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COMPARATIVE STUDY OF LEGAL FORMS OF SHIPPING COMPANIES IN GREECE AND INTERNATIONALLY: HISTORICAL REVIEW AND THEIR CONNECTION WITH THE FINANCIAL STATEMENTS.

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Περίληψη

Η ακόλουθη διπλωματική εργασία παρέχει μια ανάλυση των νομικών δομών που έχουν υιοθετήσει οι ναυτιλιακές εταιρείες τόσο στην Ελλάδα όσο και διεθνώς, εξετάζοντας το τρόπο εξέλιξης των νομικών δομών με την πάροδο των ετών και τον αντίκτυπό τους στις χρηματοοικονομικές καταστάσεις και την εταιρική διακυβέρνηση.

Προσεγγίζοντας την ανάπτυξη των ναυτιλιακών εταιρειών ιστορικά, από τις απαρχές του θαλάσσιου εμπορίου, την εξέλιξη της άτυπης λογιστικής και την υιοθέτηση της λογιστικής διπλών εγγραφών, αυτή η εργασία μπορεί να βοηθήσει να κατανοήσετε τον δρόμο, ο οποίος οδήγησε στις σύγχρονες οικονομικές καταστάσεις. Κάνει μνεία στις διάφορες νομικές μορφές υπό τις οποίες λειτουργούν οι ναυτιλιακές εταιρείες, όπως ατομικές επιχειρήσεις, συνεργατικές μορφές, εταιρείες περιορισμένης ευθύνης (ΕΠΕ) και Οργανισμοί αναλύοντας πώς αυτές οι δομές επηρεάζουν βασικές πτυχές όπως την ευθύνη, τη φορολογία και την εταιρική διακυβέρνηση.

Ο συγγραφέας διερευνά πώς τα διεθνώς κατοχυρωμένα λογιστικά πρότυπα επηρεάζουν τις οικονομικές καταστάσεις των ναυτιλιακών εταιρειών και τη συμμόρφωσή τους με τις διεθνείς ρυθμιστικές υποχρεώσεις. Επιπλέον, η εργασία σκιαγραφεί το ρυθμιστικό περιβάλλον για τη ναυτιλία, συμπεριλαμβανομένων κρίσιμων διεθνών συμβάσεων όπως η SOLAS, η MARPOL και ο Κώδικας ISPS, που θέτουν το πλαίσιο για την ασφάλεια, την προστασία του περιβάλλοντος και την ασφάλεια στη ναυτιλιακή βιομηχανία.

Η παρούσα εργασία εξετάζει επίσης την επιρροή των κεφαλαιαγορών, εστιάζοντας σε χώρες όπως οι Ηνωμένες Πολιτείες ή το Ηνωμένο Βασίλειο και αναλύει πώς τα διαφορετικά νομικά πλαίσια σε αυτές τις δικαιοδοσίες επηρεάζουν τη κατάρτιση χρηματοοικονομικών αναφορών, τη φορολογία και τις στρατηγικές αποφάσεις των ναυτιλιακών εταιρειών. Η μελέτη εξετάζει περαιτέρω τον αντίκτυπο των στρατηγικών συμμαχιών, των περιβαλλοντικών κανονισμών και των γεωπολιτικών προκλήσεων στη ναυτιλιακή βιομηχανία, ιδιαίτερα στο πλαίσιο της εταιρικής διακυβέρνησης και της βιωσιμότητας.

Συμπερασματικά, η παρούσα διατριβή παρέχει μια ευρεία οπτική για τις νομικές και οικονομικές διαστάσεις των ναυτιλιακών εταιρειών, καταδεικνύοντας πώς ιστορικοί, πολιτικοί και οικονομικοί παράγοντες έχουν διαμορφώσει την ανάπτυξή τους. Προσφέρει πληροφορίες σχετικά με τον τρόπο με τον οποίο οι ναυτιλιακές εταιρείες μπορούν να πλοηγηθούν σε πολύπλοκα ρυθμιστικά περιβάλλοντα διασφαλίζοντας

παράλληλα οικονομική διαφάνεια και λειτουργική αποτελεσματικότητα σε μια παγκοσμιοποιημένη οικονομία.

Λέξεις κλειδιά: Νομικές μορφές, Εταιρικές δομές, Οικονομικές καταστάσεις, Ναυτιλιακά οικονομικά, Ναυτιλιακές εταιρείες.

Abstract

The following diploma thesis provides an analysis of the legal structures adopted by shipping companies both in Greece and internationally examining how these legal forms have evolved over the years and their impact on financial reporting and corporate governance. Approaching the development of shipping companies historically, from the beginning of maritime trade, the evolution of informal bookkeeping, and the adoption of double-entry bookkeeping, this thesis may help understand the way led to modern financial statements. It mentions the various legal forms under which shipping companies operate, such as Sole Proprietorships, Partnerships, Limited Liability Companies (LLCs), and Corporations, analyzing how these structures influence key aspects such as liability, taxation, and corporate governance.

The author explores how these accounting standards affect the financial statements of shipping companies and their compliance with international regulatory obligations. Furthermore, the thesis outlines the regulatory environment for shipping, including critical international conventions such as SOLAS, MARPOL, and the ISPS Code, which set the framework for safety, environmental protection, and security in the maritime industry.

The thesis also examines the influence of capital markets, focusing on countries such as the United States or the United Kingdom and analyzes how different legal frameworks in these jurisdictions affect the financial reporting, taxation, and strategic decisions of shipping companies. The study further discusses the impact of strategic alliances, environmental regulations, and geopolitical challenges on the shipping industry, particularly in the context of corporate governance and sustainability.

In conclusion, this thesis provides a comparative perspective on the legal and financial dimensions of shipping companies, illustrating how historical, political, and economic factors have shaped their development. It offers insights into how shipping

companies can navigate complex regulatory environments while ensuring financial transparency and operational efficiency in a globalized economy.

Key Words: Legal forms, Firm structures, Financial statements, Shipping Finance Shipping companies.

Η επιλογή της νομικής μορφής μίας ναυτιλιακής εταιρείας, εν τη γενέσει της ή αργότερα, τόσο στην Ελλάδα όσο και στο εξωτερικό, είναι αποτέλεσμα διασκέψεων και εξαρτάται από την οικονομική κατάσταση και τη στρατηγική που η εκάστοτε διοίκηση επιλέγει να ακολουθήσει προκειμένου να κατορθώσει τους σκοπούς της. Η ποικιλομορφία των εταιρικών μορφών και τα σύνθετα σχήματα χαρακτηρίζουν τα σημερινά εταιρικά οικοδομήματα, η επιλογή των οποίων γίνεται με γνώμονα τον αντίκτυπο τους στις οικονομικές και λογιστικές υποχρεώσεις της εκάστοτε επιχείρησης, ήτοι την οικονομικά ασφαλέστερη λύση για αυτή. Στην μελέτη που ακολουθεί, επιχειρείται μία απεικόνιση της πραγματικότητας του 2024 σε σύγκριση με προηγούμενες εποχές, όταν πολιτικοοικονομικοί λόγοι επέβαλαν άλλου είδους επιλογές προς επίτευξη κερδοφορίας και βιωσιμότητας.

The choice of the legal form of a shipping company, at its birth or later, both in Greece and abroad, is the result of conferences and it depends on the economic position and the strategy that each top management team chooses to follow in order to achieve its goals.. The diversity of corporate forms and complex forms characterize today's corporate structures, the choice of which is made based on their impact on the financial and accounting obligations of each company, i.e. the most financially secure solution for it. In the following study, a comparison of the reality of 2024 to previous eras, is attempted, when political and economic reasons imposed other kinds of choices to achieve profitability and sustainability.

1. Introduction

The shipping industry stands as a cornerstone of global trade, facilitating the movement of goods across international waters and shaping the economic growth of nations. As globalization accelerates, the shipping sector has become increasingly complex, characterized by diverse corporate structures, evolving regulatory frameworks, and the interplay of various market dynamics.

Shipping companies come in various forms, each defined by specific legal structures that influence their operations, governance, and financial practices. The choice of legal form significantly affects a company's liability, taxation, and operational flexibility. In the shipping industry, where substantial investments are required and operational risks are high, corporations often emerge as the preferred structure due to their ability to raise capital and limit shareholder liability.

The evolution of shipping companies is deeply rooted in history, back to the early forms of maritime trade and the establishment of merchant shipping operations. As trade expanded, the need for more organized structures emerged, leading to the establishment of corporations. The need for tracking and recording transactions became evident as shipping operations grew in complexity. This way, financial statements became a turning point for shipping companies' financial performance, including income generated and expenses incurred. As the shipping industry expanded furthermore, led to the establishment of generally accepted accounting principles (GAAP) and international financial reporting standards (IFRS). Subject to not only financial, but safety and environmental regulations also, shipping companies are facing reporting obligations to ensure expectations of investors and consumers.

The primary aim of this study is to conduct an analysis of the legal forms adopted by shipping companies and to explore how these legal structures influence financial reporting, taxation, and corporate governance. By investigating the historical evolution of shipping companies and examining current legal and regulatory frameworks, the study seeks to provide insights into the factors that drive the choice of legal structures within the shipping industry. The research also aims to highlight the connection between these legal forms and the financial statements of shipping companies, thereby offering a clearer understanding of their financial and operational implications.

On that way, the study attempts to approach key strategic and economic considerations that influence the legal frameworks adopted by shipping companies in

different jurisdictions, and how these frameworks align with global financial reporting standards and regulatory requirements.

The findings of this study have several important implications for stakeholders in the shipping industry, including policymakers, corporate managers, investors, and regulatory bodies. First, the research underscores the need for shipping companies to carefully consider the legal forms they adopt, as these decisions have far-reaching consequences for their financial reporting obligations, tax liabilities, and exposure to risk. For policymakers, the study highlights the importance of harmonizing national regulations with international standards to ensure that shipping companies operate within a transparent and efficient legal framework. For investors, the study offers insights into how the legal form of a shipping company can impact its financial health, governance practices, and overall risk profile, enabling more informed decision-making. Additionally, the research stresses the growing importance of sustainability and compliance with environmental regulations, which are becoming critical factors in shaping the strategies and legal structures of shipping companies.

The thesis begins by introducing the global shipping industry's role in international trade, emphasizing its complex nature shaped by diverse corporate structures, regulatory frameworks, and market dynamics. The focus is on understanding how the legal forms adopted by shipping companies influence their operations, governance, and financial reporting, with a comparative look on Greece and other countries.

The second section provides an overview of shipping company structures, exploring the legal entities commonly used in the industry, such as Limited Liability Companies (LLCs), partnerships, and corporations, and examines how these structures affect liability, taxation, capital raising, and compliance with international regulations. The choice of legal form is highlighted as a key factor in determining operational efficiency and risk management.

A historical review follows, tracing the evolution of shipping companies from early maritime trade to the modern era. It covers the transition from informal partnerships to formal corporate entities and the development of financial accounting practices, including double-entry bookkeeping and financial statements. This section emphasizes how the increasing complexity of shipping operations required more sophisticated financial management tools.

The thesis then approaches the accounting standards applied in the shipping industry, comparing the General Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). It highlights the key differences between the two frameworks and examines their impact on financial reporting for shipping companies. This section also discusses how these standards ensure transparency and consistency in financial statements, which is crucial for investors and regulators.

The final sections examine the regulatory framework governing shipping, strategic corporate alliances, and global challenges such as environmental regulations and technological developments that affect the legal and financial structures of shipping companies.

In summary, the study contributes to a deeper understanding of the legal and financial complexities of the shipping industry, providing valuable insights for improving corporate governance, regulatory compliance, and financial transparency in this global shipping sector.

2. Overview

2.1 An overview of shipping structures

The global shipping industry is a multi-functional type of business. Its vital operations are supported by a diverse arrangement of legal structures and corporate forms that ensure efficient management, compliance with regulations, and alignment with commercial objectives. In this thesis, we are trying to depict the principal legal forms of shipping companies focusing on their ownership status and their regulatory framework (Stopford, M. 2009).

In order to understand the complexity of the legal structures involved in shipping industry, its crucial to have an holistic approach and mention the types of entities involved in shipping business by an operational point of view.

Ship operators (shipping lines): they own or lease fleets of vessels and manage their deployment. Their structures typically take the form of limited liability companies (LLCs) or public limited companies (PLCs) with reporting obligations. In contrast, smaller operators might choose LLC structures to benefit from limited liability while avoiding the complexities of public reporting.

Ship Owners are often different entities from Ship operators. They have the ownership of the vessel(s). They may use various legal forms, such as Limited Liability Companies (LLC) or partnerships, to manage the financial risks associated with vessel ownership. Ownership structures influence tax implications, liability, and operational flexibility. For example, ship owners may use offshore companies or special purpose vehicles (SPVs) to protect assets from operational liabilities and manage financial risks more effectively.

Ship Managers and especially Ship management companies take care of all the operational aspects of vessels on behalf of the owners. They are special purpose companies and their structure is usually as Limited Liability one or Partnership. Their primary role is to manage the day-to-day operations of ships, including crew management, maintenance, and compliance with international regulations. The legal form of ship management companies affects their contractual obligations and the liability they assume on behalf of ship owners.

Charterers enter contracts to lease ships for transporting goods. The legal structures of chartering entities can vary widely. Voyage charterers for example, lease ships for a single voyage and pay a freight rate. They usually are structured as sole proprietorships, partnerships, or corporate entities, depending on the scale of their operations and financial capacity. The legal form of voyage charterers impacts their contractual responsibilities and their ability to negotiate charter party terms with ship owners.

On the other side, Time Charterers lease vessels for a specified period, paying a daily or monthly rate. They might be structured as private companies or public entities, depending on their size and financial resources. Time charterers have significant operational control during the charter period, and their legal structure affects their liability and compliance with maritime laws and regulations.

The list could be perpetual, as shipping industry includes much more operational activities, for which a specific type of corporate structure is chosen to accomplish the most efficient risk and operational management. Port Operators who manage port facilities and handle cargo operations, Freight Forwarders who arrange the transportation of goods and handle documentation, Shipping brokers who manage the transactions between ship owners and charterers, Classification societies, Marine insurers, Shipbuilding and Repair Companies are all entities related to shipping industry, with chosen corporate structures according to their operational and financial status and targets. From shipping lines and ship owners to port operators and insurance providers, each entity's legal structure impacts its operational efficiency, regulatory compliance, and financial management accordingly.

