

RESOLUTION 800f

AGENTS' FINANCIAL EVALUATION CRITERIA

- △ PAC1(50)800f(except USA) Expiry: Indefinite
PAC2(50)800f Type: B
PAC3(50)800f

WHEREAS Resolution 800 provides that Agency Investigation Panels are authorised to establish certain standards, application of such standards are subject to their prior endorsement by the Agency Administrator and published in the Travel Agent's Handbook;

- △ WHEREAS Resolution 818g provides that applicants and Agents shall undergo an evaluation of their financial standing to become and maintain status as an Accredited Agent in accordance with established Local Financial Criteria;
- △ WHEREAS a market may have not developed its own Local Financial Criteria;
- △ WHEREAS a review of Local Financial Criteria in a particular market may raise financial concerns;
- △ RESOLVED that the AGENTS' FINANCIAL EVALUATION CRITERIA shown at Appendix 'A' shall be taken into account as a best practice for the establishment and/or review of the Local Financial Criteria in markets where existing Local Financial Criteria raise substantiated concerns, including by AIPs and APJCs, subject to any local conditions that may apply.

GENERAL RULE

- △ 1. Each AIP and APJC must evaluate its Local Financial Criteria at least once per annum taking into consideration the best practice financial criteria contained in Appendix 'A', subject to any local conditions that may apply.
- △ 2. In the event of any conflict, contradiction or inconsistency between (a) the provisions of this resolution or the provisions of any Local Criteria as the case may be and (b) any provisions contained within the applicable Passenger Sales Agency Rules for a market, the provisions of the Passenger Sales Agency Rules shall prevail.
3. The definitions of terms and expressions used in this Resolution 800f adopt the definitions in Resolution 866. The use of words and expressions in the singular will, where the context so permits, be taken to include their use in the plural and vice versa. Paragraph headings are for ease of reference only and do not form part of this Resolution 800f.

RESOLUTION 800f

Appendix 'A'

AGENTS' FINANCIAL EVALUATION CRITERIA

1. GENERAL RULE

1.1 Audited Accounts means accounts reviewed by an auditor recognised as competent by the regulatory authority in that country to perform an audit that are provided to IATA. *Certified accounts will be applicable in those countries where APJCs accept certified accounts according to local law.* In all instances the established accounting rules in a country will apply.

1.2 If an Agent provides Audited Accounts to IATA with an audit report or local regulatory equivalent in relation to the possibility to apply the financial tests under Section 2 and:

1.2.1 the qualified audit report does not set out the adjustments which should be made to the Audited Accounts to enable the auditor to provide an unqualified audit report, the Agent will be required to provide a Financial Security calculated in accordance with the amount at risk applicable to the Agent under this Resolution.

1.2.2 the qualified audit report does set out the adjustments which should be made to the Audited Accounts to enable the auditor to provide an unqualified audit opinion report, the Audited Accounts will be referred to a third party financial assessor selected by IATA who will determine how the Audited Accounts will be restated as a result of adjustments set out in the qualified audit opinion report. The restated Audited Accounts will be used in the financial assessment subject to the financial tests set out in Section 2.

1.2.3 The determination made by the third party financial assessor under section 1.2.2 will be final, subject to the provisions of Resolution 820e.

Multiple IATA Numeric Codes

1.3 If an Agent is granted an additional IATA numeric code(s) then any Financial Security already provided by the Agent will be re-calculated based on the gross BSP sales 60 days after the date that the additional IATA numeric code(s) is granted based on the Amount at Risk applicable to that Agent.

2. CRITERIA FOR EVALUATION OF AGENTS' ACCOUNTS

2.1 All financial information used in the financial criteria will be extracted from the Agent's Audited Accounts.

2.2 If an Agent's Audited Accounts are adjusted and restated in accordance with Section 1.2.2 of this Resolution 800f, the restated accounts must be used in calculating the financial tests set out in sections 2.3.1–2.3.5 below.

2.3 The following financial tests apply to the evaluation of an Agent's Audited Accounts:

2.3.1 There must be positive Net Equity.

2.3.2 Net Equity divided by long-term debt and other long-term liabilities must be greater than 0.5.

2.3.3 EBITDA (Earnings Before Interest, Taxation, Depreciation, Amortisation and extraordinary items) must be positive save in exceptional circumstances.

2.3.4 The EBITDA must exceed the interest payable by a factor of a minimum of two *and ideally three*.

2.3.5 Adjusted Current Assets must exceed Current Liabilities.

3. ANNUAL FINANCIAL REVIEWS

Agents accredited for two years or less

3.1 All Agents must provide Audited Accounts not more than 12 months old at the time of submission to become an Agent for the purposes of evaluation against the financial tests in Section 2 of this Resolution 800f. If an Agent has been in business for less than 12 months at the time of application, an opening balance sheet must be provided instead.

