



DEPARTMENT OF ECONOMIC DEVELOPMENT

DEMISE CHARTER REGISTRATION OF SHIPS IN THE ISLE OF MAN

Most regulations, notices and advice notes are available on The Isle of Man Government web site: www.iomshipregistry.com or by contacting marine.registry@gov.im

1. GENERAL CONCEPTS

- 1.1** The concept of demise charter party registry relies upon a distinction at law between the Public Law aspect of assigning Nationality (i.e. the Flag) to a ship and the Private Law aspect of establishing title to a ship and thereby providing the facility for mortgaging. It should be noted that both the SSR and the former Part IV registries undertook only a Public Law function in that they only assign Nationality to the vessel without providing for title. Indeed, the registered owner might be different from the beneficial owner of the ship.
- 1.2** Dual Registration under a Demise Charter scheme does not in fact sanction the alternative use of flags of different states, but rather it authorises the use of the flag of the country where the ship is temporarily flagged only. Dual registration is not intended to mislead third party states or persons dealing with the ship in respect of its nationality.
- 1.3** Demise Charter Registration gives a shipowner a more flexible and attractive package - for example mortgaging facilities might be more attractive in one state because of its stronger laws relating to recovery of liens, whereas the manning requirements might be attractive in another state. By using the Demise Charter Registry, a shipowner/representative can avail himself of both advantages instead of settling for a compromise.
- 1.4** National Laws may also permit tax advantages.
- 1.5** National requirements may also provide that a shipowner may still be able to obtain subsidies if the ownership of the vessel remains in the original state - "the underlying register" although the vessel

may be "flagged out" to another registry for operational reasons.

- 1.6** Demise Charter Registration will only be possible between the Island and certain other states whose national law permit such arrangements. These states are referred to as "compatible registries". Dual documentation is prohibited rather than dual or parallel registration. Ships on a Demise Charter Registry would be subject to the safety, manning and anti-pollution requirements of the second flag state and would carry that state's certificates and documentation. It is generally a requirement that the right to fly a flag of the underlying register State be withdrawn and the effect is to suspend the registration during the period of demise charter except in so far as relates to Title transactions.

2. REGISTRATION ON THE DEMISE CHARTER REGISTER

- 2.1** Section 60 of the Merchant Shipping Registration Act 1991 (as amended) provides that a ship which is registered under the law of a country outside the Isle of Man be chartered by demise to a person qualified to be the owner of a Manx ship (see MSN 186 and 194) may be registered on the Demise Charter Register. Applications for Demise Charter registry shall be made to Isle of Man Ship Registry, St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EX (Tel. 01624 688500) by the Charterer using form DCR 3. If the Charterer is a body corporate, an authorised officer or an attorney should be appointed to make the application.

- 2.2** The following documentation, in addition to the application form, is to be submitted to the Department -

- a) A certified copy of the Demise Charter Party;
- b) The permission of the Authorities of the Country or underlying Registration to demise charter (see paragraph 1.6 above);
- c) The consent of the shipowner (Form DCR 4);
- d) The consent of the mortgagees (if the ship is subject to mortgages) (Form DCR 5);
- e) A transcript of the underlying registration details;
- f) If the Charterer is a body corporate, the appointment of an authorised officer by the Charterer on Form DCR 7 and a copy of the certificate of incorporation of the Charterer;
- g) A Certificate of Survey on Form SUR 59E detailing the ships particulars and tonnages in accordance with the 1969 International

Tonnage Convention usually provided by an Authorised Classification Society;

h) The appointment of a Representative, being a body corporate incorporated and having its principal place of business in the Island, to be made by the Charterer on Form DCR 3. A copy of the Certificate of Incorporation of the Representative must be provided.

