

Overview of “Flag of Convenience”

- Liberian Registry (Korea Office) -



September 16, 2020

J. S. Kim / Managing Director



Agenda

1. Intro and History of “Flag of Convenience (FOC)”

2. Role & Function of “Flag State” / “FOC”

3. Vessel Registration and Mortgage Recording

4. Advantages of Liberian Registry, Etc.



1.1 Intro

1st Vessel of HHI Group – M/T Atlantic Baron (260K VLCC, D/L: 1974)



*** Home Port of Liberia: Monrovia**

1.1 Intro (Joint Development Project)

JDP – Hi Mn LNG Fuel Tank applied Capesize B/C



LIBERIAN REGISTRY
LIBERIAN INTERNATIONAL SHIP & CORPORATE REGISTRY

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December 9, 2019

APPROVAL IN PRINCIPLE

**Subject: Hyundai Heavy Industries Co., Ltd. – 180K DWT Bulk Carrier
HiMn Type C LNG Fuel Tank and Fuel Gas Supply System**

Ship type	Bulk Carrier	Cargo Capacity	180,000 dwt
Length O.A. [m]	292.00	LNG Fuel Tank	Type-C
Length B.P. [m]	286.90	Fuel Tank Matr.	High Manganese Steel (VL-Mn-400)
Breadth mid [m]	45.00	Shipyard	HHI
Dept mid [m]	24.80	LNG Fuel Tank	POSCO
Draft design [m]	16.50	Class	DNV GL
Draft scant. [m]	18.00	Flag	Liberia

This is to certify that this Administration has conducted a technical examination of the documentation listed in appendix 1 for the subject project with a view to awarding an Approval in Principle.

The examination has been made from the statutory aspects of the design with focus on the high manganese austenitic steel C-type LNG tanks and has been based on general compliance with the following requirements:

- “The International Code of Safety for Ships using Gases or Other Low-Flashpoint Fuels” (IGF Code), adopted on 11 June 2015, Resolution MSC.391(95)
- IMO MSC.1-Circ.1599 “Interim guidelines on the application of high manganese austenitic steel for cryogenic service”

This Administration considers that the proposed design is based on satisfactory standards and requirements, and an Approval in Principle is awarded subject to the items detailed in DNV GL’s AIP Examination Letters being satisfactorily addressed.

Final approval will be based upon full compliance with all applicable statutory and classification rules and regulations.

Sincerely,

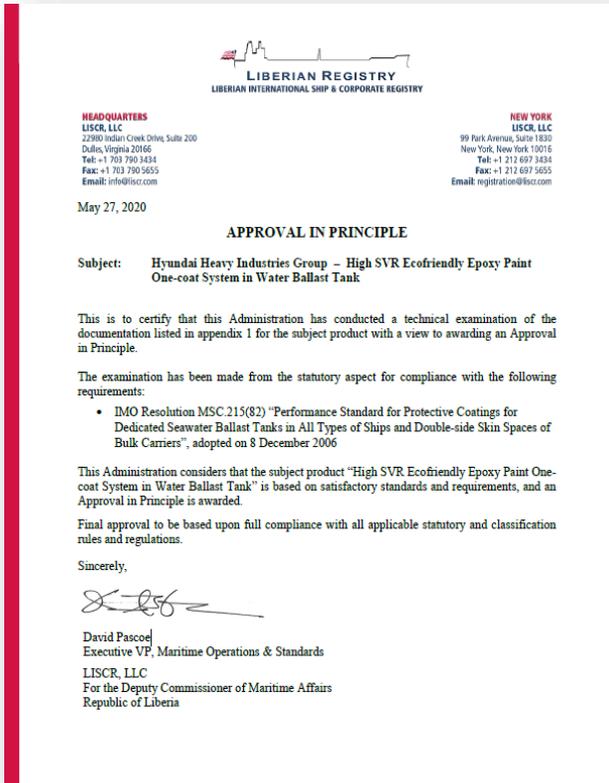

David Pascoe
Senior VP, Maritime Operations & Standards
LISCR, LLC
For the Deputy Commissioner of Maritime Affairs
Republic of Liberia



*** 4 Parties: HHI, Posco, DNVGL & Liberian Registry**

1.1 Intro (Joint Development Project)

JDP – High SVR Ecofriendly Epoxy Paint One-coat Sys. in WBT



* 3 Parties: HHI Group, KR & Liberian Registry

1.1 Intro (Joint Development Project)

JDPs - 14,700TEU LNG DF Cont. & 210K LNG DF Bulk Carrier



* 3 Parties: HHI, LR & Liberian Registry



* 3 Parties: HHI, NK & Liberian Registry

1.1 Intro

Shipbuilding Contract (HHI Standard)

ARTICLE I : DESCRIPTION AND CLASS

5. NATIONALITY OF THE VESSEL

The VESSEL shall be registered by the BUYER at its own cost and expense under the laws of LIBERIA with its home port of MONROVIA at the time of its delivery and acceptance hereunder.

* In case of LIBERIAN FLAG adoption by the BUYER (Shipowner)

1.1 Intro

Terminology

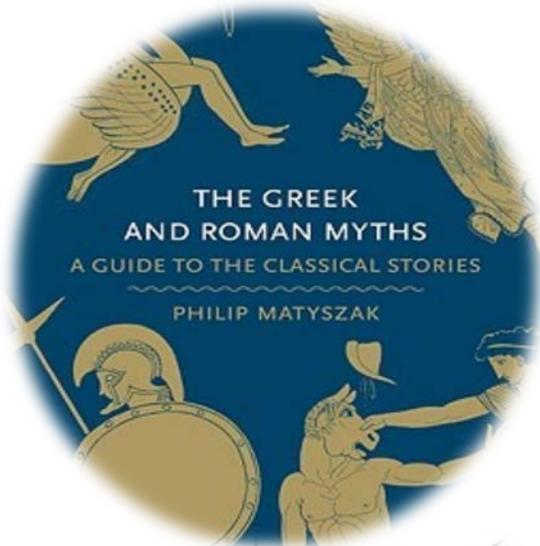
- Flag : 기
- Flag State : 기국
- Flag of Convenience (*FOC) : 편의치적 (= Open Registry)
- Flag of Convenience Vessel : 편의치적선 (= Open Registry Vessel)

* FOC를 직역하면 '편의기'가 되지만, 우리나라 대부분의 해운관련 교과서와 정부기관에서 '편의치적'이라고 표현하고 있다.

