



5 August 2019

**M E M O R A N D U M**  
**PAC/RESO/669**

TO: All Members,  
Passenger Agency Conference Accredited Representatives

FROM: Director, FDS Operations, GDC

SUBJECT: **MAIL VOTE (A310)**  
PAC2 (Mail A310)  
**Changes to Local Financial Criteria – Rwanda**

---

**Background Information**

Rwanda APJC met on 28 February 2019 to discuss the proposed changes for the LFC of Rwanda 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 Statuses 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 or aligned with the implementation of NewGen ISS in Rwanda in case of changes in implementation date.

**Proposed Action**

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

The timetable for Mail Vote A310 is as follows:

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

Effectiveness: 1 October 2019 or aligned with the implementation of NewGen ISS in Rwanda in case of changes in implementation date

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. Rodriguez', with a large, sweeping flourish at the end.

Juan Antonio Rodriguez  
Director, FDS Operations, GDC

---

## Attachment A:

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

### RWANDA

*(Effective 1 October 2012 — Mail Vote A220)*

#### 1. Financial Statements

~~Audited annual financial statements duly certified by a Certified Public Accountant disclosing airlines sales and aged debtors must be produced annually and supplied to IATA within 6 months of the Agent's financial year-end.~~

~~The accounts must reflect a satisfactory financial standing by meeting the following financial tests:~~

- ~~(a) There must be positive Net Equity~~
- ~~(b) The Net Equity must exceed the sum of Long Term Debt and other Long Term Liabilities~~
- ~~(c) EBITDA (Earnings Before Interest, Taxation, Depreciation, Amortization and extraordinary items) must be positive~~
- ~~(d) The EBITDA must exceed the Interest Payable by a factor of at least three~~
- ~~(e) Liquid Current Assets must exceed Current Liabilities.~~
- ~~(f) There must have been no defaults (including defaults resulting from an accumulation of irregularities) in the previous 24 months~~

~~**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—~~

~~In computing the Net Equity, adjustments must be made to write down to zero the following:~~

- ~~a) The balance of all intangible assets, including goodwill,~~
- ~~b) All unamortised research and development costs,~~
- ~~c) The value of all unquoted investments,~~
- ~~d) All encumbered Assets,~~
- ~~e) All trading losses for the current financial period.~~
- ~~f) All share capital not paid in cash~~

~~**Liquid Current Assets**—are defined as Current Assets as in the Balance Sheet of the Accounts after deducting:~~

- ~~a) Stocks and work in progress,~~
- ~~b) Deposits or guarantees given to third parties other than IATA,~~
- ~~c) Loans to Directors, Associate Companies, (including any subsidiary, associate or company under common ownership)~~
- ~~d) all intercompany balances~~
- ~~e) Payments in advance,~~
- ~~f) Deferred Expenses,~~
- ~~g) Doubtful debtors,~~

---

~~h) Blocked funds.~~

~~**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~~

## ~~2. Financial Review~~

### ~~2.1 Agents accredited for two years or less~~

~~2.1.1 All Agents must provide Audited Accounts for each financial year end during the first two years of accreditation for the purposes of evaluation against the financial criteria tests mentioned in the financial statements section 1~~

~~2.1.2 All Agents must provide a Financial Security during the first two years in accordance with the Financial Security section 3.~~

---

## **2.2 Agents accredited for more than two years**

~~2.2.1 All Agents must provide Audited Accounts for each financial year end during the first two years of accreditation for the purposes of evaluation against the financial criteria tests mentioned in financial statements section 1.1.~~

~~2.2.2. If an Agent passes all the financial criteria tests and satisfies all the points below, the Agent will be eligible for a discount as per the below table:~~

~~(a) The Agent has not had any of the following in the current year or the previous two years:~~

- ~~(i) Default (including defaults resulting from an accumulation of irregularities);~~
- ~~(ii) Change of Ownership;~~
- ~~(iii) Change in Financial Year End;~~
- ~~(iv) Significant Change in gross BSP sales.~~

~~(b) The Agent also passed all of the financial criteria tests under section 1 based on the Audited Accounts provided for the previous two years.~~

### **Reduction in Bank Guarantee**

<b>No. of Years in Business as an IATA agent</b>	<b>% Discount</b>
0 to 2	Nil
3 to 5	15
5 to 7	30
7 to 10	40
Above 10	60

~~2.2.3 If an Agent fails to pass any of the financial criteria tests, the Agent must provide a Financial Security that covers at a minimum the Amount at Risk calculated using the BSP cash turnover amount equal to the average of the 3 months highest net cash sales in the previous 12 months in accordance with the Financial Security section 3.~~

## **3. Financial Security**

~~3.1 An Agent will not be accredited or will not continue to be accredited unless all the following criteria are met in relation to the Financial Security required by IATA:~~

- ~~(a) The original Financial Security document has been received by IATA; and~~
- ~~(b) The Financial Security is 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; and~~
- ~~(c) The Financial Security must be for an unlimited period and subject to a minimum notice period of cancellation of ninety (90) days.~~

~~3.2 For the purposes of calculating the amount of a Financial Security the following definitions apply:~~

~~3.2.1 "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.~~

---

**3.2.2** “Amount at Risk” is calculated by dividing the Days’ Sales at Risk by 90 days, and applying that percentage to the BSP cash turnover amount the Agent made in the three month period referred to in section 3.2.2(a) or 3.3.1 as applicable.

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

### **3.3 Agents accredited for two years or less**

**3.3.1** All Agents must provide a Financial Security with a minimum amount of USD 50,000 to be accredited, or the average monthly sales calculated on the 3 highest months of the previous 12 months where a travel agent was already in business.