2.2 Legal Types of companies.

The legal forms of companies can vary from nation to nation, depicting the social, economic, cultural, and political status of each country. The volume of each nation’s economic development influences the corporate structures and bring some special legal forms to the front, always related to the financial and operational capacity of each company. However, there are many legal forms of companies that are common in developed nations. At this point, we should have an overview of the most known legal types of companies (Adam Hayes, 2024).

A basic distinction in the types of legal structures have to do with the legal entity of the company. There are companies that use the legal entity of their owner, as in Sole Proprietorship type and companies that create their own legal entity, separate from their owner's, based on their capital (Partnerships, LLC, S.A, etc).

A sole Proprietorship is a very simple type of company, owned and operated by one person, who is responsible for the liabilities of the company with his own personal property. The taxation applied as a percentage to the income of the owner and no further tax implications demanded. The income of the owner is the income of the company, so the taxes are implied once. The legal entity of the company is not separate of owner's.

The Partnership's type is a company with two or more owners. It can follow the previous rule, of Sole Proprietorship in relation with the income tax, that is able to be implied once, as in the income tax of each owner. The owners are totally liable for the firm's liabilities as the owner's and company's legal entities are neither separate. However, there are three different types of partnerships:

In General Partnerships, that are the most low-cost to run business, every owner is by statute engaged with the operational management of the firm and his liability is unlimited. That means that every person who owns this company, is responsible for his actions and for every other owner's action. Liabilities that may occur on behalf of the Partnership, are repaid by every general partner's personal property.

Limited Partnership (LP) is the type of partnership in which, there is at least one general partner (with unlimited liability) and at least one limited partner, who is liable only up to the amount of his financial contribution to the firm. Limited partner is not engaged in the management of the company, which is under the control of the general partner(s).

In Limited Liability Partnership (LLP), we can find the most risk efficient type of partnerships, in which, every partner is a general partner who controls and manages the firm, while at the same time is not responsible personally for firm's liabilities. This type of partnership though, is offered under special provisions of the law, for special purpose's firms with a maximum permitted amount of earnings (Andrew Beattie, 2024).

The Limited Liability Company (LLC) is the type characterized by flexibility because it balances between both Personal and Capital Structures. Saying personal structures, we mean the legal entities with at least one personally and unlimited liable owner with easy and low-cost running models in taxation. Capital structures are types

in which, the legal entity of the firm is separated from the owners' and the company is liable with its own property as a legal person, while a double taxation system is imposed. The LLC can keep the advantages of the simple and efficient taxation of the personal structures, while at the same time, any liability will be assumed by the firm rather than its partners/shareholders, as capital structures do. This type of LLC also named a private limited company, is a very usual choice today for entrepreneurs. A Private Limited Company is not a corporation, is an unincorporated entity of one or more members which have interests and percentages in the firm, rather than shareholders with shares. In cases of insolvency of the company related with the distributions to its members, each member is personally liable. Personal liability of members in relation with the operation of the firm may arise from many jurisdictions, or by the statute, or the operating agreement. The management of this firm is something that its members have to agree, and, in many cases, an operating agreement is taking place in written, signed by all members. At this form, the LLC is named "S corporation" – S from "Self-employment" and it is usual to small businesses (Chauncey Crail, 2024).

Furthermore, the Company may elect to be taxed as a corporation, in that case named "C corporation" and take the responsibility to issue financial statements according to the tax regulations. In this case the Firm is taking the status of a corporation and is obliged to have a board of directors, file special forms and publish financial statements. The income of the C corporation is being taxed prior to dividends/distributions and the dividends or distributions are being taxed once received by members as member's income tax. So, in that case we have the double tax phenomenon: for the firm's income and for each member's income. The double taxation, though, and the reporting obligations of the C type, lead to an easier way for the company to raise capital. Investors always want to know as much as possible for their partners and an Initial public offer (IPO) would be a good choice for the LLC to get financed (this way the company of course goes public). Corporations are owned by shareholders. Articles of incorporation define everything related to the business, such as the name, the purpose, the location, the number of shares, etc.

There is also one more type of corporation, the Non-Profit one. This type of companies have special purpose to contribute society in big issues like human rights, environmental protection, poverty, health, etc. Their income is tax free but it have to contribute to the purpose of the company and only.

At this point is very useful to see a fundamental distinction in company types. There are Private and Public companies. A private company is owned by its founders, investors or managers and the operation of the business is unknown to the public. On the other hand, Public Companies are these who owned by founders, managers, investors, and the public, who may have bought shares from an Initial Public Offering. The second one is burdened with the regulatory obligation to publish financial statements and fill special Forms.

An IPO is the key for companies to go public and gain capital in the open market offering portions of ownership in public (shares). Investment banks are usually engaged to the draft of the offer, defining further factors of the IPO such as the market, the price per share, the date, the valuation of demand, etc. By the time a company goes public, the raising amounts of capital are increasing rapidly, and the listing credibility of its shares could also lead to a more efficient cost of borrowing capital. Every private share of the ex-Private company is declared worthy of the public trading share's price.

Table 1: Basic Differences between Private and Public Companies

PRIVATE COMPANIES	PUBLIC COMPANIES
Owners: small group of investors - Shares are traded privately.	Owners: Large group of investors who can buy/sell shares traded in public stock exchanges (e.g., NYSE, NASDAQ, etc.)
Capital Raising: investments, venture capital, private equity, loans.	Capital Raising: issuing shares to the public via an IPO or secondary offerings.
Less regulatory obligations – just comply with general business rules – not required to disclose financial information publicly.	Strict regulatory requirements – Report filing, quarter and annual financial statements and duty of Disclosure to public. Must adhere to standards set up by accounting bodies.
Simple governance structure – few members of Board of Directors	Complex governance structure, large Boards of Directors
Small or Big businesses	Big businesses

2.3 Types of Shipping Companies.

There are a lot of companies that, depending on their operations and targets, chose a type that suits to their business plans, considering taxation, governance, and liabilities. Shipping companies can be organized in various legal forms as we saw previously, such as Corporations. Many shipping companies operate as corporations, C-corporations or S-corporations. This structure offers limited liability protection to shareholders and easier capital raising from investors. Some of the most well-known public corporations today is Maersk, Star Bulk, Genco, etc (Lou Whiteman, 2024).

Limited Liability Company (LLC) type is chosen from some shipping firms, that expect benefit from limited liability while enjoying more flexible management options. LLCs can be advantageous for smaller operations. They are private companies with no obligation to disclose their strategy. In some businesses, and especially in shipping, many owners prefer staying private because their competitors will not be able to know their next strategic movements. When considering LLC shipping companies, several paradigms or business models can be identified, such as asset-based LLCs, brokerage LLCs, Charter services LLCs, Logistics LLCs, etc. Shipping companies in this type, enjoy operational flexibility and liability protection, but, at the same time, must adhere, by their nature, to strict maritime regulations set by Maritime Authorities and bodies (Alderton, P. 2011).

In Partnerships, two or more individuals or entities share ownership and responsibilities. Partnerships can be general (where all partners share unlimited liability) or limited (with some partners having limited liability, up to the amount of their contribution, and at least one keeps total liability). This structure, in fact, is a good choice for small businesses such as operational services companies, charterers, brokers, etc. However, the broader concept of Partnership, as a method to cooperate while reaching operational efficiency and sustainability, led to paradigms of Partnerships between two or more big shipping companies. For example, we have strategic alliances between MSC and MAERSK. This strategic "partnership" helps the industry to open new routes, markets, be more sustainable and cost efficient. The alliance, as a complex agreement, defines that the partners are sharing the costs and every company holds its entity – It is far from merging companies, in which a merging member leaves its entity. A strategic alliance is more like a cooperating agreement. One more example of

strategic partnership is the Joint Venture type. In this type, every company/member keeps its entity, and together they make one new entity with common goals, sharing costs and expertise (Notteboom, T. (2012).

Last and simpler, shipping Sole Proprietorships are usually related to smaller shipping activities like freelance agency, brokerage, general services providers, etc. Their owner is personally managing the company and bears all liabilities with his own personal property (Alexandra Twin, 2024). For example, a **freelance shipping agent** operating as a sole proprietorship may assist clients in arranging transportation for goods without the formal structure of a corporation. In this case, the agent handles all aspects of the business, including negotiations with shipping lines, documentation, and customs clearance. However, since the agent is a sole proprietor, any debts or legal liabilities incurred during these transactions fall directly on the owner. If a dispute arises over a shipment or if the agent fails to fulfill contractual obligations, the owner's personal assets—such as savings, property, or other investments—can be at risk.

Similarly, a **brokerage firm** that operates as a sole proprietorship might facilitate the buying and selling of shipping services. This structure allows for straightforward operation and lower startup costs, bu, it exposes the owner to personal liability for any business-related claims or debts.

Of course, there are many Authorities and Non – Profit organizations engaged in maritime industry and regulation enforcement, with their own specific Non-Profit Organizations' structure. For example the International Maritime Organization (IMO) is a specialized agency of the United Nations and operates under a non-profit structure. It is governed by member states who contribute to its operations and participate in decision-making processes that shape maritime regulations, such as the International Convention for the Safety of Life at Sea (SOLAS) and the International Convention for the Prevention of Pollution from Ships (MARPOL).

Protection and Indemnity Clubs are mutual insurance associations formed by shipowners and operators. These non-profit organizations provide insurance coverage for third-party liabilities incurred during maritime operations, including damages to cargo, pollution incidents, and crew injuries. P&I Clubs operate on a non-profit basis, where members pool their resources to share the risks and costs associated with maritime liabilities, ensuring that shipowners have the necessary support to navigate legal and operational challenges.

2.4 Shipping and Taxation.

Talking about shipping automatically is like talking for worldwide businesses with multijurisdictional characteristics. Many times, behind the name "shipping company" there are companies who own vessels, companies who manage the vessels, and, usually a holding companies, the purpose of which is to hold the assets and control the stock in other companies. A Holding Company owns a controlling interest in other companies (subsidiaries) and control their management without operational engagement. Holding companies are protected for liabilities of subsidiaries, so their liability is limited up to the subsidiary's shares owned. A big advantage of this form is the flexibility to choose their tax residency: Owners may choose an efficient and business-friendly environment keeping their operations elsewhere. This way for example, a holding company may have as a place of its business Panama, while their operations may take place through a special purpose company (subsidiary) in Greece, which income stays tax-free as the national legislation in Greece implies the tonnage-tax regime.

Tonnage tax regime is based on the capacity of the fleet that a company (subsidiary) operates and not in their operating income, which is the basic type of corporate taxation worldwide. In 1957, Greece was the first country introduced the tonnage-tax regime for shipping companies and by 2023, Japan, South Korea and twenty-three European countries, followed the tonnage-tax rule. About 86% of the world fleet is taxed based on the operational capacity (ITF, 2019)

. The law no. 27/1975 of Greece, as amended and is in force today, gives shipowners the opportunity to establish offices of a foreign company in Greece (maybe management companies), without being taxed for their operating income. Income generated from ship owning companies and received in Greece, is exempt from taxes, as long as, the contribution of the tonnage-tax system is rendered (Stelios Panagiotou, Helen Thanopoulou, 2019).

Explaining our previous example about Greece, in order for a shipowner to be imposed on the tonnage-tax regime of Greece, his vessel needs to fly the Greek flag, or a foreign flag irrespective of their individual or corporate owners' residency, as long as the vessels are operated or managed in Greece by special purpose offices according to the article 25 of law 27/1975:

1. *Offices or branches of foreign companies of any type or form, dealing exclusively with the management, exploitation, chartering, insurance, settlement of accidents, brokerage of buying and selling or shipbuilding or chartering or insurance of ships with a Greek or foreign flag, over five hundred (500) gross tonnage, with the exception of passenger coastal ships and commercial ships operating inland waterways, as well as with the representation of ship-owning companies or bareboat charterers or ship lessees, as well as companies whose business the same as the above-mentioned activities, may, by submitting a relevant application to the Ministry of Shipping and Insular Policy, be established in Greece following a license granted by decision of the Minister of Shipping and Insular Policy and which is published in the Government Gazette.*

...

A. Exemption from any tax, fee, contribution or withholding in favor of the State or any third party for their income, obtained from work or provision of services referred to in paragraph 1.

Except the tonnage-tax regime, other countries like Liberia, Malaysia, or Panama, provide Shipping Incentive tax regimes with very low tax burden for the company or even tax-free regimes. Other fewer countries, like Bermuda and Estonia offer shipowners no tax-exemptions, but specific areas of jurisdiction that may be much more efficient for the company, than a lower tax rate or a tonnage-tax system, depending on their operational targets. It is all about decision-making and the first class interested parties are these who will chose and fix the regime in which they want to operate according to their business plans.

Let's explore a little bit, how shipowners chose the tax residency of their companies. Typically, they register the firm after legal, tax and operational considerations about many factors. The tax advantages are to the front. The Ship registration is a big part of this story. The Flags of convenience from countries well-known as "Tax Paradises" offer favorable tax regimes imposing very low or even no taxes at all on international shipping income. The corporate tax, in some jurisdictions is very efficient, or, if not, there are special tax exemptions for shipping activities (e.g. Cyprus, Malta,).

The Regulatory framework in some countries, is very poor, as there is no regulatory oversight. In these cases, there is lack of regulations about safety, labor, and environmental protection. Compliance and certification filing costs still in lower levels.

The legal framework in which the shipowner chose to enter, usually should be a clear and internationally reputable one, to ensure himself in case of any dispute. Countries which have entered international agreements and memorandums of understanding related with shipping industry, is a must. Additionally, the country of residency of the company should recognize the legal form that shipowner has chosen for his entity (e.g. Limited liability Company). A socio-economic and political stability in a country, means more stable legislation and more efficient operation of the company.

Access to Finance and Insurance is a big deal for every business. Shipowners may prefer to register their company in jurisdictions that offer easy access to ship financing and insurance markets, such as London, Oslo, or New York. A reputable flag or company registration may make it easier to access global markets for insurance and financing. Some lenders or charterers prefer dealing with companies in well-regulated jurisdictions.

In summary, shipowner must weigh the tax benefits, the regulatory framework, his legal protection and his access to finance before making his decision about the registration of the company.

3.Literature Review

3.1 Early forms of shipping companies

The legal structures of shipping companies are always reflecting their times. The development of maritime trade over the centuries, the commercial laws and regulations have played a very important role to the legal structures evolution.

