With the COVID-19 pandemic changing the way we live, shop and work, as of June 1, 2020, the Global Aviation Trading System ("GATS") aims to bring into the 21st century the way we trade and finance aircraft equipment. GATS is a fully online platform designed to facilitate the trading and financing of aircraft equipment, all of which will be recorded and maintained on the GATS e-Ledger—a system searchable by the various GATS users. GATS is intended to enable parties to “create, transfer, and secure interests in aircraft equipment without disturbing the existing leasing arrangements or having an impact on the contractual rights or protections of the parties to the lease agreement relating to such aircraft equipment.”

This article provides an overview of GATS and a summary of various considerations with respect to beneficial interest transfers, security interests and airline involvement.

GATS Parties

GATS is an inclusive platform that brings all parties to the same website to complete a beneficial interest transfer. The key parties are: (1) GATS Participants, which are aircraft lessors and financiers; (2) GATS Trustees, which are the corporate trust service providers; (3) Non-GATS Entities, which are airlines and other entities that benefit from “Advance Requirements”; and (4) GATS Professional Entities, which
are law firms and other professionals. Each of the key parties must create an account on the GATS platform, but the type of account and clearance required differs depending on the type of GATS party.

**GATS Trusts**

Initially, all trusts created on the GATS platform (“GATS Trusts”) will need to be formed in either Ireland, Singapore or the United States, and it is possible that additional jurisdictions will be approved in the future. Just as with non-GATS Trusts, so long as an airline’s jurisdiction recognizes trusts, GATS Trusts will be recognized. GATS Trustees will continue to have their own “know your customer” procedures that must be satisfied by the relevant beneficial interest holder, and they will be able to customize other agreed terms. Legal title will be transferred to and remain with the GATS Trustee so long as all subsequent transfers are completed through the GATS platform,\(^3\) and beneficial title will remain with the beneficial interest holder.

As of this article’s publication, there are several pre-cleared GATS Trustees.\(^4\) The Aviation Working Group (“AWG”) has published form trust documents for each jurisdiction that will be populated through the GATS platform, serving to standardize trust documentation across the different corporate trust service providers.

**Beneficial Interest Transfers**

Beneficial interest holders will need to be cleared by the AWG as a “GATS Participant” in order to hold a beneficial interest in a GATS Trust. This clearance process requires agreeing to the GATS “e-Terms,”\(^5\) complying with the applicable GATS Trustee’s requirements, and paying any applicable GATS fees. The identity of the current beneficial interest holder of a GATS Trust is available through a search on the GATS platform.

Trust transfer documents are part of the AWG published form trust documents and will be populated through the GATS platform in connection with any transfer. However, beneficial interest transfers may only be completed once all conditions precedent in the lease agreement and/or security agreement (referred to as “Advance Requirements” within GATS) are confirmed as satisfied by the airline, secured party and any other favored party with respect to an Advance Requirement. Given the need for airline and secured party involvement, the success of the GATS platform is dependent on the interest and cooperation of all transaction parties.

**Security Interests**

GATS allows for security interests in a GATS Trust to be recorded in the GATS e-Ledger. This security interest will be visible in a search for the GATS Trust and will prevent the beneficial interest holder from transferring such beneficial interest without the prior consent of the secured party through the GATS platform. It is important to note that GATS does not deal with security interests in aircraft and engines specifically, but instead only deals with security interests in beneficial interests in GATS Trusts over aircraft and engines.
If a secured party is entitled to enforce its security interest in a GATS Trust, it may transfer the beneficial interest in the GATS Trust to itself or a third party; provided, however, that such transfer would be subject to the same transfer provisions in the lease applicable to a standard beneficial interest transfer. As the secured party is the only party able to execute a beneficial interest transfer when a security interest is recorded on the GATS e-Ledger, this process enables the secured party and airline to complete a beneficial interest transfer without the cooperation of a defaulting borrower/beneficial interest holder.

**Airline Involvement**

The GATS platform is intended to minimize interference with lessees’ operations and protect lessees’ rights in any beneficial interest transfer by requiring that its contractual lease obligations are not increased and by avoiding the need to re-execute ancillary documents, such as deregistration powers of attorney, IDERAs and Eurocontrol letters.

The process for obtaining updated insurance certificates will still require coordination outside of the GATS platform for the time being, as engagement from the airlines and their brokers is required to address this point. The AWG has noted that they intend to address the insurance point while remaining sensitive to existing airline-broker relationships, as well as include a native aircraft location tracking system for the GATS e-Ledger, in future improvements to GATS.

**Conclusion**

While in its infancy, GATS has the potential to streamline the beneficial interest transfer and lease novation process. Lessors can and should consider establishing GATS Trusts for new transactions to open the door for subsequent transfers through GATS, and GATS-proof the corporate structures until such time that all parties are agreeable to discussing and incorporating GATS concepts into leases.

For financiers, GATS (i) provides easy access to confirmation of the beneficial interest holder of a pledged GATS Trust, (ii) permits a registrable security interest in such interest and (iii) grants control of the timing of beneficial interest transfers.

Time will tell whether there is sufficient market interest to create a universe for GATS trading and financing. GATS all folks!

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2 Advance Requirements are the conditions precedent to the completion of any transaction.

3 The parties can elect to extract themselves from the GATS platform at any time without any impact to the legal or beneficial interest.

4 Intertrust Trustee (Ireland) Limited and Wilmington Trust SP Services (Dublin) Limited are pre-cleared for Ireland; Intertrust (Singapore) Ltd. is pre-cleared for Singapore; and Bank of Utah, TVPX Aircraft Solutions
Inc., UMB Bank, N.A., Wilmington Savings Fund Society, FSB, and Wilmington Trust Company are pre-cleared for the United States.

5 The GATS “e-Terms” are a binding contract between the AWG and such party e-signing them and are accessible at http://awg.aero/wp-content/uploads/2020/01/GATS-e-Terms-29-January-2020.pdf.

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