3.2 All Agents must provide Audited Accounts no later than 4 months after each financial year end, or as required by legislation, during the first two years of accreditation for the purposes of evaluation against the financial tests in Section 2 of this Resolution 800f.

3.3 All Agents must provide a Financial Security during the first two years as an Agent in accordance with Section 5 of this Resolution 800f.

Agents accredited for more than two years

3.4 All Agents must provide Audited Accounts no later than 4 months after each financial year end, or as required by legislation, of that Agent for the purposes of evaluation against the financial tests in Section 2 of this Resolution 800f.

3.5 If an Agent passes all the financial tests and satisfies all the points below, the Agent will not be required to provide IATA with a Financial Security:

3.5.1 The Agent has not had any of the following in the last 12 months:

- (i) a default (including defaults resulting from an accumulation of irregularities) and removal from the Agency List.
- (ii) a change of ownership subject to the conditions in Section 6.

3.5.2 The Agent also passed all of the financial tests under Section 2 of this Resolution 800f based on the Audited Accounts provided for the previous two years.

3.6 If an Agent fails to pass any of the financial tests, the Agent must provide a Financial Security in accordance with Section 5 of this Resolution 800f.

4. INTERIM FINANCIAL REVIEWS

4.1 For any Financial Review conducted for cause at a time other than in respect of an Agent's financial year end, IATA may conduct a Financial Review in accordance with Section 3 of this Resolution 800f, as applicable to that Agent by reviewing the internal monthly management accounts of the Agent showing the results for each month since the last accounting date, the cumulative results to date and the latest balance sheet.

5. FINANCIAL SECURITY

5.1 An Agent will not be accredited or will not continue to be accredited until any Financial Security required to be provided to IATA has been received by IATA and confirmed to IATA by way of written confirmation received directly from the third party supporting the Financial Security that the Financial Security was issued by that third party and is valid.

5.2 Financial Securities will be subject to a minimum notice period of ninety (90) days and ideally be valid for an unlimited period but will be expected to be valid for a minimum of at least one year.

5.3 For the purposes of calculating the amount of a Financial Security the following definitions apply:

5.3.1 “Days' Sales at Risk” means the number of days from the beginning of the Agent's Reporting Period to the Remittance Date in respect of that Reporting Period or Periods, plus a margin of up to five days.

5.3.2 “Amount at Risk” is calculated by dividing the Days' Sales at Risk by 90 days, and applying that percentage to the BSP cash turnover, or cash turnover as applicable, amount the Agent made in the three month period referred to in Section 5.5 or 5.7 of this Resolution 800f, as applicable:

$$\text{“Amount at Risk”} = \frac{\text{“Days' Sales At Risk”} \times \text{BSP cash turnover in applicable 3 month period}}{90}$$

Agents accredited for two years or less

5.4 All Agents must provide a Financial Security with a minimum amount of USD 50,000 to be accredited.

5.5 After the first three months of accreditation and after the first 12 months of accreditation, the amount of the Financial Security required must cover at a minimum the higher of:

5.5.1 the Amount at Risk calculated as per Section 5.3 using the cash turnover amount equal to the average net monthly cash sales of the Agent during the previous three month period; or

5.5.2 USD 50,000.

If the existing Financial Security is insufficient to cover the Amount at Risk, the amount of the Financial Security required will be increased to cover the Amount at Risk.

5.6 Except for the amount of the initial Financial Security, all calculations of the amount of Financial Security required under this Resolution 800f or the Passenger Sales Agency Rules for Agents accredited for two years or less will be reviewed and calculated under Section 5.5 of this Resolution 800f.

Agents accredited for more than two years

5.7 The amount of the Financial Security required must cover at a minimum the Amount at Risk calculated as per Section 5.3 using the BSP cash turnover, or cash turnover as applicable, amount equal to the average of the 3 months highest net cash sales in the previous 12 months. If the existing Financial Security is insufficient to cover the Amount at Risk, the amount of the Financial Security required will be increased to cover the Amount at Risk.

5.8 All calculations of the amount of Financial Security required under this Resolution 800f or the Passenger Sales Agency Rules for Agents accredited for more than two years will be calculated under Section 5.7 of this Resolution 800f.

6. CHANGES IN OWNERSHIP

6.1 This section applies to all changes in ownership or control or any other Review resulting from a change of ownership or control of the Agent in accordance with the Passenger Sales Agency Rules.

6.2 The Agent must provide Audited Accounts, no later than 90 days after the change of ownership or control is effected. The Accounts must cover a period of 12 months including, at a minimum, the first month after the change of ownership or control takes effect and IATA will use these Accounts to conduct the Financial Review applicable to the Agent under this Resolution 800f.