All start back to the 5th century BC, when maritime trade in ancient Greece was managed through verbal agreements - partnerships or joint ventures between shipowners and merchants or financers. It was types of agreements that, today would take the forms of partnerships/ alliances/ joint ventures. So, it is pretty clear that there were the first signs of partnership evolution. During Roman Empire (27 BC – 476 AD) shipowners and merchants entered into legal agreements named societates. This type of agreement was a kind of partnerships, but of a more formal than in 5TH century BC. There were rules defining shared ownership in assets and shared liability in risks, based though, to owner's contributions (Randazzo, Salvo 2005).

Around the 10th – 13th century, in medieval Italy, there was the "commenda". This was an agreement between the financiers and the shipowners who undertook the voyages. The "investor" and the shipowner agreed to share the profits according to specific and mutually acceptable terms, according to which the shipowner received a larger share, fairly, after performing operational duties in this partnership. At this stage, we have an early type of limitation of liability, since this type of agreement offers limited liability of the investor, up to the amount invested by him (Lopez, Robert Sabatino, 2001). Limitation of liability is today a key feature of capital companies, as opposed to personal ones (sole proprietorship, general partnership, limited partnership).

The Hanseatic League (Deutsche Hanse) was a commercial agreement – a confederation of merchants and large commercial cities. The agreement, in addition to the commercial purpose, also had a defensive purpose since its member cities cooperated for their mutual security. They started from northern Germany in the 12th century and by 1450 they had commercially conquered the entire Baltic and Northern Europe. Merchants and shipowners formed joint ventures to own and manage the ships, with the proceeds re-invested in the development of the business. This form of

agreement was usually informal, based on mutual trust and mutual gain purposes (Hibbert, Arthur Boyd, 2024).

In 16th century, spain introduced the “Sociedad en Comandita”, which was a kind of limited partnership during the early modern period, and it was used in businesses with capital needs, like shipping, in order to attract investors. It was a good choice for an investor, as his liability was limited up to the amount invested, something familiar after studying about commenda of medieval Italy. However, the liability of the manager of this structure, was remained unlimited.

In Early 17th century, the development of maritime activity at a rapid pace made Europe realize that the risk of investors and ship owners was great, and often unbearable. Thus, we could say that capitalism began to rise. Merchants began to create joint stock companies, selling their shares to raise capital. Also, the shareholders were much more in number, so the liabilities were shared to more owners. Shareholders were paid through dividends according to the percentage of shares they owned and could sell their shares on the newly introduced kind of stock exchange, which is undoubtedly the ancestor of today's stock market. Unpredictable weather conditions, shipwrecks, piracy, and natural disasters were some of the most basic issues of the shipping business of the time. A small mishap of these factors could put the owner in a very difficult position. Therefore, the sharing of responsibility and easy access to capital was essential as shipping grew rapidly. One of the first companies was established in Netherlands, in 1602 with the acceptance and support of the government and the name “Dutch East India Company”(Reed Hepler, 2024). The special case of this structure was the limited liability of its owners – protecting at the same time their personal property. Governments were granted charters to trade in specific regions and this is a must-mentioned kind of monopolistic trading case of this century. Not only in Netherlands, but also in England, Italy and France, these structures were usual, especially these engaged to maritime industry and shipping operations. In Italy and France, they called it “compagnia” and “compagnie” accordingly. Many of these companies were semi-governmental organizations, granted monopolies, something which is familiar in Greece of 2024 (Geoffrey Poitras, 2018).

Getting back to, not far 19th century, we discover the first Societe Anonyme (S.A.), which is a limited liability type of company still be used today, named otherwise corporations, or (Public) Limited Companies. In 1808, the French government introduced this type setting the first formation and structure. An S.A. has complex tax

regulatory framework and must comply with strict requirements to remain valid. This legal form was structured helping French market recover after previous speculatory cases of the French Revolution and still in force today, with great businesses today being structured as Société anonyms (Investopedia Team, 2021) or Limited liability Company in United States and England, after the development of limited liability law system, and the creation of a protected for investors structure with limitation of liability up to their contribution.

This century, in response to the risks faced by shipowners, they began forming mutual insurance organizations known today as P&I clubs. These clubs allowed shipowners to pool their resources to insure against potential losses. These types were structured as mutual insurance associations, where shipowners shared liability for damages or losses incurred during shipping operations (Proinde, 2023).

3.2 Early informal bookkeeping

Ancient shipping and maritime trade existed, but in an informal way. Early civilizations like Greece and Egypt had their own types of financial reporting. Records and details of transactions or debts were found on papyrus. This type of book-keeping was a try to depict an exchange and not to report about the company's position or earnings like today's financial statements do. But, clearly we could say, its a first sign of corporate responsibility of the times (Drazen Vujovic, 2024).

In the Roman Empire, the high levels reached by shipping commerce, and the development of commenda agreements, made the partners require some records about key capital factors as the profit-sharing of the partnership or the investment-tracking methods, all still totally informal. The same happened during the medieval period in Italy. Voyage and profit tracking records were required by the merchants to ensure their rights, but they were far away from financial statements, as known today.

All the previous examples prove that since ancient times, when partnerships did not require formality, but only mutual trust, there was a need for evidence as a means of defense in case of conflicts of interest (Oldroyd et al, 2008).

3.3 First time double-entry bookkeeping

There are many opinions about the older form of double-entry books as an accounting system followed. Some date their first appearance to the Romans and early medieval times, others believe it was discovered in Korea, and others that they appeared in the late 13th century in Florence. Italian Luca Pacioli published a textbook ("Summa de Arithmetica, Geometria, Proportioni et Proportionalita") in 1494, which was to lead modern accounting. The need for control can increase significantly, at the same time as the banking system and exchange rates flourish. In any case, the system spread widely and became a useful tool in the 15th century. It was the first time in the history of products that a standard accounting system was followed to place a business under control. In this double-entry system, it was accepted that two accounting entries are required for each transaction. By the time one account is credited, another one is debited. Debit equals credit (Alan Sangster, 2024).

3.4 First Financial Statements

The period surrounding the Industrial Revolution, particularly from the late 18th to the 19th century, altered how businesses operated and were financed. The advent of remarkable technological advancements, most notably in transportation with the introduction of railroads, catalyzed unparalleled growth in industries. The expansion of international trade networks made the necessity for accurate and transparent financial reporting became paramount. As businesses grew in scale and complexity, investors and stakeholders needed reliable ways to evaluate the profitability and sustainability of enterprises (Jeffrey J. Archambault, et al, 2010).

With businesses aiming to attract capital from various sources—such as wealthy individuals, banks, and even public markets—transparency in financial reporting became a crucial expectation. Investors, who were often new to the concept of financing large industrial projects, required documented evidence of a business's performance and potential for generating returns. This demand led to the inception of standardized financial statements, which served to provide insights into various aspects of a company's financial affairs.

The income statement, one of the fundamental financial reports, became critical in this context. By detailing revenues, expenses, and profits over specific periods, the income statement offered investors a comprehensive view of a company's operational effectiveness. Investors could analyze trends in sales, assess the company's cost management capabilities, and determine its overall profitability. Equally important was the cash flow statement, which emerged as a vital financial document illustrating a company's inflows and outflows of cash. Unlike the income statement, which could reflect profits that were not yet realized in cash terms due to credit sales or deferred expenses, the cash flow statement provided a clear picture of liquidity. Investors were keenly interested in how companies managed their cash position, ensuring that they could cover operational costs and reinvest in growth. A healthy cash flow was indicative of an organization's ability to sustain itself (Sy Syms, 2024).

As the business environment became more sophisticated, the role of accountants evolved significantly. Accountants transitioned from simple record keepers to highly regarded professionals providing critical financial insight to management and investors alike. They became the gatekeepers of financial integrity, using established accounting principles to present accurate and reliable information that stakeholders depended on for decision-making. Their expertise in interpreting financial data began to be viewed as an asset in navigating the complexities of an increasingly competitive economy.

The rise of accounting as a profession during this period established standards and practices that are still in use today. The development of Generally Accepted Accounting Principles (GAAP) and later, International Financial Reporting Standards (IFRS), can trace their roots back to this time of need for accountability and transparency in financial reporting. These frameworks provided a foundation for uniformity in the presentation of financial statements, ensuring that businesses could be compared effectively across sectors and geographies (Will Kenton, 2024).

4.Accounting Standards.

4.1 General Accepted Accounting Principles (GAAP)

United States adopted the general accepted accounting principles, using specific formalities and procedures in accounting treatment of a business., which are revised by the Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB). Every public company in US must follow GAAP issuing its financial statements. In this way, all financial data of public interest companies are published in a specific format, capable of giving a clear picture of the company and its finances, without ambiguities or discrepancies. Except of privately held public companies, every governmental entity or agency in the United States publishes financial statements based on general accepted accounting principles (James M. Tobin, 2024).

Throughout the late 19th century, many businesses began to adopt basic accounting principles, but there was not a specific type to follow, and each company had a different reporting method leading to inconsistencies. After the stock market crash of 1929 and the great depression there was a clear need for better reporting standards for the investors to be secured. The securities Act of 1933 and the securities exchange act of 1934 established the Securities and Exchange Commission (SEC). the authority of SEC was to regulate the securities industry and ensure regulatory compliance of Publicly traded companies with the duty to disclose financial statements regularly. In 1973, the Financial Accounting Standards Board, a non-profit organization was established to develop the general accepted accounting principles. FASB introduced the Statements of Financial accounting standards and is a set of standards showing the way of issuing financial statements for every private, public or non-profit organization (Will Kenton, 2024).

4.2 International Financial Reporting Standards

About 168 jurisdictions in the world, Europe included, use the International Fianancial Reporting Standards. On a general basis, GAAP of the United States and IFRS have the same purpose. IFRS introduced by the International Accounting Standards Board (IASB), a foundation which purpose was to develop specific standards in financial reporting for publicly traded businesses. The first number of standards had published in 1973 from the International Accounting Standards Committee (IASC). This organization reformed in 2001 and renamed to IASB, while the IFRS foundation is the renamed IASC foundation, which purpose is to oversee the standard setting procedures.

In 2002, the European Union, declares that IFRS should apply for the consolidated accounts of the EU listed firms. This way, many legal entities who wanted to go public, were obliged to follow IFRS on reporting financial statements. This was a great deal for Europe and the international trade, as investors' security seems to be in the fore front. Capitalization is growing and a healthy trading system demands transparency and consistency (IFRS Foundation 2024).

4.3 IFRS VS GAAP

The landscape of financial reporting is profoundly influenced by the accounting standards that govern how companies prepare their financial statements. In the United States, the Generally Accepted Accounting Principles (GAAP) serve as the foundational framework for accounting practices embraced by both private and public entities. GAAP comprises a set of rules, conventions, and guidelines that accountants must rigorously adhere to when compiling financial statements. These guidelines ensure consistency, reliability, and transparency in financial reporting, which are crucial for users of these statements, including investors, analysts, regulators, and other stakeholders.

In contrast, many countries around the world have adopted International Financial Reporting Standards (IFRS). IFRS serves as a global accounting framework that aims to provide a consistently high-quality, understandable, and comparable financial reporting standard that can be employed across diverse jurisdictions. Unlike GAAP, which is characterized by its prescriptive nature and strict adherence to specific principles, IFRS offers a more principles-based framework. This approach grants companies' greater flexibility in how they report financial information, allowing for a broader interpretation of transactions. Consequently, companies can present a more nuanced view of their financial health, which can be particularly appealing to investors seeking insights into a company's performance and prospects (CFI team, 2024).

The fundamental differences between GAAP and IFRS primarily stands for their underlying philosophies. GAAP is built on a rule-based system where specific guidelines dictate the accounting treatment for various transactions. This rigidity can ensure uniformity but may also create challenges for companies that face unique transactions that don't fit neatly into predefined categories. For instance, GAAP has specific rules governing how inventory is accounted for, such as the Last In, First Out (LIFO) method, which is not permitted under IFRS. This restriction can lead to significant differences in reported income and inventory values between companies operating in jurisdictions governed by these two standards.

On the other hand, IFRS's principles-based approach allows businesses to exercise reasoning in applying accounting standards. For example, when determining how to classify a financial instrument, a company under IFRS can analyze its business model and the cash flow characteristics of the instrument to choose an appropriate classification. This flexibility can enhance the relevance of financial reporting, as it enables companies to depict their financial transactions in a manner that better reflects their economic reality. Such detailed depictions can be valuable to investors, as they provide insights that can help them make informed investment decisions.

Additionally, the recognition of investment profits illustrates the divergence between GAAP and IFRS. Under GAAP, the timing of revenue recognition is often tied to specific events, which can lead to earnings that reflect realized gains rather than anticipated or unrealized profits. In contrast, IFRS permits the recognition of some gains at an earlier stage, providing a potentially more favorable view of a company's financial trajectory. This difference in treatment can significantly impact the financial

statements and, therefore, the perceptions and actions of investors analyzing a company's performance.

Both GAAP and IFRS ultimately share the same overarching objectives: enhancing transparency and providing useful information to investors and other stakeholders. Both accounting frameworks work towards improving the consistency and comparability of financial statements, allowing users to make informed decisions based on accurate representations of a company's financial performance and position. These principles underpin the necessity for public companies to adopt one set of standards or the other in the preparation of their financial reports.

The escalating trend of globalization further underscores the importance of the ongoing dialogue between IFRS and GAAP. As businesses increasingly operate across international borders, the need for a unified accounting framework becomes more pronounced. This necessity has prompted the Securities and Exchange Commission (SEC) in the United States to express intentions to transition from GAAP to IFRS. However, the realization of this goal has encountered hurdles, leading to delays in implementation. The convergence of these two significant accounting frameworks is essential for enhancing the comparability of financial information, facilitating cross-border investment, and ultimately fostering economic growth.

The adoption of either IFRS or GAAP significantly influences how companies report their financial performance and position. The choice of accounting standards carries implications not only for regulatory compliance but also for tax calculations, financing arrangements, and stakeholder perceptions. Investors, analysts, and regulators derive immense benefits from these accounting standards, as they provide clarity and structure to financial statements, enhancing understandability. This clarity is key when assessing various investment opportunities, risk profiles, and corporate strategies. A coherent set of reporting standards aids stakeholders in conducting thorough analyses, which is critical in today's fast-paced and complex financial environment.

