



Cayman Islands Shipping Guide

HIGGS & JOHNSON
Counsel & Attorneys-at-Law



Contents

Preface	2
1. Taxes	3
2. Registration	4
3. Advantages	4
4. Registration Forms	4
5. Yacht Registration Fees	5
6. Survey	5
7. Services	5
8. Glossary	6



Preface

The Cayman Islands is a British Overseas Territory, politically stable and self-governing, with a democratically elected legislature. In the Cayman Islands there is no direct taxation levied on either individuals or companies. In addition to tourism, the Cayman Islands Government earns its primary revenue from import duty, stamp duty on local real estate transactions and the incorporation and annual fees which are levied on companies, banks, trust companies, management companies, mutual funds and insurance businesses operating in the Islands.

TAXES

There are none of the following taxes in the Cayman Islands:-

- Income Tax
- Capital Gains Tax
- Withholding Tax
- Gift Tax
- Inheritance Tax
- Death Duty
- Corporation Tax
- Value Added/Sales Tax
- Property Tax

The Cayman Islands ranks as the fifth largest banking centre in the world, with 550 registered banks, together with a large range of corporate, trust, insurance and other services.

The Cayman Islands, U.K. and U.S. governments co-operate closely in the campaign against money laundering and drug trafficking. Consequently the Cayman Islands maintains an excellent relationship with the U.S. coastguard. Yachts registered in jurisdictions less reputable than the Cayman Islands have been subject to rigorous and expensive safety inspections by the U.S. coastguard on entering U.S. waters.

The current Merchant Shipping Law (2008 Revision) provides to extend the range of countries in which persons may be qualified to be owners of Cayman Islands Ships such as: British citizens; British Overseas Territories and Crown Dependencies citizens; British Overseas citizens; British subjects; Cayman Islands Citizens; person who under the Hong Kong (British Nationality) Order 1986 are British Nationals or citizens of a Member State of the European Union, European Economic Area or countries or dependencies of such Member State or Country; bodies corporate; shipping entities or foreign companies incorporated, established or companies registered in or having a place of business in the United Kingdom or any of its Overseas Territories or Crown Dependencies, a Member state of the European Union or European Economic Area, including any overseas country, territory or dependency of such a Member State or an approved country or any and its overseas territories of dependency of such an approved country; foreign companies as defined in Section 183 of the Companies Law (2009 Revision) carrying on business within the islands which comply with all the requirements of foreign companies under that Law; a person from a country included in the Third Schedule to the Money

Laundering Regulations (2009 Revision) including the United States of America.

The Law also allows more than one port of registry such as George Town on Grand Cayman, The Creek on Cayman Brac or Bloody Bay on Little Cayman, and provides for a Certificate of Registry to be issued for an indefinite period or for a specified period at the discretion of the Registrar of Shipping. It also provides for interim registration of Cayman Islands Ships; and for the implementation of revised levels of liability and increased levels of compensation for oil pollution damage; and for incidental and connected purposes. Also, registration of both traditional private pleasure yachts and commercial yachts are permitted. The requirements for private pleasure yachts remain unchanged from those that pertained prior to the 1997 Law.

Private pleasure yachts are exempted from the SOLAS, STCW and Load Line Conventions if they are "pleasure yachts not engaged in trade". Conversely, pleasure yachts that are engaged in trade by carrying passengers for hire are regulated by the Conventions.

Under SOLAS, a pleasure yacht carrying 12 passengers or less, that is engaged in trade, would be considered a cargo ship. Accordingly, convention cargo ship rules will apply to these yachts unless there is some code for equivalence that is more sympathetic to the needs of yacht owners and operators.

The UK Codes of Practice for the safety of large and small commercial sailing and motor vessels aim to achieve this objective. In the Cayman Islands, commercial yachts are surveyed and registered in accordance with this Codes. Survey work is controlled by the CISR although the CISR may appoint surveyors from other British administrations and from approved Classification Societies.