1.2 History of “Flag of Convenience”

Greek & Roman / Napoleonic War / War of 1812 / World War II

* KMI Research



< Greece >



< Germany >



< Portugal >



< Panama >

1.3 History of Liberian Registry

THEN



1948 : Liberian Registry Established

- Former US Secretary of State, Edward Stettinius
- Key Ally WWII
- Neutrality Act
- US influenced Offshore Jurisdiction

1949 :

- 1st Registered Vessel : World Peace
- Became founding member of IMO

* Republic of Liberia

1820 : Established by African American from the U.S.

1847 : The independent country was proclaimed
(The first democratic country in Africa)

1945 : Founding member of the United Nations

2006 : Ms. Ellen Johnson-Sirleaf elected as President

2011 : President Sirleaf awarded the Nobel Peace Prize

2018 : Mr. George Weah elected as President

NOW

June 2020 : 4,600 vessels (approx.)

- 180 mil. GT
- 350 Offshore Units/Vessels
- 288,000+ active seafarers
- 30 Regional Offices
- 250+ Full-time Employees
- 450+ Inspectors/Auditors

Unparalleled Safety Record

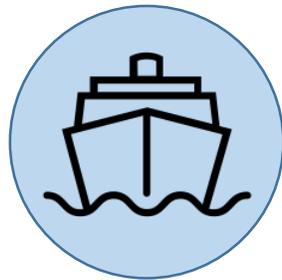
- White-listed with all Port State Control Authorities
- “Blue Chip” shipowners
- Compliance culture



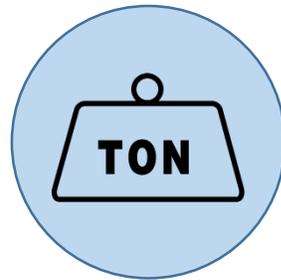
1.4 Liberia's Current Fleet



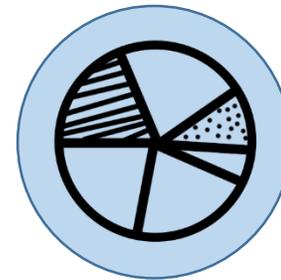
ISO 9001:
2015 **Certified**



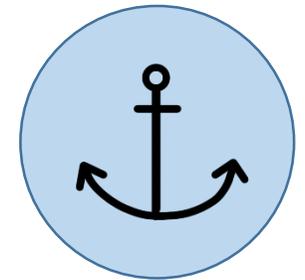
+4,600
Registered Vessels



Over **180 mil**
Gross Tons



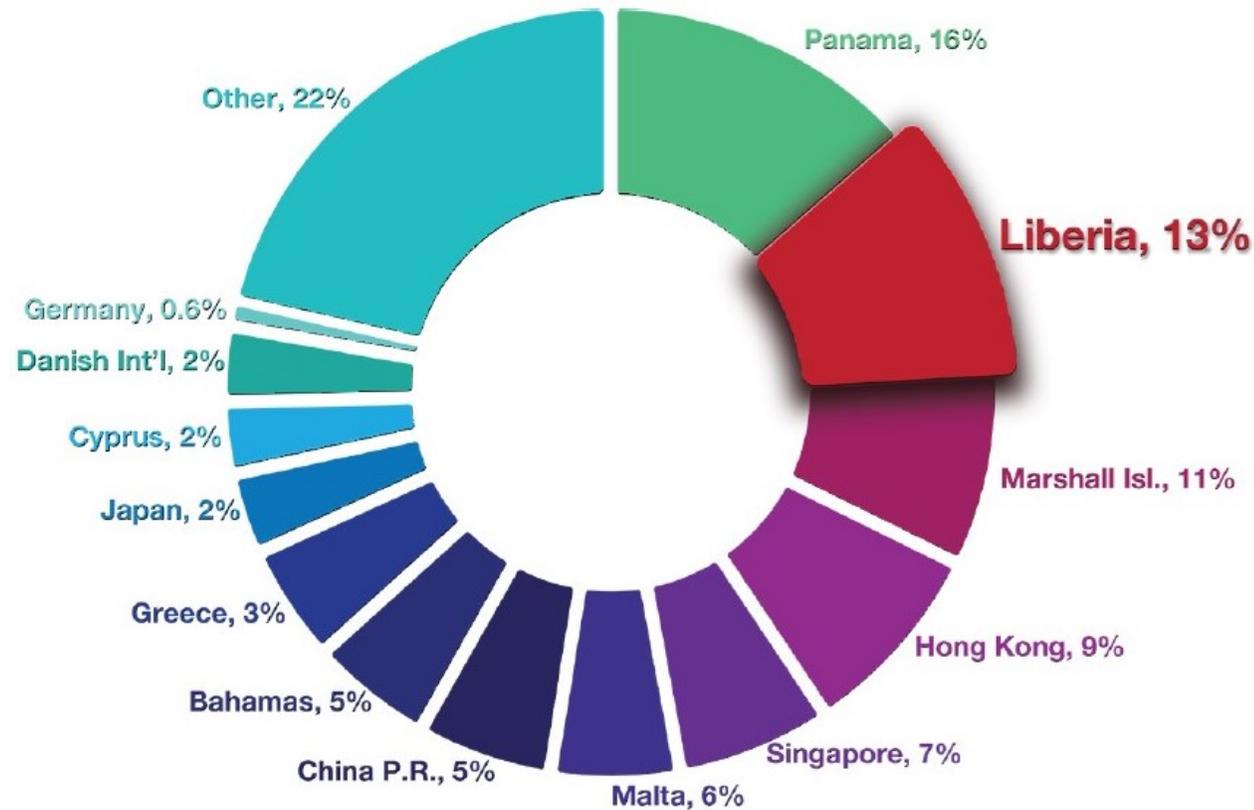
13% Market Share
of World Fleet



+288,000
Active Seafarers

1.5 Market Share of World Fleet

By Country of Registry



Gross Tonnage (Clarksons WFR 2020)

ALL FLAGS ARE NOT ALIKE

LIBERIA IS THE FASTEST GROWING SHIP REGISTRY IN THE WORLD

Source: Clarksons (July 2019 - July 2020)

Country	Fastest Growth Rate (%)
Liberia	11.6%
Panama	3.9%
Marshall Isl.	3.4%

Liberia's innovative and cost-saving services prove that **ALL FLAGS ARE NOT ALIKE**

