

# Draft Protection and Enforcement of Interests in Aircraft Objects Bill, 2022

April 21, 2022

**In news**– Recently, the Ministry has sought stakeholders' comments on the draft Protection and Enforcement of Interests in Aircraft Objects Bill, 2022.

## **About the bill-**

- **The Bill implements the provisions of the Convention on International Interests in Mobile Equipment and Protocol on Matters Specific to Aircraft Equipment** which was adopted at a conference in Cape Town in 2001.
- **India acceded to the two instruments in 2008.**
- These provide default remedies for the creditor and create a legal regime for disputes.
- **Once passed, the law will help international aircraft leasing companies to repossess and transfer planes out of India** in case of a financial dispute with an Indian airline at a time many regional airlines have been refused planes on rent.
- As per the ministry, the **draft legislation is necessary because several Indian laws such as the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016 are in conflict with the Cape Town Convention and Protocol.**
- It says that Indian entities have also suffered as international financial institutions demand an implementing legislation.
- For instance, International leasing companies faced challenges in repossessing and exporting aircraft when Jet Airways shut down in 2019 and failed to pay its aircraft rentals.
- The **proposed law provides remedies such as repossession**

**of an aircraft object**, or its sale or lease or collection of income from its use as well as de-registration and export of planes.

- **It also suggests remedies pending final adjudication of a claim as well** as safeguards a debtor's claim during insolvency proceedings against its Indian buyer.

### **Convention on International Interests in Mobile Equipment( Cape Town Convention )-**

- It is an international treaty intended to standardize transactions involving movable property.
- **The treaty creates international standards for registration of contracts of sale (including dedicated registration agencies), security interests** (liens), leases and conditional sales contracts, and various legal remedies for default in financing agreements, including repossession and the effect of particular states' bankruptcy laws.
- **Four protocols to the convention are** specific to four types of movable equipment:
  - Aircraft Equipment (aircraft and aircraft engines; signed in 2001).
  - Railway rolling stock (signed in 2007).
  - Space assets (signed in 2012).
  - Mining Agricultural and Construction Equipment (signed in 2019).
- The aircraft Protocol entered into force in 2006, while the others are not in effect.
- The treaty resulted from a diplomatic conference held in Cape Town, South Africa in 2001.
- The conference was attended by 68 countries and 14 international organizations. 53 countries signed the resolution proposing the treaty.
- The treaty came into force on 1 March 2006, and has been ratified by 57 parties.
- The Aircraft Protocol (which applies specifically to

aircraft and aircraft engines) took effect on 1 March 2006 when it was ratified by 9 countries: Ethiopia, Ireland, Malaysia, Nigeria, Oman, Panama, Pakistan, and the United States.