

## RUSSIA ACCEDES TO THE CAPE TOWN CONVENTION

June 1, 2011

To our Clients and Friends:

On May 25, 2011 the Russian Federation deposited its instrument of accession to the Convention on International Interests in Mobile Equipment (the “Convention”) and the Protocol to the Convention on Matters Specific to Aircraft Equipment (the “Protocol” and, together with the Convention, the “Cape Town Convention”). The Cape Town Convention is designed to create an international framework for the formation, registration (through an International Registry), protection and enforcement of certain international interests in airframes, aircraft engines and helicopters. The Cape Town Convention will apply in Russia with effect from September 1, 2011.

The Russian Federation ratified the Cape Town Convention by the Federal Law dated December 23, 2010 No. 361-FZ with declarations in relation to:

- the priority of certain claims in insolvency proceedings over registered international interests;
- the possibility of arrest or detention of aircraft objects for unpaid services rendered in relation thereto;
- the jurisdiction of state arbitration courts to resolve disputes relating to the Cape Town Convention;
- the possibility of out-of-court exercise of remedies that require no application to court under the Cape Town Convention; and
- the application of Alternative A of Article XI of the Protocol in all types of bankruptcy proceedings with a waiting period of 60 calendar days.

Accession by the Russian Federation to the Cape Town Convention represents a significant leap forward towards its recognition of international standards in aircraft financing and may give international aircraft financing institutions more confidence in participating in aircraft financing and leasing transactions with Russian operators. However, Russian aviation law and judicial processes may still require improvement in order to properly implement provisions of the Cape Town Convention.

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We will keep you updated on the Cape Town Convention and would be most happy to answer your queries on this or any other aviation issues.

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