



5 August 2019

**M E M O R A N D U M**  
**PAC/RESO/668**

TO: All Members,  
Passenger Agency Conference Accredited Representatives

FROM: Director, FDS Operations, GDC

SUBJECT: **MAIL VOTE (A309)**  
PAC2 (Mail A309)  
**Changes to Local Financial Criteria – Kuwait**

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**Background Information**

Kuwait APJC met on 25 March 2019 to discuss the proposed changes for the LFC of Kuwait in line with Resolution 812 and NewGen ISS implementation.

The changes focused on the Financial Security and introducing the categorizing levels of Agent's Risk Statutes A, B & C.

A quorum was present from the Airlines and Agents.

The APJC voted unanimously to recommend the changes to Conference.

**Effective date**

The proposed effective date of these changes 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 A309 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](mailto:distributionmanagement@iata.org).

A handwritten signature in black ink, appearing to read 'J.A. Rodriguez', with a long horizontal stroke extending to the right.

Juan Antonio Rodriguez  
Director, FDS Operations, GDC

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## Attachment A:

It is proposed to change the Local Financial Criteria of Kuwait as follows:

### KUWAIT

*(Effective 19 November 2010 = PAC/33)*

#### NEW APPLICANTS

##### Finances

###### a. Financial Statements

~~Certified accounts i.e. balance sheet/Opening balances, bank's statement(s) of accounts, auditor's statement of preferential claims on assets and contingent liabilities.~~

###### b. Financial Security

~~Applicants must provide a minimum level of provisional Bank Guarantee of KWD 75,000/- per location.~~

###### c. Financial Review

~~Newly accredited agents will be subject to Financial review within six months of the approval date and/or the submission of the provisional Bank Guarantee, and accordingly will be required to submit a revised Bank Guarantee that covers 5 weeks of sales turnover subject to a minimum of KD 75,000/- per location.~~

#### EXISTING AGENTS

##### Finances

###### a. Financial Statements

- ~~• Certified accounts, which are not more than 6 months old (i.e. balance sheet, profit & loss account indicating a satisfactory financial standing), aged statement of accounts receivable and payable, bank's statement (s) of accounts for preceding three months, auditor's statement of preferential claims on assets and contingent liabilities.~~
- ~~• For the avoidance of doubt, certified financial Statements must be submitted to IATA irrespective of the type of Financial Security used.~~

###### b. Financial Securities

~~Qualifying agents may choose one of the following two methods of Financial Security:~~

###### 1. Bank Guarantee

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Agents must provide a Bank Guarantee equivalent to an average 4 weeks sales (based on previous 12 month sales) subject to a minimum of KWD 50,000/- and maximum of KWD 200,000/- **per location**

In case of new and/or existing agents with multi-locations (branches and/or implants), the financial documents of the approved and operating HO should be submitted. Consequently the financial security (BG) should cover the entire agency network.

## **2. Default Insurance Policy (DIP)**

- (i) Is an optional financial security method which that qualifying Agencies might choose, instead of the basic Bank Guarantee method outlined in (1) above subject to. DIP will be available to those Agency locations that have completed a minimum of three (3) years of trading in the BSP using a bank guarantee as the form of security.
- (ii) The DIP accepted in BSP KW is the one discussed by the 22nd APJC KW meeting held on 5 August 2010 and the implementation to start on 01 November 2010, or the date of finalizing necessary Agreement.
- (iii) Those locations which have completed three years of trading within BSP Gulf using the bank guarantee.
- (iv) For the avoidance of doubt:
  - a. In the case where existing agency that opens a new branch or sales activity, such locations would not be able to apply to join the DIP scheme until they have completed three (3) years of trading using a bank guarantee.
  - b. In the case where an agent is using DIP scheme and there is a change in Ownership must inform IATA of the change of ownership and withdraw from the DIP and revert to use of the Bank Guarantee. It would be eligible to join the DIP scheme having completed three (3) years of trading using a bank guarantee.
  - c. Any agent defaulted (including technical defaults for accumulation of points) will be required to withdraw from the DIP scheme and revert to use of the bank guarantee.
- (iv) Any change in the Policy rules and conditions and/or in the Insurance Company, must be first discussed and processed first through the APJC KW Council.

