10 the preceding section shall be extinguished when:

- 11       a. the claim in respect of which said right has been exercised is met or is  
12       otherwise discharged;
- 13       b. the ship ceases to be in the possession of the ship-builder or ship-repairer  
14       as the case may be; or
- 15       c. The competent court orders the release of the ship.

16       Sec. 41. *Assignment or Subrogation.* — The assignment of or subrogation to a  
17 claim secured by a maritime lien results in the simultaneous assignment of or  
18 subrogation to such maritime lien.

19       Claimants holding maritime liens may not be subrogated to the compensation  
20 payable to the owner of the ship under an insurance contract.

21       Sec. 42. *Exclusions.* — The provisions of this Title shall not apply to:

- 22       a. a claim for the enforcement of a maritime lien that is already the subject of  
23       a pending case and which is sought to be enforced under the provisions of  
24       Presidential Decree No. 1521, or the Ship Mortgage Decree, at the time of  
25       the effectivity of this Act:
- 26       b. A maritime lien which arose prior to the effectivity of this Act, unless such  
27       lien has already prescribed.

28       Sec. 43. *Application.* — The provisions of this Chapter shall apply to every  
29 mortgage wherever executed in respect of:

- 30       a. A ship that is registered in the Philippines, or
- 31       b. A ship that is under construction in the Philippines.



1       Sec. 44. *Subject of a Ship Mortgage.* — Unless otherwise stipulated, a ship  
2 mortgage shall include all the property of the mortgagor which is appropriated to the  
3 ship and on board at the time when the mortgage contract is entered into, or which  
4 is later substituted for such property.

5       In case the ship is under construction, the ship mortgage shall include all  
6 materials, machinery and equipment owned by the mortgagor that are within the  
7 premises of the builder's yard and distinctly identified as intended to be incorporated  
8 into the ship under construction.

9       Sec. 45. *Formal Validity.* — A ship mortgage shall not be valid unless it is made  
10 by or with the consent of the owner of the ship or ship under construction, and in  
11 writing and signed by the mortgagor and mortgagee. However, the ship mortgage  
12 may be validly made in the form of an electronic document as defined by law. Except  
13 as otherwise expressly provided in this Act, no other document for formal validity shall  
14 be required in order for the ship mortgage to be binding and effective upon the  
15 mortgagor and mortgagee.

16       Sec. 46. *Registration of Ship Mortgages.* — Every mortgage of a ship that is  
17 registered or under construction in the Philippines shall, on proper application, be  
18 registered in the Record of Mortgages and Encumbrances established in Section 27  
19 hereof. If such a mortgage is not registered, it shall be unenforceable against the ship  
20 and third persons.

21       All entries in the Register of Mortgages and Encumbrances pertaining to the  
22 mortgage of a ship shall be annotated on the back of the Certificate of Philippine  
23 Registration, stating the time and date of transfer and the nature and subject matter  
24 of the encumbrance. All ship mortgages shall be registered in the order in which they  
25 are filed, indicating the date and time of registration.

26       The MARINA shall, upon the registration of a mortgage, issue two official copies  
27 of the relevant entry in the Registry to the mortgagor. Each official copy of the entry  
28 shall bear the official time and date of the registration of the mortgage.

29       If a ship mortgage is transferred or materially amended or if one mortgage is  
30 substituted for another, the transfer, amendment or substitution shall likewise be  
31 entered into the Record. Any transfer, amendment or substitution that is not entered  
32 into the Record shall be unenforceable against the ship and third persons.

1       Sec. 47. *Disclosure by the Mortgagor.* - Upon request of the mortgagee prior  
2 to the execution of the mortgage to which they are parties, the mortgagor shall  
3 provide in writing the details of any prior ship mortgage and any maritime lien that is  
4 known to the mortgagor, upon the ship which is the subject of the ship mortgage. |

5       Sec. 48. *Priority Between Ship Mortgages.* — Ship mortgages shall rank in the  
6 order of their being recorded with the Registry.

7       Sec. 49. *Notification of De-registration of Subject of Ship Mortgage.* — Except  
8 in the case of a forced sale upon order of a competent court, the de-registration of a  
9 ship shall not be permitted unless all registered ship mortgages are first deleted, or  
10 the written consent of all holders of such mortgages is obtained.

11       Where the de-registration of the ship is obligatory according to the provisions  
12 of this Act or its implementing regulations, the MARINA shall notify the holders of  
13 registered ship mortgages of the pending de-registration in order to enable such  
14 holders to take appropriate action to protect their interests. Unless the said holders  
15 consent to a shorter period, the de-registration shall not be implemented until after a  
16 lapse of a reasonable time from notification in writing, which shall not be less than  
17 three (3) months.

