Merchant Marine Circular

Panama Maritime Authority
General Directorate of Merchant Marine
Control and Compliance Department

MERCHANT MARINE CIRCULAR MMC-171

To: Ship-owner/Operators, Company Security Officers, Legal Representatives of Panamanian Flagged Vessels, Panamanian Merchant Marine Consulates and Recognized Organization (RO´s).

Subject: Flag Safety Inspection Program.

Reference:

- Law No. 39, July 8, 1976, regulated through Executive Decree No. 56, October 8, 1976.
- Law No. 30, September 17, 1980.
- Law No. 4, February 24, 1983.
- Law No. 57, August 6, 2008, article 117.
- Resolution No. 106-138-DGMM, September 10, 2013, article 8.
- Resolution No. 106-36-DGMM, April 25, 2017, MLC 2006 flag inspection and enforcement.
- Resolution No. 106-38-DGMM, May 8, 2017; amended through Resolution No. 106-10-DGMM, January 28, 2020.
- Resolution No. 106-124-DGMM, November 30, 2017.
- Resolution ADM No.014-2021, February 17, 2021, adoption of IMO Resolution A.1070(28) - IMO Instruments Implementation Code (III Code).
- Resolution No. 106-03-DGMM, January 3, 2025.

This Merchant Marine Circular replaces the **MMC-20**.

1. Purpose:

1.1. The purpose of this Merchant Marine Circular is to inform all relevant parties of the risk-based approach of the Flag Safety Inspection.

1.2. Based on Article 117 of Law No. 57 of 2008, the General Directorate of Merchant Marine (DGMM) has updated the Flag Safety Inspection program to implement a risk-based targeting approach. This strategy prioritizes inspection efforts on vessels with higher risk profiles to ensure compliance with International Maritime Conventions while granting exceptions to high-performing vessels.

2. Definitions:

2.1. Extraordinary Inspections: special inspections conducted when deemed necessary, in accordance with the provisions, instructions, and authorizations granted by this Administration.

2.2. Flag Safety Inspections: inspection conducted by or on behalf of the Administration by flag nominated inspectors to verify that vessels registered in the Republic of Panama complies with applicable national legislation and international regulations. Vessels shall be subject to ordinary and extraordinary inspections, or shall be re-inspected as deemed necessary, according to Law No. 57 of August 8, 2008.

2.3. Ordinary Inspections: general inspections that shall be conducted for each vessel on a yearly basis (annual), ensuring continued compliance with all applicable safety standards and regulations Adopted by the Republic of Panama. These inspections are hereinafter referred to as “Annual Safety Inspections”.

2.4. Prohibition from Sailing: formal restriction issued by the Administration that prevents a vessel from proceeding to sea due to identified deficiencies or non-compliance with applicable national and international regulations. (Also refer to UNCLOS article 217 - *Enforcement by Flag States*)

2.5. Re-inspections: A follow-up inspection resulting from a Flag Safety Inspection in which deficiencies were identified. Only assigned by the Flag State Inspection Section.

2.6. Travel Expenses: costs incurred by a Flag State Inspector in connection with travel distance to carry out an inspection, including transportation, accommodation, meals, and other duly authorized related expenses, if any.

3. Legal basis and Scope:

3.1. Article 117 of Law No. 57, 2008 – Safety inspections: Establishes that all vessels registered in the Merchant Marine are subject to a Flag Safety Inspection. It also empowers the DGMM to determine specific exceptions to this requirement.

3.2. Resolution No. 106-003-DGMM, 2025: Introduces measures to optimize fleet performance by focusing on risk categories to enhance Flag State enforcement and reduce Port State Control (PSC) detentions.

3.3. The Republic of Panama maintains a long-standing regulatory framework since 1976 to ensure compliance with national legislation and international maritime instruments, fulfilling its responsibilities as a Flag State through an independent inspection program.

4. Exceptions:

The following vessels are exempted from the standard Flag Safety Inspection requirement unless specifically instructed by the Flag State Inspection Section:

4.1. Low Risk Vessels: Ships evaluated as fully compliant with national and international regulations, as reflected in their superior performance history, are exempt from undergoing Flag Safety Inspection.

4.2. New Constructions: Vessels that have recently been constructed and registered are not subject to Flag Safety Inspection during their first five (5) years of service.

