

Registration of aircraft in the Cayman Islands

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Introduction

The Cayman Islands is widely recognised as a leading jurisdiction for the registration of business jet aircraft. Owners and financiers alike have confidence in registering aircraft in the Cayman Islands for several reasons:

- its tax neutral environment, with generally no tax payable on the transfer of title to an aircraft;
- its stable political government and highly developed legal system based on English common law;
- its efficient, British based system of registration for aircraft and aircraft mortgages;
- a professional infrastructure with experienced service providers to support aircraft financing and registration;
- domestic legislation to protect the interests of financiers, including a statutory system of registration to determine priority of mortgages and the ability to file priority notices in respect of impending mortgage registrations;
- following the extension of the Cape Town Convention on International Interests in Mobile Equipment and the associated Protocol on matters specific to Aircraft Equipment (the **Cape Town Convention**) to the Cayman Islands on 1 November 2015, the Cape Town Convention can apply directly to qualifying transactions (as described below); and
- its 'friendly flag' and international standards of aircraft maintenance and airworthiness.

The Civil Aviation Authority of the Cayman Islands

The Civil Aviation Authority of the Cayman Islands (**CAACI**) (<https://www.caacayman.com>) is the authority which regulates and is responsible for the aviation industry in the Cayman Islands and is mandated by law to ensure that civil aviation in the Cayman Islands conforms to international standards and practices established by the Convention of International Civil Aviation, signed in Chicago on 7 December 1944.

The CAACI is responsible for maintaining the Cayman Islands Aircraft Registry and the Register of Aircraft Mortgages. The CAACI operates in accordance with the Air Navigation (Overseas Territories) Order (as amended) (the **Order**) which was enacted in the United Kingdom and extended to regulate the aviation industry in the Cayman Islands, a British Overseas Territory. The Order, together with the Overseas Territories Aviation Regulations, govern the registration, operation and continuing airworthiness of aircraft registered in the Cayman Islands.

What can be registered on the Cayman Islands Aircraft Register and by whom?

Subject to limited exceptions, the CAACI's Aircraft Register operates as a 'private register', meaning that the aircraft must not be used for commercial operations - those being used for 'hire or reward'.

The category of persons who may be permitted to register an aircraft on the Aircraft Register include the following:

- the Crown in right of His Majesty's Government in the United Kingdom or in right of the Government of the Territory (Cayman Islands);
- United Kingdom nationals;
- Commonwealth citizens;
- nationals of any European Economic Area State or of the Swiss Confederation;
- bodies incorporated in some part of the Commonwealth and having their registered office or principal place of business in any part of the Commonwealth; and
- undertakings formed in accordance with the law of a European Economic Area State or of the Swiss Confederation and which have their registered office, central administration or principal place of business within the European Economic Area or within the Swiss Confederation.

In most cases, the applicant will be either:

- a Cayman Islands exempted company; or
- a company incorporated in another Commonwealth State - commonly the British Virgin Islands (**BVI**).

In each case, the company will be established as a special purpose vehicle to hold title to the aircraft and complete its registration in the Cayman Islands.

Neither the directors nor the shareholders of a Cayman Islands or BVI vehicle need to be resident in the Cayman Islands. The incorporation of a Cayman Islands or BVI company is simple, cost effective and can be done quickly.

It is CAACI policy only to accept registration of private aircraft with a Maximum Take-Off Weight (**MTOW**) exceeding 12,500lbs/5,700 kg.

Registration procedure

The average time to bring in effect a registration of an aircraft in the Cayman Islands varies, though registration can be completed on a fast-track basis providing all of the documentation and relevant technical checks are efficiently completed.

The CAACI uses an electronic document management system '**VP-C Online**' to manage all aircraft registry applications, certificates, and authorisations. This system streamlines the processes within the CAACI and enables an efficient service for aircraft owners. The system also enables owners to have access to their registration documentation online, including certificates and survey information, so that it can be conveniently accessed anytime.

The following are some of the steps to be taken to register an aircraft in the Cayman Islands:

Registration marks

The Cayman Islands aircraft registration mark is 'VP-C[x][x]'. At the time an application has been made, the applicant may request and reserve a specific registration mark, otherwise, if the application is accepted, the next mark in sequence will be assigned.

Airworthiness of aircraft

Once it has been determined that the aircraft is capable of registration on the Aircraft Register, the applicant must submit a request to the CAACI to schedule an airworthiness survey to enable the issue of a Certificate of Airworthiness. The applicant must also nominate a 'Technical Coordinator' who must be assessed and approved by the CAACI and who will work with the CAACI surveyor to complete the technical inspection of the aircraft. Any outstanding airworthiness issues will need to be rectified before a Certificate of Airworthiness can be issued. An approved maintenance facility must also accept and certify maintenance arrangements for the aircraft.

Once the surveyor is satisfied that all requirements have been met, a recommendation will be made for the issue of a Certificate of Airworthiness.