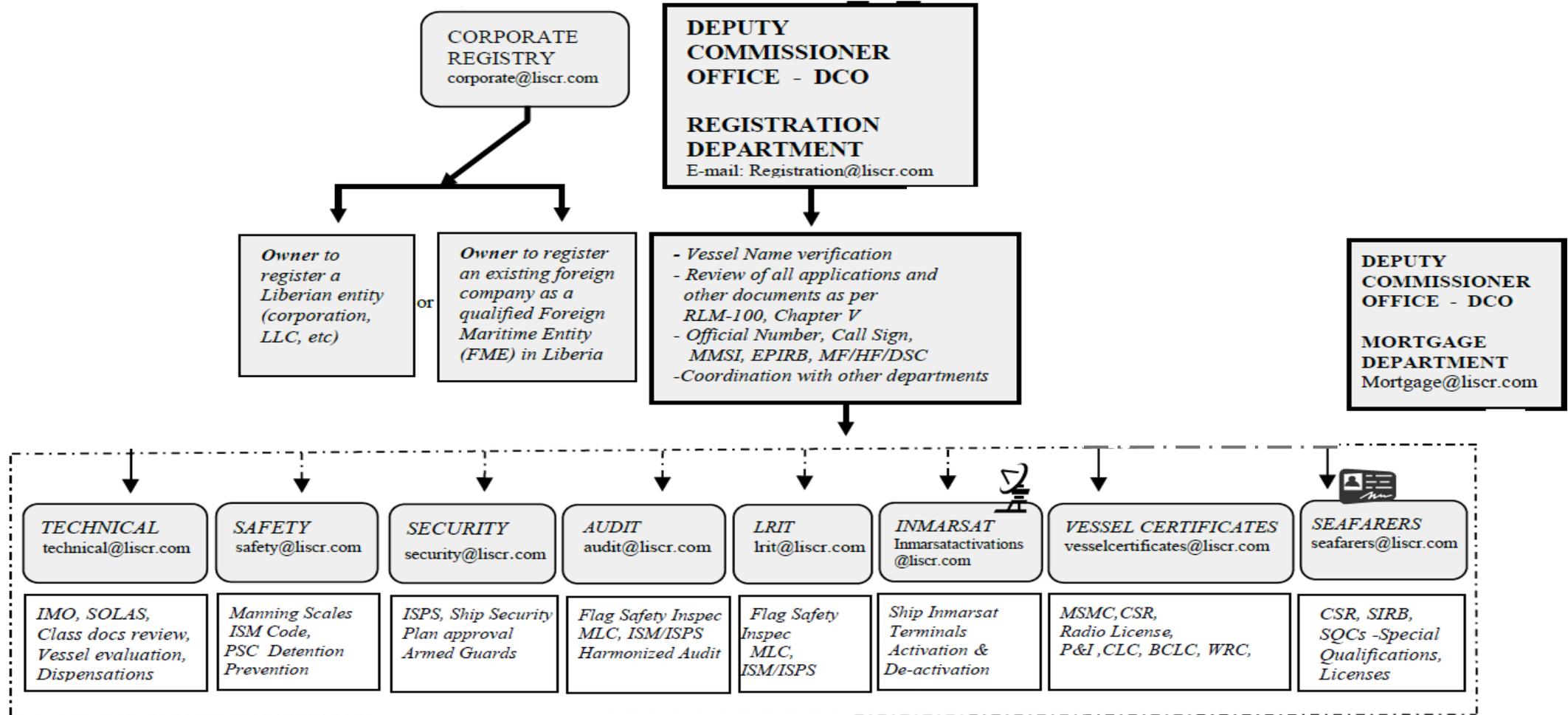
LIBERIAN REGISTRY

www.LISCR.com

Top 3 Flag Growth

2.1 Role & Function of “Flag State”

Organization Chart for Vessel Registration

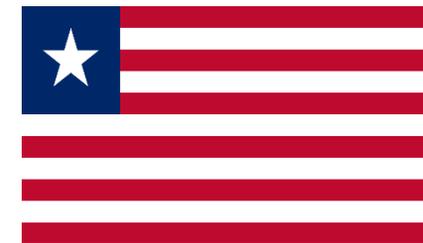
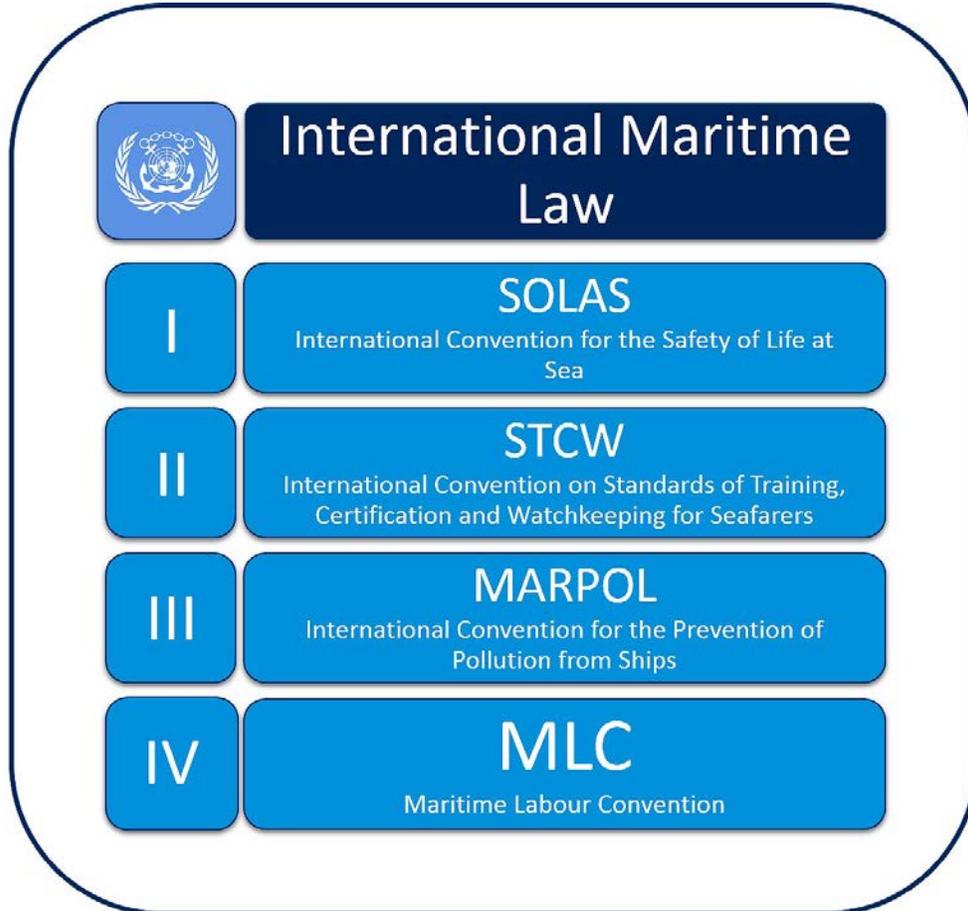


