1. GENERAL RULE

1.1 An Agent must provide Audited Accounts to IATA. Audited Accounts means accounts reviewed by an auditor recognized as competent by a regulatory authority in the country to perform an audit.

1.2 Audited annual financial statements prepared by a statutory auditor must be supplied to IATA within 6 months of each Agent’s financial year end.

1.3 For New Applications, If an Agent has been in business for less than 12 months at the time of application, an audited opening balance sheet must be provided.

2. CRITERIA FOR THE EVALUATION OF AGENTS ACCOUNTS

2.1 All financial information used in the financial review will be extracted from the Agent’s Audited financial statements.

2.2 The following financial tests apply to the evaluation of an Agent’s Audited financial statements:
   a) The financial statements should show net profit.
   b) The Agent must have a minimum liquidity ratio of 1.2:1
   c) A minimum paid up capital of an equivalent of USD 25,000 in local currency.

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 REVIEWS

3.1 All Agents must provide Audited Accounts for each financial year end for the purposes of evaluation against the financial criteria tests mentioned in the Section 2:
   - Balance sheet
   - Income statement
   - Cash flow statement
   - Profit & loss
   - Audit report
   - Notes to accounts (if the submitted accounts make reference to the notes).

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 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 Financial Security
For the purposes of calculating the amount of a Financial Security the following definitions apply:
“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 as illustrated in the table below.

“Amount at Risk” is calculated by dividing the Days’ Sales at Risk by 90 days and applying that percentage to the BSP cash turnover amount the Agent made in the three highest months in the past 12 months.

<table>
<thead>
<tr>
<th>Remittance Frequency</th>
<th>Days’ Sales at Risk</th>
<th>Days in reporting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two times per month</td>
<td>35</td>
<td>16</td>
</tr>
<tr>
<td>Four times per month</td>
<td>20</td>
<td>7</td>
</tr>
</tbody>
</table>

4.3.1 Formula for the Financial Security:
“Amount at Risk” =
\[
\text{“Days Sales at Risk” X highest 3 months BSP cash sales in the past 12 months} \times \frac{\text{90 days}}{90}.
\]

4.4 Agents with Risk Status A, B and C

4.4.1 Agents with Risk Status A
Agents with Risk Status A are required to provide a Financial Security covering 50% of their Amount at Risk calculated as per Section 4.3.1, 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.

4.4.2 Agents with Risk Status B
Agents with Risk Status B are required to provide a Financial Security covering 100% of their Amount at Risk calculated as per Section 4.3.1, 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.

4.4.3 Agents with Risk Status C
Agents with Risk Status C are required to provide a minimum Financial Security of USD 50,000 and their Financial Security will always equal their assigned Remittance Holding Capacity.

5. DEFINITIONS

**Net Equity or Shareholders’/Owners’ Funds**
In computing the Net Equity, adjustments must be made to write down to zero the following:
- a) The balance of all intangible assets, including goodwill,
- b) All unamortized research and development costs,
- c) The value of all unquoted investments,
- d) All encumbered Assets,
- e) All trading losses for the current financial period.

**Liquid Current Assets** – are defined as Current Assets as in the Balance Sheet of the Accounts after deducting:
- a) Stocks and work in progress,
b) Deposits or guarantees given to third parties other than IATA,
c) Loans to Directors, Associate Companies, (including any subsidiary, associate or company under common ownership)
d) all intercompany balances
e) Payments in advance,
f) Deferred Expenses,
g) Doubtful debtors,
h) Blocked funds.

**Long Term Debt** – All debt liabilities where repayment is due more than twelve months after the end of the financial period