18       There shall be no other requirements for formal validity except as stated in the  
19 preceding paragraphs.

20       Sec. 50. *Grounds to Enforce a Ship Mortgage.* — A mortgagee shall be entitled  
21 to enforce the security represented by the ship under a mortgage in the following  
22 cases:

- 23       a. The mortgagor defaults in the discharge of the indebtedness or other  
24       obligations secured by the ship mortgage;
- 25       b. The mortgagor or any person in possession of the mortgaged property  
26       substantially prejudices the security of the mortgagee by any act or  
27       omission;
- 28       c. The mortgagor commits any breach of the mortgage contract which, by the  
29       terms of the contract, entitles the mortgagee to enforce the security.

30       Sec. 31. *Remedies of Mortgagees.* -The enforcement of the security under the  
31 mortgage may be carried out by:



- a. Arresting the ship subject to the mortgage and applying for an order for its forced sale by competent court; or
- b. Foreclosing the mortgage; or
- c. Any other manner stipulated in the mortgage contract.

Sec. 52. *Arrest and Forced Sale of a Ship*. — A mortgagee entitled to enforce a mortgage, or a person exercising a maritime lien, may bring a proceeding *in rem* against the ship which is the subject of the mortgage or to which the maritime lien attaches, as the case may be, before a competent court having jurisdiction over the ship.

The petitioner shall be entitled to apply to the court *ex parte* for an order for the arrest of said ship. The petitioner's claim shall be supported by an affidavit stating the circumstances which shall be the bases to enforce the mortgage or lien. An affidavit executed abroad must be duly authenticated. If the affidavit satisfactorily establishes the petitioner's claim, the competent court shall order the arrest of the ship.

The court may require the petitioner to post a bond or other security before issuing the order of arrest. If so required, the bond or security shall not exceed the amount of the mortgage debt or lien.

The court shall, after judgment, order the forced sale of the ship to satisfy the claim, unless the ship has been released in accordance with the next succeeding section.

The rules on preliminary attachment under the Rules of Court shall not apply in the arrest of ships.

Sec. 53. *Release of Arrested Ship*. — The court shall not release the arrested ship prior to rendition of judgment unless the mortgagor, the owner of the ship, or any person authorized to act on his behalf or of any other person interested in the ship:

- a. applies to the court for an order releasing the ship from arrest, by making a cash deposit, and if the same is not possible upon presentation of competent evidence, by filing a counter-bond or security in an amount double the value of the claim, to secure the payment of any judgment that the mortgagee may recover in the action, or
- b. Proves that the arrest was improperly or irregularly made.

1       Sec. 54. *Notice of Forced Sale of a Ship.* — Prior to the forced sale of a ship,  
2 the court shall give, or cause to be given, at least thirty (30) days prior notice of the  
3 time and place of such sale, either in customary or electronic form, to the following:

- 4       a. all holders of registered mortgages;
- 5       b. such holders of maritime liens whose claims have been notified to the court  
6       and have not expired;
- 7       c. All other persons having an interest in the ship, whose interests have been  
8       notified to the court.

9       Sec. 55. *Effect of Forced Sale of a Ship.* — in the event of the forced sale of a  
10 ship, all mortgages, except those assumed by the purchaser with the consent of the  
11 holders, and all liens and other encumbrances of whatsoever nature, shall cease to  
12 attach to the ship but shall attach to the proceeds of sale: *Provided*, That at the time  
13 of the sale, the ship is in the jurisdiction of the Philippines, and the sale has been  
14 effected in accordance with the laws of the Philippines.

15       Any charter party or contract for the use of the ship in existence at the time of  
16 the forced sale shall be deemed to be terminated, without prejudice to any claim the  
17 charterer may have against the owner of the ship at the time of the sale.

18       Sec. 56. *Bankruptcy Does Not Affect Ship Mortgage.* — The mortgage of a ship  
19 is not affected by the bankruptcy or rehabilitation of the mortgagor after the date of  
20 the registration of the mortgage.

21       Sec. 57. *Distribution of the Proceeds.* – The costs awarded by the competent  
22 court and expenses arising out of the arrest and sale of the ship shall be paid first out  
23 of the proceeds of such sale. Thereafter, the following claims shall be satisfied out of  
24 the balance of the proceeds of the sale in the order herein enumerated, observing  
25 also the preference among each category of claims, established in Sections 34 and 36  
26 hereof on maritime liens and Section 46 hereof on ship mortgages:

- 27       a. Maritime liens;
- 28       b. Registered mortgages: and
- 29       c. Rights of retention.

