



NAFA
National Aircraft Finance Association

TIPS FOR AVOIDING DEALING WITH BAD ACTORS IN AIRCRAFT TRANSACTIONS

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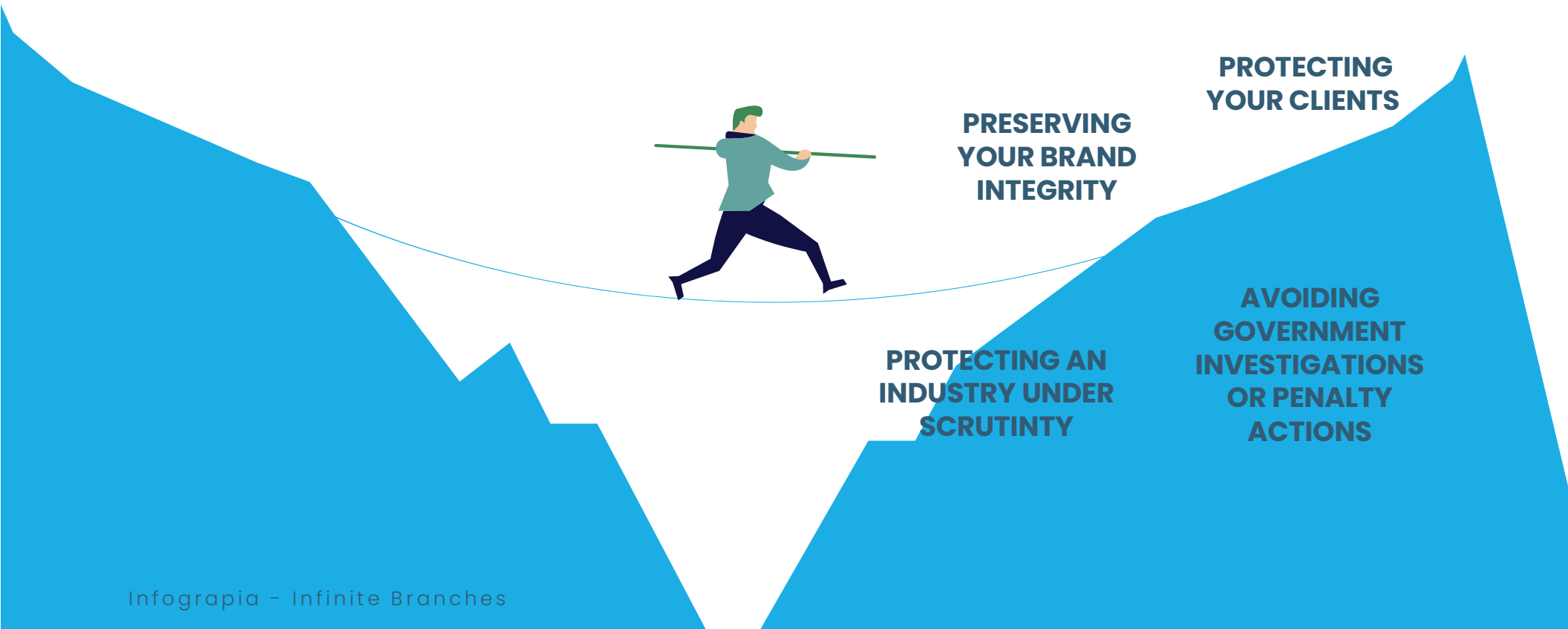
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WHAT DOES “KNOW YOUR CUSTOMER” DUE DILIGENCE MEAN TO YOU?