Furthermore, as the global economy continues to evolve, stakeholders increasingly demand transparency and accountability from corporations. Both GAAP and IFRS provide frameworks that facilitate these goals, promoting trust in financial reporting. The adoption of stringent and clear standards ensures that financial data is not only accurate but also verifiable, thus instilling confidence among investors regarding the integrity of the financial reporting process.

Moreover, the harmonization of accounting standards would likely result in higher-quality financial information that improves decision-making processes. If companies were to uniformly adopt IFRS, for instance, investors could seamlessly compare financial performance across borders, significantly enhancing their decision-making capabilities.

5. Regulatory Framework.

5.1.Safety of Life at Sea (SOLAS).

The maritime industry today operates under a complex framework of international and national regulations aimed at ensuring safety, security, and environmental protection. All these regulations established to protect global shipping industry for bad outcomes, keeping as examples the historical accidents or mishaps that occurred. A key historical milestone that shaped the regulatory framework is the well-known Titanic Disaster (1912): Perhaps one of the scariest events in maritime history, the sinking of the RMS Titanic underscored the urgent need for maritime safety regulations. The Titanic was built in Northern Ireland. It was one of the largest and most luxurious ships of its time, intended to be the king of transatlantic liners. With about 2.224 passengers and crew on board the Titanic struck an iceberg in the North Atlantic Ocean. The ship sank in the early hours of April 15, 1912 and more than 1,500 people lost their lives. The disaster highlighted issues regarding lifeboat sufficiency, as the ship carried only enough lifeboats for about half of those on board. This tragedy directly led to the creation of the SOLAS Convention, primary objective of which, was to set standards for the safety of ships, crews, and passengers (Anna Grybenyuk, 2023).

Over the years, SOLAS has undergone several amendments to accommodate technological advancements and evolving safety concerns. Administered by International Maritime Organization (IMO), SOLAS require reporting about Safety Equipment Compliance. Regular reporting is mandated to ensure that all safety equipment on board, such as life-saving appliances, firefighting systems, and emergency communication tools, meets SOLAS standards. This includes submitting periodic safety equipment certificates. Any safety incident, such as fires, collisions, or structural failures, must be reported too. These reports facilitate investigations and the implementation of corrective measures. Additionally, Ships must maintain and periodically report data from voyage data recorders, as aviation has the "black boxes", to provide critical information in the event of an accident.

Harmonizing with SOLAS standards is non-negotiable for commercial shipping. Non-adherence can lead to severe operational disruptions, including ship detention, special fines, even damage to reputation. Additionally, insurance claims might be

denied if an incident occurs on a vessel found non-compliant with SOLAS requirements.

5.2. The International Convention of the Prevention of Pollution from Ships (MARPOL)

This is a significant international treaty aimed at preventing marine pollution by ships from operational or accidental causes. The convention consists of special Annexes, each of which covers a different type of pollution, including oil, chemicals, harmful substances in packaged form, sewage, garbage, and emissions to the atmosphere.

The Torrey Canyon oil spill in 1967 was a top moment for environmental regulation in maritime shipping. It took place off the coast of the United Kingdom when the oil tanker ran aground near the Isles of Scilly. Approximately 120,000 tons of crude oil were spilled into the Atlantic Ocean, leading to devastating effects on marine life and the surrounding coastal environment. The spill resulted in extensive pollution of beaches and harm to wildlife, particularly seabirds and marine organisms. The response to this event was inefficiently unorganized and emphasized the need for a global treaty to combat marine pollution, leading to the formulation of MARPOL in 1973, which came into force in 1983 after the completion of the first two annexes (safety4sea, 2019).

Today, MARPOL provide comprehensive guidelines on preventing different types of pollution, making reporting a must-do for environmental compliance of the shipping companies. Control measures are enforced via port state controls/ inspections, and non-compliance can result in severe penalties and operational delays, which means losses. This way, MARPOL requires companies to monitor their oil discharges by maintaining an oil record book, detailing the management of oil residues, including discharges and disposals. Any incident of oil discharge must be immediately reported to the relevant authorities. In relation with the garbage, a special management system is introduced and ships are required to file reports on compliance with the management plans. keeping a Garbage Record Book, logging details of garbage treatment and disposal operations is demanded. In the last annex of marpol (entered into force 19 May 2005), are set the limits of Sox & nox emissions permitted in specific areas named

ECAs (Emission Control Areas). Additionally, about the Ballast Water, MARPOL's annex says that ships are required to manage the ballast water to prevent the spread of invasive species. Reporting about ballast water operations ensures vessels adherence to treatment standards set by MARPOL, so operations declared with no ecological affects (IMO 2024).

Compliance with MARPOL demands monitoring, documentation, and reporting procedures. Failure to comply with MARPOL may result in enormous fines, detention of ships, and big environmental damages, on the opposite side, compliance ensures that shipping companies prioritize environmental stewardship, thereby contributing to global sustainability goals. This is what we call corporate social responsibility.

5.3. International Ship and Port Facility Security Code (ISPS Code).

On September 11, 2001 terrorist attacks on the United States highlighted lacks of security procedures in aviation and shipping, leading to the adoption of the ISPS Code under the umbrella of SOLAS. The code was adopted on December 12, 2022, in London by the international maritime organization and has become a part of SOLAS treaty. The ISPS Code came into force on July 1, 2004, requiring contracting Governments to ensure the security of their ports and ships. ISPS had a framework for assessing risks and implementing security measures. According to this code, Ships must conduct security assessments and file reports detailing vulnerabilities and the measures taken to mitigate security risks. These security assessments form the basis of Ship Security Plans (SSPs), which must be approved by relevant authorities and are subject to periodic review and reporting. Any security breach or suspicious activity must be promptly reported to port facilities and the flag state administration. This includes stowaways or unauthorized access to the ship. Vessels are also required to maintain a Continuous Synopsis Record (CSR), a document that proves the history of the ship, including ownership and operational changes. The CSR must be updated and submitted to the flag state authority. Failure to comply with the ISPS CODE would impose fines, detentions of vessels, or restrictions on entering some ports (IMO, 2024).

5.4. European Union Monitoring, Reporting and Verification Regulation (EU MRV)

Climate change and the rapid development of the shipping industry quickly led to the need to reduce pollution. Europe, being a pioneer in these issues, felt the need to create its own system regarding the control and limitation of the Green House Gas emissions (GHG). The MRV Regulation was adopted in April 2015 and entered into force on July 1, 2015 requiring shipping companies to collect and report data on CO2 emissions, fuel consumption, and other relevant information, and highlighting the EU's commitment to establish a more transparent system for tracking and reducing emissions within the shipping sector. According to the MRV Regulation, Shipping companies must report their emissions annually, validated by an independent verifier, and submit this data to the European Commission, making emissions reports publicly available, enhancing accountability and transparency in the industry (Regulation (EU) 2015/757).

5.5.National Regulations

Many countries have their own requirements for shipping companies to report various operational, safety, and environmental matters. For example, in the United States, the Coast Guard enforces several reporting requirements under various parts of Title 33 and Title 46 of the Code of Federal Regulations (CFR). The Act governs the discharge of pollutants into U.S. waters oblige shipping companies adhere to specific standards and regularly report the quantities and types of pollutants released.

Additionally, shipping companies must comply with national customs regulations regarding importing or exporting goods. Special taxes or custom duties could affect the overall cost of the operations, therefore may impose the choice of alternative routes or practices.

Some countries may have trade agreements that simplify customs processes or reduce tariffs between member nations. Shipping companies must be aware of these agreements to leverage benefits and ensure compliance with the specific rules and other requirements outlined in the agreements.

6. Legal Forms and Financial Statements of shipping companies.

The legal form of a company significantly affects its financial statements, reporting requirements, tax implications, and liability scenarios. It can also shape its relationship with creditors. Corporations and LLCs, with their limited liability features, may be viewed as less risky by lenders when assessing creditworthiness, as creditors cannot demand personal assets from owners for corporate debts. On the other hand, sole proprietorships and partnerships may face increased control requests from lenders, as personal liabilities extend to owners.

About Financial statements, the simple legal form of sole proprietorship, owned and operated by a single individual does not require any formal registration other than local permits or licenses. Its Income Statement represents the personal income and expenses, often combined with personal tax returns. It is not mandatory to issue balance sheet, showing the position of the firm.

In partnership types, where two or more individuals are sharing ownership and operational responsibilities, the income statement shows the total income and expenses, with net income distributed among partners. there is no obligation to prepare a balance sheet depicting assets, liabilities, and partners' equity.

Limited liability Companies provide the limited liability protection of a corporation while allowing flexibility status of a partnership. Financially, the Income Statement is Prepared to show income and expenses, and profits are typically passed through to members. LLC requires to reflect the company's financial position, showing assets, liabilities, and member equity. Subject (if chosen) to pass-through taxation, avoiding double taxation schemes of corporate profits while members enjoy limited liability protection, protecting personal assets from business debts.

Furtherly, in corporations, who enjoy the ability to raise capital by issuing stock in the public market, there are strict obligations related to Financial Statements preparation. The income statement must be prepared on a way to show profitability, including revenues, expenses, and net income. The preparation of the Balance Sheet is mandatory for all corporations depicting assets, liabilities, and shareholders' equity to secure investors. Corporations are required to show cash inflows and outflows from operating, investing, and financing activities and to prepare the Statement of Stockholders equity, which shows the changes in equity, the retained earnings, the issuances of stock and the dividends paid. Subject to corporate tax rates, even double

taxation (corporate tax on profits and individual tax on dividends), regulatory scrutiny, required detailed disclosures and compliance with national regulations (e.g., Securities and Exchange Commission (SEC) for public companies – accepted method of financial statements' reparation for NYSE is GAAP).

Corporations and LLCs are generally subject to more strict regulatory requirements than sole proprietorships or partnerships. This includes the costs for annual audits, filing reports with regulatory agencies, and adhering to specific accounting standards (like GAAP or IFRS). The chosen legal structure directly affects how a company's profits are taxed. While sole proprietorships and partnerships benefit from pass-through taxation, corporations may face double taxation, influencing net income reported in financial statements and affecting cash flow. The legal form defines how risk is managed and reported from the shipping company (Christina Majaski, 2024).

Corporations and LLCs offer limited liability protection, whereas sole proprietors and general partners in a partnership expose personal assets to business liabilities. This can affect how financial statements are interpreted by creditors and investors.

Firm's structure also affects its ability to raise capital. Corporations have an advantage in this area, as they can issue shares of stock to attract an investment. This ability allows for potentially greater access to financial resources, which can facilitate expansion, fleet acquisition, and technological advancements in the shipping industry. Conversely, sole proprietorships and partnerships may find it more difficult to get funded, because they cannot issue shares and basically rely on personal funds or loans.

Investors typically prefer corporate structures because they offer limited liability and clearer ownership status. Detailed financial statements required of corporations also provide a level of transparency that investors value, helping them make informed investment decisions.

Corporations and LLCs are subject to more control from regulatory authorities, which can provide assurance that the company adheres to relevant laws and regulations. This oversight includes routine audits and reporting requirements that strengthen accountability.

A very important effect of the legal form of a shipping company, which is multijurisdictional and worldwide executed, is its employee rights and benefits. Corporations are often more capable to offer benefits such as health insurance and retirement plans, which can enhance employee satisfaction and stabilize retention rates.

Choosing the legal form of a shipping company is undoubtedly a big deal. The factors to be weighed are many: taxation, protection of individuals from debt, protection of property, visibility, access to capital, regulatory compliance, expectation of growth. Each legal form has its advantages and disadvantages is chosen after carefully consideration to achieve its purpose.

7. Corporate strategies affecting legal forms.

The shipping industry, an essential component of global trade and commerce, has faced significant transformations over the years due to various factors, including economic fluctuations, technological advancements, and evolving regulatory frameworks. As a result, shipping companies have developed diverse strategies that not only optimize their operations but also shape the legal structures under which they operate. This analysis is related with the strategies adopted by shipping companies leading to the formation of new legal structures having on mind liability, regulatory compliance, and corporate governance.

In a wide range of activities, including cargo transport, shipbuilding, maintenance, and maritime services, as globalization grow, the demand is expected to be very high. However, the industry must face challenges, such as environmental regulations, piracy, geopolitical tensions, and fluctuating fuel prices. To navigate these challenges successfully, shipping companies have adopted various strategies that necessitate new legal frameworks to mitigate risk and enhance operational efficiency.

One of the most common strategies is the formation of limited liability entities, such as Limited Liability Companies (LLCs) or corporations and often establish specialized subsidiaries for different functions such as ship owning, shipping operation, logistics, maintenance, and finance. By separating operations into distinct legal entities, shipping companies can control liabilities associated with specific activities. For instance, if a subsidiary faces legal action due to environmental spills, other subsidiaries remain protected from a financial disaster (Rodyk & Davidson, 2011).

To expand their market and share resources, shipping companies often enter joint ventures or partnerships with other firms. Partnerships can lead to shared liability, allowing companies to pool resources for very large projects. This strategic alignment often necessitates complex legal agreements defining the terms of liability and asset sharing.

Chartering, where a shipping company leases its vessel to another party, is another prevalent strategy that changes the liability structure. In many charter agreements, the charterer assumes certain liabilities associated with the use of the vessel, such as damage to cargo or accidents while the ship is under charter. This shift reduces the shipowner's exposure to claims, necessitating precise legal definitions in contracts. Chartering allows shipping companies to optimize fleet utilization without

the financial burden of owning additional vessels, adapting to market demand fluctuations efficiently. Shipping companies utilize various insurance products to manage risks associated with maritime operations. Insurance P&I provides coverage against third-party liabilities, such as crew injuries, oil spills, and environmental claims. The assurance this provides can influence the legal structure, as companies may be more willing to take on risks if adequately insured. With insurance in place, shipping companies can navigate regulatory environments more confidently, often reshaping how they structure themselves legally to meet compliance requirements (Evi Plomaritou, Emanouil Nikolaides, 2016).

Technology in shipping, including digital platforms for booking and tracking, has transformed operations worldwide. As shipping companies invest in technology, they face new liabilities associated with data breaches or system failures. This highlights the necessity of legal frameworks addressing cybersecurity and data protection matters.
Additionally, the use of blockchain technology for transactions promotes transparency and make merchants feel safer. Legal frameworks are evolving to accommodate smart contracts, altering traditional contractual relationships within the industry.

