



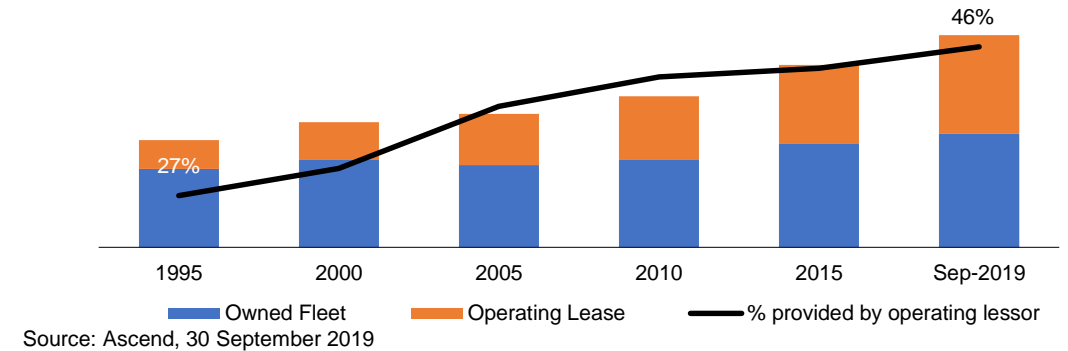
# **Global aircraft trading system (GATS)**

**Modernizing aircraft transfers**

## Why is GATS important?

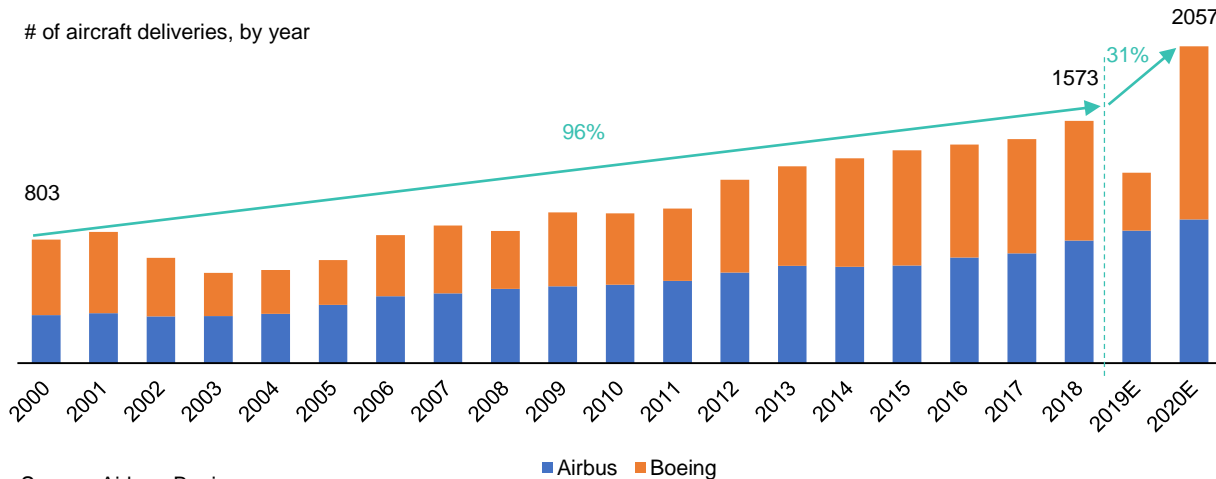
- 96% growth in new aircraft deliveries between 2000-2018; expected to rise by 31% over the next two years
- Installed fleet likely to double over the next 20 years
- Lessor market share has grown almost 20 percentage points to 46% over the last 20+ years
- c.35% of new aircraft deliveries traded via sale and leaseback
- Secondary market trades understood to exceed 1,000 per year

## Operating lessors' share has grown significantly over the last 20+ years



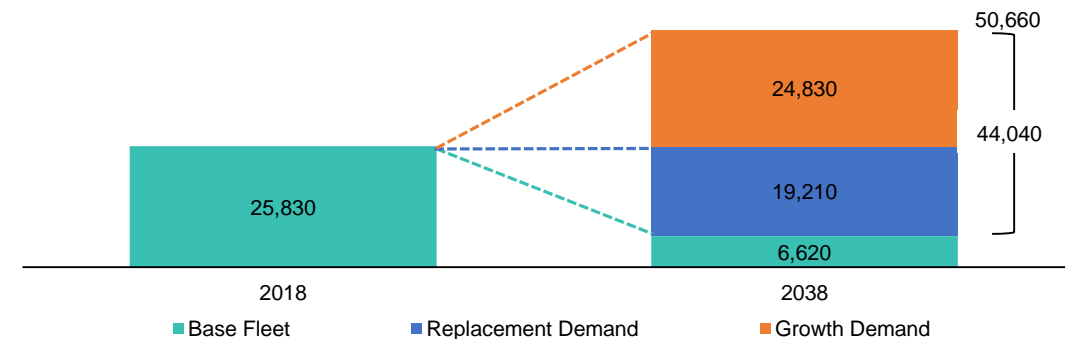
## >22,000 new aircraft delivered since 2000