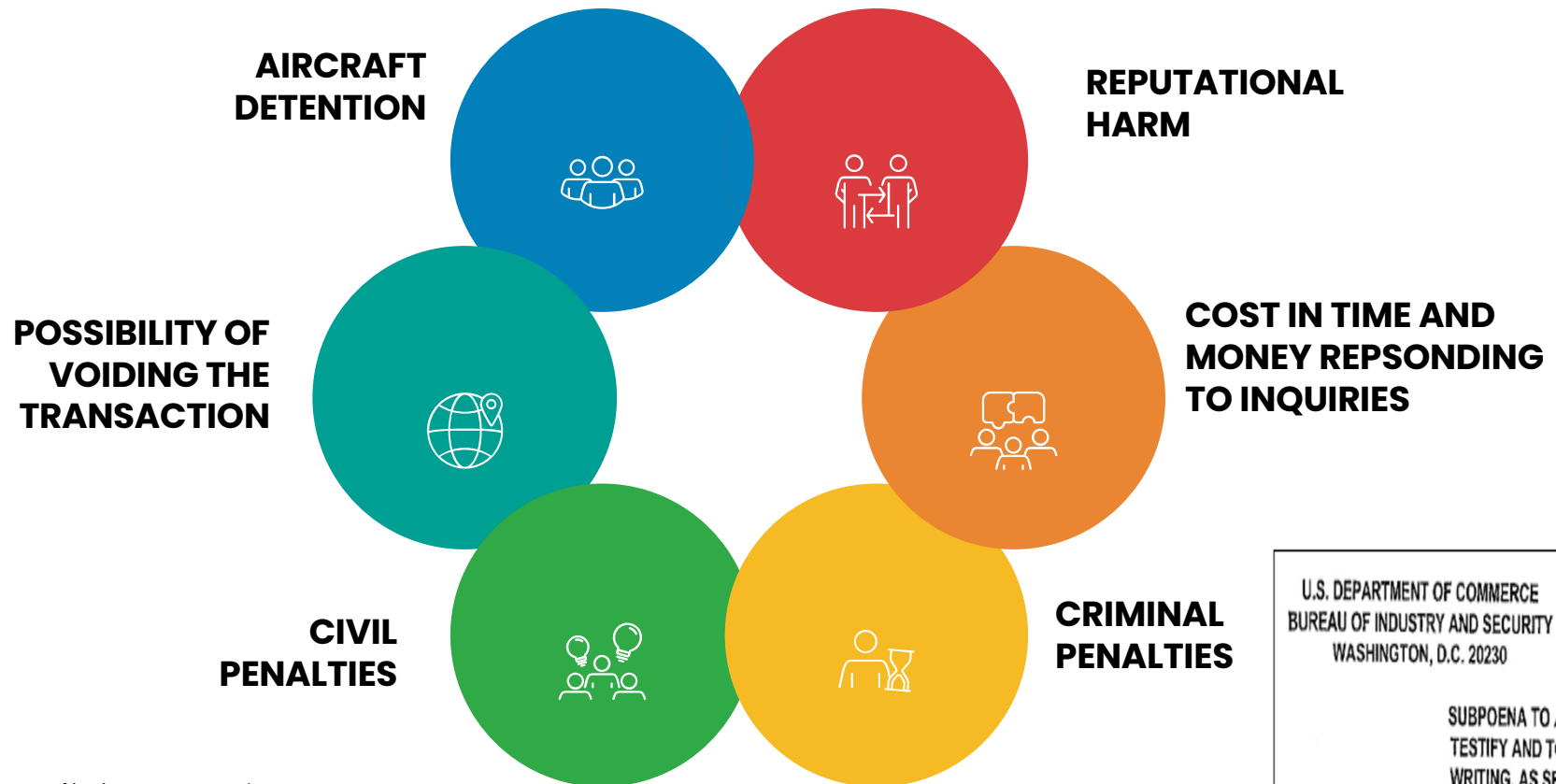
And why is it Important in aircraft transactions?



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What is my exposure as seller, buyer, broker if I get it wrong?