As global awareness of environmental issues increases, shipping companies are adopting sustainable practices to comply with international regulations, such as the International Maritime Organization's (IMO) regulations on emissions. Companies are increasingly structuring their finances to support green initiatives, such as eco-friendly ships or retro fitting existing fleets with cleaner technologies. This shift often requires new legal frameworks that govern funding sources, obligations to meet sustainability benchmarks, and liabilities related to environmental damages. Shipping companies may also establish joint ventures focused on compliance with international environmental standards, influencing the creation of legal structures that define the responsibilities of different stakeholders, thus shaping industry norms.

Geopolitical developments, which can disrupt maritime routes, influence oil prices, and affect shipping laws, is something to be considered. Shipping companies may need to form legal strategies that address geopolitical risks, including the establishment of arbitration clauses in contracts that allow for dispute resolution across borders. This necessity could lead to the development of international legal frameworks that cater to cross-jurisdictional challenges. Global economic changes, including shifts in trade patterns, tariffs, and the rise of protectionism, could have significant implications for the shipping industry and its legal frameworks. Shipping companies

may seek new alliances or restructure existing models to adapt to changing market conditions. This fluidity could lead the creation of additional legal entities focused on specific geographic routes or business.

Strategies employed by shipping companies have led to the diversification and evolution of legal structures aimed at managing risk, protecting owners from liability, and ensuring compliance in a complex operational landscape. Limited liability entities, specialized subsidiaries, and innovative contractual frameworks have become essential in navigating the industry's challenges and opportunities. As shipping companies continue to adapt to technological advancements, regulatory changes, and economic challenges, the corresponding legal structures must also evolve. The relationship between strategic decisions and legal frameworks will shape the future of any business, so in shipping industry.

In summary, the evolution of legal structures in the shipping industry highlights the dynamic relationship between strategy and law, showcasing how proactive measures can enhance operational resilience while ensuring stakeholder protection. Moving forward, the industry must prioritize resilience against evolving risks while embracing innovations that further redefine its legal framework.

8. Capital Markets’ Affects

8.1. The United States

Capital Markets are deeply influenced by regulatory frameworks instituted by governing bodies, and in the United States, the Securities and Exchange Commission (SEC) occupies a central role in overseeing securities markets and ensuring investor protection. Established in 1934 as a response to the stock market crash of 1929, the SEC's primary mission is to maintain fair, orderly, and efficient markets. A critical aspect of this mission is regulating companies’ financial reporting obligations, which include the preparation of financial statements in order to provide investors with essential information about a company's financial health and operational performance.

To ensure transparency and accountability, the SEC mandates that publicly traded companies adhere to strict reporting requirements. These requirements are primarily outlined in the Securities Act of 1933 and the Securities Exchange Act of 1934, both of which form the regulatory backbone for securities transactions and disclosure obligations. Under these statutes, companies are obligated to file registration statements with the SEC when they offer securities for sale to the public. Such registration statements must include comprehensive financial statements and disclosures that provide potential investors with accurate and timely information about the issuer’s financial condition, risks, and other relevant details.

The cornerstone of the SEC's regulatory framework is the Form 10-K, an extensive annual report that public companies must file with the SEC. This document provides a wealth of information, encompassing audited financial statements, detailed notes, and management analysis. The contents of the 10-K include the company’s balance sheet, income statement, statement of cash flows, and shareholders’ equity statement. Each of these components delivers critical insights into the company’s financial position, profitability, liquidity, and cash flow dynamics. Additionally, the 10-K must also discuss operational risks, management strategies, and other factors that might influence future performance.

Another essential filing is the Form 10-Q, which public companies are required to submit quarterly. While the 10-Q is less comprehensive than the 10-K, it presents unaudited financial statements for the quarter and provides updates on operational

developments. This quarterly reporting mechanism plays a vital role in ensuring that investors receive regular and timely information, enabling them to make informed decisions based on the most current data available (SEC 2024)

Furthermore, the SEC enforces stringent rules regarding significant events that may affect a company's financial outlook. Form 8-K is employed by companies to disclose any material event that could impact their financial condition or operations, such as mergers, acquisitions, or changes in executive leadership. The prompt filing of Form 8-K ensures that investors and stakeholders are aware of critical developments that could influence their investment decisions.

In addition to specific forms, the SEC requires companies to follow generally accepted accounting principles (GAAP) in the preparation of their financial statements. GAAP provides a standardized framework that dictates how financial transactions must be recorded and reported, thus ensuring consistency and comparability among different companies. Following these accounting standards enhances the reliability of financial statements, facilitating informed decision-making by investors and analysts.

Public companies are also subject to audit requirements, wherein independent auditors must review and verify the accuracy of the financial statements included in the 10-K. These audits provide an additional layer of credibility to the financial reporting process, as investors can have greater confidence in the integrity of the information presented. Auditors evaluate internal controls, financial processes, and compliance with GAAP, ultimately issuing an audit opinion that accompanies the financial statements. The role of auditors is indispensable, as their oversight helps to detect discrepancies, fraud, or misreporting, safeguarding investors against potential risks.

The SEC actively monitors and enforces compliance with these financial reporting obligations. Companies that fail to adhere to the established guidelines face significant consequences, which may include fines, penalties, or even the suspension of trading for their securities. In more severe cases, the SEC may initiate legal action against companies or individuals for fraudulent activities, such as misrepresentation of financial statements. This enforcement framework deters misconduct and promotes integrity within the financial markets.

Transparency in financial reporting is not merely a regulatory requirement but a cornerstone of maintaining investor confidence. Investors rely on accurate and reliable financial statements to assess the performance and risk associated with their investments. This reliance underscores the importance of the SEC’s role in facilitating

access to public filings. The SEC operates the EDGAR (Electronic Data Gathering, Analysis, and Retrieval) system, which provides a publicly accessible database containing millions of filings. EDGAR allows investors and analysts to search for and review a company's financial statements, reports, and other relevant disclosures, thereby enhancing market efficiency.

In recent years, the SEC has taken steps to modernize and streamline the financial reporting process. As technology continues to evolve, the commission is exploring ways to leverage innovation to improve disclosure practices. For instance, initiatives aimed at fostering greater use of XBRL (eXtensible Business Reporting Language) in financial reporting allow for enhanced data usability, facilitating analysis and comparison across companies. This shift towards technology-driven reporting aligns with the SEC's commitment to enhancing corporate transparency and improving the efficiency of financial markets.

8.2 The United Kingdom.

The regulatory framework governing stock exchanges and companies' financial statement obligations varies significantly around the world. One prominent example can be found in the United Kingdom (UK), where the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) play key roles in overseeing financial markets and ensuring robust corporate governance and transparency.

In the UK, the regulation of securities markets is primarily driven by the FCA, which is responsible for ensuring fair and transparent financial markets while protecting consumers and maintaining the integrity of the UK financial system. The FCA's regulatory remit covers various aspects of financial services, including the conduct of businesses, market integrity, and the efficacy of financial promotions.

The UK's regulatory framework is also aligning with international best practices, notably the International Financial Reporting Standards (IFRS). Since 2005, publicly traded companies in the UK have been required to prepare their consolidated financial statements in accordance with IFRS, which promotes consistency, comparability, and transparency across entities operating in multiple jurisdictions (FCA, 2024).

The Companies Act 2006 establishes requirements for all companies in the UK, including those listed on stock exchanges. This comprehensive legislation outlines the obligations of companies regarding financial reporting, disclosure, and corporate governance. Under the Companies Act, public limited companies (PLCs) must prepare annual accounts that provide a true and fair view of the company's financial position, which not only includes balance sheets and profit and loss accounts but also extensive notes and management reports. The requirement for a "true and fair view" is a guiding principle that emphasizes transparency and accuracy in financial reporting.

In addition to the annual accounts, the Companies Act mandates that PLCs also produce a directors' report, which must include information about the company's business activities, financial risks, and governance practices, thus promoting accountability at the executive level. Furthermore, companies are obliged to appoint independent auditors to review their accounts, ensuring that the financial statements are accurate and comply with relevant accounting standards.

The FCA is looking forward to transparency and investor protection in financial markets. One of the FCA's primary roles is to regulate the financial statements and reporting requirements of listed companies. This includes ensuring compliance with the Listing Rules, which set out specific disclosure obligations for companies whose shares are admitted to trading on the London Stock Exchange.

Under the Listing Rules, companies must publish their financial results on a regular basis, typically every six months for interim statements. These statements must include consolidated financial information that adheres to IFRS, allowing investors to clearly evaluate the company's performance and financial position. The FCA also requires companies to disclose any material changes in their financial condition that could affect share prices or investor sentiment through additional announcements or updates. Companies must routinely submit various forms of notification concerning significant events that may impact investors. For instance, these notifications may include details about acquisitions, disposals, or changes in management. This requirement to disclose key developments in a timely manner is designed to uphold market integrity by ensuring that all investors have access to information simultaneously.

The Financial Reporting Council (FRC), which oversees corporate governance standards in the UK, has published the UK Corporate Governance Code. This code establishes key principles of good governance for listed companies, focusing on

transparency, shareholder engagement, and board accountability. Companies listed on the stock exchange are expected to report on their compliance with the code, disclosing any deviations and the rationale behind them. This "comply or explain" approach allows for flexibility while promoting accountability and investor confidence.

Annual reports produced by companies must include a statement regarding how they have applied the principles of the Corporate Governance Code. This covers critical areas such as the effectiveness of the board, executive remuneration, and shareholders' rights, which ensure that companies remain accountable to their investors.

Independent audits are a cornerstone of the regulatory framework governing financial reporting in the UK. The Companies Act requires that PLCs conduct annual audits of their statutory financial statements, ensuring compliance with accounting standards and providing additional assurance to investors regarding the credibility of financial disclosures. Auditors must be registered with a recognized supervisory body and are tasked with evaluating a company's financial reporting processes, internal controls, and adherence to reporting standards.

Moreover, the regulatory environment surrounding audits emphasizes the importance of auditor independence. The FRC mandates that companies disclose information about their auditors in their annual reports, including the auditor's tenure and any fees paid for non-audit services. This fosters transparency in the audit process and reinforces the integrity of the financial statements presented to investors.

8.3 Greece

Stock exchange and companies' financial statement obligations in Greece is primarily governed by the Capital Market Commission (CMC), which operates under the broader umbrella of the Hellenic Ministry of Finance. This regulatory environment is shaped by both domestic legislation and European Union directives, as Greece is a member of EU.

Greece's capital markets are regulated by the Law 4548/2018 on Corporate Social Responsibility and Law 4706/2020 regarding corporate governance, alongside the various provisions of the Hellenic Capital Market Law. These laws establish the framework for the operations of publicly traded companies, particularly on the Athens Stock Exchange (ASE), which is the principal stock exchange in the country (HCMC, 2024).

The requirement for publicly listed companies to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS) is in the forefront again. Public companies in Greece must comply with a rigorous set of financial reporting requirements. According to the relevant laws, companies are required to publish their annual financial statements, which must include a balance sheet, income statement, statement of changes in equity, and cash flow statement.

In addition to annual reports, Greek companies are also required to submit semi-annual financial statements and interim financial reports, which provide updates on the company's performance midway through the fiscal year. These disclosures ensure that investors have access to timely and relevant information, allowing them to make informed investment decisions based on the most current data available.

The CMC oversees the operations of capital markets in Greece. It is responsible for the regulation and supervision of listed companies, as well as the enforcement of compliance with capital market laws. One of the CMC's key responsibilities is to monitor the adherence of companies to their financial reporting obligations, and to ensure that investors receive accurate and timely information. To promote transparency and facilitate the smooth operation of markets, the CMC requires publicly listed companies to disclose not only financial results but also essential non-financial information that may impact investment decisions like risk factors or financial performance.

The governance framework for publicly listed companies in Greece has undergone significant reforms, especially following the implementation of Law 4706/2020, which emphasizes the importance of good corporate governance. This legislation sets out principles for the organization and operation of company boards, promotes transparency, and protect shareholders. Under this law, companies are required to provide detailed disclosures on their corporate governance practices in their annual reports. This includes information about the composition of the board of directors, governance structures, and risk management processes. By mandating these disclosures, the law aims to enhance accountability and build investor confidence.

Another critical component of the regulatory framework is the requirement for independent audits of financial statements. Greek legislation mandates that companies listed on the Athens Stock Exchange undergo annual audits conducted by registered auditors. The auditors not only assess the companies' financial results but also evaluate internal controls and risk management practices. Their independent opinions add a layer

of credibility to the financial statements, ensuring that investors can rely on the integrity of the reported information.

The economic crisis that began in 2009 had a profound impact on investor sentiment and market activity, leading to stricter control of corporate governance practices and financial reporting. As Greece continues to recover, transparency of financial disclosures remains a priority for regulators.

Looking ahead, As the EU continues to place greater emphasis on sustainable finance and responsible investing, Greek companies may be required to incorporate environmental, social, and governance (ESG) factors into their financial reporting. The CMC and the Greek government have shown commitment to fostering a sustainable investment future, insisting that transparency in ESG matters can lead the market to higher levels.

8.4 Panama

Panama's legal framework is characterized by the flexibility it offers. The choice of legal structure of a corporation, limited liability company (LLC), or partnership— The Panamanian Corporation Law allows for the easy incorporation of offshore entities minimizing the bureaucracy involved in other jurisdictions. Such provisions encourage the establishment of special purpose vehicles (SPVs) that can be utilized for specific shipping operations optimizing risk management legal protection. The corporate governance standards of Panamanian law promote transparency and accountability, particularly for companies listed on the Panamanian Stock Exchange. Compliance demands the preparation of comprehensive financial statements adhering to local accounting standards, which align with the International Financial Reporting Standards (IFRS), attracting foreign investments easier and making international stakeholders feeling secured. Detailed disclosures relating to financial performance, capital structure, and risk exposures are demanded and this is critical for potential investors, lending institutions, and regulatory bodies, ensuring that financial statements reflect an accurate picture of the company's economic status (Bussiness Panama group, 2024).

The Panamanian tax regime, particularly the absence of income tax on foreign-source income, attracts numerous shipping companies seeking to minimize tax liabilities. However, they should keep in mind that careful financial reporting is

required to ensure that income aligns with regulatory provisions. Shipping companies have to face really complex scenarios related to the classification of revenue as onshore or offshore, impacting their reported earnings and financial position. Furthermore, auditing requirements established by capital markets laws mandate that independent auditors validate the financial statements, ensuring compliance and reliability, as happen in the previously three jurisdictions. internal control systems and risk assessment frameworks that can identify, evaluate, and mitigate risks for maritime operations are essential part of shipping companies to ensure compliance and accurate representation of financial statements.

