

Advisory Circular

AIRCRAFT LEASING

GENERAL	1
PURPOSE	1
APPLICABILITY	1
RELATED REGULATIONS	1
RELATED ADVISORY CIRCULARS	1
CANCELLATION	1
EFFECTIVE DATE	1
OTHER REFERENCES	2
1 INTRODUCTION.....	3
2 DEFINITIONS.....	3
3 COMPLIANCE WITH REGULATORY REQUIREMENTS.....	4
4 CAAS' LEASING POLICY.....	4
5 APPLICATION FOR APPROVAL.....	6
APPENDIX A BACKGROUND NOTES ON AIRCRAFT LEASES AND LEASING ARRANGEMENTS.....	8

GENERAL

Advisory Circulars (ACs) are issued by the Director-General of Civil Aviation (DGCA) from time to time to provide practical guidance or certainty in respect of the statutory requirements for aviation safety. ACs contain information about standards, practices and procedures acceptable to CAAS. An AC may be used, in accordance with section 3C of the Air Navigation Act (Cap. 6) (ANA), to demonstrate compliance with a statutory requirement. The revision number of the AC is indicated in parenthesis in the suffix of the AC number.

PURPOSE

This AC provides guidance to demonstrate compliance with, and information related to, the requirements on aircraft leasing.

APPLICABILITY

This AC is applicable to the operator holding an AOC under the Air Navigation (119 – Air Operator Certification) Regulations (ANR-119).

RELATED REGULATIONS

This AC relates specifically to regulation 29 of ANR-119.

RELATED ADVISORY CIRCULARS

Nil.

CANCELLATION

This AC supersedes AC AOC-8.

EFFECTIVE DATE

This AC is effective from 1 October 2018.

OTHER REFERENCES

- ICAO Doc 9734 Safety Oversight Manual
- ICAO Doc 8335 Manual for Procedures for Operations
- ICAO Doc 9760 Airworthiness Manual
- ICAO Circular 295 Guidance on Implementation of Article 83 Bis of the Convention on International Civil Aviation

1 INTRODUCTION

- 1.1 A Singapore AOC holder intending to be involved in operational leasing arrangements should refer to this AC when seeking an approval under regulation 29 of ANR-119 from the DGCA. Finance or operating leases defined in Financial Reporting Standards (FRS) 17, including for example financial or capital leases (e.g. sale and lease back arrangements between an operator and financial institutions) are not addressed in this AC. Further background notes about various operational leasing arrangements are in **Appendix A**.

Note: A Singapore AOC holder involved or intending to be involved in leasing and operating aircraft registered outside of Singapore must comply with regulation 11 of ANR-119 pertaining to the proportion of its aircraft registered in Singapore versus those registered outside of Singapore.

- 1.2 A Singapore AOC holder may refer to the following for further guidance:
- (a) ICAO Doc 9734 Safety Oversight Manual
 - (b) ICAO Doc 8335 Manual for Procedures for Operations
 - (c) ICAO Doc 9760 Airworthiness Manual
 - (d) ICAO Circular 295 Guidance on Implementation of Article 83 Bis of the Convention on International Civil Aviation

2 DEFINITIONS

<i>Lease:</i>	An agreement by a person (the lessor) to furnish an aircraft to another person (the lessee) to be used for compensation or hire purposes.
<i>Lessor:</i>	The party furnishing the aircraft under a lease.
<i>Lessee:</i>	The party using the aircraft under the provisions of a lease.
<i>Dry Lease:</i>	A lease arrangement whereby a lessor provides an aircraft without crew to the lessee.
<i>Wet Lease:</i>	A lease arrangement whereby a lessor provides an aircraft with crew to the lessee.
<i>Damp Lease:</i>	A lease arrangement whereby a lessor provides an aircraft with partial crew to the lessee.
<i>Singapore AOC holder</i>	An operator of an aircraft that has been granted an air operator certificate (AOC) under regulation 6 of ANR-119.
<i>State of Registry:</i>	The State on whose register the aircraft is entered.
<i>State of the Operator:</i>	The State where the principal place of business of the operator is located, or if no such business exists, the permanent residence of the operator.
<i>Operator:</i>	A person, organisation or enterprise engaged in aircraft operations to carry out specific commercial air transport operations.

<i>Operational Control:</i>	The exercise of authority over the initiation, continuation, diversion or termination of a flight in the interest of the safety of the aircraft, or the regularity or efficiency of the flight.
<i>Operational Leases</i>	Refers to leasing arrangements described in paragraph A1 of Appendix A .

