

UPDATE

Grounded!

The Cayman Islands and Guernsey as registries for stored and transitioning aircraft

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The COVID-19 pandemic has led to significant disruption in the aviation industry, which in some cases has resulted in the need to place aircraft onto a temporary registry pending a new lease or sale.

The Cayman Islands and Guernsey are hubs for temporary aircraft registrations due to their widely recognised and world class aircraft registries. This guide highlights five key considerations for aircraft owners temporarily registering their aircraft in the Cayman Islands or Guernsey.

With the ongoing COVID-19 global crisis, the aviation industry has been trying to manage its way through the pandemic, which has been drastically impacted by liquidity issues and travel bans. Aircraft with leasing arrangements have been affected with lessors receiving requests for relief in different forms from lessees who have fallen behind on their rental obligations, including rent deferral arrangements and, in some cases, the aircraft being returned to the lessor prior to the scheduled lease expiry date. In the case of the latter, lessors have been putting their aircraft on short-term temporary aircraft registries during that interim period between finding a new operator or selling the aircraft to a new owner.

With the anticipation of travel returning to a (new) normal following positive news of COVID-19 vaccinations, we anticipate some movement in the aviation industry, as lessors, operators and passengers look to get back into the air.

The Cayman Islands and Guernsey are widely recognised as having world class aircraft registries, with robust legal and regulatory regimes which adhere to international standards. The Cape Town Convention has been extended to both the Cayman Islands and Guernsey, offering creditor protections and enforcement provisions over aircraft situated or registered in these jurisdictions. The flexibility, cost and time efficiency offered by these registries has meant that they have developed into attractive jurisdictions for temporary registrations for aircraft between ownership or between leases.

The five key points you should know

We have highlighted below five key points for owners considering to temporarily register their aircraft in the Cayman Islands or Guernsey.

1 Applicable registry

Cayman Islands

Civil Aviation Authority of the Cayman Islands (CAACI) is the statutory body responsible for aviation regulatory oversight in the Cayman Islands and maintaining the Cayman Islands aircraft register. CAACI has a reputation of being one of the most highly respected, user-friendly and recognised aircraft registries across the aviation industry, providing high quality support through a mission of 'safety first' with a dedicated team of professionals for over 30 years.

CAACI administers aviation regulation which takes into account the requirements under EASA, US FFA and Transport Canada Civil Aviation. This means that at the end of the transition period, the aircraft can efficiently return to service as CAACI is able to manage aircraft certification acceptable to those other regulatory authorities (and other authorities which have codes based on EASA, US FFA and Transport Canada Civil Aviation).

Guernsey

The Guernsey aircraft registry, also called 2-REG, is the 24/7 aircraft registry of the Bailiwick of Guernsey. It was established in 2013 and quickly became one of the fastest growing aircraft registries in the world, with now over 600 aircraft on the register. 2-REG offers the full scope of regulatory services to support aircraft owners and lessors including commercial air transport operators.

2-REG offers a choice of certificates from four different major jurisdictions (EASA, US FFA, Transport Canada Civil Aviation and ANAC (Brazil)) so aircraft can be easily and conveniently moved on and off the registry.

2 Eligibility to register an aircraft

Cayman Islands

A 'Qualified Person' who is eligible to apply to register an aircraft in the Cayman Islands includes:

- a Cayman Islands incorporated entity;
- an entity incorporated in any part of the Commonwealth and which has its registered office or principal place of business in any part of the Commonwealth; or
- an entity formed in accordance with the law of a European Economic Area State and which has its registered office, central administration or principal place of business within the European Economic Area.

The aircraft can be registered either in the name of the legal owner or in the name of the lessee (by way of charter by demise). If the ownership or leasing arrangement does not satisfy the 'Qualified Person' criteria, then a common solution would be to lease (or sub-lease) the aircraft to a Cayman Islands company which is incorporated specifically for such purpose.

Guernsey

Similarly, an aircraft can be registered in Guernsey by its legal or beneficial owner or, if applicable, a charterer by demise, which in each case must be a 'qualified person'. This includes:

- nationals of any state belonging to the European Economic Area;
- residents of the British Islands or in a British Overseas Territory;
- a financial services business supervised by the Guernsey Financial Services Commission and certain other regulated businesses; or
- an entity or person represented by a local resident agent licensed as a fiduciary or authorised person.

