

PRINCIPLES RELATING TO ECONOMIC SANCTIONS IMPACTING INTERNATIONAL AVIATION FINANCE**RELEASE DATE: May 2024**

A. In response to recent sanctions which impose restrictions on trade, including goods and technology in the aviation industry, this document (this **document**) comprises a statement on principles (the **principles**, and, each, a **principle**) which the Aviation Working Group (**AWG**) recommends should be considered in connection with the formulation of any future economic sanctions which may affect the aviation industry. This statement of principles has been prepared as a general policy document.¹

B. These principles have been developed in light of experience with respect to historic and recent sanctions. While this document is framed in a declaratory manner, that is for ease of use only. The AWG is cognizant that the formulation of sanctions involves myriad political and legal complexities.

C. In this document, **financier** collectively refers to any party that owns, leases, or has a property interest (whether based on retention of title or a security interest) in an aircraft or an aircraft engine but that does not operate such equipment. This document assumes financiers are not themselves sanctioned parties.

D. Where this document is referred to, including in correspondence or legal documentation, that reference should be to the **AWG statement on principles relating to sanctions, released May 2024** or, in short, the **AWG sanctions principles, May 2024**. If this document is amended, an updated reference will be included.

E. The principles are as follows:

Principle 1: sanctions and their interpretation should be substantively consistent among differing sanctions authorities

To the extent possible, sanctions should be formulated in a way so as to be substantively consistent among different sanctions authorities regarding impacts on financiers. Coordinated procedures should be contemplated to maximise consistent interpretation of the sanctions. FAQs should be issued in conjunction with sanctions, and should provide examples addressing common fact patterns. Where model contractual clauses related to sanctions are provided, they should be formulated in consultation with industry experts.

Purpose and rationale: A consistent approach in the substance and interpretation of sanctions would enhance monitoring of, and compliance with, sanctions across the highly international aviation industry.

FAQs should provide clarification and examples of terms used in the sanctions where their meaning is not definitive. For example, where goods may not be provided 'for use in' a territory, the FAQs should confirm the extent to which aircraft equipment which is operated to and from the territory by non-sanctioned airlines are within or outside of the sanctions.

¹ This document is not intended to, and should not be construed as, representing the positions or views of, nor an agreement among or binding upon, the Aviation Working Group's members, or any of them, either as a general matter or with regard to any specific circumstance.

Principle 2: targeted sanctions and avoidance of disproportionate and unintended adverse consequences on non-sanctioned parties

Sanctions should result in targeted negative impacts on the sanctioned parties while avoiding disproportionate adverse impacts, direct or indirect, on non-sanctioned parties. Unintended adverse consequences on non-sanctioned parties should be avoided by advance engagement by sanctioning authorities with industry experts, evaluating the practical results of sanction options.

Purpose and rationale: The sanction regime should be designed to achieve its policy objectives without disproportionate harm to non-sanctioned parties, direct or indirect. Advance consultations with industry experts in connection with sanction options can help achieve such objectives while avoiding such unintended consequences by explaining the economics of, relations within, and contracts used by, the aviation sector.

Principle 3: allow for an orderly and predictable wind-down period for, and exercise of termination and enforcement rights under, existing prohibited contracts and receipt of related termination payments

Sanctions should allow for an orderly and predictable wind-down period for existing prohibited contracts. They should contemplate a period prior to entry into force. They should include an exception where, and to the extent, financiers are taking active steps to (i) terminate the leasing, loans, and other contractual relationships with the sanctioned party, and (ii) exercise remedies to recover aircraft equipment (including permitting the receipt of contractual termination and indemnity payments, and the payment of the same through the banking system).

Purpose and rationale: The termination of a lease, loan, and other contractual relationships, and the recovery of an aircraft, may take some time. Therefore, financiers should be afforded a reasonable period of time to effect these actions, provided always that they are acting diligently. Such rules will facilitate greater compliance with sanctions and reduce total losses distributed through the financial system among non-sanctioned parties.

Principle 4: sanctions should permit financiers to enforce rights under, and secure the benefit of, international treaties

Sanctions should permit financiers to avail themselves of rights under international aviation treaties.

Purpose and rationale: Existing treaties provide protections for financiers, such as the prohibition of dual registration of aircraft under the Chicago Convention, and the right to obtain speedy repossession, deregistration, and export of aircraft in default situations under the Cape Town Convention. Sanctions should facilitate, or at least not prevent, financiers availing themselves of such rights, particularly in cases where the country which is the subject of the relevant sanctions is a party to such treaty.

This would support the enforcement of international treaties and the rule of law, as well as provide protection for financiers in preserving asset value, and shortening the period required to remove assets from sanctioned parties. This would minimize loss to the financier without benefitting the sanctioned party.

Principle 5: expressly permit actions with respect to aircraft safety

Sanctions should expressly permit all non-sanctioned parties, whether financiers, manufacturers or service providers, to take action which relates to the safety of flight operations and passengers.

Purpose and rationale: As sanctions will not necessarily be co-extensive with flight operations (including in third countries), public safety must be maintained when aircraft fly. A 'public safety' exception should permit the receipt and provision of operational, maintenance, and storage information from manufacturers, maintenance, repair, and overhaul (MRO) organizations, and civil aviation authorities relating to and which facilitate airworthiness. That exception should also permit the sale, lease, or provision of spare parts needed for safe flight operations. Such exception would not compel any action by, nor impose any obligation on, any person.

Principle 6: expressly confirm the ability of non-sanctioned insured parties to maintain existing insurance cover and receive insurance payments relating to actual or constructive loss of owned or financed aircraft

Sanctions should expressly confirm the ability of participants to [maintain existing insurance cover](#) and receive insurance payments, from whatever source.

Purpose and rationale: The leasing and financing of aircraft operate within an advanced commercial system for allocating and transferring risk between parties. A central part of that system is the assumption of risk by the party best positioned to assess, price, and carry it. Effective use of that system, centered on insurance, should be encouraged in loss-creating circumstances linked to sanctions. Maintenance of insurance cover by, and payment of insurance proceeds to, financiers, whether from non-sanctioned or sanctioned insurance companies, benefits the financier, not the sanctioned party. If there is a concern that title to aircraft equipment may be transferred, by operation of law or contract, to a sanctioned party, the core sanctions (and other restrictions such as prohibitions on use of airspace) can prevent use of the equipment in key markets.

Principle 7 permit steps by service providers and other parties facilitating the actions contemplated by the above principles

Sanctions should allow actions by other non-sanctioned parties that are consistent with the objectives of the above principles. That includes banks, who send and receive payments through the banking system, and manufacturers and maintenance, repair, and overhaul (MRO) organizations, who facilitate aircraft safety (for the benefit of the public) and asset value (for the benefit of the financier).

Purpose and rationale: The above principles implicate actions by a range of parties, each of whom needs assurance that their contributory actions comply with sanctions. This is required to give practical effect to the rules embodying or implementing the above principles.

F. AWG may issue revisions to this statement and/or supplemental materials to aid in or facilitate its use, interpretation, or application.

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