6.3 *For Agents that have a change in ownership or control that necessitates a new Passenger Sales Agency Agreement, consideration will be given by the local APJC as to whether a Financial Security is required.*

7. CHANGES IN FINANCIAL YEAR END

7.1 All Agents must notify IATA immediately of a change in its financial year-end.

7.2 The Agent must provide both:

7.2.1 Audited Accounts within 60 days after the change is made and IATA will conduct the Financial Review applicable to the Agent under this Resolution 800f.

7.2.2 Audited Accounts for the financial year end that would have applied to the Agent before the Agent changed its financial year end. These must be provided to IATA within 60 days of the former financial year end.

8. SIGNIFICANT CHANGE IN GROSS BSP SALES

8.1 A significant change means any change in the business of the Agent which results in a change in gross BSP sales of more than 20% as compared to the previous 12 months. A change can be an increase or a decrease in gross BSP sales.

8.2 An Agent must notify IATA of any significant change as soon as the Agent becomes aware of it.

8.3 An interim Financial Review may also be initiated by IATA where IATA becomes aware of a significant change in gross BSP sales in accordance with Section 4.

DEFINITIONS OF TERMS USED IN THESE GUIDELINES

Adjusted Current Assets—are defined as Current Assets as in the Balance Sheet of the Accounts after deducting:

- Stocks and work in progress,
- Deposits given to third parties other than IATA,
- Loans to Directors, Associate Companies, (including any subsidiary, associate or company under common ownership),
- Doubtful debtors,
- Blocked funds, except for funds held in favour of IATA.

These generic descriptions may be modified to terms specifically defined under the applicable local Generally Accepted Accounting Principles (GAAP) and disclosed in the financial statements.

Current Liabilities—are defined as Current Liabilities as in the Balance Sheet of the Accounts.

EBITDA—Earnings Before Interest, Taxation, Depreciation and Amortisation.

Financial Irregularity means an irregularity applied as a result of any failure to adhere to the reporting and remittance procedures described in Resolution 818g Attachment “A” including but not limited to those irregularities described in Resolution 818g Attachment “A”.

Financial Review means a review of an Agent's financial position or the calculation of the amount of Financial Security required in accordance with this Resolution 800f, or both.

Irregularity means any irregularity applied under the Passenger Sales Agency Rules for non-compliance with those Rules including but not limited to Financial Irregularities.

Net Equity or Shareholders'/Owners' Funds—consists of:

- Share capital
- Share premium
- Retained earnings
- Other distributable reserves
- Shareholder's loans if subordinated less declared dividends.

Long Term Debt—All debt liabilities where repayment is due more than twelve months after the end of the financial period.

Long Term Liabilities—all liabilities where repayment is due more than twelve months after the end of the financial period.

Review means any assessment or evaluation of an Agent's continuing compliance with the Passenger Sales Agency Rules.

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RESOLUTION 800x

EMERGENCY CHANGES TO REPORTING AND REMITTANCE

PAC1(Mail A161)(Latin America and the Caribbean, except French Overseas Departments) Expiry: Indefinite Type: B

RESOLVED that the following provisions shall apply in any country where the economic and financial conditions indicate that extraordinary action is warranted.

Definitions

The definitions of terms and expressions used in this Resolution are contained in Resolution 866. The use of words and expressions in the singular shall, where the context so permits, be taken to include their use in the plural and vice versa. Paragraph headings are for ease of reference only and do not form part of these Rules.

1. when economic and financial conditions so warrant, and when requested by a Member, Agency Programme Joint Council, or Joint Agency Liaison Working Group, the Conference may require Applicants to provide bank or insurance bonds or guarantees; normal business fluctuations will be taken into consideration when determining the level of such guarantees and Applicants will be provided with a reasonable period of time to furnish such guarantees;

1.1 if, subsequent to the implementation of the provision shown in Paragraph 1 above, the economic and financial conditions no longer warrant such requirements, the Conference shall, at its next meeting, review ratification of these special measures;

1.2 the Conference shall determine the economic and financial indicators and the degree of variations thereof warranting consideration of these special measures;

2. REPORTING AND REMITTING PROCEDURES

2.1 notwithstanding any provision to the contrary contained in the relevant Passenger Sales Agency Rules dealing with reporting and remittance, the frequencies of Agents' reporting and remitting and/or the Remittance Date may be modified in response to changing economic circumstances under the following conditions:

2.2 the Conference shall be responsible for monitoring the evolution of the economic situation in each BSP area and establishing a set of economic and financial indicators and the degrees of variations thereof which should prompt a reappraisal of the reporting/remitting frequencies and/or of the Remittance Date applicable in the country(ies) concerned;

2.3 In determining those indicators and degrees of variations, the Conference shall take into consideration the