4.3. Special Registries: Panamanian vessels under foreign bareboat charter (Charter Out) and pleasure yachts are not subject to Flag Safety Inspection.

4.4. MODUS: For Mobile Offshore Drilling Units (MODU) in remote or inaccessible locations, the Flag Safety Inspection may be replaced by a valid MODU Safety Certificate inspection report issued by the unit's Recognized Organization (RO), which shall be onboard also as a substitute of the FSI.

5. New Approach and Operational requirements:

5.1. Following a risk-based approach the General Directorate of Merchant Marine has established that Flag Safety Inspections (ordinary and extraordinary) shall be assigned directly by the Administration through the Flag State Inspection Section.

5.2. Under the new approach, Flag Safety Inspections are assigned based on a vessel's risk profile (Critical or Warning status) rather than a fixed 12-month window for all ships, unless otherwise instructed by the Administration in specific cases.

5.3. Vessels under High Risk (Critical) status may be inspected at any time, regardless of the date of their last inspection. They may also be subject to mandatory inspections every three (3) months if deemed necessary by the Administration.

5.4. Vessels under Medium Risk (Warning) status are eligible for inspection from six (6) months after their last Flag Safety Inspection. Additionally, they must submit a pre-arrival checklist 120 hours before entering ports under the jurisdiction of the USCG, Paris MOU, AMSA, or China's MSA. However, the Administration may authorize extraordinary inspections, according to the circumstances.

5.5. The inspections shall be assigned directly by the Flag State Inspection Section online through the online system, based on priority of the case and their risk profile.

5.6. An authorization letter shall be issued as usual to confirm authorization for Flag State Inspection Section. The Administration maintains a list of authorized inspectors available at https://panamashipregistry.com/maritime-services/asi-surveyors-list/. Guidance regarding their representatives is provided in MMC-374 and MMN-05/2022.

5.7. Inspections will typically be assigned to the Flag State Inspector at least seven (7) days prior to the vessel's Estimated Time of Arrival (ETA).

5.8. To ensure compliance with established inspection procedures, inspection's reports evaluation will be conducted by the Flag State Inspection Section.

5.9. The Administration may issue a Prohibition from Sailing to the vessel If detainable deficiencies are identified by the Inspector during the Flag Safety Inspection. Port Authorities and the owner/operator will be communicated in this case.

5.10. Remote Flag Safety Inspections **are not allowed** given the risk-based approach. On-site inspection is the supervision mechanism of the vessels conditions to ensure safety at sea, prevent pollution and working and living conditions of seafarer.

6. Owner, Company, Manager, Charterers, Master responsibility:

6.1. Owner, Company, Manager, charterers, master and others responsible for the operation of one or more vessels registered under the Panamanian flag, as well as their agents or representatives, shall be under obligation to admit the Flag State Inspector on board, duly authorized by the Administration, cooperate with them and allow them to fully carry out the inspection.

6.2. In the event that deficiencies are identified during the inspection, the master and responsible for the operation of the vessel must adhere to MMC-201,

which outlines the corrective measures for deficiencies identified during the Flag Safety Inspection.

6.3. The master, owner or other responsible for the operation are obligated to notify the inspector of any issues or concerns regarding the vessel prior to the inspection to ensure thorough assessment and appropriate action.

7. Non-compliance and Sanctions:

7.1. The owner, master and responsible for the operation of a vessel who refuses the Safety Inspections referred to by Law No. 57 of August 6, 2008, or who fails to submit the form on which the Inspection is recorded shall be subject to penalty of up to ten thousand dollars ($10,000.00). In the event of recurrence, in addition to the penalty, there may be immediately cancelled of the Panamanian Registry of the vessel without affecting the compliance with the obligations as set forth by the laws of the National Merchant Marine.

7.2. Failure to comply with the instructions issued directly by the Flag State Inspection Section via email shall also be considered a refusal of inspection and shall constitute clear evidence of non-cooperation by the owner, operator, or Master.

8. Flag State Inspector responsibilities:

8.1. Inspectors are strictly prohibited from conducting any inspection without formal, direct authorization from the Flag State Inspection Section.