30       In case of deficiency, the mortgagee shall be entitled to file a suit *in personam*  
31 against the mortgagor.



1       Sec. 58. *Certificate of Release.* – When a ship registered in the Philippines has  
2       been the object of a forced sale in the Philippines, the competent court having  
3       jurisdiction shall, at the request of the purchaser, issue a certificate to the effect that  
4       the ship is sold free of all mortgages, maritime liens, and other encumbrances, except  
5       those assumed by the purchaser.

6       Upon the production of the above-mentioned certificate, the MARINA shall  
7       delete all registered mortgages from the Registry, except those assumed by the  
8       purchaser, or issue a certificate of de-registration for the purpose of registration, as  
9       the case may be.

10      Sec. 59. *Effect of the Forced Sale of a Ship in Foreign States.*— The forced sale  
11      in a foreign state of a ship registered in the Philippines shall be recognized and  
12      effective in the Philippines: Provided, That the procedure for such forced sale in that  
13      foreign state substantially corresponds to the appropriate procedure set out herein.

14      Sec. 60. *Foreign Maritime Liens.* — A claim governed by the law of a State other  
15      than the Philippines and recognized by such law as giving rise to a maritime lien or  
16      right of a similar nature against the owner, or against the demise or other charterer,  
17      manager or operator of a ship, shall be recognized by and enforceable in the  
18      Philippines: *Provided,* That said claim constitutes or corresponds substantially to a  
19      claim set out in this Act. The provisions of this Act relating to maritime liens, including  
20      priority, ranking of liens between themselves, and enforcement, shall also apply to  
21      such claims.

22      Sec. 61. *Foreign Mortgages.* — A foreign mortgage, or any mortgage or  
23      hypothee which relates to a ship of foreign registry, shall be recognized and  
24      enforceable in the Philippines: *Provided,* That:

- 25      a. such mortgage has been effected and registered or otherwise recorded in  
26      accordance with the law of the State where the ship is registered;
- 27      b. such register and any instrument or document which are required to be  
28      deposited are open to public inspection, and that extracts of the register  
29      and copies of such instruments are obtainable from the registrar, and
- 30      c. either the register or the loan agreement specifies:
  - 31          1. the name and address of the person in whose favor the mortgage  
32          has been effected or that it has been issued to bearer:

2. the amount secured by the mortgage or the manner of calculating said amount;
3. the date of the mortgage; and A. such other particulars which, according to the law of the State where the ship is registered, determine the rank in regard to other registered mortgages.

All matters relating to the procedure for enforcement of foreign mortgages shall be governed by this Act.

Sec. 62. *Priority and Ranking of Foreign Mortgages.* — Foreign mortgages shall be subordinate to maritime liens as set out in this Act. The ranking of foreign registered mortgages as between themselves, and their effect as regard to third parties, shall be governed by the law of the State where the ship is registered.

Sec. 63. *Application.* — The following may invoke the right to limit their liability in accordance with the rules provided for in this Title for the claims set out in the succeeding section:

- a. Ship owners;
- b. Ship operators;
- c. Bareboat charterers;
- d. Ship managers;
- e. Salvors with respect to claims set forth in Section 65 hereof;
- f. Any person whose act, neglect or default the ship owner, ship operator, bareboat charterer, ship manager or salvor is responsible for; and
- g. Insurers who assume the liability of any ship owner, ship operator, bareboat charterer, ship manager, or salvor.

They may invoke their right to limit liability against any claimant in a judicial action who has sought the arrest of their vessels in order to enforce a claim which is subject to limitation.

Sec. 64. *Claims which are Subject to Limitation.* — The following claims made against the persons set forth in the preceding section or against the ship, whatever the basis of liability may be, shall be subject to the limitation of liability:

- a. Claims in respect of loss of life or personal injury, or loss of or damage to property, including damage to harbor works, basins, waterways and aids to navigation, occurring on board or in direct connection with the



1 operation of the ship or with salvage operations and consequential loss  
2 resulting therefrom;

3 b. Claims in respect of loss resulting from delay in the carriage by sea of  
4 cargo, passengers or their luggage;

5 c. Claims in respect of other loss resulting from the infringement of rights,  
6 other than contractual rights, occurring in direct connection with the  
7 operation of the ship or of salvage operations;

8 d. Claims in respect of loss or damage arising from the raising, removal,  
9 destruction or the rendering harmless of a ship which is sunk, wrecked  
10 or abandoned, including anything that is or has been on board such ship;

11 e. Claims in respect of loss or damage resulting from the removal,  
12 destruction or the rendering harmless of the cargo of the ship;

13 f. Claims in respect of measures taken in order to avert or minimize loss  
14 for which the person liable may limit his liability in accordance with this  
15 Title, and any further loss caused by such measures.