This means that even if the legal owner or lessee does not itself satisfy the eligibility criteria, it can use a licenced representative in Guernsey in order to register the aircraft.

3 Registration and deregistration process

Cayman Islands

The first step of the registration process with CAACI is the submission of an application form (together with the financial and legal due diligence of the registering owner) via CAACI's electronic data management portal, VP-C Online (<https://www.vp-online.com/>). Upon receiving a completed registration application, CAACI will commence a financial and legal due diligence assessment to determine if the aircraft and registered owner meet the necessary criteria and suitability for the registry. To process the application beyond this step, the applicant is required to pay a deposit of 50% of the cost of the certificate of airworthiness to CAACI. Once the registration application has been completed with all of the required due diligence items, the application is then submitted online and reviewed. Notice of approval to the applicant is usually given within 3 days of submission of the application. Upon approval, the registration application is

escalated to CAACI's Air Safety Regulation Division for completion of the registration process with the submission by the applicant of required aircraft applications and documents.

The deregistration process in Cayman is pragmatic and simple. Once CAACI has been notified of the intent to deregister, and any outstanding fees in the aircraft account have been paid to CAACI, if a Certificate of Airworthiness for Export is required by the importing state, CAACI will arrange for a surveyor to inspect the aircraft. The original Certificate of Registration for the aircraft should be returned to CAACI, signed by the owner at the back of the certificate. CAACI will advise the new State of Registry of the aircraft being deregistered from the CAACI Register as instructed by the owner or owner's agent.

Guernsey

The first step of the registration process is to complete an initial application form, which can be downloaded from 2-REG's website (<https://www.2-reg.com/on-line-application/>). Once the completed application is received by the registry, the applicant will be issued a unique number code. The applicant will then need to complete subsequent forms, provide requisite KYC and complete specific details relating to the aircraft, such as aircraft type and engine etc. The aircraft registry via SGI Aviation is supported from permanent offices in Guernsey, Amsterdam and Singapore and can provide a 24 hour support system for urgent matters. Off-lease commercial aircraft can be registered on the Aircraft Register without the need for an Air Operator Certificate.

For those aircraft temporarily registered, 2-REG provides a simple deregistration process. A copy of the straightforward deregistration application form can be requested from the aircraft's project manager or by emailing 2-REG (info@2-reg.com) and should be submitted by the aircraft owner or aircraft charterer. There is a GBP150 deregistration fee, any outstanding invoices must be settled, and if there are any outstanding charges on the aircraft's charges register, consent to the deregistration from all outstanding chargees must be obtained, before deregistration will be effected. Provided that all the relevant deregistration requirements are satisfied, deregistration can be completed within one business day. If an Export Certificate of Airworthiness is required, an application for this should be submitted by the appointed Continuing Airworthiness Management Organisation/Technical Manager.

4 Fees

Cayman Islands

CAACI's fees are available on the registry's website. Some fees to note are set out below:

- Certificate of registration: CI\$500
- Reservation of a registration mark: CI\$500
- Mortgage registration: CI\$1,250 to CI\$5,000 (depending on the amount secured by the mortgage)
- Registration of priority notice: CI\$250

Guernsey

The 2-REG fee schedule is available on the registry's website. Since every situation is different, the registry's fees are flexible to meet specific needs. Some fees to note are set out below:

- Registration of aircraft: GBP230 for non-Guernsey owner (note that there is also a potential hourly fee)
- Reservation of a registration mark: GBP1,050 for maximum take-off mass greater than 5,700kg
- Mortgage registration: GBP280
- Registration of priority notice: GBP130

5 Requirement for notarised or original registration documents

Cayman Islands

CAACI does not require any of the application forms to be notarised, but certain KYC documents may need to be notarised. The registration application form and related documentation are submitted via VP-C Online. Where CAACI has previously required originals of certain documents, they have shown flexibility in this respect during COVID-19 and, at their discretion, have been willing to forego originals in certain circumstances.

Guernsey

2-REG does not require any of the application forms to be notarised or for any originals to be provided. Application documents are submitted electronically via the registry's online platform.

Mourant are offshore experts in aviation. If you have any questions or would like assistance or advice on registering aircraft and aircraft mortgages with the registries in the Cayman Islands and Guernsey, please contact Danielle Roman, John Rochester, Tracey Forbes or Pui Yee Lai.

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