2.2 Role & Function of “Flag of Convenience (FOC)”

Reason / Purpose / Advantages of FOC Usage

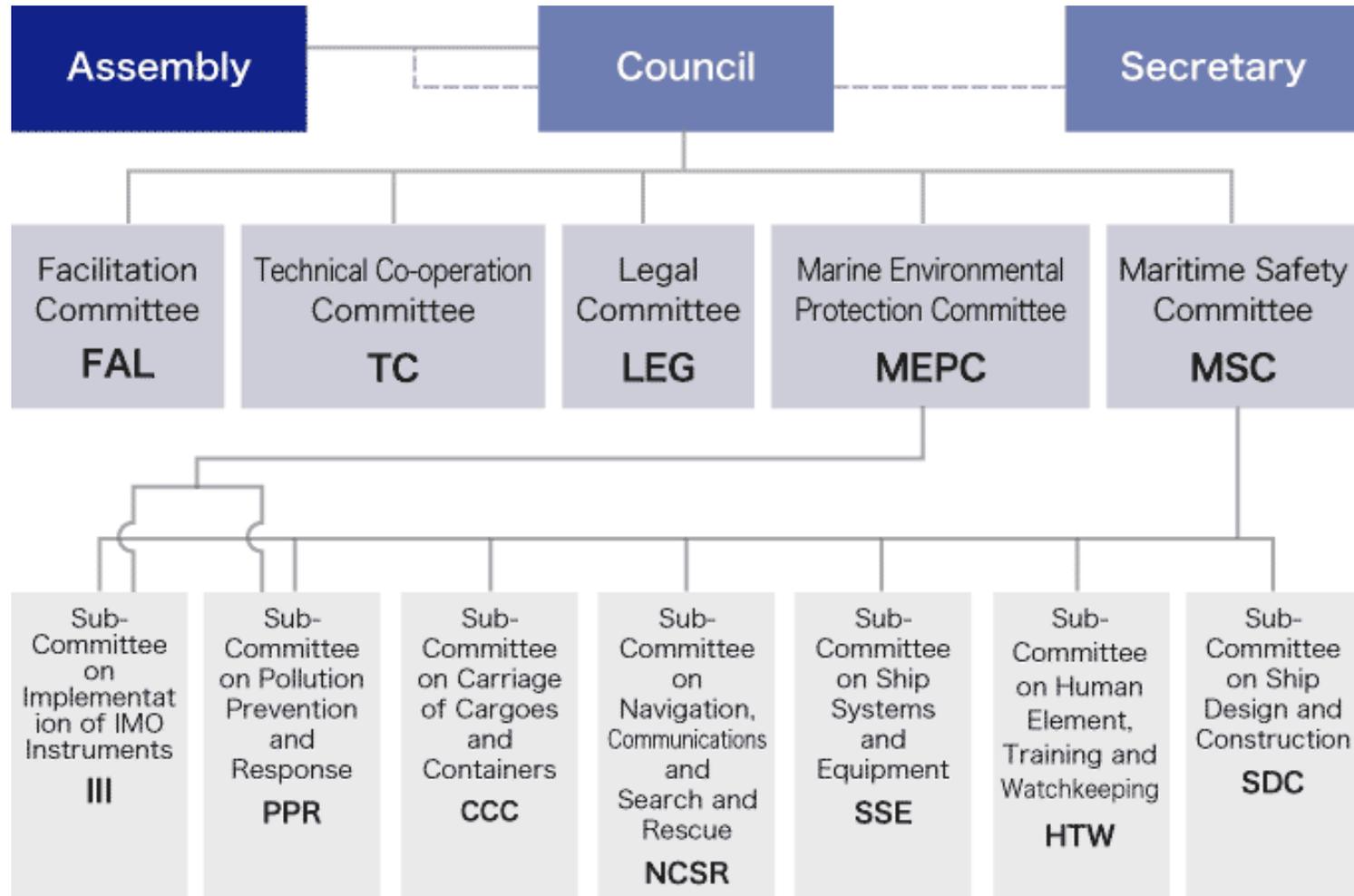
- 1. SHIP FINANCE (SPV, Mortgage Recording, Request by Bank)**
- 2. SHIP OPERATION SUPPORT (Flag State Know-how, System)**
- 3. EASY PROCEDURE OF SHIP REGISTRATION**
- 4. CREW MANAGEMENT (No Nationality Restriction)**
- 5. TAX SIMPLIFICATION (Net Tonnage)**
- 6. ETC.**

2.3.1 Role & Function – IMO Activity



“LIBERIA is a Founding Member of IMO”

2.3.2 Role & Function – IMO Council & Committee



2.3.3 Role & Function – IMO Regulatory Framework



3.1.1 Vessel Registration

Vessels Intending To Register

1. Vessels Under Construction
2. Newbuilding
3. Transfer From Another Flag
4. Liberian Bareboat (BCR)
5. Registration in Laid-Up Status

3.1.2 Vessel Registration

Vessels Eligible for Registration in Liberia

- 1. Vessel Name:** No two(2) vessels on the Liberian Registry may have the same name
- 2. Vessel Ownership:** Non-resident Liberian Corp.(SPV) or Foreign Maritime Entity(FME)
*FME: An entity existing in another jurisdiction and registered in Liberia for the purpose of owning vessel.
- 3. Vessel Tonnage:** Seagoing vessels of more than 500 net tons
- 4. Vessel Age:** Vessels should be not more than 20 years of age at the time of registration
- 5. Vessel Classification:** All vessels are required to be classed by a Classification Society that is a membership of IACS

3.1.3 Vessel Registration

Explanation of Registration & Technical Requirements

[Registration]

1. Registration of Owner

2. Application for Registration

3. Evidence of Authority: A photocopy of duly executed and acknowledged Power of Attorney or certified Corporate Resolution authorizing one or more named persons to act on behalf of the owner as attorney-in-fact to execute and submit application for registration of the vessel required.

