Jersey Launches New Aircraft Registry

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Legislation and background

The Jersey Aircraft Registry (the “Registry”) launched on Friday 6th November 2015 with the coming into force of the Aircraft Registration (Jersey) Law 2014. The Registry provides a new platform for the registration of aircraft, as well as the registration of aircraft mortgages and aircraft engine mortgages. Further, the Registry provides new opportunities for lenders to finance the lease or purchase of aircraft and aircraft engines which are registered in Jersey. The new registration system is available online (24 hours a day, 7 days a week) and more information is available here.

In order to introduce the Registry, two new pieces of primary legislation have been introduced in Jersey, namely the Aircraft Registration (Jersey) Law 2014 (the “Aircraft Registration Law”) mentioned above and the Air Navigation (Jersey) Law 2014 (the “Air Navigation Law”). The Air Navigation Law came into force in December 2014 and various subordinate legislation has also been brought into force including the Aircraft Registration (Fees) (Jersey) Order 2015 which provides a description of the fees payable for any application to the Registry.

Jersey law and foreign law aircraft mortgages

The Aircraft Registration Law contains detailed but flexible provisions on the registration of aircraft and aircraft engines on the Registry, as well as the creation, registration and enforcement of aircraft mortgages and aircraft engine mortgages.

The Aircraft Registration Law provides that recognition and enforcement of an aircraft mortgage or aircraft engine mortgage in Jersey can occur regardless of whether the aircraft mortgage or aircraft engine mortgage is created under Jersey law or under foreign law. This will be particularly beneficial once the Cape Town Convention is ratified and comes into force in Jersey.

There are two main conditions to registration under the Aircraft Registration Law:

1. registered aircraft shall not fly on any flight for the purpose of commercial air transport or aerial work except in limited circumstances; and
2. the ability to register aircraft and aircraft engines on the Registry will only be available to any owner who is a citizen, resident, incorporated or established in any country in the EEA, British Commonwealth or Switzerland.

Cape Town Convention

Following consultation with the UK Government and the Jersey financial services industry, it has been decided by the Minister for Economic Development in Jersey to ratify the Cape Town Convention on International Interests in Mobile Equipment and its Aircraft Equipment Protocol (the “Cape Town Convention”). Therefore the Law Draftsman has been instructed to draft the necessary Regulation to bring the Cape Town Convention into force in Jersey – this is expected to become effective early next year. This will follow the UK’s ratification of the Cape Town Convention which came into force in the UK on 1 November 2015.

The Cape Town Convention aims to create a single harmonised international framework for the creation and registration of international interests (including title and security interests)
against large, high value movable property such as aircraft equipment (i.e. aircraft and aircraft engines). This should provide consistency and certainty, as the international interest will be recognised and enforced across all signatory countries to the Cape Town Convention.

Jersey’s proposed ratification of the Cape Town Convention should raise the international profile of the Registry. It should also provide lenders with reduced credit risk when financing the lease or purchase of aircraft and aircraft engine mortgages which are registered in Jersey, thereby increasing the availability and reducing the cost of such financing for borrowers. In particular, the Cape Town Convention and its Aircraft Equipment Protocol aims to:

- bring speed, certainty and cost savings to the process of enforcing security over aircraft and aircraft engines upon an insolvency or other default where these assets are in a country whose legal system would otherwise give cause for concern; and
- protect the parties’ title and security interests in aircraft and aircraft engines by providing for the registration of international interests at a single, online International Registry which is open 24 hours a day, 7 days a week, with those international interests being subject to a simple priority regime.

Any interests created and registered on the Registry, as well as being registered on the International Registry, will be enforceable through the Royal Court of Jersey.

Why Jersey?

We expect that use of the Registry for registration of aircraft and mortgages will become increasingly popular, taking into account Jersey’s reputation as a stable, well regulated jurisdiction with a large financial services industry and sophisticated professional services. Further, Jersey has tax and regulatory advantages due to its status as a Crown Dependency which is not part of the UK or the EU, but has close proximity and ties with both.

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