## **Financial review**

- Periodic and ad hoc reviews shall be conducted in accordance with the established applicable Resolutions.
- Required Adjustment on Agents Bank Guarantees following review shall be covering the average sales turnover of 4 weeks (28 days) of sales subject to a minimum of KD 50,000/- and a maximum of KD 200,000/-.
- All financial reviews shall be conducted in accordance with:
  - Resolution. 800f
  - And the average sales of the precedent 12 month period.

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## Staff Criteria

The applicant must have in its employment competent and qualified staff able to sell international air transportation and correctly issue electronic travel documents and report these to the BSP.

## BSP Procedures & Training

Information on the procedures and responsibilities of agents in respect of the reporting and settlement rules is contained in the BSP Manual for Agents supplied to each Approved Location. IATA offers regular BSP procedural training sessions. Any agent wishing to undertake such training is encouraged to contact the local BSP office.

## License

- Registration Certificate from DGCA.
- License from Ministry of Commerce & Industry.

## **KUWAIT**

*(Effective 1 October 2019 – MV/309)*

### **1. GENERAL RULE**

- 1.1 Agent must provide Audited Accounts to IATA. Audited Accounts means accounts reviewed by an auditor recognized as competent by a regulatory authority in the country to perform an audit.

### **2. CRITERIA FOR THE 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 tests apply to the evaluation of an Agent's Audited accounts:
- 2.2.1 There must be a positive Net Equity
  - 2.2.2 Net Equity divided by long-term debt and other long-term Liabilities must be greater than 0.5
  - 2.2.3 EBITDA (Earnings before Interest, Taxation, Depreciation, Amortization and extraordinary items) must be positive.
  - 2.2.4 The EBITDA must exceed the Interest Payable by a factor of a minimum of two.
  - 2.2.5 Adjusted Current Assets must exceed Current Liabilities.
- 2.3 An Agent will obtain a satisfactory result on the financial review when all provisions in section 2.2 of these criteria have been met.

### **3 ANNUAL FINANCIAL REVIEWS**

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3.1 All Agents must provide Audited Accounts not more than 12 months old at the time of accreditation application to become an Agent to be assessed in accordance with section 2 of these criteria.

3.2 If an Agent has been in business for less than 12 months at the time of application, an Audited opening balance sheet must be provided.

3.3 All Agents must provide Audited Accounts for the last financial year, no later than 6 months, or as required by legislation, of that Agent for the purposes of evaluation against the financial tests in Section 2 of these criteria.

#### **4 FINANCIAL SECURITY**

4.1 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.

4.2 Financial Securities will be subject to a minimum notice of termination period on the part of the Financial Security Provider 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.

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.

-Weekly: 21 Days

4.3.2 "Amount at Risk" is calculated as following:

"Amount at Risk" = ("Days' Sales at Risk" x highest 3 months net cash sales in the last 12 months)/90

4.4 A minimum Financial Security amount will be KWD 50,000.00 (or the equivalent in local currency) and is mandatory to all travel agencies.

4.5 All Financial Securities must be provided per the format provided by IATA.

4.6 If an 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.

#### **Agents with Risk Status A, B and C**

4.7 Regardless of the Risk Status, all Agents with Risk Status A, B and C must provide a Financial Security. The amount of the Financial Security required must cover at a minimum the Amount at Risk calculated as per Section 4.3 using the BSP cash turnover amount equal to the

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average of the 3 months' highest net cash sales in the previous 12 months, or KWD 50,000.00 (or the equivalent in local currency), whichever is higher.

### **New Applicants**

4.8 New Applicants are required to provide a Financial Security equal to:

("Days Sales at Risk" x Estimated Annual Sales) / 365

Subject to a minimum amount of KWD 50,000.00 (or the equivalent in local currency) for the first 12 months of accreditation.

### **License**

- Registration Certificate from DGCA.
- License from Ministry of Commerce & Industry.

<b>5 DEFINITIONS OF TERMS USED IN THESE GUIDELINES</b>
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**Adjusted Current Assets** - are defined as Current Assets as in the balance sheet of the accountants 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 favor 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 in the balance sheet of the accounts

**EBITDA** - Earnings before Interest, Taxation, Depreciation and Amortization.

**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 local financial criteria.

**Net Equity or Shareholders'/owners' Funds**-Consists of:

- Share capital
- Share Premium
- Retained earnings
- Other distributive 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

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**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