

CAPE TOWN CONVENTION COMPLIANCE INDEX

The Aviation Working Group (**AWG**) is developing an index on compliance by contracting states with the Cape Town Convention, the world's main aviation finance treaty. This Cape Town Compliance Index (the **Index**) will provide information to the aviation financing and leasing community, thereby maximizing compliance incentive. That, in turn, will positively impact the provision of aviation credit, thus strengthening the air transport sector and producing economic benefits.

WHAT IS THE INDEX?

- The Index will assess and score, on a scale of 1 to 100, each country's actual and anticipated compliance with the terms and intent of the treaty.
- Scoring, categorized according to expectations of future compliance (very high, high, medium, or low), will be based on the attached formula, as may be modified in the finalization process (the **formula**). The best data available to the AWG, including input from over 200 law firms, will be objectively applied in the formula by the AWG secretariat.
- Main elements in the formula will include whether the treaty (1) is fully and effectively implemented, (2) prevails over conflicting law, and (3) is being interpreted and applied in accordance with its terms and intent.
- The formula includes additional features which realistically relate to compliance, including a *precedent-based adjustment* (when the treaty has been tested), whether the government has established a problem-solving *communication channel* with the AWG, eligibility for the OECD 'Cape Town discount', an assessment of the country's legal practices that signal likelihood of compliance, and use of rule of law and political risk indices.

WHAT FORMS WILL THE INDEX TAKE?

There will be four versions of the Index, namely:

- Public version, posted on the AWG website. This version will only contain the final scores for each CTC ratifying country, grouped by category. A form of the public version is attached.
- Proprietary version. This version will contain final scores, details and explanations. It is exclusively for AWG members, governments, rating agencies, and select others.
- Certified-for-transaction version. This version will contain the assessment of the score for a specific country for a validity period. It is exclusively for AWG members, upon request.
- OECD version. This version will contain the Aircraft Sector Understanding relevant factors. It is exclusively for the OECD and its participants.

WHEN WILL THE INDEX BE RELEASED AND UPDATED?

- The Index will be published in Q1 2020 and re-issued twice a year thereafter.
- The Index will be updated to reflect the material developments that may impact the score of any country between official releases.

Queries relating to the Index should be directed to jeffrey.wool@awg.aero.

Public version of the CTC Compliance Index
Contracting States that have made qualifying declarations ✓

Very High	
	CTC compliance score
Country A (highest score in this category)	
Country B	
Country C (lowest score in this category)	
High	
	CTC compliance score
Country D (highest score in this category)	
Country E	
Country F (lowest score in this category)	
Medium	
	CTC compliance score
Country G (highest score in this category)	
Country H	
Country I (lowest score in this category)	
Low	
	CTC compliance score
Country J (highest score in this category)	
Country K	
Country L (lowest score in this category)	

Key:

Scoring: 100 (highest) to 20 (lowest). **Variable range:** 5 (highest) to 1 (lowest)
100 - 88: very high probability level that the terms of CTC (with applicable declarations) will be substantially complied with
87 - 75: high probability level that the terms of CTC (with applicable declarations) will be substantially complied with
74 - 60: medium probability level that the terms of CTC (with applicable declarations) will be substantially complied with
60 and lower: low probability level that the terms of CTC (with applicable declarations) will be substantially complied with

Public version of the CTC Compliance Index

Contracting States that have NOT made qualifying declarations ❌

Very High	
	CTC compliance score
Country A (highest score in this category)	
Country B	
Country C (lowest score in this category)	
High	
	CTC compliance score
Country D (highest score in this category)	
Country E	
Country F (lowest score in this category)	
Medium	
	CTC compliance score
Country G (highest score in this category)	
Country H	
Country I (lowest score in this category)	
Low	
	CTC compliance score
Country J (highest score in this category)	
Country K	
Country L (lowest score in this category)	

Key:

Scoring: 100 (highest) to 20 (lowest). **Variable range:** 5 (highest) to 1 (lowest)

100 - 88: very high probability level that the terms of CTC (with applicable declarations) will be substantially complied with

87 - 75: high probability level that the terms of CTC (with applicable declarations) will be substantially complied with

74 - 60: medium probability level that the terms of CTC (with applicable declarations) will be substantially complied with

60 and lower: low probability level that the terms of CTC (with applicable declarations) will be substantially complied with

*/Unless otherwise noted, where the 'qualifying declarations' under the OECD's Aircraft Sector Understanding have NOT been made, the application of CTC in a country is unlikely to substantially reduce transactional risk or provide substantially enhanced predictability when assessed against pre-CTC law in that country. Accordingly, for such countries, the relevance of a very high or high CTC compliance scoring would not be an accurate indicator of a substantially improved legal framework effected by ratification and implementation of, and compliance with, CTC by that country.