



5 August 2019

M E M O R A N D U M
PAC/RESO/671

TO: All Members,
Passenger Agency Conference Accredited Representatives

FROM: Director, FDS Operations, GDC

SUBJECT: **MAIL VOTE (A312)**
PAC2 (Mail A312)
Changes to Local Financial Criteria – Lebanon

Background Information

Lebanon APJC met on 27 June 2019 to discuss the proposed changes for the LFC of Lebanon in line with Resolution 812 and NewGen ISS implementation.
A full 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 A312 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.

A handwritten signature in black ink, appearing to read 'J.A. 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 Lebanon as follows:

LEBANON

(Effective 1 January 2015—PAG/37)

1. GENERAL RULES

~~1.1 Audited Accounts means accounts reviewed by an auditor recognized as competent by a regulatory authority in Lebanon to perform an audit that are provided to IATA.~~

~~1.2 All Financial Reviews shall be conducted in accordance with Resolution 800F.~~

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 two and ideally three.~~

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

3. ANNUAL FINANCIAL REVIEW

~~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 as per section 2 of this criteria~~

~~3.2 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~~

~~3.3 All Agents must provide Audited Accounts no later than, July 1st of each year which is 6 months after each Financial Year End, for the purposes of evaluation against financial test in section 2 of this LFC.~~

~~3.4 All agents must provide a financial Security in accordance with section 4 of these criteria. Financial security level versus actual turnover to be reviewed quarterly or as required.~~

~~3.5 Meeting the minimum requirements of the Financial Review does not mean eliminating the need to have additional Financial Security, whenever deemed necessary.~~

4. FINANCIAL SECURITY

~~4.1 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 will be valid for a minimum of at least one year.~~

~~4.2 The amount of the financial Security required must cover at a minimum the Days Sales at Risk calculated as below using the BSP Days at Risk, multiply by the highest 3 months sales of the last 12 months sales over 90 days. 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 sales in the last 12 months sales / 90)**~~

~~Subject to a minimum of USD 100,000 (One Hundred Thousand US Dollars)~~

~~4.3 “Days sales 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.~~

~~4.4 Agents that are defaulted three times or more within 12 months must provide a Financial Security that covers the Sales Days at Risk subject to a minimum of USD 150,000.00 (One Hundred Fifty Thousand US Dollars) valid for twelve months.~~

~~4.5 Default Insurance Program (DIP)~~

~~4.5.1 Any Agent can provide a Financial Security method of DIP after 12 months of accreditation without any default and/or suspension action.~~

~~4.5.2 Any agent under DIP (Default Insurance Program) whose Average days sales at Risk exceeds its maximum DIP limit, must provide a Bank Guarantee, or additional DIP cover for the excess amount~~

~~4.5.3 A Financial Security must be provided within 30 days from the date of notification by IATA.~~

5 DEFINITIONS OF TERMS USED IN THESE GUIDELINES

~~5.1 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:

LEBANON

(Effective 1 October 2019 – MV/312)

1 GENERAL RULES

Audited Accounts means accounts reviewed by an auditor recognized as competent by a regulatory authority in Lebanon to perform an audit.

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:

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.

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 REVIEW

3.1 All applicants 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 as per 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 Opening Balance sheet must be provided instead.

3.3 All Agents must provide Audited Accounts no later than July 1st of each year, which is 6 months after each Financial Year End, for the purposes of evaluation against financial test in section 2 of these criteria.

3.4 All agents must provide a Financial Security in accordance with section 4 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.

The communication to IATA needs to be received in writing directly from the third party supporting the Financial Security confirming 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.

<u>Remittance Frequency</u>	<u>Days' Sales at Risk</u>	<u>Days in reporting period</u>
<u>Two times per month</u>	<u>35</u>	<u>16</u>
<u>Four times per month</u>	<u>21</u>	<u>8</u>

4.3.2 "Amount at Risk" is calculated as following:

$$\frac{\text{Days' Sales at Risk} \times \text{BSP cash turnover in applicable 3 highest reporting periods}}{\text{Days in reporting period} \times 3}$$

Amount at Risk = -----

4.3.3 The amount of the financial security is calculated to cover at a minimum the Days Sales at Risk multiplied by the BSP cash turnover in 3 highest reporting periods of the last 12 months over the number of days in the reporting period multiplied by 3.

Agents with Risk Status A, B and C

4.4 For Agents with Risk Status A, B and C the amount of the Financial Security required must be not lower than USD 100,000.

4.5 All Agents Financial Security will be equal to the Remittance Holding Capacity at all times.

4.6 An Applicant/Agent may at any time request to reduce or increase the Financial Security amount provided inline with 4.1.

4.7 The value of the Financial Security will be rounded to the next USD10,000

4.8 The list of financial institutions that authorized to issue Bank Guarantee or Insurance Bond/Certificate is provided by IATA. All Financial Securities must be drawn as per the IATA specimen.

4.9 Default Insurance Program (DIP)

4.9.1 Any Agent can provide a Financial Security method of DIP after 12 months of accreditation without any default and/or suspension action.

4.9.2 Any agent under DIP (Default Insurance Program) whose Average days sales at Risk exceeds its maximum DIP limit, must provide a Bank Guarantee, or additional DIP cover for the excess amount

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deducting:

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- 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 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

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- Retained earnings

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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.