



5 August 2019

M E M O R A N D U M
PAC/RESO/673

TO: All Members,
Passenger Agency Conference Accredited Representatives

FROM: Director, FDS Operations, GDC

SUBJECT: **MAIL VOTE (A314)**
PAC3 (Mail A314)
Changes to Local Financial Criteria –Nepal

Background Information

The Local financial Criteria contained covenants that were inconsistent with the governing Resolutions. In an effort to modernize all Local Financial Criteria, the changes proposed were placed on the Agendas of two successive APJC meetings and were recommended unanimously at the 17th APJC Nepal meeting of 11 April 2018 and confirmed at the 18th APJC Meeting of 16 November 2018.

Required quorum was present and the proposal was approved unanimously by the APJC.

It is proposed that the Local Financial Criteria for Nepal be amended as shown in Attachment 'A' to this paper.

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 A314 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 stylized flourish at the end.

Juan Antonio Rodriguez
Director, FDS Operations, GDC

Attachment A:

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

NEPAL

*(Effective 20 August 2014 — Mail Vote A250) 1 October 2019,
MV/313)*

1. GENERAL RULE

The applicant must be established and in business as a Travel Agent of international ticketing for not less than 12 months prior to the date of application.

FINANCIAL EVALUATION

General

The Applicant / Agent shall provide the latest independently audited financial statements prepared in accordance with standard accounting practices.

A. PREPARATION

4) 1.1) Prepared by a Chartered Accountant / Registered Auditor* and signed by one director or the proprietor(s). The accounts must be audited.

* “Registered Auditor” is one who obtains membership as a Registered Auditor under the provisions of Auditor’s Act 1974, as amended to-date.

2) 1.2) Change of Ownership

If the business is continuing, the applicant must submit the latest year ending statements of audited accounts reflecting the position of the Agency in operation and a certified opening balance sheet reflecting the position of the new entity taking over the business.

2. CRITERIA FOR EVALUATION OF AGENT’S ACCOUNTS

B. FINANCIAL STATEMENTS

4) 2.1) Minimum Capital

- i) Minimum paid up share capital for both Applicant and existing Agent in the sum of NPR100,000/-
- ii) Level of share capital ~~should~~ must be increased if required based on the following scale:

Total Revenue (NPR)	SHARE CAPITAL (NPR)
Up to 10 million	100,000
10 to 20 million	120,000
20 to 30 million	140,000
30 to 40 million	160,000
40 to 50 million	180,000
Over 50 million	200,000

~~Applicants who do not meet the above criteria shall be given a period of 1 month in which to meet the minimum requirement.~~

~~Approved agents who do not meet the above criteria shall be given a period of 6 months in which to meet the minimum requirement.~~

2) 2.2 Financial Assessment

Based on 5 tests and the allocation of applicable points per each test, maximum applicable points are 30. The total of 15 points or more is considered a satisfactory result providing the Applicant/Agent maintains the minimum level of share capital/owners capital.

The maximum number of points obtainable is made up as follows:

(i)	Integrity of Accounting system	2 points
(ii)	Current Ratio	8 points
(iii)	Debt Ratio	8 points
(iv)	Profitability Ratio	4 points
(v)	Tangible net worth to turnover	8
	points TOTAL	30
	points	

(i) Integrity of Accounting System

The accuracy and integrity of internal accounting system is considered to be critical to the Agents ability to manage the system. A clean Auditor's Report (unqualified) is required to score points in respect of this test.

(ii) Current Ratio

Current Assets divided by Current Liabilities

Current Assets are defined as Current Assets as in the Balance sheet deducting receivables from Shareholders

Current Liabilities are defined as Current Liabilities as in the Balance Sheet deducting loans provided by Shareholders or proprietor/ partner

Over 1.50	8 points
1.25 – 1.49	7 points
1.00 – 1.24	6 points
0.95 – 0.99	5 points
0.90 – 0.94	4 points
0.85 – 0.89	3 points
0.80– 0.84	2 points
0.75 – 0.79	1 point
Under 0.75	0 points

(iii) Debt Ratio

Total Debt divided by Tangible Assets

Total Debt includes Current Liabilities and all loans from 3rd parties

Tangible Assets are defined as Total Assets in the Balance Sheet at market value (including receivables from shareholders) less intangible assets such as goodwill, franchise fees, client lists and preliminary expenses. Goodwill attaching to premises for this purpose will be considered as intangible asset unless supported by a written valuation from an independent registered valuer.