The interplay between flexible corporate governance, IFRS adopted financial reporting, and risk management control is satisfying the interests of both the companies and their stakeholders. By adhering to these regulations, shipping companies develop their operational capabilities but also help the global maritime industry in creating a sustainable future. Panama is a competitive hub for shipping today, attracting investments and shaping economic growth.

9. Major strategic alliances

Shipping alliances are agreements among a group of shipping companies that allow them to share resources, network, and capabilities while maintaining their legal independence. By pooling vessels and cargo, member companies can improve service frequency, reduce shipping costs, and better navigate market volatility. Such collaborations have become essential as carriers face pressures from rising operational costs, environmental regulations, and consumer demand for faster and more reliable shipping solutions.

9.1 The 2M Alliance

The 2M Alliance, established in 2015 between Mediterranean Shipping Company (MSC) and Maersk Line, is one of the biggest shipping alliances in the world. The alliance focuses on routes between Asia, Europe, and North America and has significantly expanded its service offerings.

By sharing vessel capacity and resources, the 2M Alliance can optimize schedules and fleet deployment, allowing member companies to maintain competitive pricing and service reliability. The 2M partners jointly operate various transpacific, transatlantic, and intra-Asian routes, leading to substantial cost savings.

Both MSC and Maersk place a strong emphasis on sustainability. The 2M Alliance has adopted initiatives aimed at reducing emissions and implementing eco-friendly practices across their combined fleets. For example, the alliance emphasizes using low-sulfur fuels and investing in energy-efficient vessels (Jitendra Bhonsle, 2021).

Critics argue that this type of consolidation in the shipping industry concentrates market power among a small number of players. This concentration leads to questions about competitiveness, especially concerning freight rates and market access for small and medium-sized operators. Some stakeholders worry that such alliances may reduce competition, potentially leading to higher shipping costs for customers over the long term.

9.2. Ocean Alliance

Launched in 2017, the Ocean Alliance consists of four major shipping lines: CMA CGM, Evergreen Marine, Orient Overseas Container Line (OOCL), and APL. This alliance focuses on optimizing services mainly in the Asia-Europe and Asia-US trade lanes (cma-cgm group, 2019).

The Ocean Alliance provides an efficient service network with a significant number of direct connections across major trade routes. By working together, the member lines can offer high-frequency operations reducing delivery time for cargo. With a shared fleet of vessels, members can adjust their capacity based on market demands, leading to better utilization of resources and minimized operational costs.

Similar to the 2M Alliance, the Ocean Alliance has committed to sustainability practices, including investments in low-emission vessels and energy-efficient technologies. The group actively collaborates on initiatives aimed at reducing their environmental footprint. The Ocean Alliance has also focused on digital transformation to improve operational efficiency.

However, the formation of large alliances like Ocean Alliance leads to a significant reduction in competition within the shipping industry, consolidating market power and price-fixing cases that harms a healthy market competition and client protection. A point of criticism was the lack of transparency in pricing and service offerings. This lack of clarity can make it difficult for shippers to understand the true costs associated with transportation and may lose their ability to negotiate better rates. Additionally, there is a fear that with fewer independent operators, companies might prioritize profit margins over customer service, which can adversely impact supply chains and result in higher costs being passed on to consumers.

9.3. THE Alliance

Established in 2016, THE Alliance is a cooperation agreement between several major shipping companies, including HAPAG-Lloyd, Yang Ming, Nippon Yusen Kaisha (NYK), Mitsui O.S.K. Lines (MOL), and Kawasaki Kisen Kaisha (K Line), and

other regional carriers. This alliance primarily focuses on Asia-Europe routes and offers large service coverage. THE Alliance has positioned itself as a key player in the Asia-Europe market, offering competitive transit times and extensive coverage in ports. Its strategic positioning allows it to effectively respond to the growing demand for container shipping in this important trade lane. Like other alliances, THE Alliance benefits from operational synergies, including vessel sharing, joint marketing efforts, and coordinated schedules (theanetwork.com, 2024).

Critics argued about the same things as in the previous two alliances, including the potential of competition reduction, the consolidation of market power and the price fixing mechanisms that may arise. With powerful alliances like The Alliance controlling a significant portion of global shipping capacity, cargo owners fear of higher freight rates and low service quality.

9.4 Benefits of Shipping Alliances Structures

The formation of shipping alliances brings several benefits not only to the participating companies but also to the broader shipping industry and customers. These benefits include the ability to significantly reduce operational costs and mitigate risks associated with market fluctuations. In an industry characterized by volatility, collaborative agreements allow member companies to adjust capacity and services in response to global changes in demand (IFA, 2023).

By operating a shared fleet, companies can invest in newer, more efficient vessels that lead to reduced emissions. Initiatives such as adopting low-sulfur fuels and implementing energy-saving technologies help alliances collectively minimize their carbon footprint.

The maritime industry is subject to various regulations, particularly concerning competition and anti-trust laws. Shipping alliances must not violate competition laws or lead to anti-competitive behavior. The effectiveness of an alliance largely depends on the commitment and performance of its members. Any failure by one member to uphold operational standards or fulfill obligations can impact the entire alliance. This interdependence requires that companies carefully select their partners and maintain strong communication channels.

Global shipping market is influenced by many factors, including changing trade patterns, geopolitical tensions, and economic conditions. This can be particularly

challenging in times of economic uncertainty or significant fluctuations in cargo demand.

Additionally, Alliances are expected to collaborate on initiatives aimed at achieving international climate goals, such as the International Maritime Organization (IMO) targets for reducing greenhouse gas emissions. This includes investing in research and development of alternative fuels and innovative shipping technologies.

In conclusion, shipping alliances reduce operational costs while addressing environmental concerns. Despite facing challenges related to regulatory compliance and market fluctuations, these alliances play a crucial role in reaching efficiency and sustainability of international shipping. The spirit of alliances will be needed even more in the future, as the complexities of modern trade and investing structures are evolved.

9.5 Anti-competitive Practices

Competition and antitrust law play a critical role in regulating shipping alliances. As shipping companies increasingly group together to form alliances, the potential for anti-competitive behavior arises, making regulators and stakeholders asking for control keeping. While these alliances help operational efficiency and costs reduction, they can also lead to negative impacts when bad practices come into play, related the unfair competition (Squire Patton Boggs, 2023)

Competition law is promoting a free market, encourages innovation, efficiency, and protect consumer. Shipping alliances can disrupt this balance by enabling member companies to control a substantial portion of shipping capacity. This consolidation may result in price-fixing, where alliance members agree to set prices at artificially high levels, ultimately harming consumers and shippers who rely on fair market rates for transportation.

The global shipping industry is characterized by a few powerful alliances that maintain a significant share of the market. As these alliances grow stronger, they can leverage their consolidated power to negotiate better terms with port authorities and service providers, while simultaneously limiting opportunities for smaller operators. This can create a two-tier market where established carriers enjoy favorable conditions, making it increasingly difficult for smaller, independent shipping companies to compete.

Furthermore, the anti-competitive behavior can extend to service quality. Delayed shipments, poor customer service, and a lack of transparency have been observed in markets dominated by alliances. Customers may find themselves lacking reliable alternatives and this can lead to dissatisfaction and mistrust among shippers and businesses relying on timely and efficient shipping solutions.

To address these concerns, competition authorities in various jurisdictions have begun to control shipping alliances more strictly. The European Union and the United States have established frameworks for examining the competitive impacts of these alliances, often requiring companies to seek regulatory approval before forming or expanding them, to ensure that any collaborative agreements do not harm competition or consumers. However, the challenges of regulating shipping alliances are complex, as the global nature of the industry often means that actions taken in one jurisdiction can have far-reaching effects elsewhere.

Using "capacity management" practices, shipping alliances may manage vessel space in such a way to maintain high freight rates during periods of low demand. This approach can artificially manipulate the whole market. Regulatory bodies must be ready to ensure that these practices are not in place.

10. Global Challenges

Several global challenges are increasingly affecting the corporate structures of firms operating within shipping industry. These challenges range from environmental regulations and technological advancements to geopolitical tensions and economic fluctuations.

10.1 Environmental Regulations and Sustainability

One of the challenges that the shipping industry faces today is the growing concern for environmental sustainability. Increasingly strict regulations, set by international organizations such as the International Maritime Organization (IMO), are aimed at reducing greenhouse gas emissions and minimizing the environmental impact of maritime operations. The adoption of the IMO's initial strategy to reduce greenhouse gas emissions by at least 50% by 2050 compared to 2008 levels illustrates the industry's commitment to sustainability (IMO, 2024).

As a result, shipping firms choose to restructure their corporate strategies and invest in greener technologies. Companies are exploring various solutions, such as greener fuels, more efficient vessel designs, and advanced waste management systems. The need to comply with these regulations has led businesses to rethink their supply chains, emphasizing the need for more sustainable practices. Those firms that can effectively innovate in response to these regulatory pressures may gain a significant competitive advantage in the market, like MSC and Maersk.

Consequently, the impact of environmental regulations on corporate structure often demand increased collaboration across sectors. Shipping companies are forming alliances with technology providers, environmental organizations, and other stakeholders to share knowledge, resources, and best practices. Furthermore, the transition to sustainability is not only about compliance; it has been a marketing tool that can secure corporate image and brand value. Companies adopting sustainable practices enjoy greater investor interest, as socially responsible investment becomes increasingly important.

10.2 Technological Developments

The rise of digital technologies is another major challenge for the shipping sector. Automation, artificial intelligence (AI), big data analytics, and the Internet of Things (IoT) are transforming traditional shipping practices. These technological advancements drive efficiency and optimize operations, leading to a shift in how shipping firms structure themselves. For example, the introduction of autonomous shipping technology requires extensive research and a re-evaluation of workforce structures. Firms that fail to adapt to these developments may face difficulties to survive in a such competitive environment. The incorporation of AI and data analytics allows companies to furtherly develop their logistics and supply chain management, delivery times, efficient routes, and reduced operational costs (SINAY SAS, 2023).

Moreover, as technology evolves, there is a growing need for professionals skilled in digital tools. This shift leads to changes in workforce composition, requiring companies to reassess their human resource strategies, training programs, and recruitment processes. As a result, shipping companies are not only investing in technology but also in talent development, underscoring the importance of integrating technological and human factor (World Shipping Council, 2024).

10.3 Geopolitical and Global Trade Dynamics

Geopolitical tensions represent a great and unpredictable challenge to the shipping industry, influencing trade routes and shipping operations. Nation’s conflicts, trade embargo, and political instability can be enormous obstacles for shipping activities, leading to increased costs and market uncertainty. For example, the trade disputes between major economies, such as the United States and China, have resulted in significant fluctuations in shipping demand, impacting corporate planning and strategy.

These geopolitical factors can lead to changes in corporate structure as firms seek to fit their operations and build resilience against geopolitical factors. Shipping companies are always interested to explore new markets and establish regional hubs or offices to mitigate risks associated with geopolitical instability, leading to increased collaboration with local partners or agents too.

10.4 Economic and Market Trends

Economic growth typically drives the increase in shipping demand, while recessions tend to have the opposite effect. Fluctuating oil prices can also have a profound impact on shipping costs. The volatility of the global economy obliges shipping firms to adopt flexible structures and strategies. In times of economic recessions, companies may be restructured to reduce costs and help operational efficiency. This may means selling fleets, reducing staff, renegotiating contracts, and re-evaluating logistics processes (Martin Stopford, 2009).

In contrast, during periods of economic growth, shipping companies might choose expansion strategies, which can include mergers and acquisitions. Such activities often reshape corporate structures as firms seek to develop their market position and capitalize on new opportunities. As customer expectations rise, firms are restructuring their service offerings to enhance satisfaction and loyalty. Investments in technology to provide real-time tracking, efficient customer service channels, and transparent pricing are becoming standard practices, showcasing how market trends impose alterations in corporate strategies.

10.5 Security

Security threats pose a significant challenge for the shipping industry, impacting both operations and corporate structures. Piracy, cyber-attacks, and terrorism have heightened the need for efficient security measures. As a result, companies are increasingly investing in security frameworks, which change the corporate governance and operational protocols.

Piracy remains a critical concern in high-risk areas, such as the Gulf of Aden and the Strait of Malacca. Firms are required to implement security measures, including hiring private security personnel or rerouting vessels. These come with additional costs, which, in turn, influence the financial structuring and risk management strategies of the firms (deutsche flagge, 2024).

Cybersecurity is another big issue, as digital transformation has increased the firms' vulnerability to cyber-attacks. The 2021 ransomware attack on the world's largest container shipping line, Maersk, serves as a reminder of the dangers faced in an

increasingly digital marketplace. Such incidents reveal the necessity for cybersecurity frameworks, leading firms to invest in technologies and expertise aimed at making strong and safe IT infrastructures. Consequently, companies may create specialized divisions or hire third-parties to address their cybersecurity needs, resulting in a shift in corporate structure and resource allocation.

Moreover, as businesses prioritize security, they must also adhere to regulatory compliance regarding safety and security measures. This necessity can lead to the establishment of new compliance and risk management divisions, further influencing corporate structure. Thus, the interplay between security challenges and corporate structures creates an environment where firms must balance operational efficiency, risk management, and compliance.

10.6 Market Consolidation

The economies of scale drives mergers and acquisitions, which can develop operational capabilities and optimize resource utilization. More significant industry players are acquiring smaller firms to expand market reach, access new technologies, and improve service offerings. For instance, the consolidation of shipping companies can lead to improved power, allowing firms to negotiate better rates with suppliers and reduce operational costs. Furthermore, these mergers often lead to the pooling of resources, which can help investments in innovative technologies and sustainable practices that otherwise might be financially unattainable for individual companies (Brian Baklenko, 2017).

Strategic alliances, on the other hand, allow firms to remain competitive without giving full control over their operations. By forming partnerships with other shipping lines, logistics providers, or even tech companies, firms can improve service offerings, expand geographic boarders, and capitalize emerging market trends. These collaborations can lead to shared investments in research and development, digitization efforts, and fleet modernization.