Survey work is normally arranged in consultation with the owner or builder. Where an owner wishes voluntarily to comply with the Commercial Yacht Code, (as a mark of quality, to attract preferential insurance rates, to facilitate resale, or to retain value in the yacht) but intends to keep the vessel in private use, then, following satisfactory survey work as required under the above Codes, the CISR will issue a Certificate of Compliance, although the yacht is to stay in private use. Any subsequent commercial use will require valid Commercial Code certificates, compliance to safe manning certification and compliance to ISM and ISPS Codes if over 500 GT. To remain in Code compliance,

the vessel will have to undergo annual surveys.

Most builders of large yachts around the world are constructing to the relevant code. This is because code compliance is needed if an owner intends to charter commercially, particularly in EU waters, or he might later want to sell the yacht to someone who does. The absence of code compliance can adversely affect saleability and, ultimately, the sale price. Some insurers and lenders like to see code compliance since it imposes a higher standard [reducing risk in the vessel] and it helps underpin collateral value in the vessel by ensuring a standard of maintenance during the life of the loan through the annual surveys.

Code compliance and commercial registration can become complex, especially when **EU VAT** and other operating considerations come into play. This is usually exacerbated when decisions are left to the last minute. Early planning is key. We strongly recommend that you contact Higgs & Johnson or the Cayman Islands Shipping Registry's Surveyor at an early stage to avoid problems.

REGISTRATION

There are several important reasons for registering a vessel:

- To prove its nationality which is essential for overseas voyages
- To secure ownership title to a movable asset for the owner of that asset
- To use the ship as security to obtain a marine mortgage which, in turn, is registered.

ADVANTAGES

Cayman is stable, efficient, tax-neutral, with modern maritime legislation and the Shipping Registry comprises an experienced global team.

- Flag Cayman - In the Cayman Islands we are able to register vessels of any size or type (international fishing vessels are not accepted). There are no age limits on qualified vessels, however there is an ongoing target of keeping the average age of its fleet at less than 15 years.
- Ownership - Typical shipping industry practice is to have each vessel owned by a separate company or entity. Higgs & Johnson offers services to assist with several vessel ownership structures ranging from

individual ownership through to a choice of corporate ownership options.

Company incorporation procedures are well-established and clear with no nationality or residency requirements for beneficial shareholders and directors.

Our Company Formation Scale of Fees

Company Formation Fee	US\$732
Certificates of Incorporation	US\$366
Corporate Seal	US\$43
Tax Exemption Certificate	US\$1830
Stationery/Telephone	US\$100
Professional Fee	US\$1200
Annual Registered Office Fee	US\$1095
Annual Government Fee	US\$732
Annual Secretarial Fee (Optional)	US\$300

There are a number of general vessel registration rules which are common across all types of Ship and Yacht Registration, Full, Interim, Under Construction, Provisional, or *Demise Charter*, Mortgage Registration, and to related requests such as Vessel Deletion, Transcript of the Register, Inspection of the Register, Priority Notice Recording, etc.

REGISTRATION FORMS

Section 1 and Section 2a - These are normally completed by Higgs & Johnson

Section 2b - Declaration of Ownership or Eligibility for Ownership (Body Corporate) - The Owner or Authorised Person declares that the owning company or body corporate is qualified to own or may be eligible to own a Cayman-registered vessel.

Section 2c - Declaration of Ownership or Eligibility for Ownership (Individual Owner) - The Owner or Authorised Person declares that the individual is qualified to own or may be eligible to own a Cayman-registered vessel.

Section 2d - Declaration of Ownership or Eligibility for Ownership (Joint Owners) (Individuals) - The Owner or Authorised Person declares that the joint-owners as a collective body are qualified to own or may be eligible to own a Cayman-registered vessel (qualified persons must own the majority of shares (at least 33 shares) out of the 64 shares in a vessel. The remaining 31 shares may be owned by persons that are not qualified to own a Cayman-registered vessel).

