

Jersey launches aviation registry

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Overview

When it officially launched on 5 November 2015, the Jersey Aircraft Registry ("Registry") was pleased to announce the first registration on the Jersey Aircraft Register ("JAR") of a new private jet bearing its neutral registration mark beginning "Z J -".

The Registry offers the opportunity to register in Jersey both private and corporate aircraft (not being used for commercial air transport) based anywhere in the world.

To complement Jersey's reputation as a legal and finance centre of excellence, especially for high value secured lending transactions, the JAR will enable the registration of both aircraft and aircraft engine mortgages. This will include registration of commercial aircraft engine mortgages.

In establishing the Registry, two pieces of primary legislation have been developed: the Aircraft Registration (Jersey) Law 2014 ("Registration Law") and Air Navigation (Jersey) Law 2015. Relevant subordinate legislation to regulate administrative aspects has also been introduced.

Advantages

Registration on the JAR will provide advantages and benefits that are not available with more popular aircraft registries such as the US's N-Reg and the UK's G-Reg including:

- tax neutrality
- a cost-effective, efficient registration process
- an online registration system which will be available 24 hours a day; and
- a safe and comprehensive legal and regulatory framework.

It is proposed that (like the UK) Jersey will ratify the Cape Town Convention on International Interests in Mobile Equipment and its Aircraft Equipment Protocol (the "Cape Town Convention") which will be attractive to lenders.

Survey standards imposed by the Registry are, as industry will expect, in line with Annex 6 of the (Chicago) Convention on International Civil Aviation which was signed on behalf of Jersey on 7 December 1944.

Why register an aircraft?

All aircraft must be registered with a national aviation authority and must carry proof of that registration in the form of a Certificate of Registration. Upon registration an aircraft is assigned a unique identification code which is also referred to as a "call sign". This code plays the same role that a number plate does on a car. An aircraft or aircraft engine registered on the JAR will be issued with a neutral registration mark beginning "Z J -".

Eligibility

Aircraft based anywhere in the world may be entered onto the register. It is not necessary for the aircraft to be physically present (or even capable of landing) in Jersey. The two main eligibility conditions under the Registration Law to achieve a registration on the JAR are:

- that the aircraft is not being used for commercial air transport (there are certain limited exceptions to this); and
- that the owner of the aircraft to be registered must be either a citizen, resident, incorporated or established in any country in the EEA, Commonwealth Countries or Switzerland.

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Aircraft and aircraft engine mortgage registration

Typically, aircraft acquisition and leasing involves the provision of finance by lenders on a secured basis. Lender security will take the form of a mortgage against the relevant aircraft/aircraft engines.

The Registration Law permits the creation, registration and enforcement of mortgages over aircraft and uniquely aircraft engines (on a stand-alone basis). Mortgages that are created under either Jersey or foreign law can be registered on the JAR. Priority notices (stating an intention to take security) may also be registered on the JAR.

We expect lenders will require aircraft/engine mortgage security interests to be registered on both the JAR and the Cape Town International Registry of Mobile Assets to cover the field of available options. These interests will be enforceable via a Jersey court.

Cape Town Convention

The proposed ratification of the Cape Town Convention by Jersey will extend the matters set out in the Convention's Aircraft Equipment Protocol to Jersey, as if Jersey were a signatory country.

The stated aim of the Convention is to create a harmonised international framework for the creation and registration of international (security and other) interests against large, high-value, global mobile objects. It is intended to provide consistency and certainty as the international interest has to be recognised and enforced across all signatory countries.

Specific Objectives

- Reduce credit exposure for lenders and cost of funds to promote credit availability
- Streamline enforcement processes on insolvency or on other events of default
- Protect title and security interests in aircraft and engines by providing a single online register that is open 24/7 and setting a simple priority regime

It is expected that Jersey's proposed ratification of the Cape Town Convention will be attractive to both aviation borrowers and lenders.

Why register on the Jersey Aircraft Register?

- Legal and finance centre of excellence
- Jersey is an autonomous Crown Dependency that enjoys a secure relationship with the UK
- Jersey is not part of the UK or the EU
- No insurance premium tax is payable in Jersey
- A proportionate, risk-based regulatory environment makes Jersey ideally placed to provide a comprehensive and transparent aircraft registry with industry accepted safety and survey standards.

Registration fees

Fees will be payable when registering an aircraft. These fees are determined by the service provided and the weight of the aircraft. The Scheme of Charges offered by the Registry is highly competitive with that of other aircraft registries.



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