3. The Regulations do not provide for title transactions (i.e. Bills of Sale or Mortgages) to be registered on the demise charter registry. Any legal action to secure rights under a lien would be exercisable under the law of the underlying registry.
- 4.1** The ship will retain her original name unless there is a clash with an existing ship's name or if the applicant wishes to change the name on the underlying register to one that fits in with his fleet nomenclature.
- 4.2** The ship will fly the red ensign as if it is a British ship. It will not be permitted to continue to fly the ensign of the underlying register.
- 4.3** The port of registry to be marked on the stern will be "DOUGLAS". The ship will be assigned a registration number and the Charterer issued with a "carving and marking note" (Form DCR 6). This note is to be certified by a marine surveyor of the Department or of an approved classification society to the effect that the ship is correctly marked, in the same way as under Part I of the Act.
- 5.1** A Certificate of Demise Charter Registration DCR 1 will be issued to applicants on completion of registration. This is similar in format to the Certificate of British Registry under Part I of the Act and is enclosed in a red cover. The certificate is to be produced on demand to designated officials and may be replaced if lost or rendered illegible. The Certificate is to be delivered to the Department on termination of registration.
- 5.2** On the issue of the Certificate of Demise Charter Registration, the Charterer is to surrender to the underlying registry authorities all certificates previously issued by them and to make a declaration to that effect to the Department (Form DCR 11).
- 6.** Registration on the Demise Charter Register ceases when one or other of the following occurs -

The Authorities of the Underlying register revoke their consent to the Demise Charter;

The Department revokes its consent to the ship continuing to be registered;

The charter party terminates. (The period of registry would be fixed by reference to the period of the charter, subject to a maximum period of five years);

If the person chartering the ship ceases to be a qualified person, or the charter is transferred or assigned to another person (whether qualified or not);

If the ship's underlying registration is terminated;

If the ship is sold. However, the new owner may consent within a period of seven days to the present demise charter registration continuing;

If the ship fails to maintain internationally agreed safety standards of IMO or ILO.

7. EXTENSION/RENEWAL OF DEMISE CHARTER REGISTRATION OF A SHIP CURRENTLY REGISTERED

During the six month period prior to the date of expiration of the demise charter registry the applicant being the registered demise Charterer of the ship should:-

- 1)** Apply in writing for extension/renewal of the demise charter registration using form DCR 10;
- 2)** Pay the appropriate fee;
- 3)** Provide a current transcript of the underlying registry with confirmation when the registry expires if there is a time limit on it. Another transcript from the underlying registry would be required at time of renewal of Isle of Man demise charter registry;
- 4)** Confirm that no mortgages have been registered on the underlying register. If a mortgage is now registered mortgagees consent to the demise charter registration using form DCR 5 will be required;
- 5)** Provide the written consent of authorities of the underlying registry to the renewal of demise charter registration;
- 6)** Confirm in writing that there have been no changes of addresses or particulars if demise charter registration;
- 7)** Provide a certified copy of any new demise charter with the owner on the underlying register if the existing charter will have expired.

Following receipt/confirmation of the above, the Department will renew the registration for a further period not exceeding the

duration of the new demise charter agreement or the expiry of the underlying registration, whichever is the shorter period, but in no case for a period exceeding five years. The existing certificate of demise charter registration must be delivered up to the Department, but would likely be changed at a convenient port on delivery of the new certificate, on renewal of registration.

- 8.** The Regulations apply (with modifications in certain cases) other Merchant Shipping Enactments (i.e. safety, manning, anti-pollution measures) to Demise Chartered ships. Such ships are excluded from other provisions (i.e. provision relating to registration under other parts of the Act and the prohibition on ships owned by non-qualified persons flying the red ensign). Administrative arrangements will be made for the issuing of ship's radio licences and signal letters and the acceptance of classification societies other than the five presently recognised.

9. DEMISE CHARTER REGISTRATION OF MANX SHIPS IN A FOREIGN REGISTER

- 9.1** The Regulations additionally contain provisions permitting the registration in a compatible foreign registry of Manx ships registered under Part I of the Act which are demise chartered to foreign Charterers for any period up to 5 years, subject to the following requirements:-

The Department must give its consent in writing which is conditional upon:

- (a) the ship being registered as a Manx ship under Part I of the Act.
- (b) the demise charter registry where ship is to be registered being a compatible registry (i.e. confirmation that laws of foreign registry permit Demise Charter Registration).
- (c) If the ship is subject to mortgages, the consent of any mortgagees is required.

