November 15, 2025 Year 20 No.06

Why Do Prospective International Interests Matter for Helicopters?

By Vera Garcia

COELUM

sierra
LATAM

PRONUNCIATION:
'che-l&m, is Latin for airspace or sky. The Romans began questioning the rights they had in the space above the land they owned and how high above them those rights would extend. They decided on, Ad coelum et ad inferos, meaning that their property rights would extend as high up as the heavens and all the way down to hell.

Why Do Prospective International Interests Matter for Helicopters?

COELUM

By Vera García

Prospective international interests are especially significant in helicopter transactions because helicopters are a distinct "aircraft object," and, critically, engines installed on helicopters are treated as components of the helicopter while installed. That definitional choice affects when a current international interest can be constituted, how and when to register, and who wins priority when installations and removals occur[1]. This essay explains the helicopter-specific logic of prospective filings, how they bridge timing and status gaps at closing, how they interact with registry mechanics and designated entry points, and how they reallocate risk among helicopter financiers, engine creditors, and buyers through priority and notice[2].

The helicopter as the object—and what that implies[3]

Under the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment signed on November 16, 2001 ("Aircraft Protocol"), a helicopter is itself an aircraft object identified by manufacturer, model, and serial number[4]. A creditor can constitute and register a current international interest over the helicopter whenever Article 7 of the Aircraft Protocol formalities are met, and that registration covers all installed components, including engines, during the period of installation. That is straightforward for helicopter-level funding. The complexity arises because a helicopter engine, while installed, is not a separate aircraft object. It cannot support a separate current international interest during installation[5]. This contrasts with engines installed on airframes, which remain independent aircraft objects at all times and can be encumbered and registered as such whether installed or not.

> ***"...engines installed on helicopters are treated as components of the helicopter while installed. That definitional choice affects when a current international interest can be constituted, how and when to register, and who wins priority when installations and removals occur."[1]***

That contradiction creates two practical implications. First, a helicopter financier's registered interest in the helicopter "follows" the engine only so long as the engine remains installed. On removal, the engine ceases to be part of the helicopter object, and any helicopter-level registration ceases to track the engine. Second, a separate, engine-specific current international interest cannot be constituted while the engine is installed on the helicopter; apart from local-law constructs outside Cape Town, any attempt to register an engine-level current interest during installation lacks a constitutive object[6].

Prospective interests as the lawful bridge

Prospective international interests provide the sanctioned bridge across that installation gap[7]. They are available when parties intend to create an international interest in the future upon a stated or implied futurity event and the engine is uniquely identified. For helicopter engines, the future event is typically removal from the helicopter, the moment the engine reverts to "aircraft engine" status and becomes an object capable of supporting a current international interest. A properly particularized registration against the specifically identified engine, made while the engine is installed, operates as a prospective registration by force of law. When removal occurs, the interest "ripens" automatically, and the registration is treated as if made at the time of the original filing, preserving relation-back priority provided the registration was still current immediately before ripening.

1.- Aircraft-Protocol_English.pdf, Page 2
2.- Practitioners-Guide-to-the-Cape-Town-Convention-and-Aircraft-Protocol-October-2020.pdf, Page 11
3.- Practitioners-Guide-to-the-Cape-Town-Convention-and-Aircraft-Protocol-October-2020.pdf, Page 6
4.- Aircraft-Protocol_English.pdf, Page 2
5.- Practitioners-Guide-to-the-Cape-Town-Convention-and-Aircraft-Protocol-October-2020.pdf, Page 76
6.- Practitioners-Guide-to-the-Cape-Town-Convention-and-Aircraft-Protocol-October-2020.pdf, Page 76
7.- Practitioners-Guide-to-the-Cape-Town-Convention-and-Aircraft-Protocol-October-2020.pdf, Page 75

This mechanism accomplishes what no other step can do for an installed engine at signing: it secures the creditor's future engine-level priority without trying to "time" perfection to a fleeting off-wing window. It also neutralizes intervening filings lodged after the prospective registration but before removal; such interveners experience, at most, provisional priority that is displaced on ripening.

"For helicopter engines, the futurity event is typically removal from the helicopter, the moment the engine reverts to "aircraft engine" status and becomes an object capable of supporting a current international interest."

Helicopter closings
Helicopter transactions often rely on the Aircraft Protocol's alternative connecting factor for applicability based on aircraft nationality registration[8]. If the debtor is not situated in a Contracting State, applicability can still be satisfied where the helicopter is or will be registered in the aircraft register of a Contracting State[9].

Priority architecture in helicopter structures
The interplay of helicopter-level and engine-level filings drives outcomes:

- A helicopter interest registered against the helicopter covers the installed engine only for as long as it is installed. It does not follow the engine after removal.
- An engine-level registration made while the engine is installed functions as a prospective registration. On removal, it ripens and is treated as registered from the original filing time if still current, displacing later interests.
- An engine-level current international interest constituted and registered during an uninstalled period is preserved through later installation and subsequent removal; the Protocol rejects accession for aircraft engines. That pre-installation interest will outrank later helicopter-level claims to the engine after removal, subject to the general first-to-register rule[10].
- Search certificates are neutral: they state that a creditor "has acquired or intends to acquire" an international interest. They do not label filings as "current" or "prospective." Helicopter financiers must therefore treat earlier engine-level registrations as potentially displacing their helicopter-level protection upon engine removal and plan subordinations or confirmations accordingly.