16 Sec. 65. *Claims Not Subject to Limitation.* — The following claims shall not be  
17 subject to any limitation of liability in accordance with this Title:

18 a. Claims arising from the contract of salvage or from any salvage operation  
19 rendered in accordance with relevant Philippine law on salvage or any  
20 applicable international salvage convention, including any claim for  
21 special compensation payable under a contract of salvage, or any  
22 contribution in general average;

23 b. Claims for oil pollution damage within the meaning of the applicable  
24 convention covering the civil liability for oil pollution damage or any  
25 amendment thereto which is in force;

26 c. Claims subject to any international convention governing or prohibiting  
27 the limitation of liability for nuclear damage;

28 d. Claims against the ship owner of a nuclear ship for nuclear damage:

29 e. Claims brought by employees against the shipowner, ship operator,  
30 bareboat charterer, ship manager, or salvor, where the duties of such  
31 employees are connected with the ship or with the salvage operations,  
32 as the case may be, or their heirs, successors, or assigns, if under the

1 law governing the contract of employment, the ship owner, ship  
2 operator, bareboat charterer, ship manager, or salvor is not entitled to  
3 limit his liability in respect of such claims, or if the law governing the  
4 contract of employment permits a limit of liability greater than that  
5 provided for in this Act.

6 Sec. 66. *Conduct Barring Limitation.* – Any shipowner, ship operator, bareboat  
7 charterer, ship manager or salvor, or any person acting on their behalf, shall not be  
8 entitled to limit liability if it is proven that the loss resulted from the personal act or  
9 omission of such ship owner, ship operator, bareboat charterer, ship manager, or  
10 salvor, or any person acting on their behalf, and such actor omission was committed  
11 with the intent to cause such loss, or it was done recklessly and with the knowledge  
12 that such loss would probably result.

13 Sec. 67. *Counterclaims; Right to Set Off.* - When a ship owner, ship operator,  
14 bareboat charterer, ship manager, or salvor, who is entitled to limit his liability, has a  
15 counterclaim against the claimant arising out of the same occurrence, their respective  
16 claims shall be set off against each other and the limits of liability shall only apply to  
17 the balance of the claim, if any. The right of set off can be invoked only if both parties  
18 are entitled to limit their respective liabilities and their respective claims do not fall  
19 within the provisions of sections 65 and 66 of this Act.

20 Sec. 68. *General Limits.* — The general limits of liability for claims other than  
21 for passenger  
22 claims, arising from any distinct occasion shall be calculated as follows:

23 a. in respect of claims for loss of life or personal injury:

- 24 1. 2,000,000 units of account for a ship with a tonnage not  
25 exceeding 2,000 tons;
- 26 2. For a ship with a tonnage in excess thereof, the following  
27 amount in addition to that mentioned in a.1:
  - 28 I. For each additional ton from 2001 to 30,000 tons,  
29 800 units of account:
  - 30 II. For each additional ton from 30,001 to 70,000 tons,  
31 600 units of account;





1           Sec. 71. *Limit of Liability for Passenger Claims.* ~ The limit of liability of a ship  
2 owner, ship operator, bareboat charterer, or ship manager, for passenger claims  
3 relating to loss of life or personal injury arising out of any distinct occasion, shall be  
4 an amount equivalent to 175,000 units of account multiplied by the number of  
5 passengers which the ship is authorized to carry according to the ship's certificate.  
6 Claims for loss of life or personal injury to passengers of a ship shall mean any such  
7 claims brought by or on behalf of:

- 8           a. Any person carried on the ship under a contract of passenger carriage;  
9           or  
10          b. Any person carried on the ship who, with the consent of the master, is  
11           accompanying a vehicle, or a shipment of live animals, or other cargo  
12           which is covered by a contract for the carriage of goods.

13          Sec. 72. *Formula for Converting the Unit of Account to Philippine Peso.* — The  
14 unit of account mentioned in this Chapter shall be converted to Philippine Pesos  
15 according to the value of the Philippine Peso on the date the limitation fund is  
16 constituted, or payment is made, or security is given. The equivalent value of the  
17 Philippine Peso shall be calculated in accordance with the method of valuation applied  
18 by the International Monetary Fund for its operations and transactions in effect on the  
19 applicable date.