4. Proof of Ownership: A photocopy of duly executed and acknowledged **Builder's Certificate** and/or **Bill of sale**

[Technical]

1. Conventions Compliance

- **STCW:** Application for Minimum Safe Manning Certificate, - **ISM:** ISM Declaration of Company and Person
- **ISPS:** CSO Declaration and Ship Security Plan if applicable, - **CSR:** CSR Declaration

2. Liability Insurance

- Bunker Civil Liability Convention for Oil Pollution Damage, 2001 (**Bunker Spill**)
- Nairobi International Convention on the Removal of Wrecks, 2007 (**Wreck Removal**)
- Convention on Civil Liability for Oil Pollution Damage (**CLC – Oil Pollution**) * Tanker

3.2.1 Mortgage Recordation

Terminology

- 1. Mortgage:** 저당(권), 담보(권)
- 2. Mortgagee:** 저당 채권자 (저당권자; 금융기관)
- 3. Mortgagor:** 저당 채무자 (저당권 설정자; 선주)
- 4. Recordation(or Recording):** 등기 (; 기국)
- 5. Mortgage Instrument:** 저당 계약서

3.2.2 Mortgage Recordation

Mortgage Documents

- 1. Mortgage Instrument:** Three(3) original duly executed Mortgages acknowledged before either a Notary Public or a Liberian Special Agent
- 2. Original evidence of Corporate Authority:**
 - 1) a copy of the **Board Resolutions** certified as true and complete and in full force and effect by the Secretary of the corporation **or**
 - 2) a **Power of Attorney** acknowledged before a notary public or Liberian Special Agent
- 3. Memorandum of Particulars:** One(1) Original Memorandum of Particulars that must be signed but need not be acknowledged. (Name of Vessel/ Liberian Official Number/ Date & Type of Instrument/ Mortgagor/ Mortgagee/ Total Amount of Mortgage/....)
- 4.** One(1) original signed consent from any and all active prior mortgagees, Fleet or otherwise, indicating their consent to the recordation of this Preferred Mortgage.

4. Advantages

First-Class Customer Service

Quality Reputation

Exclusive Programs & Services

Leaders in Advanced Technology



4.1 First-Class Customer Service



- 24/7 global customer support
- Prompt response
- Pragmatic approach
- Successful detention interventions & support with appeals
- Cost efficient

4.2 Quality Reputation (White-Listed)

First-Class PSC Record & Quality Reputation

<p>Average Fleet Age</p>	<p>12 years</p>
<p>Top Tier Records Port State Control</p>	<p>Tokyo MOU – White List Paris MOU – White List US Coast Guard – “QUALSHIP 21” (Not Targeted)</p>
<p>Top Ranking in Flag State Performance Table</p> <p>* As determined by the Round table of International Shipping Associations</p>	<p>BIMCO INTERCARGO INTERTANKO INTERNATIONAL CHAMBER OF SHIPPING (Liberian Shipowners Council-member of ICS) INTERNATIONAL SHIPPING FEDERATION OCIMF / SIRE</p>

Liberia is a Founding Member of the IMO



4.2 Quality Reputation

Liberia's Detention Prevention Program

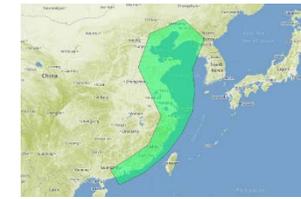
Liberia pioneered and introduced this unique system in 2015, and is the only registry to provide this vital service free of charge.

PSC Detention Reduction Rates 2015-2017

- USCG : -62%
- Australia : -46%
- Paris MoU : -45%
- Tokyo MoU : -23%
- China : -7%



Paris MoU



China



Australia



United States

Positive Results :

- Paris MoU (Low Risk Flag Qualification) – **DECREASED** detention rate
- Lloyd's List North American Awards Finalist (2016) – Liberia's Compliance Assistance Program (CAP)
- Tokyo MOU White Listed – **DECREASED** detention rate.

Benefits :

- Ensures compliance and **prevents overdue inspections**
- Provides zone-specific info and checklist prior to arrival
- Vessels with PSC history receive support to prevent future detentions

4.3 Exclusive Programs & Services

Harmonized Audit Program

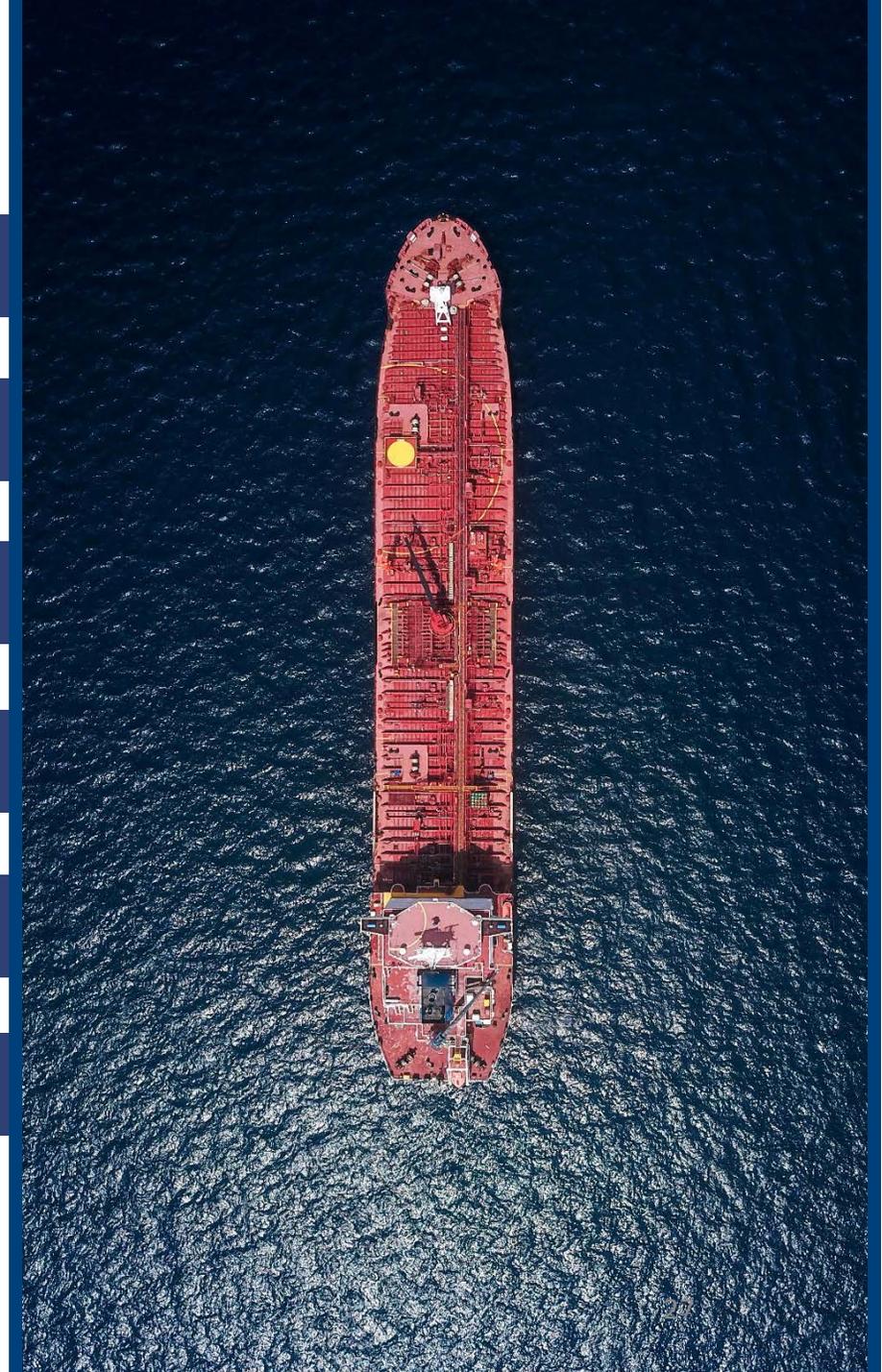
MLC 2006 Verification & Certification Service