Section 3 - Appointment of a Representative Person
This is necessary in all cases where the individual/joint

owners are not Cayman nationals or permanent residents or when owning companies have been incorporated in a qualifying jurisdiction other than Cayman. The Representative Person is by virtue of this appointment the owner's official representative in the Cayman Islands. The Representative Person may also be appointed as an Authorised Person under CISR 855 and may also complete, sign and submit the Declaration of Ownership for a company/body corporate, individual or joint owners and all other forms and supporting documentation submitted to Cayman in relation to the vessel.

Section 4 - Undertaking to act as Representative Person (Higgs & Johnson) - We sign this Section of the Form as evidence of acceptance to act in the relevant capacity.

Section 5a - Declaration of Private Use (Pleasure Vessel) - This Section of the Form is to be completed if the vessel is to be used solely for private use. This is used only for pleasure yachts not to be engaged in trade.

Section 5b - Undertaking to Mark Vessel and Return Carving & Marking Note - This is an undertaking to have the vessel marked with its Port of Registry, Official Number, IMO Number (if applicable) and Net Tonnage (for vessels 24 metres and over in length) or Register Tonnage (for vessels under 24 metres in length) within 21 days of the issue date of the vessel's Certificate of Registry. This form is signed by an authorised Surveyor after the vessel has been carved and marked according to the Cayman Islands Shipping Registry Regulations.

Section 5c - Undertaking to Submit Original Documents within 7 Days - Where faxed or emailed documents have been accepted in order to facilitate timely registration, this Section of the Form must be completed to undertake to deliver the originals of these documents to Cayman within 7 days of the issue date of the vessel's Certificate of Registry.

Section 5d - Undertaking to Provide a Bill Of Sale and Declaration of Ownership within 21 days - This Section of the Form should be completed where an Interim Certificate of Registry valid for 21 days is to be issued by the Cayman Islands Shipping Registry, pending receipt of a Bill of Sale and Declaration of Ownership. In the interim, the Owner or "Authorised Person" (Higgs & Johnson) must submit a Declaration of Eligibility for Ownership for the potential new owner which may be Form CISR 856 Section 2a, 2b or 2c, depending on the ownership structure for the vessel.

YACHT REGISTRATION FEES

Minimum Government Registration Fee	US\$400
Minimum Tonnage Fee	US\$300
Radio Licence	US\$30.49
Professional Fee	US\$1500

SURVEY

The Cayman Islands maintains a dynamic Survey and Audit programme for merchant ships. Certain surveys and audits are carried out by Cayman Islands surveyors to control quality. Other surveys are delegated to recognised Classification Societies such as Bureau Veritas, RINA, Lloyd's Register, Den Norske Veritas, ABS, etc.

As a Category 1 British Registry, Cayman Islands Shipping Registry (CISR) is authorised to certify all sizes and types of vessel. The survey and audit certification requirements for Cayman-registered ships are based on international conventions which are given effect through Cayman Islands legislation. Additionally, these survey and audit requirements are also guided by policies and procedures agreed among the members of the British Registers. The CISR's Surveyors travel around the world as required to perform surveys, these surveys can be arranged through Higgs & Johnson +1(345) 949 7555 or by contacting the CISR directly at +1(345) 949 8831.

SERVICES

- Legal advice on maritime/corporate issues - We have a number of attorneys specialising in maritime issues, who can be contacted at the telephone numbers provided below.
- Preparation of yacht and ship mortgage and loan documents - You should contact us as soon as your financial institution advises you that the loan has been approved in order to prepare the necessary loan documentation.
- Preparation of legal opinions for yacht and ship mortgage providers - certain financial institutions require a local legal opinion on the Cayman registered company purchasing the yacht or ship and on the registration of the yacht or ship mortgage. Our attorneys are prepared to assist you with this matter and provide your lender with the necessary opinion.
- Preparation of yacht registration documents - This is a straightforward process providing that we have on hand the Survey and Tonnage Certificate (which is normally arranged between the shipyard and an approved Class Society Surveyor), Bill of Sale (if a used vessel), or Builder's Certificate (if new). The Cayman Islands Shipping Registry takes between 3 to

5 working days to issue a Certificate of Registry; however they have also an express registration service within 24 hours, provided that an additional fee of US\$400 is paid.