- 9.2** The following documents for demise charter registration in a foreign registry are to be submitted to the Department:-

- a) an application for Demise Charter registration in a foreign registry made by the registered owner (on main Part I Register);
- b) The consent in writing to such registration of all registered mortgagees, if any;

c) A written undertaking by the registered owner to surrender the Certificate of Registry within 30 days from entry into the foreign registry (if one issued);

d) A written undertaking by the Charterer that the red ensign, with or without defacement, shall not be worn during the period of foreign Demise Charter registration; and

e) A copy of the Demise (Bareboat) Charter Agreement between registered owner and Demise Charterer.

f) In a case where a ship is registered initially on the Main Part I Register and immediately thereafter is registered on the foreign Demise Charter register, statutory certificates are not be issued by this Administration prior to registry on the main Part I Register. In such a case the registered owner shall provide the Department with a written undertaking that the ship will not proceed to sea under Manx registry and only after it has been registered in the compatible foreign registry.

When the Demise Charter registration of a Manx ship is effected in a foreign registry

(1) The owners shall immediately notify the Registrar of such registration, and deliver to the Department a transcript or an extract of the foreign registration.

(2) The owners are required to surrender the Manx certificate of registry, and other statutory certificates issued by the Department.

(3) The ship will retain her original name unless the Department gives its permission for the name to be changed;

(4) The ship's Home Port shall be that of the foreign registry, the Manx registration being considered as suspended except as regards title (i.e. ownership and mortgage) transactions; and within 15 days from the entry into the foreign registry the registered owners shall make a declaration to the Department to the effect that the name and foreign home port has been marked on the stern of the ship.

(5) The Foreign registry being the competent authority will issue the Convention Certificates (i.e. Load Line/ Solas etc) to the ship and the ship will operate and trade as a ship under that foreign flag. International convention certificates shall be issued in terms of international conventions to which the Isle of man is a party under the authority of the Government of the foreign registry.

(6) Such ship shall not wear the red ensign, defaced or un-defaced

(except as a courtesy ensign when visiting a British port).

(7) The registered owner of the ship shall comply with all the registration provisions (i.e. those relating to registration of title and mortgages) of the Act as if the ship were not so registered in a foreign registry and any fees payable for registration work in respect of the ship. Any mortgages registered against the ship under Part I of the Act are unaffected by the registration of the ship in a foreign Demise Charter Register.

9.3 Registration on a foreign Demise Charter Register would cease when one or other of the following occurs -

The Department revokes its consent to the ship continuing to be registered;

Any of the conditions specified above are not complied with - e.g. if the ship fails to maintain internationally agreed safety standards of IMO or ILO;

The charter party terminates. (The period of registry is fixed to the period of the charter, subject to a maximum period of five years).

9.4 The owner of a ship on a foreign demise charter register is to immediately notify the Department if the Demise Charter Registration in the foreign registry closes or lapses, and the ship shall not proceed to sea until it complies with Manx requirements including manning and is issued with Manx statutory certificates. Within thirty days of the closure of such registry, the owner is required to deliver to the Department a transcript or an extract of the foreign registration showing such closure.

10. FEES

10.1 The following fees are payable for Registration services on the Demise Charter Register:

Service	Fee
First Registry	£730.00
Renewal of Part IV registry	£ 90.00
Each inspection of the demise charter register	£20.00
Each transcript of the demise charter register including transcripts of a closed register	£40.00
Other certified extracts of the demise charter register, for each folio or portion thereof	£40.00
Annual Registration Fee	£730.00
Certified copy of any declaration or document to be produced in evidence under the Merchant Shipping Acts	£40.00
Issue of a new CSR and new certificate of registry (where appropriate)	£235.00
Granting permission for a Manx ship to register in a foreign demise charter registry	£580.00

10.2 The Department may charge an hourly fee of £70.00 to cover administrative costs where an application is withdrawn after considerable work has been undertaken by the Department in processing the application.