The trend of consolidation and alliances reshapes corporate structures, leading to increased interdependence among firms. Organizations must also develop governance structures to manage these partnerships effectively, requiring a re-evaluation of corporate governance models to accommodate broader networks of collaboration.

10.7 E-commerce Growth

The rise of e-commerce has altered consumer expectations and behaviors, impacting the shipping industry significantly. Today's consumers demand faster delivery times, greater transparency, and customized shipping options. E-commerce giants like Amazon have set performance benchmarks that compel shipping firms to evolve their delivery models and services. To meet these changing expectations, shipping companies are restructuring their operational processes, targeting in last-mile delivery capabilities, and investing in technology to provide real-time tracking information (bringoz, 2024).

Corporate structures must also adapt to include teams focused on customer experience and fulfillment optimization. As consumer preferences evolve, shipping firms may need to integrate customer insights into their strategic planning processes, fostering a culture that prioritizes customer-centric decision-making.

The interplay between e-commerce growth and consumer expectations requires companies to continuously innovate and adapt. This frequently leads to cross-functional teams within organizations, where marketing, logistics, and IT departments collaborate to create better customer experiences, thus shaping new corporate structures.

10.8 Resilience and Adaptability

Environmental regulations and sustainability concerns push companies towards greener practices and innovative technologies. In order to thrive in a complex and dynamic environment, shipping firms must prioritize resilience and adaptability by fostering a culture of collaboration, learning, and strategic thinking, these companies can effectively navigate the changing environments of the shipping industry (porteconomics 2020).

Firms that embrace change and adapt their corporate structures accordingly will not only survive but thrive in this rapidly changing environment. Emphasizing resilience and adaptability allows organizations to prepare for unforeseen disruptions while capitalizing on emerging opportunities. This mindset can lead to the development of business models.

Effective leadership is crucial in guiding shipping firms through the complexities of these challenges. Leaders must possess a keen understanding of both the global

market and the specific needs of the shipping industry. As corporate structures shift to accommodate new technologies, partnerships, and market demands, leadership must also evolve. Executives should focus on creating collaborative environments, where cross-departmental teams can work together to implement new strategies, share insights, and align goals. By promoting open communication and knowledge sharing, leaders can drive a unified approach to tackling the multifaceted challenges that the shipping industry faces (Ioannis Theotokas, 2018).

11.Corporate structure and Governance:

11.1. The example of Maersk Group.

Maersk Group, officially known as A.P. Moller-Maersk, stands as one of the world's largest shipping and logistics companies with a complex corporate structure that embodies numerous holding companies, owning entities, subsidiaries, Joint ventures and partnerships. Founded in 1904 and headquartered in Copenhagen, Denmark, the company has evolved significantly over the decades, reflecting the dynamics of shipping and logistics (MAERSK GROUP, 2024).

The corporate structure of Maersk Group is characterized by its multi-tiered organization, reflecting its diversified business activities. At the top of the corporate hierarchy is the “A.P. Moller Holding A/S”, which serves as the primary holding company. A.P. Moller Holding is not directly involved in operational activities but plays a significant role in strategic decision-making and oversight. It holds substantial shareholdings in various companies within the group, including Maersk Line, Terminals, and A.P. Moller-Maersk A/S.

A.P. Moller-Maersk A/S is the principal operating company responsible for global shipping and logistics services. This entity serves as a parent company that consolidates various subsidiaries focused on distinct markets. A.P. Moller-Maersk A/S is publicly traded on the Copenhagen Stock Exchange, which requires adherence to financial and governance reporting standards. Within this framework, the company operates through several key divisions:

Maersk Line, one of the largest container shipping companies in the world. It operates a fleet of vessels that transport goods internationally, using sophisticated logistics networks to facilitate supply chain management.

Terminals: Maersk is a key player in port operations, as it owns and operates numerous ports and container terminals globally. This division is crucial for the efficient transition of goods from sea to land, growing Maersk's logistics capabilities.

A.P. Moller-Maersk Logistics: logistics and supply chain services offered by Maersk, make clients enjoy end-to-end solutions and reduced costs.

Under the umbrella of A.P. Moller-Maersk A/S, multiple subsidiaries are utilized to manage specific operations and mitigate risk. Maersk Container Industry is

manufacturing refrigerated containers and innovative shipping solutions illustrating the company's commitment to technological advancement and sustainability.

Maersk Oil operates as a subsidiary, is engaged in oil and gas exploration. Although its primary operations are no longer part of A.P. Moller-Maersk after the sale of Maersk Oil to Total in 2017, it exemplifies the earlier diversification strategy adopted by the group. However, in 2022 report, we can see as subsidies many oil trading companies understanding that Maersk remains a good player in this field.

Maersk Group also engages in regional operations through local entities and joint ventures, strategically positioning itself in key markets. For example, in Asia, Maersk may partner with local firms to establish joint ventures that combine resources, providing enhanced service capability and local market expertise. These partnerships not only distribute risk but also facilitate compliance with local regulations.

The governance framework of Maersk Group is designed to ensure accountability, transparency, and ethical conduct. Given the complexity of its operations and diverse geographical presence, Maersk adheres to internationally recognized corporate governance principles.

The cornerstone of Maersk's governance structure is its Board of Directors, which comprises a mix of executive and non-executive directors. The board is tasked with overseeing the strategic direction and operational integrity of the company. The presence of independent directors is critical as they contribute balance the interests of various stakeholders. For instance, the board's committees, such as the Audit Committee, Risk & Compliance Committee, and Compensation Committee, allow for focused oversight on financial integrity, risk management, and the alignment of executive compensation with company performance.

The executive management team, led by the CEO, is responsible for day-to-day operations and implementing the strategic vision set by the board. This team is comprised of individuals with substantial industry experience and expertise in shipping, logistics, and financial management. Their collective insights help navigate the complex operational challenges faced in the global market. Each business unit, such as Maersk Line and Terminals, has its own management teams that report to the executive management, ensuring that operational decisions align with the corporate strategy.

Maersk Group has established comprehensive governance policies that align with best practices and regulatory requirements. Their Code of Conduct governs the ethical behavior expected from all employees and stakeholders. It covers areas such as anti-

corruption, compliance with laws and regulations, and environmental sustainability, ensuring that all operations adhere to high ethical standards.

Maersk employs an integrated risk management framework that identifies, assesses, and mitigates risks across its operations. This proactive approach to risk management is overseen by the Risk & Compliance Committee of the Board, ensuring that potential issues are addressed before they escalate into significant problems.

In response to growing shareholder and public interest in sustainable practices, Maersk has committed to transparency through its sustainability reporting. The company publishes annual sustainability reports that detail its environmental initiatives, social responsibilities, and governance practices, demonstrating accountability to stakeholders.

Effective corporate governance in Maersk is also characterized by active engagement with various stakeholders, including employees, investors, customers, and local communities. Regular dialogue with these groups helps the company align its strategies with stakeholder expectations and develop culture of inclusion. Maersk holds annual general meetings (AGMs) where shareholders can voice concerns, ask questions, and vote on key issues. Employees are encouraged to participate in governance through feedback mechanisms and internal communication channels. The company's commitment to an inclusive workplace strengthens its organizational culture and drives performance.

Maersk Group adheres to international governance standards, such as those outlined by the OECD (Organisation for Economic Co-operation and Development) and the UN Global Compact. These frameworks guide the company in its pursuit of responsible business practices and help shape its sustainability goals, which include reduction of carbon emissions and safety improvement across all operations.

As a leader in the shipping industry, Maersk's governance model serves as a benchmark for other companies navigating the global trade and logistics. By prioritizing transparency, risk management, and stakeholder engagement, Maersk Group continues to maintain its position at the forefront of the industry while striving for sustainability and long-term value creation.

11.2 The example of MSC Group.

The Mediterranean Shipping Company (MSC) is a prominent player in the global shipping and logistics industry. Founded in 1970 by Gianluigi Aponte, MSC has grown to become one of the largest container shipping companies in the world, operating a vast fleet and serving many trade routes across the globe. With its headquarters in Geneva, Switzerland, MSC is another one complex corporate structure (MSC GROUP 2024).

At MSC Group, the “Mediterranean Shipping Company S.A.” is the parent acting company, overseeing the various divisions and subsidiaries of the organization. Unlike Maersk, MSC remains privately owned and does not have publicly traded shares, which influences its governance style. The company’s private nature allows for strategic decisions to be made quickly and suitable to market changes without the pressures of public control or shareholder demands.

MSC operates through a variety of subsidiaries that focus on different aspects of the shipping and logistics business. MSC Group is consisted of a Societe Anonyme, the MSC Mediterranean Shipping Company S.A , the core shipping division responsible for container shipping operations worldwide. Subsidiary entities about logistics provide end-to-end supply chain solutions to the client, including freight forwarding, customs brokerage, and warehousing services. Big investments of the group related the terminal operation in key ports of the world lead to subsidiaries with such purposes, optimizing the supply chain and timely arrival or departure for vessels.

In an interesting diversifying portfolio, like MSC’s, which also operates a cruise line, we could say that this company choses to open the road for another dimensions of shipping business model. This subsidiary, named MSC Cruises, operates a fleet of cruise ships, offering leisure travel experiences, and contributes to the company's overall revenue.

MSC has a global reach with regional offices across the Americas, Europe, Asia, Africa, and the Middle East. Each regional office operates semi-autonomously, allowing local teams to respond to market demands and customer needs. This structure enables responsiveness and efficiency while maintaining alignment with MSC Group’s overall strategic objectives. The corporate governance framework of MSC is designed to promote accountability, transparency, and effective management practices. While MSC is privately held and does not face the same regulatory control as publicly traded

companies, it still adheres to principles of corporate governance that guide its operations, and this is why its expansion is so impressive over the years.

The Board of Directors is responsible for choosing the strategy of MSC, with board members actively engaging in the decision-making process. The executive management team, led by the CEO, is accountable for the day-to-day operations and implementation of the board's strategic directives. This team is composed of experts across key functional areas, including shipping operations, finance, human resources, and marketing. MSC has established several specialized committees such as Audit Committee, responsible for financial reporting and audit, ensuring accuracy of company's financial statements and compliance with standards, Risk Management Committee focusing on addressing and mitigating financial or environmental risks, and Sustainability Committee regarding sustainability and environmental responsibility.

The Mediterranean Shipping Company (MSC) is a modern shipping enterprise characterized by a big corporate structure, effective governance, and adaptive strategies. By utilizing a combination of subsidiaries, divisions, and strategic partnerships, MSC has been a leader in global shipping and logistics.

12.Family Structures.

Family-owned businesses have played an essential role in the shipping industry, contributing maritime trade and logistics for centuries. These enterprises often embody a blend of historical legacy, entrepreneurial spirit, and a deep commitment to family values, which can shape their operations strategy.

Historically, many of the world's leading shipping companies began as family business. These enterprises were typically founded by individuals or families who had maritime backgrounds or connections to trade and commerce. For instance, in the late 19th and early 20th centuries, prominent shipowners such as the Danish A.P. Moller-Maersk and the Greek Onassis family established their firms as family operations focused on international trade. These companies were characterized by close personal relationships within family businesses often facilitated trust and loyalty among clients, partners, and employees, which were crucial in an industry built on reputation (Alexandros M. Goulielmos, 2021).

As family-owned shipping companies grew, they often maintained a distinct corporate culture that prioritized long-term stability over short-term profit maximization. This approach enabled them to invest in vessel fleets, develop port facilities, and strengthen supply chain networks without the pressure to meet quarterly financial targets typical of publicly traded corporations. Consequently, many family-owned shipping enterprises made strategic decisions in sustainability, community, and employee welfare, which increased their reputation over generations.

In recent decades, the dynamics affecting family-owned shipping businesses have changed in response to globalization. The international trade has made family structures to expand their operations beyond regional markets and cooperate with global partner networks. Consequently, many family-owned businesses have sought to professionalize their operations, integrating modern management techniques while preserving their familial culture. This balance of tradition and modernity allows them to remain competitive today.

Another significant trend influencing family-owned shipping businesses is the increasing emphasis on sustainability and corporate social responsibility (CSR). As environmental regulations and public awareness of climate change grows, family-owned firms are looking for sustainable practices for their operations, motivated not only by profit but also by a commitment to preserving the environment for future

generations. Such initiatives may include investing in eco-friendly vessels, implementing waste reduction strategies, and engaging in community research programs.

Furtherly, family-owned shipping businesses are also experiencing a generational transition, where leadership is passed from one generation to the next. This process can have significant implications for the company's strategic direction, especially as younger family members bring different perspectives shaped by contemporary realities. The infusion of new ideas and approaches can invigorate family firms, enabling them to capitalize on emerging trends while being mindful of their legacy and identity. However, such transitions can also create internal tensions and challenges, necessitating careful planning and communication to ensure continuity and alignment with the family's vision.

Finally, family-owned businesses in shipping are often characterized by their long-term commitment to building relationships—something that could make them unique in an industry increasingly driven by quick transactions and impersonal interactions. The personal ties that family members have with clients, partners, and even employees, fix their competitive position in the market. Moreover, their ability to adapt and evolve, while maintaining core family values, shaping their evolution. Balancing tradition with innovation, prioritizing sustainability, and adapting to a changing global landscape, family-owned shipping companies remain important players of the game.

13. Fake Structures

The shipping industry, can sometimes attract unethical practices, including the establishment of fake legal structures. These frameworks are designed to conceal financial realities, evade regulatory control posing significant risks not only to stakeholders but also to the integrity of the maritime sector as a whole. Structures in shipping companies usually made from the practice of registering vessels under "flags of convenience." Flags of convenience refer to the practice of registering a ship in a country different from that of the owners, primarily to reduce operational costs and regulatory obligations. While the use of flags of convenience can be legitimate, some companies exploit this practice to create illusory legal entities that provide a fake legitimacy while they keep ownership as a secret. In extreme cases, these fake structures can involve shell companies with no real operations, employed solely to mask the true nature of the business and its financial dealings (IMO, 2024).

These fictitious entities may be used to conduct fraudulent activities, such as money laundering, tax evasion, or avoidance of regulations. For example, a shipping company might create a network of shell companies in jurisdictions with lenient regulatory frameworks. These shell companies might formally own vessels or conduct shipping activities, but in practice, they have little or no substantive operations. This manipulation allows the company to shift profits across entities, free of financial disclosures, misleading regulators and investors about its financial status.