3 COMPLIANCE WITH REGULATORY REQUIREMENTS

- 3.1 In a lease arrangement, the leased aircraft may be registered in a State which is different from the State which issues the Air Operator Certificate. It is therefore essential, for regulatory reasons, that the lessor and lessee are familiar with the requirements of the State of Registry and the State of the Operator. Typical obligations expected by the State of Registry and the State of the Operator are described in **Appendix A**.
- 3.2 When the leasing arrangement involves safety oversight by a foreign authority, the leasing arrangement should include information on compliance with relevant regulations of both CAAS and the foreign authority.

4 CAAS' LEASING POLICY

- 4.1 The AOC holder should establish clear safety responsibilities between themselves in their lease arrangement. Table 1 lists expected obligations by the lessee and lessor in corresponding to the respective type of lease.

Table 1: Obligations expected from Lessee and Lessor in Operational Leases

Scenario	Obligations
All Leases	<ul style="list-style-type: none"> a. The applicant should demonstrate the need to enter into aircraft operational leasing arrangements. b. The applicant should ensure that provisions are made in the leasing arrangement to enable CAAS' safety inspectors to conduct necessary inspections. c. Lessees should carry the following documents in the aircraft at all times for the duration of the lease: <ul style="list-style-type: none"> (i) a certified true copy of the lease agreement between the lessor and lessee. (ii) a certified true copy of the AOC and its corresponding specifications. (iii) a certified true copy of the Article 83 <i>bis</i> agreement, if applicable. (iv) flight crew licenses issued or validated by the State of Registry

Scenario	Obligations
Wet Leases	<ul style="list-style-type: none"> a. The lessee and lessor should hold a valid air operator certificates throughout the duration of the lease. b. The lessor should retain operational control of the aircraft. c. For wet leasing arrangements among Singapore operators, the lessee should ensure that the lessor maintains the aircraft as per the lessor's approved maintenance program. d. For wet lease-in arrangements, the lessee should ensure that reportable occurrences and incidents affecting the leased aircraft are reported to CAAS¹.
Dry Leases	<ul style="list-style-type: none"> a. For dry lease-out arrangements, the lessor should ensure that the lessee maintains the subject aircraft in accordance with CAAS' requirements. b. For dry lease-in arrangements, the lessee should ensure that the aircraft is equipped in accordance with ANR-91, and ANR-121 (or ANR-135 as applicable).
Note 1	In all other types of leasing arrangements, as required by regulation 49 of ANR-91 and regulation 26 of ANR-119, the Singapore AOC holder should report to CAAS all reportable occurrences involving the leased aircraft.

- 4.2 CAAS may, on a case by case basis, specify additional requirements relating to the lease arrangement.
- 4.3 In order to maintain effective safety oversight, CAAS guidance on the duration of operational leases is stipulated in Table 2.
- 4.4 The Singapore AOC holder who needs to lease an aircraft for a period longer than the stipulated period in Table 2 should provide justifications to CAAS for the requested extended lease duration.

Table 2: Durations for Operational Leases

Scenario	Duration
Wet Lease-In	6 months, subject to a one time extension of an additional 6 months.
Dry Lease-In	12 months.
Wet Lease-Out	12 months.
Dry Lease-Out	12 months, subject to a one-time extension of an additional 12 months.
Intra State Wet Lease	12 months, subject to a one time extension of an additional 12 months.

5 APPLICATION FOR APPROVAL

5.1 Application for approvals of lease arrangements should be made in writing to CAAS together with detailed descriptions of the party(s) responsible for the operational control and continuing airworthiness for the aircraft in the lease arrangement. Depending on the complexities of the lease arrangement, CAAS may require more information in order to determine that all airworthiness and operational issues are addressed.

5.2 The minimum information required is as follows:

- (a) Parties involved in the lease arrangement
- (b) Make, model and serial number of the aircraft involved in the lease arrangement
- (c) In the case of a lease-in arrangement:
 - (i) the State of Registry and registration marks
 - (ii) name and address of the registered owner of the aircraft
 - (iii) a copy of the Certificate of Airworthiness
 - (iv) proof of the maintenance schedule approval from the foreign Authority
- (d) Type of lease (wet, damp, dry lease-in/out)
- (e) Duration of the lease arrangement
- (f) Whether the aircraft's registration will change during the lease
- (g) Copy of the lease agreement or description of the lease provisions. The lease agreement or description of the provisions should include information on:
 - (i) Arrangements for the continuing airworthiness of the aircraft during the lease period. This would include, but is not limited to, pre- and post-lease airworthiness standards, availability of up-to-date maintenance approved data, acceptable qualifications and training of certifying staff, reporting of defects and incidents that may affect the airworthiness of the aircraft and handling of mandatory airworthiness information.

