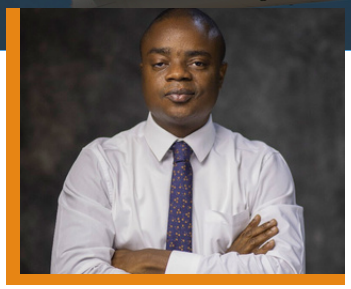
SYNTEGRAL
LEGAL PRACTICE

PART II: UNDERSTANDING AIRCRAFT FINANCING AND THE CAPE TOWN CONVENTION IN NIGERIA

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OVERVIEW

Part II of the series situates aircraft financing within Nigeria's domestic legal and regulatory environment examines the statutory scaffolding presented in Part I, explaining how each statute interacts with the Convention's provisions. The article also analyses domestic registries, administrative procedures, and the operational interface between the Nigeria Civil Aviation Authority (NCAA), Corporate Affairs Commission (CAC), Customs, and insurance regulators, and closes with a critical assessment of the operational gaps that must be bridged for the Convention's promise to be realised in day-to-day finance transactions. Through this analysis, Part II highlights both doctrinal progress and persistent gaps, showing how Nigeria has attempted to reconcile international obligations with local administrative and commercial realities, producing a functional but still "under-entered" market for financiers.

1. INTRODUCTION

Aircraft financing occupies a distinct legal and commercial terrain because it confronts asset mobility, high unit value, and transnational regulatory overlays in a single contractual matrix.These features mean that aircraft finance does not operate as a purely contractual or secured lending exercise, but as an interdependent system in which legal rights, regulatory discretion, and institutional practices intersect. Following its ratification of the Cape Town Convention and Aircraft Protocol (CTC/AP), Nigeriahas pursued a series of statutory, administrative, and judicial reforms aimed at recalibrating the legal and procedural environment for aircraft financing. These measures were introduced against a historical backdrop in which inconsistent enforcement, prolonged recovery timelines, and administrative opacity had materially increased the cost of capital for Nigerian operators and constrained access to modern fleet financing structures and reflect an explicit policy choice to reduce the legal and procedural frictions that historically increased the risk premium demanded by lessors and lenders.

While Part I of this series examined the architecture of the Cape Town Convention in-country, this Part II shifts the analytical lens inward, focusing on how the CTC/AP principles interact with Nigeria's domestic environment. In particular, the discussion interrogates how the localised frameworks are intended to operate in practice and where operational gaps persist.

2. THE LANDSCAPE OF AIRCRAFT FINANCING IN NIGERIA

2.1 Conceptual Clarification: Why Aircraft Financing Differs from Ordinary Secured Lending

the structure of aircraft financing in Nigeria broadly reflects the range of acquisition and funding models used internationally. Airlines may acquire aircraft through outright purchase financed by commercial bank loans or support from Export Credit Agencies (ECAs). Finance leases are commonly used to replicate the economic effect of secured lending, while operating leases allow airlines to use aircraft without taking ownership, leaving title and residual value risk with the lessor. Sale-and-leaseback arrangements enable operators to release capital tied up in existing assets while retaining operational control. More recently, capital market techniques such as asset-backed securities (ABS) and sukuk have begun to emerge, converting aircraft-related cashflows into tradable investment instruments.

Despite their differences, these structures depend on several essential legal conditions: the accurate registration of ownership and security interests, clear and enforceable priority rules between competing creditors, and administrative mechanisms that permit the swift repossession, deregistration and cross-border transfer of aircraft when necessary.

Aircraft financing, however, differs from conventional secured lending in several important respects. First, the collateral is inherently mobile. Aircraft routinely operate across multiple jurisdictions, and their state of registration directly affects legal title, operational authority and the availability of administrative remedies. Secondly, aircraft are exceptionally high-value assets whose economic worth can decline quickly if they are not properly maintained, certified as airworthy, or promptly returned to service. Any delay in enforcement or recovery can therefore significantly reduce the creditor's realisable value. Thirdly, aviation transactions operate within a dense regulatory environment. Matters such as airworthiness certification, safety oversight, customs procedures and insurance fall under different statutory authorities. As a result, the practical enforcement of security rights often depends on coordinated action across multiple agencies rather than on contractual remedies alone.

Taken together, these features mean that certainty of creditor priority and speed of enforcement are not merely desirable; they are economically critical to the viability and cost of aircraft finance. The CTC/AP are designed to address precisely these structural challenges. Their economic rationale is straightforward: by standardising the creation and ranking of international interests, establishing the International Registry for Aircraft Objects, and providing predictable enforcement remedies, the framework reduces legal uncertainty. In doing so, it lowers the risk premium demanded by financiers and broadens the range and affordability of funding available to aircraft operators.

