



5 August 2019

M E M O R A N D U M
PAC/RESO/674

TO: All Members,
Passenger Agency Conference Accredited Representatives

FROM: Director, FDS Operations, GDC

SUBJECT: **MAIL VOTE (A315)**
PAC2 (Mail A315)
Changes to Local Financial Criteria – Greece

Background Information

1. Date of APJC Meeting: 15 January 2019
APJC Greece agreed on the elimination of the voluntary monthly remittance scheme and also on changes to the Local Financial Criteria related to the implementation of New Generation ISS and applicable Resolutions.
2. Confirmation of Quorum: Yes
3. Vote: Unanimous
4. Summary of the main proposed changes:
 - Elimination of the voluntary monthly remittance scheme
 - Financial Security to be calculated on the highest 3 months sales
 - Additional action taken upon a major change of ownership additional actions to this paper.

Effective date

The proposed effective date of these changes is 1 January 2020.

Proposed Action

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

The timetable for Mail Vote A315 is as follows:

Voting Period:	5 – 19 August 2019
Filing Period:	20 August – 3 September 2019
Effectiveness:	1 January 2020

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 Greece as follows:

GREECE

(Effective 1 January 2020, MV/315)

1. GENERAL RULE

- 1.1 ~~Agent must provide Audited Accounts or Certified Accounts to IATA according to the Greek laws and fiscal requirements. Audited Accounts means accounts reviewed by an auditor recognized as competent by the regulatory authority in that Greece to perform an audit that are provided to IATA. Certified accounts will be applicable in those countries where APJCs accept certified accounts according to local law. In all instances the established accounting rules in a country will apply~~
- 1.2 ~~If an Agent provides Audited Accounts to IATA with an audit report or local regulatory equivalent qualified in relation to the possibility to apply the financial tests under Section 2 and:~~
- 1.2.1 ~~the qualified audit report does not set out the exact adjustments which should be made to the Audited Accounts to enable the auditor to provide an unqualified audit report: the financial assessment will not be processed and the Agent will be required to provide IATA with a revised auditors report quantifying the adjustments which should be made to the Audited Accounts within 10 working days. The revised auditors report and the restated by the Agent Accounts will be submitted by Agents and will be used in the financial assessment subject to the financial tests set out in Section 2.~~
- 1.2.2 ~~The qualified audit report does set out the adjustments which should be made to the Audited Accounts to enable the auditor to provide an unqualified audit opinion report: the Audited Accounts will be restated by the Agent, as a result of adjustments set out in the qualified audit opinion report. The restated and submitted by Agent Audited Accounts will be used in the financial assessment subject to the financial tests set out in Section 2.~~

Multiple IATA Numeric Codes

1.3 ~~If an Agent is granted an additional IATA numeric code(s) then any Financial Security already provided by the Agent will be re-calculated based on the gross BSP sales 60 days after the date that the additional IATA numeric code(s) is granted based on the Amount at Risk applicable to that Agent.~~

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 or Certified Accounts.

~~2.2 If an Agent's Audited or Certified Accounts are adjusted and restated in accordance with sections 1.2.1 and 1.2.2, the restated accounts must be used in calculating the financial tests set out in sections 2.3.1-2.3.5 below.~~

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

- 2.2.1 There must be positive Net Equity
- 2.2.2 Adjusted Net Equity divided by long-term debt and other long-term liabilities must be greater than 0.5. *The adjusted net equity is calculated by adding the 75% of the fixed assets net book value to the Net Equity as shown in the balance sheet.*
- 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 two.
Exception: This criterion will be assessed as passed if EBITDA exceeds the Interest Payable by a factor of one and a half (1.5), once in three continuous years' time. this factor is above one and a half (1.5), once every three rolling years.
~~Financial year end of 2013 will be the starting year for the calculation of the continuous three years' time.~~
- 2.2.5 Adjusted Current Assets must exceed Current Liabilities.
~~Adjusted Current Assets are defined as Current Assets as in the Balance Sheet of the Accounts after:
- deducting loans to Directors, Associate Companies (including any subsidiary, associate or company under common ownership),
- deducting doubtful debtors,
- deducting blocked funds related to guarantees, except those given to IATA and those blocked funds related to equal liabilities as indicated in the auditors report.
- adding accrued income as shown in the accrued accounts of the balance sheet if invoiced till the submission date of the financial statements.~~

2.3 An Agent will obtain a satisfactory result on the financial assessment when all provisions in section 2.2 of these criteria have been met.

