



Financing merchant vessels

Maritime transport is subject to very strict regulations. International maritime law is structured around the conventions adopted by the UN's International Maritime Organization (IMO), added to which are the national legislations of a vessel's owner and flag. This regulatory framework is not only increasingly restrictive and subject to constant change, but also applies to each stage in the life of a vessel from its construction through its commercial operation to the moment it is laid-up and dismantled.

Société Générale systematically factors in any sustainable development risks (potential pollution and crew employment conditions) before undertaking any maritime financing, as well as at every stage in the process. Our team of maritime financing specialists primarily focuses on the following criteria:

- vessels operating within a secondary cash market for which the bank holds enough historical data to perform the requisite evaluations and easily assess the quality of assets;
- vessels with standard technical characteristics;
- vessels subject to a known and identifiable legal scope.

Know your customer

Société Générale works exclusively with those companies whose operations comply with international legislation. It works with vessel owners that occupy a leading position on their markets, that boast a sound reputation and transparent management practices and about which it has accurate data.

Know your assets

Where financing is for new vessels, Société Générale checks the reputation of the naval construction company and its geographical location and that it provides minimal guarantees in terms of safety and employment conditions.

Where financing is for second-hand vessels, the bank requests an independent inspection report to assess their technical compliance with all applicable regulations as well as the general state of the vessel.

Where inspection reports reveal a major problem, the bank declines any involvement and also avoids financing vessels that are close to the end of their service life.

Loan documentation

Société Générale requires that the classification societies used by its clients be members of the International Association of Classification Societies (IACS), and has a preference for European and Japanese societies. These classification societies perform regular checks to verify that a boat's operating conditions comply with all applicable technical regulations. Société Générale has also drawn up a list of flags that it ranks as acceptable (according to incidence rates and the reputation of the relevant national maritime authorities).

The bank's standard loan clauses stipulate that:

- vessels and their owners must comply with all applicable national and international legislation, including the ISM and ISPS¹ codes governing the safety and security of operations;
- vessels must be maintained in good condition throughout the life of the contract;
- vessels must be insured for a minimal amount against accidents including damages to third parties in the event of pollution.

Lastly, Société Générale reserves the right to inspect the vessel at least once a year, notably in the event of an incident affecting the ship's operations.

NOTES

1. Failure to comply with certain clauses of the loan documentation may result in the bank declaring the owner to be in default or demanding the early repayment of the loan.
Given that its loan activities extend principally to new or recent vessels, Société Générale is not affected in any significant way by problems linked to the laying-up or dismantling of vessels.