- Reservation of yacht name - This is a simple process, which allows yacht owners to use their choice of name on the vessel, provided the name is not already taken.
- Deletion from existing register if transferring to the Cayman Islands Register - If any yacht owner would like to change flag, the first requirement is to delete the vessel from its current register; thereafter we can assist with its registration in the Cayman Islands.
- Development of charter agreement
- Application for compliance with the commercial yacht code - All commercial vessels are bound to comply with specific international regulations for commercial vessels. We are able to assist you in order for you to comply with these regulations.
- Application for Official No., Call sign, Secall No. and MMSI No. - The Cayman Islands Shipping Registry issues the Official Number and call sign of a vessel. In specific cases, issue may be possible prior to the formal registration of the vessel. The Cayman Islands Office of Telecommunications issues the MMSI number. Secall No. is issued by the U.S. coasts guard.
- Application for Radio Station Licence and SATCOM hook-up - All Cayman Islands registered vessels should have a Cayman Islands Radio Licence. We can also assist our clients in having their vessels hooked up to Inmarsat if necessary. The Cayman Islands Office of Telecommunications issues the MMSI number.
- EPIRB Registration - (emergency position indicating radio beacon), enabling a ship in distress to send signals to assist the coast guard in locating the vessel.
- Registration of vessels under construction - Where a yacht is being built in a yard under risk, whether such risk be financial, political or geographic, it may be important for an owner to register the vessel under construction and possibly register a mortgage against it. This has the advantage of obtaining title to the vessel and thus segregating it from the general assets of the shipyard in the event that a receiver is appointed over the shipyard's assets in a bankruptcy or liquidation.
- Registration of mortgages against vessels under construction - This is a means of securing a registered mortgage against a vessel under construction prior to

its completion. As mentioned above, Cayman Islands law provides for the registration of yachts under construction and this, and the registration of mortgages against such vessels, can be done through our office.

- Ongoing liaison with the Cayman Islands Shipping Registry - It is normal procedure for us to liaise with the Cayman Islands Shipping Registry on behalf of our clients, at their request, regarding any matters pertaining to a vessel registered at the Port of George Town, Grand Cayman.
- Acting as Representative Person in the Cayman Islands. We also provide this service for companies incorporated in jurisdictions other than the Cayman Islands who register a vessel in the Cayman Islands who need a Local Representative Person in the Cayman Islands.
- Acting as yacht owner's point of contact in the Cayman Islands.

Ongoing co-operation with the Cayman Islands Shipping Registry in connection with the operation and maintenance of a yacht or ship as a Cayman Islands registered vessel.

GLOSSARY

Bareboat Charter

Private Agreement between two parties, individual or body corporate whereby the ship-owner leases an entire ship to the charterer for a particular reason (e.g. conveyance of goods). The ship-owner effectively gives the whole possession, operation and control of the ship over the charterer. The charterer then becomes for the time the owner of the vessel allowing him to register with a flag state of his choice. Also see Demise Charter.

Builder's Certificate

A certificate signed by the builder of a ship and containing a true account of the particulars of the ship, as estimated by him, and of the date and place where it was built, and of the name of the person to whom it was delivered.

Bulk Carrier

A vessel no tween-deck, used for bulk transport of everything stowed in bulk, without packaging such as grain, coal, ore, sugar, cement, etc.

Certificate of Good Standing

A certificate issued by a Company Registry attesting to the fact that a company has filed all the necessary returns and fees and is therefore in 'good standing'.

Certificate of Survey

This certificate contains all the particulars of a vessel that are entered in the Shipping Register. Such a certificate also proves that a vessel has been inspected by a qualified Class Society's surveyor.