Strategic Agreements

Electronic Oil Record Book

Extended Drydock Program

Green Award Initiative



4.3.1 Harmonized Audit Program

The Liberian Registry has trained a global network of over **450 nautical inspectors and auditors** to serve as exclusive ISM and ISPS lead auditors for Liberian flagged ships.

Contact: audit@liscr.com



The Challenge

The amount of Vessel Inspections (ASI, ISM, ISPS) has increased, impacting the safety of the vessel and crew rest hours.

ASI : 4 - 5 Hours

ISPS : 6 - 8 Hours

ISM : 8 - 10 Hours

Total : 18 - 23 Hours / 3 Visits



Liberia's Solution

Liberia's **Harmonized Audit Program**: a trained global network of nautical auditors & inspectors to serve as exclusive ISM and ISPS lead auditors for Liberian ships.

ASI, ISM, ISPS : 7-10 Hours / 1 Visit

Save 2 Vessel Visits & 16 Working Hours

4.3.2 MLC 2016

The same lead auditors that perform Liberia’s Harmonized Audit program also carry out ship verification and certification as mandated by MLC, 2006.

Contact: audit@liscr.com



The Challenge	Liberia’s Solution
<ul style="list-style-type: none"> ▪ Pay individually for each specific MLC Service ▪ Higher costs 	<p>Liberia’s MLC Block Fee Agreements</p> <ul style="list-style-type: none"> ▪ Liberia has devised a Block Fee concept for MLC verification inspections and certification. ▪ Significant financial savings

Services included in Block Fee

- DMLC Review, Approval & Unlimited Amendments
- Initial and Intermediate MLC Inspections and Certification
- Annual Support and PSC Protection

Special Compliance:

- 100% of Liberian fleet is MLC Compliant
- 60% of Liberian fleet is MLC Certified by Liberia’s Global
- Global Network of Inspectors

4.3.3 Strategic Agreements

Liberia/China Agreement on Maritime Transport



The People's Republic of China (PRC) and the Republic of Liberia have signed an historic reciprocal agreement designed to develop friendly relations between the two governments and to strengthen their co-operation in the field of maritime transport.

- Shipowners and charterers will enjoy favorable treatment when calling at Chinese ports. Liberian flag vessels will be charged the preferential rate for tonnage dues when visiting any port in China. The preferential rate savings equates to a **28% discount** for each vessel's tonnage dues
- Owners have reported that the **reduction of approximately \$100,000** in port fees has had an effective net increase in their time charter equivalent rate of **\$1000/day based on a 100-day voyage**.
- The Agreement provides a clear advantage over Marshall Islands they do not have diplomatic relations with the People's Republic of China and have reportedly had requests for a similar agreement denied.

4.3.3 Strategic Agreements

Liberia/China Agreement on Maritime Transport

Cost Savings Examples

		1 YEAR			90 DAYS			30 DAYS			
	TYPE	NT DWT	REGULAR \$	DISCOUNT \$	SAVINGS \$	REGULAR \$	DISCOUNT \$	SAVINGS \$	REGULAR \$	DISCOUNT \$	SAVINGS \$
BULK CARRIER	HANDY	12,000 34,500	52,992	38,016	14,976	17,664	12,672	4,992	8,832	6,336	2,496
	CAPE SIZE	75,000 200,000	381,600	273,600	108,000	127,200	91,200	36,000	63,600	45,600	18,000
TANKER	AFRAMAX	36,000 115,000	158,976	114,048	44,928	52,992	38,016	14,976	26,496	19,008	7,488
	VLCC/ ULCC	110,000 300,000	559,680	401,280	158,400	186,560	133,760	52,800	93,280	66,880	26,400
CONTAINER	4,500 TEU	25,000 80,000	110,400	79,200	31,200	36,800	26,400	10,400	18,400	13,200	5,200
	8,500 TEU	49,000 150,000	216,384	155,232	61,152	72,128	51,744	20,384	36,064	25,872	10,192
	15,000 TEU	65,000 230,000	330,720	237,120	93,600	110,240	79,040	31,200	55,120	39,520	15,600

4.3.4 ε-ORB

Liberia's Electronic Oil Record Book

E-ORB is the first electronic oil record book to be approved by a Major Flag State and meets the needs of today's regulatory environment while ensuring accuracy and affording peace of mind.

Liberia's software application is designed to replace the traditional paper oil record books (ORB) (Part I and Part II) and facilitate accurate ORB entries into an efficient electronic format.

ε-ORB promotes **transparency, credibility and traceability** in accordance with the MARPOL and IMO Circ. 736/Circ. 2 requirements.



