



5 August 2019

M E M O R A N D U M
PAC/RESO/670

TO: All Members,
Passenger Agency Conference Accredited Representatives

FROM: Director, FDS Operations, GDC

SUBJECT: **MAIL VOTE (A311)**
PAC2 (Mail A311)
Changes to Local Financial Criteria – Ghana

Background Information

The Agency Program Joint Council (APJC) held on the 14th of March 2019 in Accra, Ghana had 7 airline delegates and 7 agency delegates out of 7 from each party in attendance.

A quorum was present from the Airlines and Agents.

Following the FastTrack of NewGen ISS deployment in Ghana to Quarter 2 of 2019, It is imperative for the GH BSP Market to review and align its Local Financial Criteria (LFC) to Resolution 812.

The attached proposed LFC was reviewed by the FAG and recommended to the APJC for adoption. After several hours of deliberation.

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 A311 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:

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

GHANA

(Effective 1 January 2016 — PAC/38 1 October 2019 – MV/311)

~~1. GENERAL RULES,~~

~~1.1 All Financial Reviews shall be conducted in accordance with Resolution 800f as specified in these local criteria.~~

~~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 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, Amortisation and extraordinary items) must be positive save in exceptional circumstances.~~

~~2.2.4 The EBITDA must exceed the Interest Payable by a factor of a minimum of Three~~

~~2.2.5 Adjusted Current Assets must exceed Current Liabilities.~~

~~3. ANNUAL FINANCIAL REVIEW~~

~~3.1. Agents Accredited for two years or less:~~

~~3.1.1. New Applicants must have been in operations for one year before becoming an IATA accredited Agents.~~

~~3.1.2. All Agents must provide Financial Accounts certified by a certified accountant / auditor not more than 12 months old at the time of submission to become an Agent for the purposes of evaluation against the financial tests as per section 2 of these criteria.~~

~~3.2. Agents accredited for more than two years~~

~~3.2.1. All Agents must provide Financial Accounts certified by a certified accountant / auditor no later than 6 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 these criteria.~~

~~4. FINANCIAL SECURITY~~

~~4.1 Notwithstanding the result of the financial review, all New Applicants and existing Agents must provide a financial security. The financial security will be calculated per 4.3-4.5.~~

~~4.2 Financial Security will be subject to a minimum notice period of ninety (90) days and will be valid for a minimum of at least one year.~~

~~4.3 the amount of the financial Security required must cover at a minimum the Amount at Risk calculate as below using the BSP cash turnover, 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.

~~(“Days Sales at Risk” X highest 3 months net cash sales)/90~~

~~Subject to a minimum of USD 50,000.00/-~~

4.4 ~~“Days at Risk” means the number of days from the beginning of the Agent’s reporting period to the remittance date, plus a margin of 5 days:~~

~~-Bi-Monthly: 35 days~~

~~-Weekly: 21 days~~

4.5 ~~New Applications are required to provide a Financial Security equal to:~~

~~(“Days Sales at Risk” x Estimated Annual Sales) / 365~~

~~Subject to a minimum of USD 50,000.00/-~~

~~5. DEFINITIONS OF TERMS USED IN THESE GUIDELINES~~

~~**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 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 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 local financial criteria.~~

~~**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 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~~

~~**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~~

1. CRITERIA FOR EVALUATION OF AGENTS' ACCOUNTS

1.1 All financial information used in the financial criteria will be extracted from the Agent/s Audited accounts

1.2 The following financial tests apply to the evaluation of an Agent's Audited accounts:

1.2.1 There must be a positive Net Equity

1.2.2 Net Equity divided by long-term debt and other long-term Liabilities must be greater than 0.5

1.2.3 EBITDA (Earnings before Interest, Taxation, Depreciation, Amortisation and extraordinary items) must be positive.

1.2.4 The EBITDA must exceed the Interest Payable by a factor of a minimum of Three

1.2.5 Adjusted Current Assets must exceed Current Liabilities.

1.3 In order to obtain a satisfactory result of the Financial Review all tests in 2.2.1-2.2.5 must be passed.

2. ANNUAL FINANCIAL REVIEW

2.1 Agents Accredited for two years or less:

2.1.1 New Applicants must have been in operations for one year before becoming an IATA accredited Agent. This applies also to the re-accreditation of agents that were terminated for financial default.

2.1.2 All Agents must provide accounts certified by a certified accountant / auditor not more than 12 months old at the time of submission to become an Agent for the purposes of evaluation against the financial tests as per section 2 of these criteria.

2.2 Agents accredited for more than two years

2.2.1 All Agents must provide accounts certified by a certified accountant / auditor no later than 6 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 these criteria.

3. FINANCIAL SECURITY

3.1 Notwithstanding the result of the Financial Review, all New Applicants and existing Agents must provide a Financial Security. The financial security will be calculated per 4.3-4.5.

3.2 Any Financial Security will be subject to a minimum notice period of ninety (90) days and will be valid for a minimum of at least one year.

3.3 The amount of the Financial Security required must cover the Amount at Risk calculated as below using the BSP cash turnover, 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.

(“Days Sales at Risk” X highest 3 months net cash sales)/90

Subject to a minimum of USD 50,000.00/-

3.4 “Days at Risk” means the number of days from the beginning of the Agent’s reporting period to the remittance date, plus a margin of 5 days:

- Bi-Monthly: 35 days

- Weekly: 21 days

- Daily: 5 days

3.5 New Applications are required to provide a Financial Security equal to:

(“Days Sales at Risk” x Estimated Annual Sales) / 365

Subject to a minimum of USD 50,000.00/-

3.6 Agents with Risk Status A, B, C

For Agents with Risk Status A, B, C the amount of the Financial Security required must cover the Amount at Risk calculated as per Section 4.3 or USD 50, 000 (Whichever is higher). 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.

4. DEFINITIONS OF TERMS USED IN THESE GUIDELINES

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 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 in the balance sheet of the accounts

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

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

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