COLREG

Convention on International Regulations for Prevention Collisions at Sea.

Demise Charter

Also called bareboat charter in which the bare ship is chartered without crew with the charterer, for a stipulated sum, taking over the vessel with a minimum of restrictions.

Encumbrance

A claim or liability attached to a vessel that might lessen its value, such as a mortgage or tax lien. Once registered, encumbrances stay with a vessel even after it has transferred to another party unless these have been discharged by the party that attached it in the first instance or by a Court Order.

EPIRB

Through the use of satellites an Emergency Position Indicating Radio Beacon is meant to help rescuers located marine vessels in an emergency situation. These satellite-linked EPIRBs broadcast a unique, repeating distress signal that can be detected from virtually any point on earth. When properly registered, the signal includes a description of the vessel as well as its location. An activated EPIRB will send critical information via satellite that is routed directly to rescue units thereby reducing search time dramatically.

Equasis

A web-based information system that collates existing safety-related information on ships from both public and private sources, jointly developed by the European Commission and the French Maritime Administration.

Flag State

The common legal understanding of "flag state" is the administration or the government of the State whose flag a ship is entitled to fly.

GMDSS

Global Maritime Distress and Safety System developed by the IMO and comprising a number of key elements including: Call Sign (a unique identifier of a radio station); Maritime Mobile Services Identity (MMSI) a nine digit

number which is transmitted over the radio path in order to uniquely identify the ship stations, ship earth stations, coast stations, coast earth stations and group calls). Selective Call Number (a unique numeric identifier of a ship or coast station in the maritime mobile services for simplex teletype over radio); Mobile Earth Station Identification Number (MESIN) a unique numeric identifier of an INMARSAT-C, INMARSAT-M, INMARSAT-B and all new INMARSAT ship earth station); Ship Station Identity (a unique numeric identifier of an INMARSAT-E EPIRB); and 406 MHZ EPIRB Unique Identifier Number (a unique alphanumeric identifier of a 406 MHZ satellite EPIRB).

GT

Gross tonnage is the total volume of all enclosed spaces of a ship usable for carrying cargo or passengers measured in cubic metres using a standard formula under the International Convention for vessels 24 metres and above or under national regulations for ships under 24 metres in length.

International Association of Classifications Societies

This is an association of 11 classification societies. These Societies establish and apply technical requirements for the design, construction and survey of marine-related facilities, principally ships and offshore structures. These requirements are published as classification rules. Classification rules are developed to contribute to the structural strength and integrity of essential parts of the ship's hull, and its appendages, and the reliability and the functioning of the propulsion and steering systems, power generation and those other features and auxiliary systems which have been built into the ship in order to maintain essential services on board for the purpose of safe operation of the ship. Classification surveys are carried out by qualified surveyors using mainly visual inspections and sampling techniques. Classification societies may also act as Recognised Organisations for Flag States, verifying the same vessel's compliance with international and/or national statutory obligations.

ICS

The International Chamber of Shipping is the International trade association for merchant ship operators and represents the collective views of the industry from different nations, sectors and trades.

ILO

The International Labour Organization is the United Nation's specialized agency which formulates international labour standards in the form of Conventions and

Recommendations setting minimum standards of basic labour rights.

IMO

The International Maritime Organization is the United Nation's specialised agency that is responsible for prescribing international standards for safety of life at sea, marine security and protection of the marine environment.

INMARSAT

The International Maritime Satellite Organisation operates a constellation of geostationary satellites that extend mobile phone, fax and data communications to every part of the world, except the poles. INMARSAT provides telephony and data services to users world-wide, via special digital radios called "terminals". An INMARSAT terminal contacts the satellite and communicates to a ground station through the satellite. Ship-Owners and managers, connected to an INMARSAT satellite, can dial into the international telephone network and send data over the internet.

Interim Certificate of Registry

Issued where there exists a "transfer of ownership" request in Cayman for a vessel that is not on its Register and negotiations and/or paperwork and the like are not yet concluded between the buyer and seller but the buyer (expected owner) is eligible to qualify and intends to register a vessel in Cayman.