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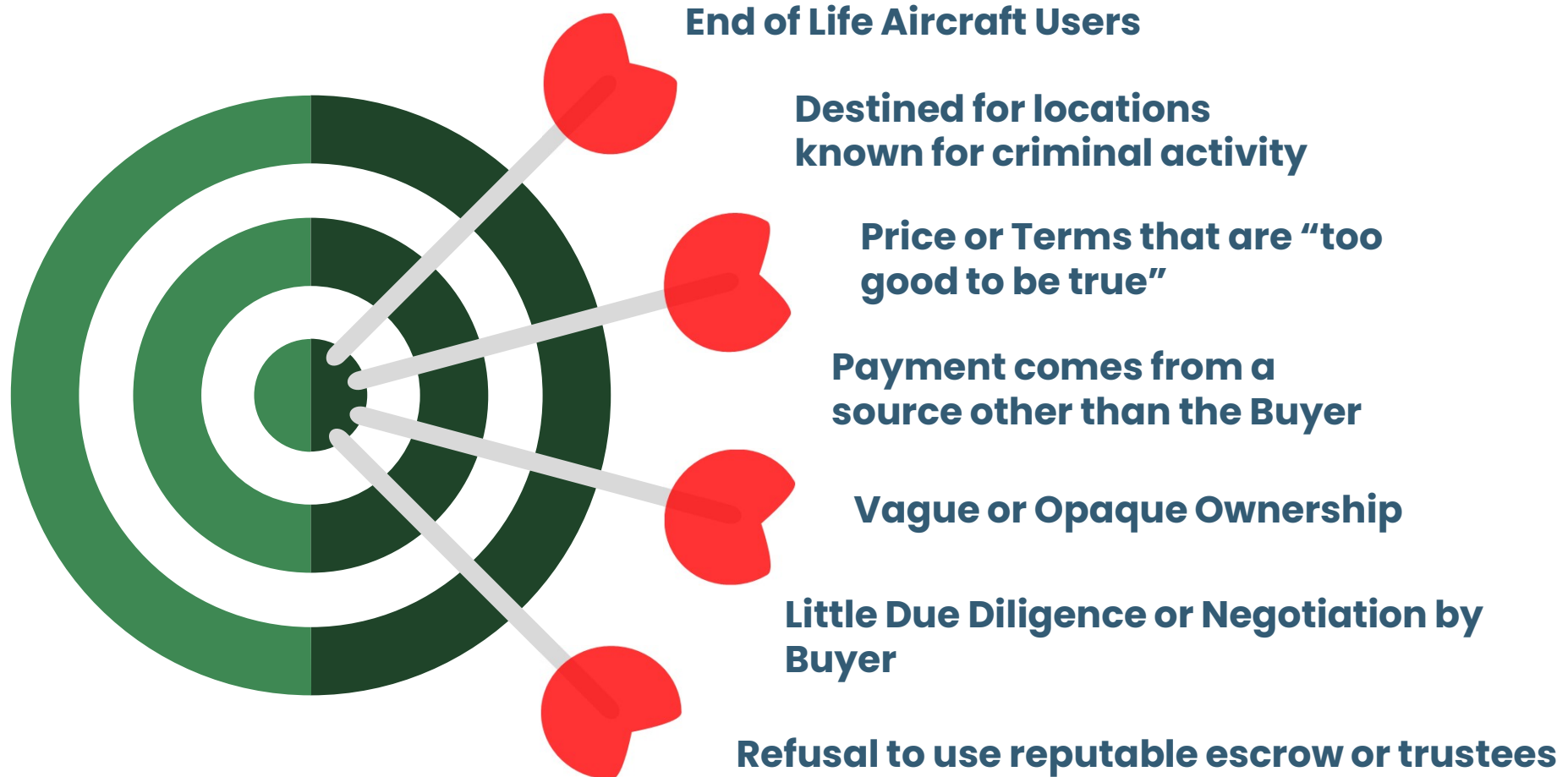




What Are the risks in Aircraft transactions?

Let's talk about some real-world examples....

RED FLAGS TO WATCH FOR



What Are the Real “Sanctions” Risk in buying and selling aircraft?
And how have sanctions on Russian Oligarch’s created additional risk?

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US Government Sanctions,
Restrictions, and Export Controls