4.3.5 Liberia's Extended Drydock Program

The Liberian Registry has introduced a range of **cost-saving provisions** to help mitigate the burden and financial strain currently being placed on owners and operators of Liberian-flagged vessels during the sustained economic downturn in the maritime and offshore sectors. Amongst these cost-savings measures is the potential to extend vessel dry dock periods.

Pursuant to IMO Assembly Resolution A.1104(29), the Liberian Administration may give consideration to alternate inspections being carried out with the ship afloat. Special consideration may be given to ships of 15 years of age and over, other than bulk carriers and oil tankers.

Situation

- Financial Liquidity Crisis
- Commercial Charter Opportunity or Commitment
- Vessel in Lay-up

Solution

- Extension of 5-year Drydock to 7.5 years
- Extension of 10-year Drydock to 12.5 years
- For LNG, LPG & Container vessels

Statutory Requirements versus Classification Requirements

- Liberian Administration approves SOLAS Extension
- Liberia and Classification Society Collaborate to extend Classification Requirements



4.3.6 Green Award Initiative

The Liberian Registry is committed to helping ship owners and operators improve their green credentials and meet other corporate social responsibilities. Liberia is confident that the Green Award scheme will help achieve those objectives.

Benefits for Green Award-Certified Liberian Flag Ships

- 3% tonnage tax discount annually as long as the vessel remains in the Green Award program.
- Global Recognition for being a Green Award-certified vessel.
- Additional discounts from other Green Award incentive providers, including participating port authorities, classification societies and various maritime shipping services, products and technology companies.



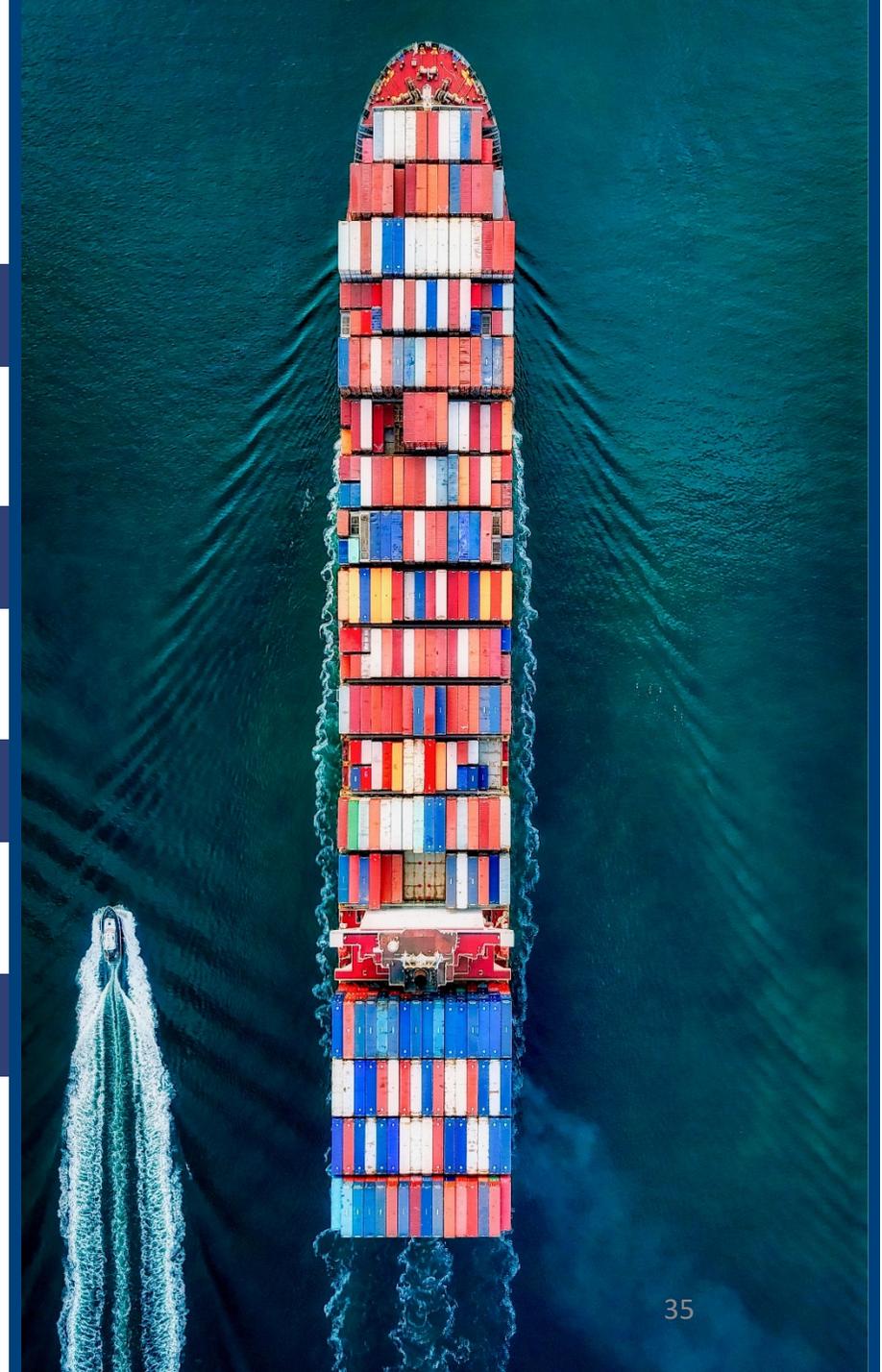
4.4 Leader in Advanced Technology

e-Certificate (since 2007)