A critical aspect of these fake legal structures lies in the financial statements they produce. Shipping companies are usually required to prepare several key financial documents, including income statements, balance sheets, and cash flow statements. However, when operating through such legal structures, these reports can be severely distorted.

A legitimate income statement provides an analysis of a company's revenues, expenses, and profitability over a specific period. In cases where the income statement may show high revenues from fictitious contracts or exaggerated claims regarding shipping operations. For instance, a company could report revenues generated from “ghost ships”—vessels that do not exist or are no longer operational—contributing to misleading financial performance indicators.

Balance Sheets offer a snapshot of a company’s assets, liabilities, and equity at a given point in time. Fake legal structures might enable a company to inflate its asset

values by including non-existent vessels or fictitious ownership stakes in subsidiaries. These adjustments create an illusion of stronger financial health, in opposition with company’s true financial position. Additionally, liabilities may be underreported or obscured through complex layers of interconnected shell companies.

Cash flow statements depict the flow of cash in and out of a business, categorized into operating, investing, and financing activities. In situations involving fake legal structures, cash flow statements can be manipulated to show positive cash flow through fictitious transactions. The creation of fake invoices or fake sales can change the perception of liquidity. Practices like these can misinform stakeholders about the company's operational efficiency and financial stability.

The use of fake legal structures in shipping and the resulting distorted financial statements can have severe implications for various stakeholders. Investors may fall prey to inflated valuations, making decisions based on artificially financial reports that do not accurately reflect the company’s performance. Regulators and authorities face challenges in enforcing compliance when legitimate investigations are stopped by complex layers of ownership structures and misleading documentation. Furthermore, the broader maritime industry suffers from a reputation risk, as the fraudulent practices increase and affecting trust among clients, partners, and regulatory bodies.

Efforts to combat the manipulation of legal structures and enforce transparency in the shipping industry are increasingly necessary. Regulatory bodies have begun imposing stricter reporting requirements and due diligence practices to enhance accountability. In addition, industry organizations are advocating for improved disclosure standards and increased control of corporate structures, aiming to deter fraudulent activities and restore integrity in maritime operations.

13.1. Due Diligence

The shipping industry operates in a highly regulated environment, where due diligence practices play a pivotal role in ensuring compliance, mitigating risks, and enhancing overall safety and accountability. The steps an organization takes to thoroughly investigate and verify an entity before initiating a business arrangement is named due diligence. It includes not only compliance with safety and environmental regulations but also financial compliance, corporate governance, and risk assessment.

Shipping companies are now expected to show commitment to ethical practices, including transparency in financial reporting and adherence to international accounting standards (shipinspection, 2024).

The critical aspect of due diligence in shipping companies is the preparation and presentation of financial statements. Accurate financial reporting is essential for establishing trust among investors, regulators, and stakeholders. Companies must ensure that their financial statements—such as income statements, balance sheets, and cash flow statements—comply with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS).

The due diligence process incorporates a thorough review of these financial statements, focusing on accuracy, completeness, and transparency. Audits conducted by independent third parties play a critical role in this context, as they validate the integrity of the financial reporting process. Shipping companies that maintain internal controls and conduct regular audits are better positioned to manage risks associated with financial misreporting, fraud, and compliance violations.

In contemporary practices, the due diligence regulatory framework has evolved further to incorporate aspects of environmental, social, and governance (ESG) criteria. Investors and regulators alike are increasingly demanding that shipping companies disclose their ESG practices and performance within their financial reports. This shift reflects a broader recognition of the importance of sustainability in global trade, further promoting accountability and responsible behavior within the sector.

Additionally, the due diligence process has been expanded to include assessments of counterparty risk, compliance with anti-money laundering (AML) regulations, and adherence to international sanctions. With the globalization of trade, shipping companies must ensure that their operations do not inadvertently facilitate illegal activities or violate trade sanctions. The due diligence practices in these areas help mitigate potential operational and reputational risks associated with engaging in international maritime activities.

Reaching high transparency levels in financial reporting, shipping companies can highlight their operational integrity, which builds confidence among investors and customers. As stakeholders demand clear insights into a company's financial health, sustainability efforts, and governance practices, the integration of due diligence into everyday operations becomes essential.

Global shipping companies must remain resilient and responsive to these dynamics by continuously refining their due diligence practices. By doing so, they not only comply with regulatory expectations but also position themselves as leaders in sustainability and corporate governance. In conclusion, the evolution of the due diligence regulatory framework in shipping signifies a critical shift towards enhanced accountability, sustainability, and ethical business practices—elements that will be crucial for the industry's future success and its capacity to navigate the complexities of the global marketplace.

13.2. Know Your Client (KYC)

"Know Your Client" (KYC) regulation is a crucial component of anti-money laundering (AML) measures that require financial institutions and special other businesses to verify the identity of their clients. KYC regulations are designed to prevent financial crime, including money laundering, terrorist financing, and other illicit activities. These regulations mandate businesses to collect and maintain detailed information about their clients, understand the nature of their financial activities, and continuously monitor transactions to identify any suspicious behavior (James Chen, 2024).

KYC regulations are imposed by governmental and regulatory bodies worldwide. In the United States, for instance, the Bank Secrecy Act (BSA) and the USA PATRIOT Act establish KYC requirements for financial institutions. In Europe, the Anti-Money Laundering Directives require compliance with KYC standards, implemented by national authorities in each member state. Globally, the Financial Action Task Force (FATF), an intergovernmental organization, sets forth guidelines and recommendations for KYC practices that member countries are encouraged to adopt.

Compliance with KYC regulations is obligatory for businesses within the financial sector, including banks, investment firms, insurance companies, and some non-financial businesses, such as casinos and real estate firms. These businesses must perform due diligence when onboarding new clients and continue to monitor existing clients' activities. Failure to adhere to KYC regulations can result in severe penalties, including fines, sanctions, and reputational damage.

In the context of the shipping industry, KYC regulations have increasingly gained space due to global trade's complexity and the potential risks associated with maritime operations. Shipping companies, freight forwarders, and logistics providers are increasingly being required to implement KYC measures to comply with both national and international regulations. The maritime sector can be susceptible to money laundering and financing of terrorism, as shipments of goods often traverse multiple jurisdictions with varying levels of regulatory oversight. This creates opportunities for illegal activities to go unnoticed.

Implementing KYC in shipping means that companies must verify the identities of their clients—whether they are cargo shippers, freight forwarders, or other stakeholders. This process may involve gathering information about the nature of the client's business, the source of funds, and the background of the individuals involved in the transaction.

To summarize, KYC regulations are becoming an integral aspect of the shipping industry's regulatory framework, promoting transparency, accountability, and trust while simultaneously addressing the risks posed by financial crime in a globalized trade environment. As shipping continues to evolve, the effective implementation of KYC will be essential to safeguard the industry against illicit activities and ensure compliance with increasingly stringent regulatory expectations.

14.Discussion

The development of societies throughout history has been linked to the evolution of laws that govern the interactions and behaviors of both natural and legal entities. These laws form the backbone of societal structures, providing the frameworks within which individuals and organizations operate, thus facilitating the evolution of economies and capitalistic systems. The establishment of legal structures to reach economic development and the genesis of capitalism did not occur overnight; rather, it unfolded gradually, marked by critical historical milestones and a series of transformative events that led to the creation of a legal landscape known for its complexity today.

Historically, the establishment of laws and regulations reflected social needs and the challenges faced by emerging economies. As societies transitioned to industrial economies, the necessity for a structured legal framework became evident. The advent of property rights, contractual agreements, and judicial systems marked significant turning points that allowed individuals and businesses to operate with a sense of security. These legal frameworks provided not only the protection of individual interests but also ensured that entities could interact freely and efficiently, thereby contributing to wealth generation and economic growth. It is during these transformative periods that foundational laws governing commerce, trade, and labor emerged, thus laying the groundwork for the capitalist system we recognize today.

In the context of business operations, the question of which legal structure to adopt is a big deal. The legal form of an enterprise affects every aspect of its existence, influencing governance, liability, taxation, and the ability to raise capital. When considering a new business, entrepreneurs are faced with critical decisions regarding the legal entity under which they will operate. Various factors come into play during this decision-making process, including the project's specific context, the desired reputation of the company, aspirations for capital funding, income taxation, geopolitical considerations, and the broader economic environment. Additionally, social and environmental responsibilities cannot be overlooked; businesses are increasingly expected to operate sustainably and ethically, aligning their legal frameworks with these contemporary demands.

The legal structures available to businesses differ immensely. They range from sole proprietorships and partnerships to limited liability companies (LLCs) and

corporations. Each legal form provides distinct advantages and disadvantages depending on the context of the business and its strategic objectives. For instance, a sole proprietorship offers simplicity and direct control but exposes the owner to unlimited personal liability. In contrast, a corporation limits liability, making it easier to attract investors, but requires adherence to more complex regulatory and reporting requirements. This complexity illustrates the critical need for businesses to carefully consider their legal according to their operational contexts and long-term objectives.

When it comes to the shipping industry—an essential component of global trade—these considerations take on added significance. Shipping companies operate within a unique framework characterized by multinational engagements, heavy capital investments, and a range of operational risks. The legal structure adopted by a shipping firm can significantly impact its ability to navigate international waters, comply with varying regulations, and manage liabilities associated with ship ownership and cargo transport. For example, many shipping companies register vessels under flags of convenience, which allow them to operate under more favorable regulatory conditions with potentially lower taxation. However, this choice can also raise concerns relating to oversight, accountability, and reputation.

The financial statements of a shipping company serve as a primary tool for conveying its financial health, strategy, and commitment to ethical practices. These documents are vital not only for reporting past performance but also for outlining a company's vision for sustainability and future growth. Financial statements—including income statements, balance sheets, and cash flow statements—are prepared in accordance with established accounting principles, such as Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS). By adhering to recognized standards, shipping firms ensure that their financial reporting is understandable and comparable to their peers, thereby facilitating informed decision-making by investors.

In contemporary society, the demand for transparency and publicity is more pronounced than ever. Investors and stakeholders expect companies to meet rigorous standards of disclosure and accountability. This expectation is rooted in a broader trend toward protecting investors and enhancing trust in the financial markets. Laws and regulations devised by internationally recognized bodies, such as the Financial Action Task Force (FATF) and the International Maritime Organization (IMO), reflect this commitment to safeguarding investor interests. These regulations not only impose strict

reporting requirements on shipping companies but also create frameworks that hold them accountable for their environmental impacts and ethical conduct.

At the core of effective due diligence is the ability of a company to know precisely who it is engaged with—its clients, partners, and suppliers. This familiarity extends to understanding the risks associated with these relationships and ensuring compliance with applicable laws and regulations. KYC (Know Your Client) principles have grown increasingly important in a globalized economy, as they help protect businesses from engaging with entities involved in illicit activities, such as money laundering or fraud. For investors, knowing that a shipping company conducts due diligence not only increases confidence in the company's operations but also serves as a strong argument in favor of investment.

Moreover, the evolving nature of capital markets and the growing importance of sustainable practices mean that shipping companies must align their legal structures and practices with broader societal expectations. This alignment is not merely a matter of compliance but also reflects a strategic initiative to engage with stakeholders meaningfully. Companies that embrace transparency, accountability, and responsible behavior are better positioned to attract long-term investment and build trust within their communities.

As global challenges such as climate change and social inequality take center stage, shipping companies increasingly recognize their obligations toward environmental stewardship and social responsibility. This recognition is important for their reputation and also reflects investors' shifting preferences toward socially responsible investing (SRI). Many investors are willing to commit capital to businesses that demonstrate a commitment to sustainability, further entrenching the need for shipping companies to adapt their practices and legal structures accordingly. For example, the adoption of sustainable shipping practices, such as the use of cleaner fuels and the implementation of waste reduction strategies, is gaining space in the industry. Companies that successfully integrate these practices into their operations are not only likely to see a positive impact on their bottom line but are also improving their status in the eyes of investors and stakeholders.

In this context, governance plays a crucial role in shaping how shipping companies approach compliance and transparency. Corporate governance structures must facilitate effective oversight of operations while ensuring that ethical standards and regulatory requirements are met. Board members must be equipped to address the

intricacies of the global shipping landscape, driving initiatives that support responsible practices and sound decision-making.

Financial transparency, and due diligence practices is increasingly important in today's interconnected world. For shipping companies their ability to operate effectively across various jurisdictions, manage risks, and build reputation is necessary. Investor confidence is ultimately based on the ability of shipping companies to provide transparent financial information, adhere to ethical standards, and conduct thorough due diligence regarding their business relationships. The establishment of clear reporting practices and adherence to common standards enables stakeholders to evaluate a company's financial health and operational practices effectively and to make informed and safer investments. The importance of maintaining current, accurate, and comprehensible financial statements cannot be overstated; they serve as a benchmark against which investors measure the integrity and potential of a shipping project.

In conclusion, the development of legal structures in the shipping industry is a dynamic and complex process. As societies evolve, so do the laws and regulations that govern business conduct. A thorough understanding of KYC regulations, financial reporting requirements, and corporate governance principles is essential for shipping companies aiming to navigate the complexities of the modern economy. The legal mantle that businesses choose to wear significantly influences their capacity to attract investment, manage risks, and operate sustainably. Balancing these elements with the demands for transparency and accountability is not only a regulatory requirement but also a strategic imperative vital for ensure trust and driving long-term success in global trade.

The implications of the current study are significant for a range of stakeholders within the shipping industry, including policymakers, corporate managers, investors, and regulatory bodies. First and foremost, the research highlights the critical need for shipping companies to carefully select their legal structures. The choice of legal form has far-reaching consequences for financial reporting obligations, taxation, and exposure to liability. Corporations, for example, face more stringent reporting requirements compared to sole proprietorships and partnerships, which affects their compliance costs, financial transparency, and investor relations.

From an investor's perspective, the research provides insights into how different legal forms impact a company's financial health, governance practices, and overall risk profile. This will help investors make more informed decisions about where to allocate

their resources, taking into account the legal structure and associated risks of each company.

Furthermore, the study mentions the importance of environmental sustainability and compliance with international environmental regulations, such as MARPOL and the ISPS Code. As global shipping becomes increasingly regulated for environmental impact, companies need to adapt their structures and strategies to meet these evolving challenges.

In conclusion, this study enhances our understanding of the interplay between legal structures, financial reporting, and corporate governance within the shipping industry, offering valuable insights into strategic decision-making for future growth and sustainability.

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