Note: In the event of a temporary change of operator, such as during a dry lease, the aircraft records must be made available to the new operator.
 - (ii) Arrangements to address any operational matters during the lease period. This would include but not limited to acceptable qualifications and training of operational personnel like pilots and cabin crew, details of how operational deficiencies will be addressed, reporting of incidents, etc.
- (h) Changes to the operations specifications for the AOC holder, as applicable, as a result of the lease agreement

- (i) Area of operations for the aircraft including where it will be based

The above information is necessary for the DGCA to determine whether proper operational control and continuing airworthiness oversight for the aircraft are in place for the duration of the lease.

5.3 Approval of the lease arrangement is dependent on applicant's demonstration of the following:

- (a) all the necessary changes arising from the lease arrangement are identified; and
- (b) all parties involved in the lease arrangement have sufficient knowledge and adequate resources to fulfill their roles and responsibilities with regard to the continuing airworthiness and operational control of the aircraft for the duration of the lease.

5.4 Where appropriate, the attachments to the AOC (Maintenance of Leased Aircraft and Aircraft Leasing Operations) will be amended to reflect the approval of the lease arrangement.

APPENDIX A BACKGROUND NOTES ON AIRCRAFT LEASES AND LEASING ARRANGEMENTS

1 TYPES OF OPERATIONAL LEASING ARRANGEMENTS

1.1 This section describes the types of operational leases. Parties involved in a leasing arrangement should note the responsibilities of each party with respect to the airworthiness and operation of the leased aircraft.

1.2 In a wet or damp lease arrangement, the lessor assumes operational control of the aircraft operations. Aircraft operations must be in compliance with the requirements in the lessor's air operator certificate for the duration of the lease.

1.2.1 Wet or damp Lease-out of Singapore-registered aircraft to a foreign operator ("Wet Lease-Out")

Regulatory requirements related to Singapore-registered aircraft will apply. The Singapore operator will be responsible for the operational control of the aircraft for the duration of the lease. In the case of a damp lease, the qualification and operational control of crew provided by the lessee should be addressed and aligned with the lessor's operations policies.

1.2.2 Wet or damp lease-in a foreign-registered aircraft by a Singapore operator ("Wet Lease-In")

Regulatory requirements related to the foreign Authority where the aircraft is registered will apply. The lessor will be responsible for the operational control of the aircraft for the duration of the lease. In the case of a damp lease, the qualification and operational control of crew provided by the lessee should be addressed and aligned with the lessor's operations policies.

1.2.3 Wet or damp lease of Singapore-registered aircraft between Singapore operators ("Intra State Wet Lease")

Regulatory requirements related to Singapore-registered aircraft applies. The lessor will continue to be responsible for the operational control of the aircraft for the duration of the lease. In the case of a damp lease, the qualification and operational control of crew provided by the lessee should be addressed and aligned with the lessor's operations policies.

1.3 In a dry lease arrangement, the lessee usually assumes operational control of the aircraft. The aircraft is operated under the lessee's air operator certificate. Compliance to other relevant regulatory requirements would depend on the civil aviation authority of the State where the aircraft is registered.

1.3.1 Dry lease-out of Singapore-registered aircraft to a foreign operator without change of aircraft registration ("Dry Lease-Out")

Regulatory requirements related to Singapore-registered aircraft will apply. The lessee will be responsible for the operational control of the aircraft under its AOC for the duration of the lease.

1.3.2 Dry lease-in of foreign-registered aircraft by Singapore operator without change of aircraft registration ("Dry Lease-In")

The foreign regulatory requirements related to the foreign-registered aircraft will apply. The Singapore operator will be responsible for the operational control of the aircraft for the duration of the lease.

2 AIRCRAFT REGISTERED WITH THE AUTHORITY OF THE LESSEE

2.1 Parties to a dry lease agreement may register the aircraft with the regulating authority of the lessee. This change of registration of the leased aircraft will result in the lessee being solely responsible for the operational control and the airworthiness of the aircraft.