**3.3.2** After the first three months of accreditation, the amount of the Financial Security required must cover at a minimum the higher of:

- (a) The Amount at Risk calculated using the cash turnover amount equal to the average net BSP monthly cash sales of the Agent during the previous three month period; or
- (b) 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.

### **3.4 Agents accredited for more than two years**

**3.4.1** The amount of the Financial Security required must cover at a minimum the Amount at Risk calculated 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.

**3.4.2** 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.

**3.4.3** If an Agent decides to go on more frequent remittance, such Agent will qualify for a reduction of 40% of the Financial Security otherwise required under section 3.3.1.

## **4. CHANGES IN OWNERSHIP**

**4.1.** This section applies to all notifications to IATA of a change 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.

**4.2** 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.

**4.3** All Agents that have a change in ownership or control will be required to provide a Financial Security calculated in accordance with the Amount at Risk applicable to the Agent under section 3.

---

## **5. CHANGES IN FINANCIAL YEAR END**

~~5.1 All Agents must notify IATA immediately of a change in its financial year end.~~

~~5.2 The Agent must provide both:~~

~~(a) Audited Accounts at the time of the notification of change of financial year end within 60 days after the change is made and IATA will conduct the Financial Review applicable to the Agent.~~

~~(b) 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.~~

~~5.3 All Agents that have a change in financial year end will be required to provide a Financial Security calculated in accordance with the Amount at Risk applicable to the Agent under section 3.~~

## **6. SIGNIFICANT CHANGE IN GROSS BSP SALES**

~~6.1 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 *[or \$X whichever is less]*. A change can be an increase or a decrease in gross BSP sales.~~

~~6.2 An Agent must notify IATA of any significant change as soon as the Agent becomes aware of it~~

~~6.3 A Financial Review can also be initiated by IATA as soon as IATA becomes aware of a significant change.~~

~~6.4 Where there is a significant change in the business of the Agent, IATA will conduct a Financial Review and calculate the amount of the Financial Security required in accordance with section 3.~~

---

## **RWANDA**

*(Effective 1 October 2019 – MV/310)*

### **1 GENERAL RULES**

Audited annual financial statements prepared by a statutory auditor disclosing airlines sales and aged debtors must be produced annually and supplied to IATA within 6 months of the Agent's financial year end.

### **2 CRITERIA FOR EVALUATION OF AGENTS' ACCOUNTS**

---

2.1 All financial information used in the Financial Review 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:

- (a) There must be positive Net Equity
- (b) The Net Equity must exceed the sum of Long Term Debt and other Long Term Liabilities
- (c) EBITDA (Earnings before Interest, Taxation, Depreciation, Amortization and extraordinary items) must be positive
- (d) The EBITDA must exceed the Interest Payable by a factor of at least three
- (e) Liquid Current Assets must exceed Current Liabilities.
- (f) There must have been no defaults in the previous 24 months

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 REVIEW**

3.1 All Agents must provide Audited Accounts for each financial year end for the purposes of  
evaluation against the  
financial criteria tests mentioned in the Section 2:

- Balance Sheet
- Income Statement
- Cash Flow Statement
- Auditor's Report

### 4 **FINANCIAL SECURITY**

#### 4.1 **General Principles**

An Agent will not be accredited or will not continue to be accredited unless all the following criteria are met in relation to the Financial Security required by IATA:

- (a) The original Financial Security document has been received by IATA; and
- (b) The Financial Security is 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; and
- (c) The Financial Security 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.

#### 4.2 **Amount at Risk**

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



---

“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.

<u>Remittance Frequency</u>	<u>Days’ Sales at Risk</u>	<u>Days in reporting period</u>
<u>Two times per month</u>	<u>37</u>	<u>16</u>
<u>Four times per month</u>	<u>21</u>	<u>8</u>

“Amount at Risk” is calculated by dividing the Days’ Sales at Risk by 90 days, and applying that percentage to the BSP cash turnover amount the Agent made in the applicable three month period .

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

### 4.3 **Level of Financial Security**

4.3.1 All Agents must provide a Financial Security with a minimum amount of USD 50,000 during the first two (2) years as IATA accredited Agent.

### 4.3.2 **Existing Agents**

#### 4.3.2.1 **Agents with Risk Status A**

Agents with Risk Status A are required to provide a Financial Security covering 70% of their Amount at Risk calculated as per Section 4.2 using BSP cash turnover amount equal to the average of the 3 months’ highest net cash sales in the previous 12 months, or USD 50,000, whichever is higher.

#### 4.3.2.2 **Agents with Risk Status B**

Agents with Risk Status B are required to provide a Financial Security covering 100% of their Amount at Risk calculated as per Section 4.2 using BSP cash turnover amount equal to the average of the 3 months’ highest net cash sales in the previous 12 months, or USD 50,000, whichever is higher.

#### 4.3.2.3 **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 4.2 using the BSP cash turnover amount equal to the average of the 3 months’ highest net cash sales in the previous 12 months, or USD 50,000, whichever is higher.

4.3.3 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.

## 5 **DEFINITIONS**

### **Net Equity or Shareholders’/Owners’ Funds –**

In computing the Net Equity, adjustments must be made to write down to zero the following:

- a) The balance of all intangible assets, including goodwill,
- b) All unamortised research and development costs,
- c) The value of all unquoted investments,
- d) All encumbered Assets,

- 
- e) All trading losses for the current financial period.
  - f) All share capital not paid in cash

**Liquid Current Assets** – are defined as Current Assets as in the Balance Sheet of the Accounts after deducting:

- a) Stocks and work in progress,
- b) Deposits or guarantees given to third parties other than IATA,
- c) Loans to Directors, Associate Companies, (including any subsidiary, associate or company under common ownership)
- d) all intercompany balances
- e) Payments in advance,
- f) Deferred Expenses,
- g) Doubtful debtors,
- h) Blocked funds.

**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.