



5 August 2019

M E M O R A N D U M
PAC/RESO/663

TO: All Members,
Passenger Agency Conference Accredited Representatives

FROM: Director, FDS Operations, GDC

SUBJECT: **MAIL VOTE (A304)**
PAC2 (Mail A304)
Changes to Local Financial Criteria – United Kingdom

Background Information

APJC UK met on 14 May 2019 and discussed changes to Local Financial Criteria for UK recommended by the Financial Advisory Group, that was formed by a decision of the Council on 4 December 2018 and met four times in 2019.

One of the changes recommended was regarding the credibility of the data in the audited annual accounts provided by Agents for review by IATA, as IATA and Airlines were concerned that in some instances it may not be the case.

Following the discussion by the Council members and an unanimous vote, the following change is recommended to Conference, and is included in the attached text of the Local Financial Criteria for UK under paragraph 1.5:

The statutory Auditor and/ or the Reporting Accountant must hold a current Practising Certificate issued by a recognized accountancy body (see note 1 for accepted bodies). A valid copy of the Practising Certificate must be provided with the Annual Accounts and must not be older than one year from the date of signing of the audit report to the financial statements.

Effective date

The proposed effective date of the change is 1 October 2019.

Proposed Action

Conference to adopt the changes to the Local Financial Criteria as shown in Attachment 'A'.

The timetable for Mail Vote A304 is as follows:

Voting Period:	5 – 19 August 2019
Filing Period:	20 August – 3 September 2019
Effectiveness:	1 October 2019

To cast a vote, Members are asked to access the application from the following link:

<https://www.surveymonkey.com/r/A304-319>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Monday, 19 August 2019**. Votes not cast by that deadline will be deemed to be affirmative.

In conformity with the Mail Vote procedure endorsed by PAConf in October 2009, this Mail Vote has been provided in advance to representatives of the agency associations ECTAA, UFTAA and WTAAA for review and/or comment. No comments were received.

Any Member seeking clarification on any aspect of the mail vote or the mail vote process is invited to contact the IATA Distribution Management team by email to distributionmanagement@iata.org.



Juan Antonio Rodriguez
Director, FDS Operations, GDC

Attachment A:

UNITED KINGDOM

(Effective ~~1-February 2019~~ — PAC/41 1 October 2019 – MV304)

1. GENERAL RULES

ACCOUNTS

1.1 Audited Accounts means accounts prepared by a statutory Auditor, recognized as competent by the regulatory authority in that country to perform an audit, that are provided to IATA.

1.2 Where Accounts are required to be provided, all Agents must provide **Audited Accounts**.

1.3 Newly formed companies that have traded for less than 12 months at the time of application for accreditation must submit an opening balance sheet, prepared by their statutory auditor.

1.4 Notwithstanding the provisions above, sole traders, partnerships and UK registered limited companies, that meet the conditions for exemption from audit as a small company as defined by the UK Companies Act, may submit certified accounts, provided that (i) the certification is issued by an independent Reporting Accountant (see Note 1) and (ii) the Agent settles its BSP liabilities four times monthly, according to the published BSP Reporting Calendar.

1.5. The statutory Auditor and/ or the Reporting Accountant must hold a current Practising Certificate issued by a recognized accountancy body (see note 1 for accepted bodies). A valid copy of the Practising Certificate must be provided with the Annual Accounts and must not be older than one year from the date of signing of the audit report to the financial statements.

SETTLEMENT DATES

1.5 The Settlement Dates in the United Kingdom are:

- The 1st and 15th of the month following the month of sale for Agents settling their BSP liabilities twice per calendar month. The reporting periods are: 1-15th and 16th to the end of calendar month.
- 8 days after each reporting period for Agents settling their BSP liabilities four times per calendar month. The reporting periods are: 1-7th, 8-15th, 16-23rd and 24th to the end of the calendar month.

A yearly BSP Reporting Calendar is published and can be found on the IATA Customer Service website.

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

2.2.1 There must be **positive Net Equity**

2.2.2 Profitability: The accounts must show that the Agent has made a profit before tax at the end of an accounting period.

2.2.3 Liquidity: The accounts must show a positive liquidity ratio i.e. current assets must exceed current liabilities at the end of an accounting period.

