



## **Global aircraft trading system (GATS)**

**Modernizing aircraft transfers**



## What is GATS

- A **global aircraft trading system** developed by the Aviation Working Group
- Fully electronic, with e-signatures, e-delivery of documents, and use of a secure e-ledger to record transactions
- Makes the buying, selling, and financing of aircraft and engines on lease simpler and more efficient
- Main purpose is reducing the burdens on airlines, lessors, and financiers from aircraft trading
- Future electronic applications of GATS platform to substantially facilitate aircraft and engine sale, leasing, and financing transactions



## How will GATS work

- Each aircraft will be owned by a trust – created online – in a US, Irish or Singapore branch. Trust structures have been used for decades covering a substantial part of the industry, and have proved efficient
- Sale of aircraft equipment will be effected by an electronic transfer of the beneficial interest in a trust – rather than a metal transfer, leaving the lease and other basic transaction documents in place
- No need for a lease novation, thus significantly reducing time and cost burdens
- Transfer and related documents will be standardized, simple, and executed and delivered electronically
- Any ‘advanced requirement’ to a transfer or financing, agreed between the airline and its lessor, may be integrated into an electronic GATS transaction, preserving all rights and protecting all parties
- Voluntary system open to all industry players



## What are the benefits of GATS to airlines

- GATS avoids lease novations, substantially reducing time, cost, and burden
- GATS uses standard and fully electronic form documents and processes for simple, consistent transfers
- GATS incorporates best practices designed to:
  - Eliminate or find innovative solutions to replace current requests on airlines, e.g., verification of aircraft location or revised insurance documents
  - Streamline and make fully electronic other steps, including the airline KYC process for the new owner
- GATS **reinforces the ‘no increased obligations’** lease provision in favor of airlines

**GATS does not change any lease condition. It permits any agreed ‘advance requirements’ to transfers to become part of the electronic process, providing legal protections and substantially increasing efficiency**



## What are the benefits of GATS to lessors and financiers

- GATS avoids lease novations, substantially reducing time, cost, and burden
- GATS uses standard and fully electronic form documents and processes for simple, consistent transfers
- Standardization and e-ledger increase liquidity in aircraft trading markets, producing economic benefits for the industry as a whole, including those related to contract terms and asset values
- Clarity of legal rights in aircraft and engines in an easy-to-use, efficient, book-entry type electronic ledger, based on secure technology, will strengthen rights under national law
- Additional security for banks in GATS transactions
- GATS will increase the global acceptance of trusts for use in aircraft leasing
- GATS retains local tax considerations applicable to ownership transfers
  - Efforts will be made to strengthen tax treaty treatment of trust-based transactions and to use technology to reduce transfer tax risk



## What is the timing of and process to implement GATS

- GATS is expected to launch in Q1 of 2019, after which GATS form documentation may be used
- The e-ledger is expected to be operational in 2019. Procurement procedures have been commenced
- Existing trusts may be migrated into GATS by adopting GATS forms
- AWG is consulting with select airlines to ensure that GATS is designed to benefit airlines
- All of this is subject to final documentation and agreement, and updates will be provided over the coming months
- Queries relating to GATS should be directed to [jeffrey.wool@awg.aero](mailto:jeffrey.wool@awg.aero)