The core use cases for helicopters
Three scenarios happen in practice.

First, helicopter-level financing with installed engines at closing. The creditor registers a current international interest in the helicopter and a separate engine-level filing against each installed engine. The engine-level filing operates as a prospective registration by law and ripens on removal, delivering relation-back priority. The helicopter-level registration ensures protection while installed; the engine-level prospective registration ensures protection after removal.

Second, engine refinancing or sale-leaseback where the engine is installed. Parties cannot constitute a current engine-level interest while installed. A prospective engine-level filing protects the intended priority now and

8.- Aircraft-Protocol_English.pdf, Page 4
9.- Aircraft-Protocol_English.pdf, Page 4
10.- Practitioners-Guide-to-the-Cape-Town-Convention-and-Aircraft-Protocol-October-2020.pdf, Page 76

ripens upon removal. If a shop visit or planned swap will create an uninstalled window, a coordinated current engine-level constitution during that period can be used instead; the pre-installation interest then "survives" installation.

Third, complex fleets with frequent swaps. Because engines move among helicopters, transaction parties adopt portfolio approaches: pre-closing inventories of installation status, dual searches (helicopter and engine), intercreditor agreements that anticipate removal events, calendarized renewals to avoid lapse of prospective filings, and protocols for rapid discharges and subordinations to keep the registry record consistent with intended ordering.

Registration mechanics that matter in helicopter deals

Prospective and current registrations require the same object identification particulars. Filing once, with full particulars suitable for a completed interest, is a best practice; when the futurity event occurs, no second filing is required for priority. Lapse control is critical: if a prospective registration expires or is discharged before ripening, the relation-back benefit is lost and a fresh filing will rank only from its new time.

Consent mirrors current filings. Both debtor and creditor must provide electronic consent. Until completion, a debtor can call for discharge of a prospective registration unless the creditor has given value or committed to give value under applicable law. In jurisdictions with designated entry points, local administrative steps may be prerequisites to the international filing; coordination across counsel ensures the prospective registration is actually accepted and time-stamped as intended.

Diligence, risk allocation, and opinion practice

Diligence focuses on two blocs: object status and competing filings. Because the search certificate for an engine will not reveal its installation status, offshore diligence, maintenance records, installation logs, and operator confirmations is needed to verify whether earlier engine-level filings were made pre-installation (and therefore constitute current interests) or during installation (and therefore operate as prospective registrations pending removal). Where earlier filings exist, intercreditor agreements and subordinations should be aligned to the intended waterfall through installation and removal cycles. Legal opinions often frame these items as assumptions or carveouts, and opinion givers typically confirm the sufficiency of connecting factors, the effectiveness of registrations reflected on search certificates, the presence of required declarations, and the status of any designated entry-point regime.

Why prospective registrations are indispensable in helicopter practice

In helicopter finance, timing and object status frequently diverge from closing intent. Engines are commonly installed at signing, and Article 7 elements may complete at indeterminate times. Prospective registrations supply the only treaty-recognized method to lock a future engine-level priority while the engine is installed and to ensure that, at the moment of removal, the interest springs into full effect with a priority date anchored to the original filing[11]. Combined with a current helicopter-level registration, this two-track approach yields coverage through both phases (installation and post-removal) and is now the standard of care for helicopter structures seeking predictable, first-in-time outcomes[12].

11.- OC 4th Edition (14 March 2019) ID (3).pdf, Page 504
12.- Practitioners-Guide-to-the-Cape-Town-Convention-and-Aircraft-Protocol-October-2020.pdf, Page 75

VERA GARCÍA

Associate

Vera has over 10 years of experience representing financiers and lessors in financing and leasing of their aircraft in Mexico. She negotiates the contractual rights and designs financing and corporate structures for aviation finance in Mexico and Latin America. She manages the registration and enforcement of Sierra LATAM clients' rights. Vera has successfully negotiated settlements for the repossession of assets through alternative methods of dispute resolution.

Education

- Attorney at law by Instituto Tecnológico de Estudios Superiores de Monterrey in Mexico City
- Master in Laws in Corporate Law by Universidad Panamericana
- Postgraduate studies in corporate law by Instituto Tecnológico Autónomo de México.
- Aviation Contracts Law, Aircraft Acquisition and financing and Law of Aviation Insurance by IATA

Memberships

- Member of the Mexican Contact Group for the Aviation Working Group

Publications

- Vera has written multiple articles related to aircraft finance and leasing in COELUM and TERRUM .

Languages

- English
- Spanish

sierra
L A T A M

Prol. Reforma No. 1190 25th Floor,
Santa Fe México D.F. 05349
t. (52.55) 52.92.78.14
www.asyv.com / www.asyv.aero

Find us in

Audio Message

www.linkedin.com/company/asyv