20          Sec. 73. *Aggregation of Claims for Loss of Life and Personal Injury and for other*  
21 *Claims.* – The limits of liability for loss of life and personal injury and for other claims  
22 determined in accordance with Section 68 hereof shall apply to the aggregate of all  
23 claims which arise on any distinct occasion against:

- 24          a. The ship owner, ship operator, bareboat charterer, or ship manager and  
25           any person whose act, neglect or default such ship owner, ship operator,  
26           bareboat charterer or ship manager is responsible for, or  
27          b. The ship owner, ship operator, bareboat charterer, or ship manager of  
28           a ship rendering salvage services from a ship or the salvor or salvors  
29           operating from a salvage tug, and any person whose act, neglect or  
30           default the ship owner, ship operator, bareboat charterer, ship manager  
31           or salvor is responsible for; or | c. The salvor who is not operating from  
32           a ship or salvage tug or who is operating solely on the ship to, or in



1           respect of, which the salvage services are rendered and any person  
2           whose act, neglect or default the salvor is responsible for.

3           *Sec. 74. Creation of a Limitation Fund.* — Any person entitled to limit his liability  
4 in accordance with Section 63 hereof and who is alleged to be liable for a claim provide  
5 in Section 64 hereof may, at any time during the hearing of the case or after the arrest  
6 of his vessel, constitute a fund with the court in which legal proceedings have been  
7 instituted for the satisfaction of the claim subject to limitation.

8           The fund shall be in an amount equivalent to the limits of liability set forth in  
9 Sections 68, 70 and 71 hereof, as the case may be, together with any interest due  
10 thereon from the date of the occurrence giving rise to the liability until the date of the  
11 creation of the fund. The total amount of the fund shall be subject to the rules on  
12 aggregation of claims set forth in section 73 of this Act.

13          Any fund created shall be available only for the payment of claims in respect of  
14 which limitation of liability can be invoked.

15          *Sec. 75. Insurance Indemnity Cover.* — Every ship owner or bareboat charterer  
16 shall be required to maintain adequate insurance coverage or protection and indemnity  
17 coverage to meet the financial responsibility for any liability which such ship owner or  
18 bareboat charterer may incur for loss of or injury to human life, damage to property  
19 and to the marine environment. In determining the limits for mandatory insurance  
20 coverage for seagoing ships, the MARINA shall take into account and be guided by  
21 the applicable limits of liability provided in relevant international conventions. In  
22 setting the limits for mandatory insurance coverage for coastwise vessels the MARINA  
23 shall consider the prevailing local social, economic and other conditions in the  
24 Philippines.

25          *Sec. 76. Form of the Fund.* — The fund may be created, either by depositing  
26 the sum with a bank or other financial institution designated by the court, or by  
27 providing a bond, or other security acceptable to the court.

28          The fund constituted by any of the persons mentioned in Section 63,  
29 subsections (a), (b), (c), (d) or (e) shall likewise be deemed constituted in favor of  
30 the persons mentioned in subsection (f) and (g) of that section.

1       Sec. 77. *Distribution of the Fund.* — Subject to the provisions of Sections 68  
2 and 69 hereof, the limitation fund shall be distributed among the claimants in  
3 proportion to their claims against the fund as determined by the court.

4       Sec. 78. *Subrogation of Rights.* — If at any time before the fund is distributed,  
5 the ship owner, ship operator, bareboat charterer, ship manager or salvor, or their  
6 respective insurers, settles a claim made against and payable by the fund, such person  
7 shall, up to the amount paid, acquire by subrogation the rights which the claimant  
8 would have enjoyed under this Title.

9       Sec. 79. *Contingency Fund for Expected Claim.* — Where the ship owner, ship  
10 operator, bareboat charterer, ship manager, or salvor, or their respective insurers,  
11 establishes that it may be compelled to pay a claim, at a later date, whether in whole  
12 or in part, and because of such payment, the ship owner, ship operator, bareboat  
13 charterer, ship manager or salvor, or their respective insurers, would have enjoyed a  
14 right of subrogation if the claim had been paid before the fund was distributed, the  
15 court having jurisdiction over the claim and in which the fund has been constituted  
16 may order that a sufficient sum from the fund be provisionally set aside to enable the  
17 person who has been subrogated to the rights of the claimant to enforce his claim  
18 against the fund at such later date.

19       Sec. 80. *Bar to other Actions.* — Where a limitation fund has been constituted  
20 in accordance with Section 74 hereof, any person having made a claim against the  
21 fund shall be barred from enforcing such claim against any other assets of the persons  
22 mentioned in Section 63 hereof and on whose behalf the fund has been constituted.