Applicable to individuals and
companies

“Specially Designated Nationals
“SDNs” and property owned by an
SDN and 50% Rule

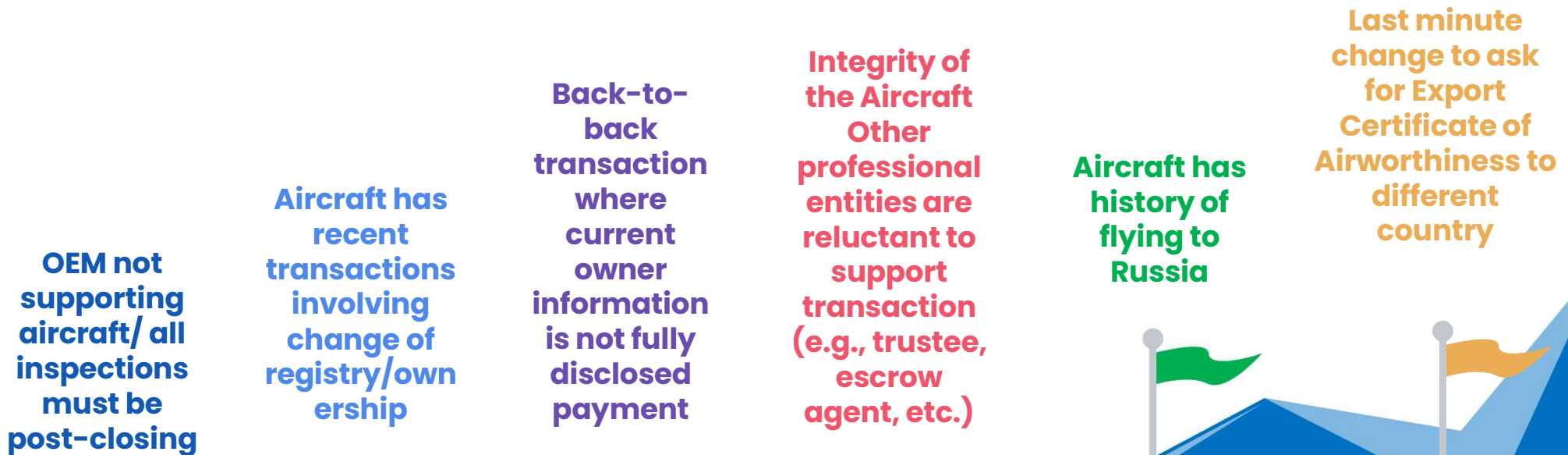
Sanctions and export controls on
Russia and Russian entities created
new risks

- Complex ownership structures
- Export controls on non-sanctioned Russian nationals



SOME RED FLAGS OF “Sanctions” Risk

NOTE: A “red flag” does not mean the deal is dead, but does warrant further investigation



HOW SHOULD I GO ABOUT CONDUCTING KYC DUE DILIGENCE?

And how much diligence is enough?



What the U.S. Government says about risk-based due diligence



What is a UBO and why is important?



The value of a basic “negative news” search – Identify ties to drug smugglers, human traffickers, etc. 20/20 hindsight of enforcement officials




How should I document my diligence?



Note: the next webinar in this series will into depth on mechanics of how to conduct KYC



COMMON QUESTIONS IN KYC

A black and white photograph of two hands, one on the left and one on the right, with their index fingers pointing towards each other. The hands are positioned as if they are about to shake or are in a tense conversation. The background is a plain, light-colored wall.

If the escrow agent and law firm are doing diligence,
can I rely on that diligence?

I understand the need for KYC in international transactions,
but what about domestic transactions?

This is a back-to-back deal, and the other broker is
reluctant to provide information on the current owner or ultimate
buyer, what can I do?

What are the Money-laundering and Fraud Risks in Aircraft transactions?

Schemes to use aircraft transactions to launder money

Corporate Transparency Act (CTA) scams
Notice from “United States Department of Records Management” regarding mandatory reporting deadlines under CTA

Speare Phishing attacks in aircraft transaction wire transfers



Fraud – Hacking Risks in Aviation Transactions

A cautionary example

Mirae Asset Daewoo lost \$5 million in “spear-phishing” attack in 2020 in aircraft lease transaction

How it Happened:

Employee received what looked like legitimate request to pay \$5 million balance owned.

Mimicking Legitimate Requests:

Likely criminals had been monitoring email traffic and mimicked format.

Lack of verification:

Because email sender and format appeared to match previous legitimate payment requests, the transfer was approved.





Similar phishing attacks
may occur in
transactions through
escrow agents and
routine vendor
payments Industry

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Everyone Matters

Stay Curious

Keep Asking questions when situations are NOT intuitive

Trust BUT Verify

Trust your Gut

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Key Prevention Measures

ABC – ALWAYS BE CURIOUS



Identify and confirm all parties involved in the transaction

Verify new/change wire information via phone

Carefully review sender email information

Be wary of “urgent” wire requests

Last Minute Requests for change in payment details or amended invoices





What is my exposure as
seller, buyer, broker if I
get it wrong?

AIRCRAFT DETENTION

**CRIMINAL OR CIVIL MONEY
PENALTIES**

**TRANSACTION MAY BE DEEMED
“VOID” IF IT INVOLVES PROPERTY OF
AN SDN**

**REPUTATIONAL HARM TO YOU, YOUR
FIRM, AND THE COMMUNITY**

**COST IN TIME AND MONEY IN
RESPONDING TO GOVERNMENT
INVESTIGATION**



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Final Remarks & Q&A



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