



5 August 2019

M E M O R A N D U M
PAC/RESO/676

TO: All Members,
Passenger Agency Conference Accredited Representatives

FROM: Director, FDS Operations, GDC

SUBJECT: **MAIL VOTE (A317)**
PAC2 (Mail A317)
Changes to Local Financial Criteria – Italy

Background Information

In view of the roll-out of NewGenISS in Italy originally planned for August 2019, now provisionally due on October 2019, APJC Italy reviewed the Local Financial Criteria – Italy on 12 June 2019 to ensure they are fit for purpose under the NewGenISS framework.

A quorum of travel Agencies and Airline delegates voted unanimously on the recommended changes to the Local Financial Criteria as found in Attachment 'A', for adoption by 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 A317 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 Italy as follows:

ITALY
(Effective 1 October 2019, MV/317)

Finances

In case of voluntary request by the Agent, the latest Balance Sheet and Profit and Loss Account (duly certified by an ~~outside public external~~ accountant) must be submitted, ~~indicating a satisfactory financial standing and the following evaluation table shall apply: of an applicant or Agent is required to provide additional financial support the following are acceptable:~~

~~Bank guarantee, insurance coverage. Other alternative will be examined case-by-case~~

The following indexes are used in the financial evaluation:

Current Ratio	Adjusted Current Assets Adjusted Current Liabilities	Index score range from 0 to 20	
		Value x class	scoring
		0,0 – 0,5	5
		0,5 – 0,9	10
		0,9 – 2,0	20
		2,0 – 3,0	10
		3,0 – 5,0	5
		5,0 - above	0
Net Worth to Loan Ratio	Equity Bank & Loans	Index score range from 0 to 20	
		Value x class	scoring
		0,00 – 0,25	0
		0,25 – 0,50	5
		0,50 – 1,50	10
		1,50 – 2,00	20
		2,00 – 5,00	20
		5,00 – above	10

Assets to Equity Ratio	<u>Total Assets</u> Equity	Index score range from 0 to 20	
		Value x class	scoring
		0 – 1	0
		1 – 2	20
		2 - 5	10
		5 - 10	5
10 - above	0		
Payable Turnover Ratio	<u>Total Purchases</u> Total Accounts payable	Index score range from 0 to 20	
		Value x class	scoring
		0 – 30	10
		30 - 90	20
		90 - 120	10
		120 - 180	5
180 - above	0		
Receivables Turnover Ratio	<u>Sales</u> Total Accounts receivable	Index score range from 0 to 20	
		Value x class	scoring
		0 – 30	10
		30 - 90	20
		90 - 120	10
		120 - 180	5
180 - above	0		

Once the five indexes are determined, a value is assigned to each of them according to above table. ~~If the total value reached is between 0 and 79 -49 the assessment will be considered as FAILED - applicant does not qualify, if between 50 80 and 79 100 the assessment will be considered as PASSED. applicant is required to supply additional financial support and from 80 and 100 the applicant qualifies without condition. Irrespective of the assessment result, in case of New Applicant and/or IATA Accredited Agents, a Financial Security as per section 2 of these criteria shall apply~~

Financial Security

2.1 An agent will not be accredited or will not continue to be accredited until a Financial Security required to be provided to IATA has been:

- a) Received in original by IATA

- b) 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.

2.2 Financial Security must be for an unlimited period and subject to a minimum notice period of cancellation of ninety (90) days.