23       Sec. 81. *Release from Arrest after the Constitution of the Limitation Fund.* —  
24 After a limitation fund has been constituted in accordance with Section 74 of this Act,  
25 any ship or other property, belonging to a shipowner, ship operator, bareboat  
26 charterer, ship manager or salvor on whose behalf the fund has been constituted,  
27 which has been arrested or attached in accordance with Title {11 of this Act in order  
28 to satisfy a claim which is enforceable against the fund or any other bond or security  
29 given, may be released from arrest at the discretion of the court.

30       Such release shall however be mandatory if the limitation fund has been  
31 constituted:

- 32       a. At the port where the occurrence took place;



- b. If the occurrence took place out of port, at the first port of call of the ship after such occurrence;
- c. At the port of disembarkation in respect of claims for loss of life or personal injury;
- d. At the port of discharge in respect of damage to cargo: or
- e. At the port where the arrest is made.

The provisions of this section and of the immediately preceding section shall apply only if the claimant may bring a claim against the limitation fund before the court administering that fund and the fund is actually available and freely transferable to the claimant in respect of the claim.

Sec. 82. *Report of any Incident Involving a Philippine Registered Ship.* — When any Philippine flag vessel sustains an accident or causes any incident involving the loss of life, material loss of property, or serious injury to any person, or receives any damage affecting her seaworthiness or her efficiency, or if it should cause any pollution or damage to the marine environment, regardless of where such accident or incident may occur, the ship owner, ship operator, bareboat charterer, ship manager, agent or master of such vessel shall immediately, after the occurrence of the accident or incident, send a report of the accident or incident to the regional office of the MARINA nearest the place of the accident or incident or, in the case of seagoing vessels, to the head office of the MARINA in the port of Manila, stating:

- a. The name of the vessel;
- b. The port to which the vessel belongs;
- c. The place where the incident occurred;
- d. The nature and probable cause of the incident;
- e. The number and names of those who perished; and
- f. The estimated amount of loss or damage to the vessel, the cargo or the marine environment.

The ship owner, ship operator, charterer, ship manager, agent or master may be required to furnish such other information as shall be called for.

Sec. 83. *Marine Safety Investigation.* — Following the occurrence of an accident or incident involving a Philippine flag coastwise or seagoing vessel resulting in the loss of life, material loss of property, or serious injury to any person, or receives any

1 damage affecting her seaworthiness or her efficiency, or if it should cause any  
2 pollution or damage to the marine environment, regardless of where such accident or  
3 incident may occur, the MARINA on its own or through a duly constituted independent  
4 group of suitably qualified safety inspectors, shall immediately undertake a marine  
5 safety investigation. This investigation shall be separate from any other form of  
6 investigation that may be undertaken by any other government agency.

7       Sec. 84. *Nature of the Investigation.* — The investigation undertaken in  
8 accordance with this Chapter shall not apportion blame or determine liability but shall  
9 be conducted to determine the cause of the accident and the identification of  
10 measures to prevent the occurrence of similar marine casualties, accidents or incidents  
11 in the future.

12       Sec. 85. *Power of Safety Investigators to Investigate.* — Maritime safety  
13 investigators appointed by the MARINA shall have full powers to board the Philippine  
14 flag ship regardless of where it may be found, and interview the master and the crew  
15 and any other person involved, and acquire such evidentiary material for purposes of  
16 undertaking and completing the marine safety investigation.

17       Sec. 86. *Amendment of Safety Regulations.* — Following completion of the  
18 safety investigation and upon a complete study of the safety investigation report, the  
19 MARINA shall take measures to amend its safety regulations to implement the  
20 recommendations made in the report.

21       Sec. 87. *Providing Reports to the International Maritime Organization.* -The  
22 MARINA as competent authority shall provide a copy of the report to the International  
23 Maritime Organization to enable a wide dissemination of information and to assist the  
24 international maritime community to address safety issues.

25       Sec. 88. *Ship Construction.* — Every new building registered under Philippine  
26 laws shall be constructed in accordance with standards for ship construction set forth  
27 in international maritime conventions and implemented through government  
28 regulations.

29       Ship construction shall be under the supervision of the MARINA or a recognized  
30 organization appointed for the purpose. The recognized organization shall oversee the  
31 construction of the ship and ensure that the construction regulations provided in  
32 international maritime conventions and those issued by the MARINA covering the



1 structural strength and integrity of all parts of the ship's hull and its appendages as  
2 well as the safety and reliability of the main propulsion, steering systems and auxiliary  
3 systems of the ship are followed.

4       Sec. 89. *Navigation and Communications Equipment.* — Every Philippine flag  
5 vessel shall have on board such navigation and communication equipment and  
6 apparatus required by international maritime convention for the safe navigation of  
7 ships. Every equipment and apparatus that shall be required to be installed on board  
8 shall be suited for the type, tonnage, power, means of propulsion and trading  
9 limitations of the particular ship.