2.1.1 Dry lease-out of Singapore-registered aircraft to a foreign operator with change of aircraft registration

Regulatory requirements related to Singapore-registered aircraft will not be applicable when the aircraft is de-registered from the Singapore registry. The leased aircraft may be re-registered back onto the Singapore registry at the end of the lease provided it meets all applicable Singapore requirements at the time of re-registration.

2.1.2 Dry lease-in of foreign-registered aircraft by a Singapore operator with change of aircraft registration.

This is similar to registering an aircraft by a Singapore operator. The Singapore operator will comply with all regulatory requirements related to a Singapore-registered aircraft and be responsible for the operational control of the aircraft for the duration of the lease.

3 RESPONSIBILITIES OF THE STATE OF REGISTRY AND STATE OF THE OPERATOR

3.1 An operator intending to engage in leasing arrangement should familiarize himself with the responsibilities of the State of Registry and the State of the Operator, in the event that the aircraft is registered in a State different from the State responsible for oversight of its operations. It is important that the responsibilities of the lessor and lessee to be explicitly specified in the lease agreement between the lessor and lessee, to provide for proper airworthiness and operational oversight and control of the aircraft to be leased.

3.2 The State of Registry is the State on whose register the aircraft is entered. The State of Registry is responsible for the safety oversight and airworthiness standards for aircraft on its register, including those aircraft that are leased. The person or organisation to which the aircraft is registered must ensure that the aircraft comply with all applicable requirements of the State of Registry. The responsibilities of the State of Registry include:

- (a) notifying the State of Design that it has entered such an aircraft type on its register.
- (b) ensuring that the aircraft airworthiness standards of the State of Registry are maintained.
- (c) issuing and validating the airworthiness certificate for aircraft (CoA) on its register.

- (d) overseeing the continuing airworthiness of the aircraft according to the standards of the State of Registry, regardless of where it is operated in the world.
- (e) ensuring that personnel performing maintenance work on the aircraft meets the experience, knowledge and skill requirements in accordance with the requirements of the State of Registry.
- (f) ensuring that flight crew operating the aircraft meets the experience, knowledge and skill requirements to safely operate the aircraft in accordance with the requirements of the State of Registry.
- (g) ensuring that operational personnel related with the aircraft operation continues to meet the standards required by the State of Registry.
- (h) ensuring timely and appropriate actions are in place to correct all deficiencies highlighted by the flight crew on the maintenance of the aircraft and its operation.
- (i) informing the organization responsible for the type design on the faults, malfunctions, defects and other occurrences that cause or might cause adverse effects on the continuing airworthiness of the aircraft.
- (j) ensuring that mandatory continuing airworthiness information from the State of Design is assessed and appropriate action is taken in a timely manner.

3.3 The State of the Operator is the State where the principal place of business of the operator is located, or if no such business exists, the permanent residence of the operator. The operator of the aircraft must make sure that the operations of the aircraft meet the requirements of the State of the Operator. The responsibilities of the State of the Operator include ensuring that its operators are able to:

- (a) demonstrate safe and efficient operations prior to the initiation of any flight operations.
- (b) conduct operations with respect to the original certification criteria or operational specifications on a continuing basis.
- (c) take timely and necessary actions to resolve safety issues that are found with respect to the maintenance of aircraft, flight operations and other air operator responsibilities, including the actions of the operator's personnel.

4 ARTICLE 83 BIS TO THE CHICAGO CONVENTION – TRANSFER OF STATE OF REGISTRY RESPONSIBILITIES

4.1 Article 83 *bis* to the Chicago Convention provides for the transfer of certain safety oversight responsibilities from the State of Registry to the State of the Operator. Such a transfer will be recognised by all other States which have ratified Article 83 *bis*. The transfer of responsibility may involve functions and duties under Article 12, 30, 31 or 32 a) of the Chicago Convention, which address rules of the air, radio licensing, certificates of airworthiness, and personnel licenses respectively.

4.2 Where the lease arrangement involves more than one authority, the State of Registry may, if it is unable to discharge all or part of its responsibilities as a State of Registry,

transfer part or all of these responsibilities to another State. This transfer is subject to the mutual agreement of the other State (usually the State of the Operator). The instrument used to effect the transfer is an Article 83 *bis* agreement between the two States.

- 4.3 CAAS generally does not transfer its safety oversight responsibilities to other Authorities. However, CAAS may accept the transfer of State of Registry responsibilities from another authority, if it deems it necessary to maintain effective oversight of the aircraft. CAAS will inform the affected Singapore operator when CAAS has entered into an Article 83 *bis* agreement with the foreign authority.