Load Line

A physical marking on a ship's hull indicating the maximum depth to which a ship is entitled to be loaded in a particular circumstance. The international standard for determining load lines is set by the Load Line Convention 1966, as amended. This ensures a minimum of buoyancy above the water line.

MACI

Is the statutory corporation formed as a separate legal entity under the Maritime Authority of the Cayman Islands which came into effect on July 1, 2005. MACI is wholly-owned by the Government of the Cayman Islands but Governed by a Board of Directors.

MARPOL

The International Convention for the Prevention of Pollution of Ships, 1973 as modified by the 1978 Protocol is the main international convention covering the prevention of pollution of the marine environment by ships from operational or accidental causes and governs

ships from operational or accidental causes and governs the design and equipment of ships; establishes a system of certificates and inspections and requires states to provide reception facilities for the disposal of oily waste and chemicals. It combines two treaties adopted in 1973 and 1978 respectively and updated by amendments through the years. MARPOL currently includes 6 technical Annexes dealing with oil, noxious liquid substances, harmful substances, sewage, garbage, and air pollution respectively.

MMSI

Maritime Mobile Service Identity is a unique 9 digit number that is assigned to a ship's radio station. This radio technology allows enhanced distress radio messages to be sent digitally. It primarily registers the ship's information in national distress databases worldwide for use in emergency situations.

MOU on SPC

Memorandum of Understanding between states on Port State Control for compliance with International Maritime Conventions.

PSC

Flag States are responsible for ensuring that ships under their flags comply with their requirements, and a number of certificates are prescribed in the SOLAS Convention and other Conventions as proof of compliance. Port State Control provisions also allow Contracting Governments to inspect the ships and equipment of other Contracting States for compliance with the requirements of the Convention, this procedure is known as Port State Control.

The Category 1 Registries may register vessels of any size, type or age whilst the category 2 registries are restricted to register vessels up to 150 GT (the British Virgin Islands can register cargo vessels up to 150 gross tons but yachts up to 500 gross tons). The REG meets annually in one of the members countries.

Red Ensign Group (REG)

Includes the 5 Category 1 British Registers (UK, Bermuda, Cayman, Gibraltar and the Isle of Man) and the 8 Category 2 British Registers (Anguilla, British Virgin Islands, Falkland Islands, Guernsey, Jersey, Montserrat, St. Helena and Turks and Caicos).

The Category 1 Registries may register vessels of any size, type or age whilst the category 2 registries are restricted to register vessels up to 150 GT (the British Virgin Islands can register cargo vessels up to 150 gross tons but yachts up to 500 gross tons). The REG meets annually in one of the members countries.

Representative Person

Under Section 6 of the Merchant Shipping Law (2008 Revision) of the Cayman Islands a ship owned by a non-resident individual or company may only be registered if a Representative Person is appointed locally for the purpose of receiving notices and other documents pertaining to the non-resident ship-owner. A non-resident company is defined as a company that is not incorporated locally and does not have a place of business in the Cayman Islands.

SOLAS

International Convention of the Safety of Life at Sea, 1974 as amended specifies minimum standards for the design, construction, equipping and operation of ships in respect of their safety.

STCW

International Convention of Standards of Training, Certification and Watchkeeping for Seafarers, 1978 as amended.

Suezmax

Vessels of about 120,000-150,000 DWT. Typically includes vessels with load capacities of 1 million barrels of crude oil. Also the maximum ship size that is allowed to transit the Suez Canal fully loaded.

Superyachts

Larger pleasure yachts, usually defined as being in excess of 24 metres in length. Other terms that are used to describe large pleasure yachts include mega-yacht and giga-yacht.

Tonnage Certificate

A certificate stating the size of a vessel expressed in tons; not necessarily based on weight. National Tonnage Certificates are issued to vessels under 24 metres and International Tonnage Certificates are issued to vessels 24 metres and over.