10       Sec. 90. *Equipment to Prevent Marine Pollution.* — Every Philippine flag vessel  
11 shall have on board equipment and apparatus to prevent, reduce, or control pollution  
12 to the marine environment emanating from ships. Every equipment and apparatus  
13 required to be installed on board shall be suited for the type, tonnage, power, means  
14 of propulsion and trading limitations of the particular ship.

15       Sec. 91. *Inspections and Surveys.* — To ensure the proper maintenance of the  
16 ship's hull, machinery and equipment, its through-life compliance with international  
17 conventions and government regulations, and its safe operation, every Philippine flag  
18 vessel shall be subject to periodic inspections and surveys.

19       Sec. 92. *Scope of Inspections and Surveys.* — The inspections and surveys  
20 shall be conducted in accordance with international maritime conventions and  
21 government regulations, and shall include an inspection and survey of the ship's:

- 22           a. Hull structure;
- 23           b. Machinery and equipment;
- 24           c. Life-saving equipment;
- 25           d. Fire-fighting equipment; and
- 26           e. Radio and communications installations.

27       Sec. 93. *Extent of authority of recognized organization.* - The MARINA, in  
28 appointing a recognized organization or classification society to conduct the inspection  
29 and survey of ships, shall inform the recognized organization of the specific  
30 responsibilities and conditions of the authority delegated to it.

31       Sec. 94. *Issuance of Certificates.* - The recognized organization, pursuant to  
32 the functions delegated to it by the MARINA, shall have the authority to issue vessel

1 certificates to every Philippine flag vessel and for this purpose, the vessel certificates  
2 issued by such recognized organization shall be deemed to have met the requirements  
3 of this Act.

4 Copies of the vessel certificates shall be submitted to the MARINA which shall,  
5 upon verification of compliance, issue a certificate of inspection in favor of the  
6 complying vessel confirming the findings of the recognized organization.

7 *Sec. 95. Availability of Vessel Certificates.* - The vessel certificates mentioned  
8 in the immediately preceding section shall be readily available on board the vessel for  
9 examination at all times.

10 *Sec. 96. Citizenship of Crew.* —Vessels engaged in coastwise trade as well as  
11 sea going vessels shall employ full Filipino crew: Provided, however, That seagoing  
12 vessels shall be subject to the exemption mentioned in Section 9b(5) hereof.

13 An exemption from this citizenship requirement on such terms and conditions  
14 and for a limited period as may be determined by the MARINA may be obtained from  
15 the MARINA upon written application from the ship owner or operator. This exemption  
16 however shall not be granted to coastwise vessels.

17 *Sec. 97. Crew Competence.* — Every member of the crew of a Philippine flag  
18 vessel shall possess the appropriate certificate of competency setting forth his  
19 competence to serve in the capacity and perform the functions involved at the level  
20 of responsibility, for the position held, for the type, tonnage, power, means of  
21 propulsion, and trading limitations of the ship concerned.

22 The certificate of competency, as well as any endorsements thereto and any  
23 renewals thereof, shall be issued by the MARINA. The certificate of competency shall  
24 attest to the fact that the seafarer to whom it is issued meets the requirements for  
25 service, age, medical fitness training, qualification, and examinations for the position  
26 held.

27 *Sec. 98. Crew Deployment.* — Crew deployment to Philippine flagged seagoing  
28 vessels engaged in international or regional trade shall continue to be undertaken by  
29 the Philippine Overseas Employment Administration (POEA) in accordance with the  
30 appropriate provisions of the Maritime Labor Convention (MLC).

31 *Sec. 99. Requisition of Vessels.* — The President of the Philippines may, in times  
32 of war and other national emergency, when the public interest so requires, order the



1 requisition of any and all vessels of Philippine registry, absolutely or temporarily, for  
2 any naval or military purpose. The Government shall pay the owner or operator of the  
3 vessel, based on normal conditions at the time of requisition:

- 4 a. The fair market value, if the vessel is taken absolutely; or
- 5 b. The fair charter value, if the vessel is taken temporarily, for the period  
6 commencing from the takeover by the Government to the date the  
7 vessel is returned to its owner or operator.