SEA System

Liberian Registry's FlagState Mobile App

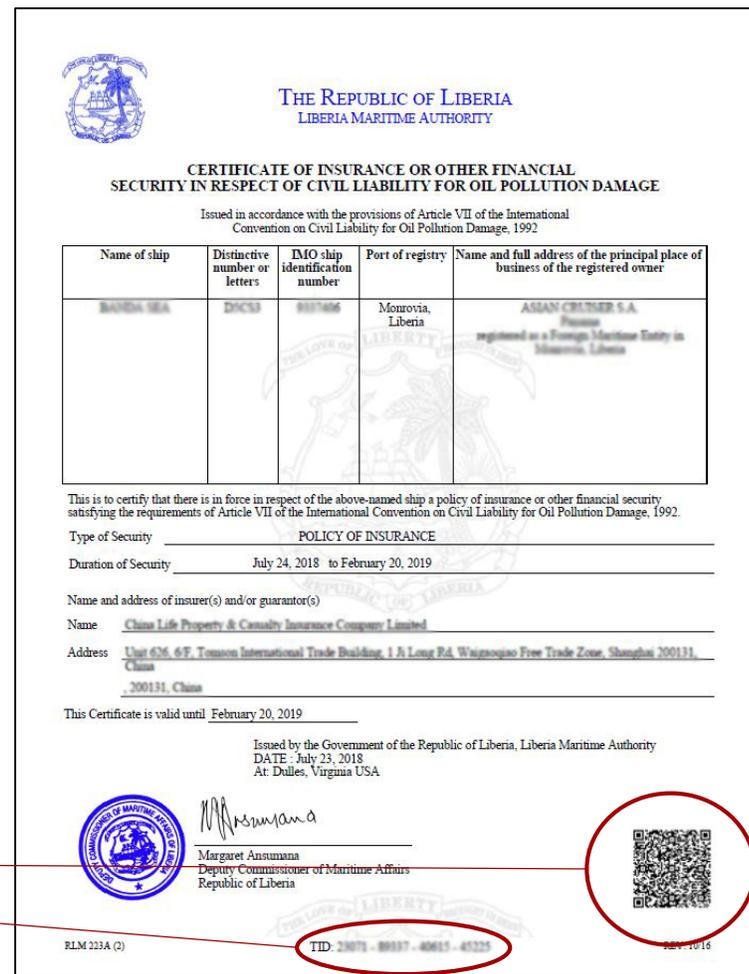
WayPoint Client Portal



4.4.1 e-Certificates

e-Certificates Features

- Certificates and Invoices issued in secure Adobe .PDF format
- Digital Signatures in compliance with Liberian Electronic Transaction Law
- Provide vessels with certificates via email
- Recognized by the IMO
- Reduces courier expenses
- Available on a 24/7 basis
- Secure online verification
 - In 2018, Liberia introduced QR codes to enhance the verification process



Liberia is the is the only flag administration to offer electronic certificates with secure online verification since 2007

4.4.2 SEA System

SEA SYSTEM is a versatile and easy to use web-based system that allows filing agents to apply for Liberian seafarer’s documents electronically.

Benefits of SEA System

- Reduced turnaround time and improved accuracy
- Cost Savings
 - reduces courier and paper applications fees
 - reduces administrative costs
- Print CRAs (temporary endorsements) at agent’s desk
- Agent has a record of applications
- Fees are automatically calculated
- User-friendly
- No access fee



Official Certificate of Receipt of Application (CRA)



Sample stamp of filing agent



Award-Winning
SEA System
Exclusive to
LIBERIA

Contact: seafarers@liscr.com

4.4.3 FlagState Mobile App

The Liberian Registry has launched a powerful state-of-the-art mobile application (app) to enable owners, managers, operators and others to communicate and interact with the registry on a round-the clock basis.

Features:

- Registry News
- Global Maritime Events Calendar
- Document Verification Tool
- Seafarer Verification Tool
- MLC Complaint Resolution Form
- Inspector & Auditor Look-up Tool
- Liberian Vessel Locations Photo Gallery
- Social Media

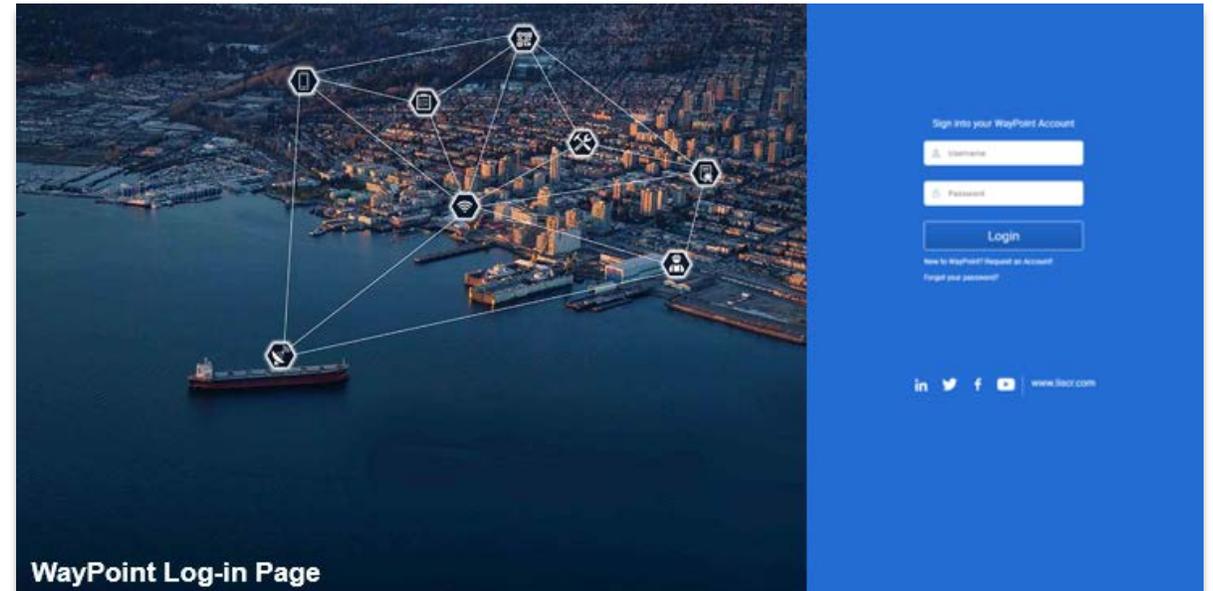


4.4.4 WayPoint Client Portal

WayPoint is the Liberian Registry's state-of-the-art, web-based interface that provides clients with secure, convenient, real-time, 24/7 access view of their fleet.

- Clients can :
 - View their **fleet list**,
 - View the **contacts** we have on file,
 - View and print **certificates** issued in WayPoint
 - including WRC, BCLC and CLC
 - Initiate services and order **certificates**.
- Certificates issued by WayPoint :
 - Are **secure** and
 - Can be **verified** through Liberia's website

<https://waypoint.liscr.com>





Thank You!

Contact (Liberian International Ship & Corporate Registry)

LISCR Korea

Tel: 02 2135 9139

info@liscr.kr / jskim@liscr.com

LISCR HQ | Virginia, USA

Tel: +1 703 790 3434

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