2.2.4 An Agent Accounts must disclose the nature of company Debtors (trade, related parties etc) and their corresponding values. Failure to do so will result in further investigation by IATA and the total value of Debtors may not be taken into account for the purpose of calculation of the above ratios.

The Agent Financial Review will be considered as PASSED as defined in Resolution 812 when all the above financial criteria are met.

3. ANNUAL FINANCIAL REVIEWS

Agents accredited for two years or less

3.1 All Agents must provide Audited Accounts not more than 6 months old at the time of application to become an Agent, for the purpose of evaluation against the Criteria in Section 2 of this document. The accounts must cover a period of least 12 months of trading. If an Agent has been in business for less than 12 months at the time of application, it must submit an opening balance sheet, prepared by their statutory auditor.

Agents accredited for more than two years

3.2 All Agents must provide Audited Accounts not later than 6 months after each financial year end of that Agent for the purposes of evaluation against the financial tests in Section 2 of this document. The accounts must cover a period of at least 12 months of trading.

4. FINANCIAL SECURITY

4.1 An Agent will not be accredited or will not continue to be accredited until a Financial Security required to be provided to IATA has been:

- (a) received by IATA; and
- (b) 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.

4.2 Financial Securities must be for an unlimited period and subject to a minimum notice period of cancellation of ninety (90) days.

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

4.3.1 "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 five days.

4.3.2 "Amount at Risk" is calculated by dividing the Days' Sales at Risk by 90 days and applying that percentage to the BSP net to be paid turnover, the Agent made in the three month period referred to in Section 4.6, as applicable.

4.3.3

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

4.4 The following Financial Securities are accepted as per Resolution 850p:

- Bank guarantees arranged through a bank registered in the UK, Channel Islands or Isle of Man under the statutes of the UK/Channel Islands/Isle of Man
- Insurance bonds arranged through IATA approved Insurance Companies
- Global Default Insurance

4.5 New Applicants

All Agents must provide a Financial Security, with a minimum amount of GBP50,000 during the first two (2) years as IATA accredited Agent, and must settle their liabilities four times per calendar month.

4.6 Existing Agents

4.6.1 Agents with Risk Status A

For Agents with Risk Status A no Financial Security will be required.

4.6.2 Agents with Risk Status B

Agents with Risk Status B are required to provide a Financial Security that covers at a minimum the Amount at Risk calculated as per Section 4.3 using the cash turnover amount of the 3 month highest BSP net to be paid turnover in the previous 12 months period, or GBP 25,000, whichever is higher.

4.6.3 Agents with Risk Status C

Agents with Risk Status C are required to provide a Financial Security that covers at a minimum the Amount at Risk calculated as per Section 4.3 using the cash turnover amount of the 3 month highest BSP net to be paid turnover in the previous 12 months period, or GBP 25,000, whichever is higher.

5 CHANGES IN FINANCIAL YEAR END

5.1 An Agent must notify IATA immediately of a change in its financial year-end.

5.2 If the Agent prepares accounts for a period of more than 12 months, the Agent must provide Audited Accounts within 18 months of the previous financial year-end (i.e. within 6 months of the original financial year-end)

5.3 If an Agent extends their financial year-end by the full six months allowed under UK Company Law, exceptionally a maximum of a further two months extension may be granted for final submission of Audited Accounts.

5.4 If the Agent prepares accounts for a period of less than 12 months, the Agent must provide Audited Accounts within six months of the new financial year-end.

5.5 IATA will conduct the Financial Review applicable to the Agent.

Note 1 - Reporting Accountant

The Reporting Accountant shall be either a statutory Auditor, which in the UK means a person eligible for appointment as a statutory Auditor as set out in Part 42 Statutory Auditors of the Companies Act 2006 or an independent qualified accountant holding a current practising certificate with a recognised accountancy body. We list below the accepted recognised accountancy bodies:

- Institute of Chartered Accountants of England & Wales
- Institute of Chartered Accountants of Scotland
- Institute of Chartered Accountants of Ireland
- Association Chartered Certified Accountants
- Association of Authorised Public Accountants
- Chartered Institute of Management Accountants
- Association of Accounting Technicians
- Association of International Accountants
- Institute of Chartered Secretaries and Administrators
- Institute of Financial Accountants