~~2.3 All Agents must retain and provide valid Tax clearance certificate (Φορολογική Ενημερότητα) and Social Security clearance certificate (Ασφαλιστική Ενημερότητα).~~

3 ANNUAL FINANCIAL REVIEWS

A - Agents keeping C' category books

Agents Accredited for two years or less:

3.1 All Agents Applicants must provide Audited or Certified 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 in section 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.~~

3.2 All Agents must provide Audited or Certified Accounts no later than 9 months after each financial year-end, or as required by legislation, during the first two years of accreditation for the purposes of evaluation against the financial tests in section 2.

~~3.3 All Agents must provide a Financial Security during the first two years as an Agent in accordance with section 5.~~

Agents accredited for more than two years:

3.3 All Agents must provide Audited or Certified Accounts no later than 9 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.

3.4 ~~If an Agent passes all the financial tests and satisfies all the points below, the Agent will not be required to provide IATA with a Financial Security:~~

~~3.4.3 The Agent has not had any of the following in the last 12 months:~~

~~(i) a default (including defaults resulting from an accumulation of irregularities) and removal from the Agency list.~~

~~(ii) a Change of ownership subject to the conditions in Section 6.~~

3.5 ~~If an Agent fails to pass any of the financial tests, the Agent must provide a Financial Security in accordance with section 5.~~

B - Agents keeping B' (income-expenses) category books

3.4 Agents with legal status Sole proprietorship, EE and OE keeping B' (income-expenses) category books, that cannot provide Audited or Certified Accounts, must provide the official submitted to the Greek Tax Authorities E3 financial statement report, no later than the date required by Greek legislation. Financial Security must be provided to cover the Amount at Risk. Agents with B' category books will be considered as Failed at their financial assessment.

4. INTERIM FINANCIAL REVIEWS: ~~As described in IATA Resolution 818g.~~

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 period 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.

4.3.2 "Amount at Risk" is calculated by dividing the Days' Sales at Risk by ~~360~~ 90 days, and applying that percentage to the BSP cash turnover, ~~or cash turnover as applicable, amount the Agent made in the previous twelve months period referred to in section 5.5 or 5.7 of these criteria, as applicable:~~ of the 3 highest months made by the Agent in the trailing 12 months period:

"Amount at Risk" = ("Days' Sales at Risk" x BSP cash turnover in the 3 highest month period) / 90

~~Amount at Risk" = "Days' Sales At Risk" x BSP cash turnover in applicable 12 month period~~

~~360~~

4.4 Calculation of Financial Security

Fortnightly Remittance:

~~= BSP cash turnover in the latest applicable 12 months, divided by 360 days, multiplied by 37 days and rounded to 1,000 EUR (minimum amount EUR 18,500)~~

Voluntary Weekly Remittance:

~~= BSP cash turnover in the latest applicable 12 months, divided by 360 days, multiplied by 28 days and rounded to 1,000 EUR (minimum amount EUR 14,000)~~

~~Voluntary Monthly Remittance with satisfactory financial standing according to the local financial criteria:~~

~~= BSP cash turnover in the latest applicable 12 months, divided by 360 days, multiplied by 15 days and rounded to 1,000 EUR (minimum amount EUR 25,000)~~

~~Voluntary Monthly Remittance with unsatisfactory financial standing according to the local financial criteria:~~

~~= BSP cash turnover in the latest applicable 12 months, divided by 360 days, multiplied by 50 days and rounded to 1,000 EUR (minimum amount EUR 25,000)~~

~~Agents accredited for two years or less~~

~~5.4 All Agents must provide a Financial Security to be accredited.~~

~~5.5 After the first three months of accreditation and after the first 12 months of accreditation, the amount of the Financial Security required must cover at a minimum the higher of:~~