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

- a) “Days at Risk” means the number of days from the beginning of the Agents’ 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>
(1) <u>Two times per month</u>	<u>35</u>
(2) <u>Four times per month</u>	<u>19</u>

- b) “Amount at Risk” is calculating by dividing the BSP CASH turnover in applicable latest rolling 12 months period by 360 days, and multiplying for the Days’ Sales at Risk, rounded up to the nearest 1.000 Euro

$$\text{“Amount at Risk”} = \frac{\text{BSP cash turnover in applicable latest rolling 12 months period} \times \text{“Days’ Sales At Risk”}}{360}$$

2.4 New Applicants:

On the basis of financial evaluation and minimum Commercial Risk Average of the region prorated by:

- ~~• 19 days in case of voluntary weekly remittance, rounded up to 1.000 Euro~~
- ~~• 5 days in case of voluntary daily direct debit remittance, rounded up to 1.000 Euro~~
- New Applicants will be required to remit four times per month, with a minimum Financial Security calculated as per formula specified in Section 2.3.a) (2) or Euro 16,000 whichever is highest.
- ~~• The minimum bank guarantee for New Applicant under the voluntary weekly remittance shall be of Euro 16.000.~~
- ~~• The minimum bank guarantee for New Applicant under the voluntary daily direct debit shall be of Euro 5.000~~

2.5 Accredited Agents:

- a) Average monthly BSP Net Cash Sales of the last 12 months of the month of the date of calculation, multiplied by 1.5 (45 days) Agents with Risk Status A and B are required to provide a Financial Security that covers the Amount at Risk calculated as per Section 2.3

a) (1), or minimum amount depending on the remittance frequency specified below, whichever is highest.

~~Whenever an Agent is interested in the voluntary weekly remittance the formula below will be applied:~~

~~BSP Net Cash Sales during the last 12 months, divided by 360 days, multiplied by 19 days, rounded up to 1.000 EUR.~~

~~Whenever an Agent is interested in the voluntary daily direct debit remittance, the formula below will be applied:~~

~~BSP Net Cash Sales during the last 12 months, divided by 360 days, multiplied by 5 days, rounded up to 1.000 Euro~~

- The minimum Financial Security for Accredited Agents under two (2) times per month remittance shall be of Euro 35,000.
 - The minimum Financial Security for Accredited Agents under four (4) times per month remittance shall be of Euro 16,000.
- b) Agents with Risk Status C are required to provide a Financial Security that covers the Amount at Risk calculated as per Section 2.3 a) (2) with minimum amount of Euro 16,000 whichever is highest.

Changes of Ownership : ~~For Agents that have a change in ownership or control that necessitates a new Passenger Sales Agency Agreement a financial security, calculated as the above formula, is required.~~

2.6 Reviews — ~~Where a discrepancy between the Financial Security guarantee level and Amount at Risk productivity is ascertained, review will take place based on the latest rolling 12 months BSP Net Cash Sales new Balance Sheet/BSP Net Cash Sales, requiring realignment in a maximum of 60 working days from the date of the request in accordance with following scale:~~

- ~~• requests for increases up to 50% of the guarantee level to be met in 30 working days~~
- ~~• requests for increases over and above 50% of the guarantee level to be met in 60 working days.~~

~~Whenever the risk is already covered by a financial security the agent may not submit the annual balance sheet for review.~~

~~Sole Traders with simplified accounting:~~

~~If a Sole Trader with simplified accounting is not able to submit a certified Balance Sheet and Profit and Loss account, the agent shall automatically be requested to produce a bank guarantee.~~

~~Minimum amount:~~

~~Euro 26,000 is the minimum bank guarantee level to be applied to all BSP operating agencies irrespectively of the average of their cash sales.~~

~~The minimum bank guarantee for new applicants and existing Agents under the voluntary weekly remittance shall be of Euro 16.000.~~

~~The minimum bank guarantee for new applicants and existing Agents under the voluntary daily remittance shall be of Euro 5.000~~

~~BSP Procedures~~

~~Information on the procedures and responsibilities of agents in respect of the reporting and settlement rules is contained in the BSP Manual for Agents supplied to each Approved Location. Additional copies if needed can be requested through your local BSP contact.~~

~~IATA offers regular BSP procedural training sessions. Any agent wishing to undertake such training is encouraged to contact the local BSP office.~~

License:

Required (except for Vatican City) as per national or local authority requirements.