2.2 Historical Evolution of Aircraft Financing in Nigeria

Nigeria's formal engagement with the Cape Town Convention began with the ratification and domestic adoption through the International Interests in Mobile Equipment Act 2015. This process was strengthened by further legislative reform under the Civil Aviation Act (CAA) 2022, which expressly incorporated the Convention into the Nigeria's aviation statute. The effect was to remove any uncertainty about its application within the country and to assure international lessors and export credit agencies that creditor priority and enforcement rights would be supported by statute.

The policy rationale behind these reforms was clear. In the past, difficulties in repossessing aircraft and inconsistencies in enforcement had discouraged foreign lessors and increased financing costs for Nigerian airlines. This, in turn, limited access to affordable capital and slowed fleet renewal and modernisation. By strengthening the legal framework, the government sought to restore confidence and improve the financing environment for domestic operators.

The legislative story was accompanied by administrative action.The NCAA issued advisory circulars and, in 2024, practice guidance to clarify procedures relating to import clearance, temporary import permits, and the registration of aircraft mortgages. In parallel, the judiciary introduced Cape Town Convention Practice Directions in 2024 to ensure that Convention-related cases are given priority and handled on an expedited basis. Taken together, these regulatory and judicial measures have materially strengthened Nigeria's standing under international compliance assessments. That said, the full benefits of the treaty will depend not only on the strength of the legal framework but also on its consistent application across government agencies, as well as on stable and predictable macroeconomic policies that support investor confidence.

2.3 The Commercial Structures in Use in Nigeria

Nigeria's aircraft financing arrangements largely reflect established international practice, but they operate within, and are shaped by, the country's specific legal framework, regulatory environment, and market conditions.

Traditional ownership structures remain important. State-owned airlines and larger private operators frequently acquire aircraft outright, typically with funding from commercial bank loans or support from ECAs. Finance leases are also widely used. In these arrangements, the lessor retains legal title to the aircraft, while the airline assumes the economic risks and operational responsibilities, making the structure function much like a secured loan in commercial terms.

Operating leases, however, have become particularly significant. They allow airlines to expand or adjust their fleets without committing substantial capital upfront, as ownership remains with the lessor throughout the lease term. Similarly, sale-and-leaseback transactions enable operators to unlock immediate liquidity by selling an aircraft to a financier and leasing it back, thereby maintaining operational continuity while strengthening cash flow.

More complex transactions are beginning to appear at the sophisticated end of the market. These include synthetic leasing arrangements and structures involving Special Purpose Entities (SPEs), often spanning multiple jurisdictions. Such arrangements heighten the importance of clear, consistent, and enforceable creditor rights across borders. In parallel, early steps are being taken towards capital market solutions, including ABS and sukuk, which offer the potential for portfolio-level financing and broader risk distribution. These instruments, however, remain at a relatively early stage of development in Nigeria.

Across many of these structures particularly those supported by ECAs or structured as ABS transactions legal certainty is critical. The effectiveness, stability, and predictability of Nigeria's implementation of the Cape Town Convention are therefore not merely technical considerations; they are often a prerequisite for investor participation and competitive financing terms.

2.4 Market Realities

Practical experience suggests a market that is advancing, but not without ongoing operational constraints. On the positive side, international lessors and financiers have increased their involvement where transaction documentation is robust and international registry requirements are properly observed. Domestic banks have also become more active, frequently collaborating with foreign lenders or ECAs in syndicated financing arrangements. Early experiments with asset-backed and other collateralised structures further indicate the beginnings of greater market depth and sophistication.

At the same time, certain frictions continue to shape risk assessments. These include disputes over import duties that have, in some cases, resulted in the detention of private aircraft; inconsistent or ad hoc customs enforcement; uncertainty surrounding foreign exchange repatriation under the policies of the Central Bank of Nigeria; and the practical complexity of aviation-related insurance claims.

Recent developments illustrate this mixed picture. The detention of private jets in 2023 underscored the operational risks that can arise from regulatory uncertainty, while syndicated financing initiatives supported by the African Export-Import Bank in 2025 highlight growing institutional confidence and improved legal structuring. Taken together, these developments point to a market with strong long-term potential, but one in which legal, contractual, and administrative safeguards remain essential to manage residual operational risk.