~~5.5.1 the Amount at Risk calculated as per section 5.3 using the cash turnover amount equal to the average net monthly cash sales of the Agent during the previous twelve months period; or~~

~~5.5.2 The minimum amounts established in 5.3.3~~

~~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.~~

~~5.6 Except for the amount of the initial Financial Security, all calculations of the amount of Financial Security required under these financial evaluation criteria or the Passenger Sales Agency Rules for Agents accredited for two years or less will be reviewed and calculated under section 5.5.~~

~~Agents accredited for more than two years~~

~~5.7 The amount of the Financial Security required must cover at a minimum the Amount at Risk calculated as per section 5.3 using the BSP cash turnover, or cash turnover as applicable, amount equal to the average of the twelve previous months' net cash sales. 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.~~

~~5.8 All calculations of the amount of Financial Security required under these Agents' financial evaluation criteria or the Passenger Sales Agency Rules for Agents accredited for more than two years will be calculated under section 5.7.~~

4.4.1 For the purpose of calculating the amount of a Financial Security the following will apply:

<u>Remittance Frequency</u>	<u>Calculation</u>	<u>Minimum Financial</u>
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		<u>Security</u>
<u>Twice monthly Remittance</u>	<u>(37 X Highest 3 month's sales) / 90</u> <u>Rounded to 1,000 EUR</u>	<u>EUR 18,500</u>
<u>Voluntary Four times monthly Remittance</u>	<u>(28 X Highest 3 month's sales) / 90</u> <u>Rounded to 1,000 EUR</u>	<u>EUR 14,000</u>

4.4.2 Agents with Risk Status A

For Agents with Risk Status A no Financial Security will be required.

4.4.3 Agents with Risk Status B or C

4.4.3.1 For Agents with Risk Status B or C the amount of the Financial Security required will equal the "Amount at Risk" as calculated in Section 4.3.2, or the applicable minimum as per Section 4.4.1

4.4.3.2 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 <u>OTHER</u>

5.1 CHANGES IN OWNERSHIP

5.1.1 This section applies to all changes 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.

5.1.2 The Agent must provide Audited or Certified Accounts, no later than 90 days after the change of ownership or control is affected. 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.

5.1.3 In case of major change of ownership and when the new owner(s) is a Travel Agent, the parent/major company(s)/shareholders should also provide their Audited Accounts and will be reviewed annually for the first 2 years, subject to the criteria as defined in section 2.

In case of major change of ownership, when the new owner(s) is not a Travel Agent and further to airlines' request, IATA would have the right to request financial information from the parent/major company(s) for evaluating their financial status and credibility.

5.2 CHANGES IN FINANCIAL YEAR END

5.2.1 All Agents must notify IATA immediately of a change in its financial year-end.

5.2.2 The Agent must provide both:

5.2.2.1 Audited or Certified Accounts within 60 days after the change is made and IATA will conduct the Financial Review applicable to the Agent under these criteria.

5.2.2.2 Audited or Certified 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.

5.2.3 Agent must obtain a satisfactory result on both sets of Accounts provided as per section 5.2.2 in order to pass the Financial Review

~~5.3 SIGNIFICANT CHANGE IN NET PAYABLE BSP SALES:~~

~~5.3.1 A significant change means any change in the business of the Agent which results in a change in net BSP payable sales of more than 50% as compared to the previous 12 months. A change can be an increase in net BSP payable sales.~~

~~5.3.2 An interim financial Review may also be initiated by IATA where IATA becomes aware of a significant change in net BSP payable sales in accordance with Section 4.~~

DEFINITIONS OF TERMS USED

Adjusted Current Assets - are defined as Current Assets as in the Balance Sheet of the Accounts after:

- deducting loans to Directors, Associate Companies (including any subsidiary, associate or company under common ownership),
- deducting doubtful debtors,
- deducting blocked funds related to guarantees, except those given to IATA and those blocked funds related to equal liabilities as indicated in the auditor's report.
- adding accrued income as shown in the accrued accounts of the balance sheet if invoiced till the submission date of the financial statements.

Current Liabilities - are defined as Current Liabilities as 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, or both.

~~**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 distributable 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.