8 Sec. 100. *Streamlined and Rationalized Procedures.* — To ensure the effective  
9 implementation of this Act and the further streamlining of processes to support the  
10 country's competitiveness and promote trade facilitation, the MARINA shall coordinate  
11 with the Department of Foreign Affairs, Department of Finance, Department of Labor  
12 and Employment, Department of Health, Department of Interior and Local  
13 Government, Securities and Exchange Commission, Philippine Overseas Employment  
14 Administration, Bureau of Immigration, Board of Investments, Bureau of Customs,  
15 Bureau of Internal Revenue, Philippine Ports Authority, Philippine Coast Guard, Bureau  
16 of Fisheries and Aquatic Resources, Bureau of Quarantine and other relevant offices  
17 and agencies to further streamline policies, requirements, processes, procedures, and  
18 national and local government fees, dues, charges, tariffs, assessments, rates and  
19 other levies, on the acquisition, registration and operation of vessels; the hiring,  
20 deployment, change and repatriation of crew; the construction, repairs, maintenance  
21 and recycling of ships; and other government and business processes concerning  
22 vessels in the Philippine Registry.

23 Sec. 101. *Implementing Rules and Regulations.* — Within sixty (60) days after  
24 the effectivity of this Act, the MARINA shall issue the implementing rules and  
25 regulations as may be necessary to implement the provisions of this Act.

26 Sec. 102. *Administrative Offenses and Penalties.* — To ensure faithful  
27 compliance with the rules and regulations issued in accordance with the preceding  
28 section, the MARINA, through summary administrative proceedings, may identify,  
29 prohibit, and penalize such acts and activities that may reduce the efficiency and  
30 reliability of the Philippine Ship Registry, impede the effectiveness of the exercise of  
31 Philippine jurisdiction and control over Philippine flag vessels, or otherwise interfere  
32 with its duties and responsibilities as a flag State and the implementation of this Title.

1 For this purpose, the MARINA is authorized to impose an administrative fine of  
2 not less than Ten Thousand Pesos (PhP10,000.00) but not more than Five Hundred  
3 Thousand Pesos (PhP500,000.00), as well as the penalty of suspension, cancellation,  
4 or revocation of the relevant certificates, for violations of this Act and such rules and  
5 regulations that it may issue pursuant to this Act.

6 The range of fines shall be subject to review and revision every five (5) years  
7 from the date of effectivity of this Act, but in no case shall any increase exceed an  
8 amount equivalent to twenty percent (20%) of that previously imposed.

9 Sec. 103. *Transitory Provisions.* — Every ship currently registered under the  
10 Jaws of the Philippines and granted the privilege to fly its flag shall be deemed to be  
11 registered under this Act in so far as its registration is not inconsistent with the  
12 provisions of this Act and such registration shall continue to be valid until its expiration  
13 unless sooner revoked by the MARINA.

14 Any ship mortgage entered into in accordance with the provisions of the Ship  
15 Mortgage Decree or the Chattel Mortgage Law shall continue to be valid and effective  
16 and its registration shall be transferred to the MARINA in accordance with the  
17 provisions of this Act. Nothing in the transfer shall change or in any way alter or affect  
18 any preference a registered mortgage may enjoy or the original date on which such  
19 mortgage was entered in the registry.

20 Sec. 104. *Separability Clause.* — If, for any reason, any section, subsection,  
21 clause or term of this Act is held to be illegal, invalid, or unconstitutional, such parts  
22 not affected by such declaration shall remain in full force and effect.

23 Sec. 105. *Repeating Clause.* — The following laws are hereby repealed:

- 24 a. Articles 573 to 585 of the Code of Commerce of 1888;
- 25 b. Sections 801 to 821 of Republic Act No. 1937;
- 26 c. Republic Act No. 913;
- 27 d. Republic Act No. 1407;
- 28 e. Republic Act No. 6106;
- 29 f. Republic Act No. 7471, as amended;
- 30 g. Republic Act No. 9301;
- 31 h. Presidential Decree No. 214;
- 32 i. Presidential Decree No. 760, as amended.



1 The provisions of the following laws covering the powers and functions  
2 of the MARINA are hereby amended insofar as they are inconsistent with  
3 Section 6 of this Act:

- 4 j. Presidential Decree No. 474, as amended,
- 5 k. Executive Order No. 125 and 125-A, as amended;
- 6 l. Section 10 of Republic Act No. 9295.
- 7 m. Section 14 of Republic Act No. 9295 is hereby amended insofar as it is  
8 inconsistent with Section 51 of this Act.

9 Such other laws, presidential decrees, executive orders, issuances, rules  
10 and regulations or parts thereof, which are otherwise inconsistent with the  
11 provisions of this Act are hereby repealed, amended or modified accordingly.

12 Sec. 106. *Effectivity.* — This Act shall take effect fifteen (15) days after its  
13 publication in the Official Gazette or in a newspaper of general circulation.

14  
15 *Approved,*