Under 0.5	8 points
0.50 – 0.59	7 points
0.60 – 0.69	6 points
0.70 – 0.79	5 points
0.80 – 0.89	4 points
0.90 – 0.99	3 points
1.00 – 1.19	2 points
1.20 – 1.29	1 point
Over 1.29	0 points

(iv) Profitability Ratio

$$\frac{\text{Net Profit before Tax}}{\text{Shareholders Funds}} \times 100$$

Net profit before tax is defined as profit before tax and before extra-ordinary items. Shareholders funds are defined as the paid up share capital/owners capital plus retained earnings or minus deficit in case of loss plus other recourses.

Over 19.99%	4 points
15%-19.99%	3 points
10%-14.99%	2 points
0%-09.99%	1 point
Under 0	0 points

(v) Tangible Net Worth to Turnover Ratio

Tangible Net Worth

Total Turnover

Tangible Net Worth is defined as Shareholders fund as in ratio 4 above less intangibles as in ration 3 above minus loans to shareholders/proprietors.

Total turnover is BSP net to be paid figure for the latest 12 months.

Over 2	8 points
1.50 – 2.00	7 points
1.25 – 1.49	6 points
1.00 – 1.24	5 points
0.75 – 0.99	4 points
0.50 – 0.74	3 points
0.25 – 0.49	2 points
Under 0.25	1 point

3. 2.3 In all cases financial evaluation conducted by the financial assessor appointed by IATA will be final and binding.

4. Solutions

~~Accredited Agents who are unable to meet the financial criteria will be provided with a detailed feedback on their financial standing and the review conducted. Such Agents shall be given a minimum of 6 months after receipt of their assessment results findings to meet the criteria as defined in Paragraph 2 above.~~

~~If the agent is unable to meet the criteria by using the stated options within 6 months, non-compliance action in accordance with Section 2.2.2 of Resolution 818g will be initiated by IATA.~~

3. ANNUAL FINANCIAL REVIEWS

3.1) Review of Financial Guarantee

The Agency Administrator or any person acting on behalf of the Agency Administrator may on his own initiative or at the request of a member/ BSP participating airline review the

financial standing of an agent based on the stated criteria and direct the agent to submit additional guarantee pursuant to such review. A review resulting in assessment of a lower value of guarantee will not result in return of the guarantee held except at the time of renewal thereof.

Notwithstanding the outcome of a review the amount of Bank Guarantee held shall not fall below USD 10,000 in equivalent NPR as stated.

4. FINANCIAL SECURITY

4.1) Minimum Guarantee Amounts

All applicants/Agents are required to provide a Financial Security in NPR equivalent of USD 10,000. Daily Bankers Selling Rate (BSR) as on the date of issuance of the Financial Security would be used. ~~Subsequently and after completion of 6 months of trading in BSP, the agency would be evaluated on the basis of their audited financial documents and productivity as per BSP records~~ Review of Financial Security amount will be per the authority of the Agency Administrator as defined in governing Resolutions read with Subparagraph 4.2. Where applicable, BSP Net Cash Sales will be prorated for fewer than 12 months as needed.

4.2) Accredited Passenger Sales Agents in Nepal

Agent ~~shall~~ must furnish a Financial Security for an amount equal to his-“Amount at Risk”. “Amount at Risk” is calculated as the total BSP Net Cash Sales of the Agent for the previous twelve months, applied to the number of days at risk per the remittance calendar plus a margin of up to 5 days. BSP net cash sales is the value appearing in the “Amount Payable” column of BSP Billing Statements for cash sales in NPR + cash sales in USD converted to NPR at the Bankers Selling Rate (BSR) on the date the Bank Guarantee demand is issued, subject to the Minimum financial Security stipulated in Subparagraph 4.1.

“BSP Net Cash Sales” is the sum of all amounts in the BSP Billing Statements “Net Payable” Column.

Review of Financial Guarantee

~~The Agency Administrator or any person acting on behalf of the Agency Administrator may on his own initiative or at the request of a member/ BSP participating airline review the financial standing of an agent based on the stated criteria and direct the agent to submit additional guarantee pursuant to such review. A review resulting in assessment of a lower value of guarantee will not result in return of the guarantee held except at the time of renewal thereof.~~

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