8.2. Inspectors shall not contact vessel Owners/Operators to arrange or conduct a Flag Safety Inspection unless prior authorization has been granted by the Flag State Inspection Section following the vessel's risk assessment. All communications concerning the coordination of inspections shall be initiated by the FSI Section.

8.3. Prior to embarkation, the inspector shall establish communication with the shipowner, operator, or Master to finalize operational details and ensure an efficient inspection process.

8.4. For inspections located more than 25 nautical miles from the inspector's assigned port, all travel expenses (land, air, or sea) must be pre-approved by the shipowner, operator, or master. Flag State Inspectors shall not commence travel until expense coverage or travel arrangements are formally confirmed.

8.5. Upon boarding, the Flag State Inspector shall present official credentials issued by the Flag State Inspection Section and must display them throughout the inspection process.

8.6. Inspectors must adhere to the Administration's rules regarding gifts and courtesies, firmly refusing any corrupt inducements or undue influence. Any attempt to compromise an inspector's impartiality must be reported to the Administration immediately.

8.7. To prevent organizational conflict, Flag State Inspectors are not authorized to inspect vessels surveyed or certified by the same Recognized Organization (RO) for which they are employed.

8.8. Inspectors must not be subject to any commercial, financial, or other pressures, nor have any commercial interest in the port of inspection, the inspected ships, ship repair facilities, or support facilities, whether in the port or elsewhere.

8.9. To prevent individual conflicts of interest, any inspector who has performed a statutory survey on a vessel is prohibited from conducting a Flag Safety Inspection on that same vessel. Consequently, they must not be employed by, or carry out work on behalf of, the same recognized organization or classification society.

8.10. To safeguard the objectivity and impartiality of Flag Safety Inspections and prevent any actual, potential or perceived conflict of interest, inspectors shall not conduct more than three (3) consecutive FSI's on the same vessel. Inspector rotation shall be implemented thereafter to promote independent assessments and maintain the integrity and credibility of the inspection program.

8.11. Inspectors, prior to boarding for the purpose of conducting a safety inspection, shall be equipped with the following personal protective equipment: safety helmet (with headlight), ear plugs, safety gloves, safety boots, coverall, life jackets, and ID card holder.

8.12. Inspectors must exercise objective professional judgment, ensuring all assessments and conclusions are consistent with the Administration's policies and international maritime instruments. Decisions and findings must be based on their expertise, professional knowledge of national and international regulations, and objective evaluation of the conditions observed on board, without undue influence from any external party.

8.13. All information obtained during official duties on behalf of the Administration must remain strictly confidential. Disclosure to third parties is prohibited without prior consent of this Administration, unless required by law or a competent authority.

8.14. To ensure confirmation of receipt, the Flag State Inspector is required to send the final report to the operator via email, assisting with the automated system of the Section.

8.15. Unless explicitly authorized by the Flag State Inspection Section, the Flag State Inspector shall not:

(i) Formally detain a Panamanian-flagged vessel or issue a “Prohibition from Sailing”;
(ii) Demand corrective actions;
(iii) Require, supervise, or approve repairs;
(iv) Endorse or invalidate statutory certificates issued by an Recognized Organization authorized by the Republic of Panama
(v) Certify a vessel’s seaworthy conditions.

8.16. Adherence to these guidelines is mandatory to ensure the integrity of Flag Safety Inspection oversight. Any deviation, non-compliance, or serious violation will trigger an immediate administrative review. Depending on the severity of the case, sanctions may include temporary suspension, disqualification, or the permanent cancellation of the Flag State Inspector’s registration.

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November, 2026 *– modification in paragraph 4.4, 8.8 and 8.9; correction in paragraphs 5.7 and 8.6; inclusion of paragraphs 8.2 and 8.10.*
May, 2026 *– Title changed to Flag Safety Inspection Program. General review and modification; contact point were modified.*
July, 2024 *– General review; numbers of paragraphs modified; correction in paragraph 1 (wording); modification in paragraphs 1, 2, 3, 4, 5, 6; new paragraphs added 7 and 8; subjects added: Application, General conditions, Responsibilities, Extensions.*
October, 2023 *– Changed subject, compiles the circular MMC-20, include references, purpose, scope and text update.*
July, 2002.

Inquiries concerning the subject of this Merchant Marine Circular or any other request should be forward to:

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