Deregistration from existing state of registry (if applicable)

If the aircraft is already registered in another jurisdiction, the CAACI will require an original copy of the Export Certificate of Airworthiness from the aircraft's previous country of registration, together with

evidence of deregistration. The aircraft should not be deregistered until the CAACI has successfully completed the aircraft survey. The aircraft cannot be flown once it has been deregistered from the exporting state until it is registered in the Cayman Islands and issued a Certificate of Airworthiness (though note that, in some circumstances, a 'Special Flight Authority' can be issued for ferry or test flights after the Certificate of Registration has been issued, but prior to the issue of a Certificate of Airworthiness).

Once the aircraft has been successfully deregistered from any existing foreign registry, the CAACI can issue a Cayman Certificate of Registration, Certificate of Airworthiness and all associated certification documents.

Fees for registration of an aircraft

Invoices from the CAACI are quoted in Cayman Islands Dollars (CI\$). The initial issue of a Certificate of Airworthiness will vary according to the MTOW. The charge for the application deposit is 50% of the overall registration fee. If the registration for application is approved, the deposit made will be applied towards the cost of the Certificate of Airworthiness. If the application is not approved, the CAACI will deduct its administration fee from the deposit and will refund the balance.

Security

International lenders and financiers have significant confidence in using the Cayman Islands for aircraft financing transactions, given the number of statutory protections available and the Cayman Islands' reputation as a creditor friendly jurisdiction.

An aircraft mortgage:

- may be registered with the CAACI on its Register of Aircraft Mortgages;
- will have statutory priority over subsequently registered mortgages and unregistered mortgages (except in the case of a mortgage granted over an aircraft on or after the extension of the Cape Town Convention in respect of which an 'international interest' exists. Priority will be determined pursuant to the rules set out in the Cape Town Convention, which provide that an interest registered on the International Registry has priority over any other interest subsequently registered and over an unregistered interest); and
- does not need to be governed by Cayman Islands law.

The mortgage registration fee will vary depending on the sum secured by the mortgage.

It is also possible for lenders to file a notice of priority, indicating their intention to make an application to enter a mortgage in the register. This 'priority notice' will ensure that, for a period of 14 days from the date of registration, any mortgage referred to in that priority notice will have priority over any other mortgage registered subsequently to the registration of that priority notice.

The Register of Aircraft Mortgages is a public register, so it is possible and prudent for lenders to obtain a transcript of such register to verify that no prior existing mortgage has been registered against the aircraft.

Cape Town Convention

The Cape Town Convention established an international legal framework for the creation and registration of international interests in helicopters, airframes and aircraft engines which fall within the meaning of 'aircraft objects' under the Cape Town Convention. Creditors and other third parties with an 'international interest' in an aircraft object can register each separate interest on the International Registry to guarantee their priority of claim against other parties. They also have the comfort of an internationally recognized set of rights in the event of a debtor default or insolvency, as well as a framework for resolving disputes arising under the Cape Town Convention.

With the extension of the Cape Town Convention, Cayman Islands entities no longer have to 'opt-in' to legislation in order for the Cape Town Convention to be applicable, as was required under the previous legislative regime. This allows the Cayman Islands to offer creditors the protections provided under the Cape Town Convention which were not previously available.

The Cape Town Convention applies to a transaction where (i) there is an 'aircraft object' which meets the size requirements set out in the Cape Town Convention, (ii) there is an 'international interest' capable of registration under the Cape Town Convention and (iii) the debtor is located in and/or the aircraft is registered in a Contracting State (which would include the Cayman Islands).

The Cape Town Convention allows lenders and lessors to register an Irrevocable De-registration and Export Request Authorisation (**IDERA**), which is one of the remedies a creditor may exercise in the case of a default. CAACI readily accepted filings of IDERAs (for a nominal fee) for Cayman Islands registered aircraft.

The domestic registrations on the Register of Aircraft Mortgages remain relevant as an additional layer of protection for creditors and for mortgages over aircraft objects that do not meet the requirements under the Cape Town Convention.

Air Operator Certificates (AOCs) and the Cayman Islands' Special Economic Zone (SEZ)

The Cayman Enterprise City (**CEC**) is a special economic zone in the Cayman Islands designed to promote the easy and cost-efficient establishment of a genuine physical presence in the Cayman Islands for businesses in specific industries. The aviation services of the Cayman Maritime & Aviation City are focused on assisting aviation service businesses, such as those involved in commercial air transport operations, manufacturing, aerospace-related activities, aircraft management, consulting and other specialised services to the aviation and aerospace development sector, to set up businesses in the Cayman Islands. This is a helpful option for aircraft operators seeking to obtain a Cayman Islands AOC, allowing aircraft operators and management companies to operate commercially under the Cayman Islands jurisdiction.

CAACI works closely with the CEC and has issued a number of AOCs in the SEZ to Cayman Islands special economic zone companies. The exceptional opportunities offered by the Cayman Maritime & Aviation City will continue to attract businesses in the aviation sector to establish a physical presence in the Cayman Islands.

Conclusion

The Cayman Islands continues to be an attractive jurisdiction to register business jet aircraft, given the straightforward procedures for registration, the competitive fees and the protections available to financiers.

Contacts

A full list of contacts specialising in Cayman Islands law can be found [here](#).