



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 blockchain e-ledger to record transactions
- Makes the buying and selling of aircraft and engines on lease simpler and more efficient
- The main purpose is reducing the burdens on airlines, lessors and financiers from aircraft trading

How will GATS work

- Each aircraft will be owned by a trust – created online – in a branch located in the US, Ireland or Singapore. Trust structures have been used for decades covering a substantial part of the industry, and have proved effective and efficient
- Sale of an aircraft 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
- With no need for a lease novation, many of the time and cost burdens can be eliminated or significantly reduced
- 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
- By leaving the lease in place, GATS strengthens the ‘no increased obligations’ position for airlines
- GATS does **not change any conditions contained in the lease**



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 blockchain technology, will strengthen rights under national law
- 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 December 2018 year-end, after which GATS form documentation may be used
- The e-ledger is planned to be operational by the end of Q2 2019
- 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