

PRESIDENTIAL DECREE NO. 214

FURTHER AMENDING THE PHILIPPINE OVERSEAS SHIPPING ACT OF 1955

WHEREAS, one of the present needs of our country is a well-developed merchant marine that would more effectively assist in the development of our nation's economy;

WHEREAS, our shipping industry, facing fierce competition with the more advanced and developed shipping industries of other maritime countries, needs government assistance in its efforts at expansion;

WHEREAS, Republic Act No. 1407, otherwise known as "The Philippine Overseas Shipping Act of 1955, "has for its objective to encourage and assist the Philippine merchant marine, foster its development, provide financial assistance in its shipbuilding program and promote shipping in every possible;

WHEREAS, Republic Act No. 6106, amending Republic Act No. 1407, which allows mortgage of Philippine vessels to shipbuilders or lending institutions for the construction or purchase of ships on deferred payment basis, has been amended by inserting Section 11 ½ ; and

WHEREAS, there are certain provisions in Section 11 ½ which act as deterrents in the procurement of additional vessels;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested by the Constitution as Commander in Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081 dated September 22, 1972, do hereby decree and order the amendment of Section 11 ½ of Republic Act No. 6106 amending Republic Act 1407, as amended, as follows:

“Section 11 ½.

- (a) “Any citizen of the Philippines, or any association or corporation organized under the laws of the Philippines or any association or corporation organized under the laws of the Philippines, at least seventy-five percent of the capital of which is owned by citizens of the Philippines, engaged or which shall engage exclusively in the overseas shipping business may, for the purpose of financing the construction, acquisition or purchase of vessels for use in overseas shipping, freely constitute a mortgage or any other lien or encumbrance on such vessels

and its equipment with any bank or other financial institutions, domestic or foreign.”

- (b) “The instrument of mortgage, lien or encumbrance shall be recorded in the registry of vessels in the order of their reception and shall show:
1. The name of the vessels;
 2. The name of the parties;
 3. The time and date of reception of the instrument;
 4. The interest in the vessel transferred or affected; and
 5. The amount and date of maturity of any mortgage.

A copy of the instrument of mortgage shall be furnished the Central Bank of the Philippines.”

- (c) “Any mortgage, lien or encumbrance constituted in accordance with this Act is a preferred mortgage and shall constitute a maritime lien upon the mortgaged vessels in the amount of the outstanding mortgage indebtedness secured by such vessels.”
- (d) “A preferred mortgage shall have priority over all claims against the vessel.”
- (e) “The lien of a preferred mortgage may be enforced may be enforced by suit in rem or otherwise in the Philippines, or in any foreign country in which the vessel shall be found pursuant to the procedure of said country for the enforcement of ship mortgage constituting maritime liens on vessels documents under the laws of said country.”
- (f) “After the bill of judicial sale of public auction has been executed, all claims against the vessel in favor of the creditors shall be considered extinguished, and such claim shall thereafter attach, in like amount and in accordance with their respective priorities to the proceeds of the sale after satisfying the preferred mortgage herein provided. If the proceeds of the judicial sale should not be sufficient to pay all the creditors included in one number or grade, the residue shall be divided among them pro rata. All credits not paid, whether fully or partially, shall subsist as ordinary credits enforceable by personal action against the debtor. The record of the judicial sale shall be inscribed in the registry of vessels.”

Section 2. The provisions of Commonwealth Act Numbered Six hundred and six, as amended by Republic Act Numbered Nine Hundred and thirteen; the Code of Commerce, particularly Articles 580 and 584 thereof; and all other Acts, executive are hereby repealed or modified accordingly.”

This Decree Shall take effect immediately

Done in the City of Manila, this 16th day of June in the year of Our Lord, nineteen hundred and seventy-three.