3. CRITICAL ASSESSMENT OF AVIATION FINANCING LAW IN NIGERIA: WHERE LAW MEETS PRACTICE

Nigeria's recent statutory and administrative reforms have delivered tangible improvements to the country's aviation financing framework. The incorporation of the Convention into the Civil Aviation Act 2022, its earlier domestication through the International Interests in Aircraft Equipment Act 2015, the centralization of jurisdiction in the Federal High Court and the issuance of specialised Practice Directions in 2024 have collectively enhanced legal certainty for lessors and financiers. These measures signal a deliberate effort to align Nigeria's enforcement environment with the expectations of international aircraft creditors.

Yet, while the legal architecture has matured, operational risks remain. In practice, inconsistencies in customs and tax administration have led to occasional aircraft detentions, disrupting repossession and export processes. Volatility in the foreign exchange market, together with intermittent policy adjustments by the Central Bank of Nigeria, can affect the predictability of funding flows and the repatriation of proceeds. Insurance claims handling may be slow, and questions sometimes arise regarding the effective enforcement of lessor and lender loss-payee rights. In addition, judicial capacity outside designated Federal High Court divisions, coupled with routine court congestion, can delay relief where matters are not channelled through the expedited procedures.

Taken together, these practical frictions introduce residual transaction costs that the Convention, by itself, cannot eliminate. Legal reform has improved the framework; however, sustained administrative coordination and careful contractual planning remain essential to ensure that creditor rights are not only recognised in law but are workable in practice.

From a drafting standpoint, the implications are straightforward and should be treated as essential safeguards rather than optional refinements. Transaction documents should ensure timely and coordinated filings with the International Registry for Aircraft Objects, the NCAA and the CAC. The IDERAs must be executed in strict compliance with NCAA procedural requirements and supported by appropriate documentation. Insurance arrangements should clearly designate lenders and lessors as loss payees and provide unequivocal rules for the application of proceeds.

Customs and import documentation should be kept current at all times, and foreign exchange and repatriation provisions should be expressly structured to anticipate regulatory expectations.

These measures are not merely matters of drafting discipline. They are the practical conditions necessary to convert statutory and treaty protections into recoverable value in real-world enforcement an issue that the next section examines in greater detail.
Practically speaking, the protective architecture for financiers rests on five operational pillars:

a. correct registration on the International Registry.
b. concurrent and timely local filings with the NCAA and CAC.
c. properly drafted IDERA and supporting documentation that satisfy NCAA advisory circular requirements.
d. prudent customs and tax compliance to avoid detention risk; and
e. contingency planning for FX and insurance issues.

When these pillars are observed, the Cape Town framework and domestic statutory enhancements materially reduce enforcement risk; however, when they are neglected, even the Convention's protections cannot forestall operational impediments.

4. CONCLUSION

Holistically, the practical frameworks examined in this Part point not to a constrained market, but to one whose foundations are stronger than its current risk perception suggests. The evolution of Nigeria's legal and regulatory environment particularly following its adoption and implementation of the Cape Town Convention and the Protocol to the Convention on Matters Specific to Aircraft Equipment has materially improved the clarity, enforceability and institutional recognition of creditor rights. In formal terms, the architecture now reflects the core features international financiers expect defined priorities, structured remedies, and a recognised pathway for enforcement. What remains is not a deficiency of protection, but a gradual realignment of market perception with this strengthened legal reality.
For international investors, the Nigerian aviation sector therefore presents a landscape in transition from generalised risk assumptions to more measurable and manageable exposure. The sources of uncertainty that do arise are increasingly operational rather than structural, and they tend to occur at identifiable institutional touchpoints rather than within the legal framework itself. This distinction is significant. Where risk can be located, analysed and mitigated, it becomes capable of pricing and management. In this respect, the market increasingly favours participants who engage with local processes, institutional practice and transaction structuring, rather than those who rely on broad jurisdictional caution.

The practical implication is that Nigeria's aviation financing environment is moving towards a regime in which informed participation is rewarded. The combination of a large and growing air transport demand base, a demonstrated reliance on leasing structures, and a creditor-protective framework aligned with international standards creates a setting in which legal certainty and commercial opportunity now sit more closely together than is often assumed. As familiarity with the operational environment deepens, the gap between legal capability and capital participation is likely to narrow.

The next Part builds on this perspective by examining how lessor rights and airline obligations interact at the point of enforcementwhere the protections introduced under the Cape Town regime are translated from legal assurance into practical commercial confidence.

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