# of aircraft deliveries, by year



## >44,000 new aircraft needed over the next 20 years

Number of aircraft

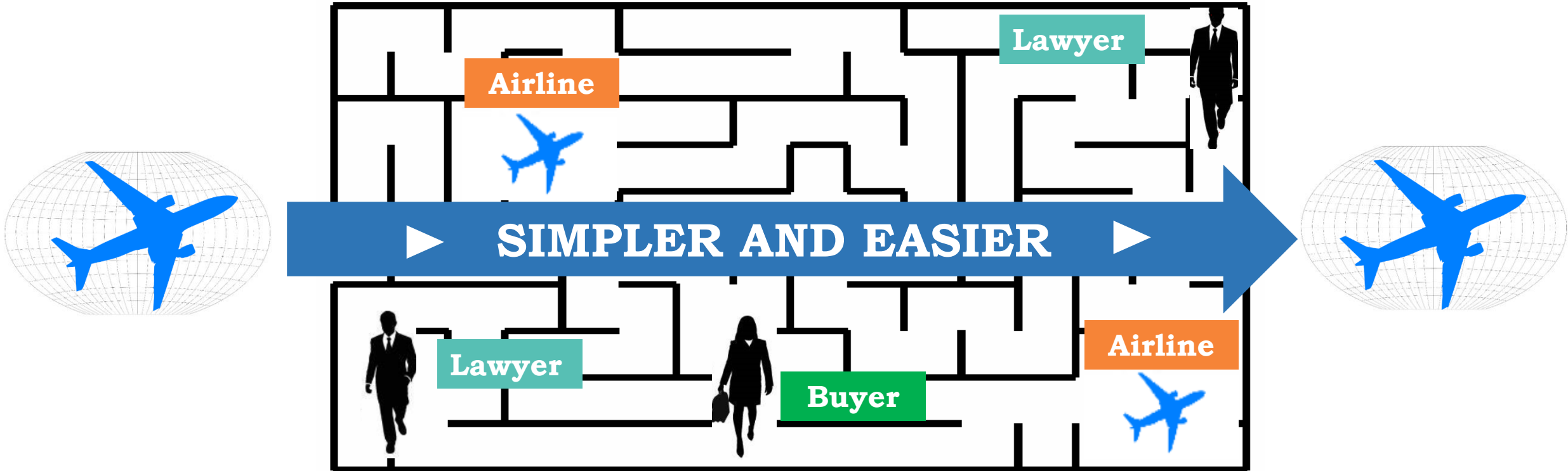


# Aircraft Ownership Transfers

Standard Novation Forms



Global Aircraft Trust System (GATS)



## 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 secure e-ledger to record transactions
- Makes the buying, selling, and financing of aircraft and engines on lease simpler and more efficient
- Reducing touch points with, and burdens on, airlines while enhancing their lease rights and protections
- Future electronic applications of GATS platform to include subleasing approvals and other functions directly beneficial to airlines

## How will GATS work

- Each aircraft will be owned by a trust – created online – in a US, Irish or Singapore branch. Trust structures have been used for decades covering a substantial part of the industry, and have proved efficient
- Sale of aircraft equipment 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
  - No need for a lease novation, thus significantly reducing time and cost burdens
- Narrow set of transfer and related documents will be standardized, simple, and executed and delivered electronically
  - Lease documents not effected (form of transfer clause suggested, as negotiated by parties)
  - Conditions to transfer are as negotiated and are not standardized
- Any ‘advanced requirement’ to a transfer or financing, agreed between the airline and its lessor, may be integrated into an electronic GATS transaction, preserving all rights and protecting all parties
- 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 will increase liquidity and, all else equal, that **produces enhanced economics for airlines**
- GATS includes **protective ‘advanced conditions’** which will enhance an airline’s position
  - With GATS, an airline must e-confirm that transfer conditions are met before GATS transfer effective
- GATS **reinforces the typical ‘no increased obligations’** lease provision in favor of airlines
- Future uses of the GATS platform, such as on sub-leasing approvals, will improve efficiencies

**GATS does not change any lease condition. It permits any agreed ‘advance requirements’ to transfers to become part of the electronic process, providing legal protections and substantially increasing efficiency**

## **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, electronic ledger, based on secure technology, will strengthen rights under national law
- Additional security for banks in GATS transactions
- GATS will increase the global acceptance of trusts for use in aircraft leasing
- GATS retains local tax considerations applicable to ownership transfers
  - Efforts to strengthen tax treaty treatment of trust-based transactions

## What is the timing of and process to implement GATS

- GATS is expected to launch at the end of Q2 of 2020, after which GATS e-form documentation may be used
- Transition period now commencing (same forms but manual execution). See [www.awg.aero](http://www.awg.aero)
- One month 'simulated transaction' period in advance: expected, March 20
- 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](mailto:jeffrey.wool@awg.aero)