

Bill Summary

The Protection of Interests in Aircraft Objects Bill, 2025

- The Protection of Interests in Aircraft Objects Bill, 2025 was introduced in Rajya Sabha on February 10, 2025. The Bill seeks to give legal effect to the following international agreements in their application to India: (i) Convention on International Interests in Mobile Equipment (also known as Capetown Convention of 2001), and (ii) Protocol to the Convention on International Interests in Mobile Equipment on Matters specific to Aircraft Equipment. India had acceded to these in 2008.
- The Convention and the Protocol aim to bring uniformity in securing rights for high-value assets such as aircrafts, helicopters, and engines. They aim to ensure predictability for creditors in the event of a financial default in: (i) a lease – use for a specified period, (ii) conditional purchase – transfer of ownership upon completion of certain terms and conditions, or (iii) security agreement – asset given as collateral for borrowing.
- **Registry Authority:** The Bill designates Directorate General of Civil Aviation (DGCA) as the Registry Authority for the purposes of the Convention. The Registry Authority is responsible for registration and de-registration of aircrafts. The Bill empowers DGCA to issue directions to implement the Convention.
- **Obligations of debtors:** Debtors must submit records of dues to DGCA. A debtor is a person who has taken an aviation asset under a lease or, conditional purchase agreement, or pledged an asset under a security agreement.
- **Remedies in case of default:** The Convention gives creditors certain remedies in case of default by a debtor. A creditor is a person who has provided an aviation asset under a lease or conditional purchase agreement, or has lent under a security agreement. The remedies include the right to take back possession of the asset within a period of two calendar months or a mutually agreed upon period, whichever is earlier. The Bill states that before exercising any remedy, the creditor must notify DGCA about the occurrence of default.
- **Detention of assets by government agencies:** The following entities will continue to have the right to detain an asset if dues for services related to that asset remain unpaid: (i) central government, (ii) any other entity providing public services in India, or (iii) an inter-governmental organisation of which India is a member.
- **Overriding effect:** In case of any inconsistency between the Bill and any other law, the provisions of the Bill will prevail.
- **Jurisdiction of High Courts:** The High Courts will have jurisdiction over any claim under the Convention.
- **Power to make Rules:** The Bill empowers the central government to make Rules to implement the provisions of the Convention and the Protocol. It also empowers the central government to make Rules on: (i) manner in which DGCA will issue directions to implement the Convention, and (ii) manner in which debtors and creditors will fulfil their respective obligations.

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