



MEMORANDUM

PAC/Reso/765

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **30 April 2021**

Subject: **MAIL VOTE (A404)**
PAC2 (Mail A404)
Changes to the Local Financial Criteria - Latvia

Background Information

According to the Local Financial Criteria for Latvia, accounts should be produced by a nationally approved Public Auditor in accordance with International Accounting Standards. However, in line with the with national law for the Annual Financial Statements and Consolidated Financial Statements, a company, depending on its size, should be required to submit audited or certified financial statements.

During the 24th APJC Latvia meeting, it was decided to reflect the national law's provision under section 3 of the Local Financial Criteria for Latvia, subject to voting approval. The forum unanimously voted in favour of the changes during the meeting on 3 February 2021.

The Conference is requested to adopt the changes to Local Financial Criteria for Latvia as shown in Attachment 'A' with an immediate effectiveness.

Effective Date

The proposed effective date of these changes is 1 June 2021

Proposed Action

Conference to adopt the changes to the temporary Local Financial Criteria applicable for Latvia as shown in Attachment 'A' and Attachment 'B'.

The timetable for this Mail Vote is as follows:

Voting Period: 30 April - 14 May 2021
Filing Period: 17 May - 31 May 2021
Effectiveness: 1 June 2021

To cast a vote, Members are asked to access the application from the following link:
<https://www.surveymonkey.com/r/A399-426>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Friday, 14 May 2021**. Votes not cast by that deadline will be deemed to be affirmative.

In conformity with the Mail Vote procedure endorsed by PACConf 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 Passenger Governance team by email to pac-gov@iata.org.

A handwritten signature in black ink, appearing to read 'J. Rodriguez', written in a cursive style.

Juan Antonio Rodriguez
Director, FDS Operations, GDC

LATVIA

(Effective 1 ~~November 2020~~ June 2021 – 1 November 2021 subject to review by APJC Latvia –MV/347 404)

1. GENERAL RULE

All IATA Accredited Agents must remit four (4) times per month.

2. CRITERIA FOR THE EVALUATION OF AGENTS' ACCOUNTS

Applicants

2.1 Financial statements must show a positive balance of current assets over current liabilities.

Existing Agents

2.1 Profitability

An Agent is required to show profit before tax at the end of the financial year.

However, a loss in a particular year will not result in negative financial standing for established IATA agents with at least three full years as accredited agent and if the outcome of the previous financial review was satisfactory.

2.2 Equity Capital

Rate of solidity = $\frac{\text{Equity capital}}{\text{Total capital}}$ = min 6%

2.3 Solvency

Rate of liquidity = $\frac{\text{Current assets}}{\text{Current liabilities}}$ = min 1.0

2.4 The financial review result will be considered as PASS/SATISFACTORY when the financial tests in sections 2.1-2.4 are met.

3. ANNUAL FINANCIAL REVIEWS

New Applicants

~~**3.1** New Applicants must submit independently audited balance sheet and profit and loss accounts.~~

~~**3.2** The financial statements must be produced by a nationally approved Public Auditor in accordance with International Accounting Standards.~~

~~**3.3** The financial statements must not be older than 6 months at the time of submission to IATA.~~

~~**3.4** IATA has the right to request the annual report including balance sheet and profit and loss accounts in original.~~

~~3.5 New Applicants which have been established as a company for less than one year must submit a copy of a certified opening balance sheet.~~

Existing Agents

~~3.6 Accredited Agents must provide IATA with a copy of their audited balance sheet and profit and loss Accounts in accordance with the time frame for filing reports required by the local authorities (currently 6 months after financial year end).~~

~~3.7 The financial statements must be produced by a nationally approved Public Auditor in accordance with International Accounting Standards.~~

~~3.8 Notwithstanding the above provisions, Agents who fail to present Audited financial statements will have the financial review result FAIL/UNSATISFACTORY and will need to provide Financial Security in accordance with Resolution 812, regardless of the result of the financial tests in section 2 of these criteria. Such Financial Security will be kept by IATA until an assessment is performed on the Agent's Audited financial statements and the outcome is satisfactory, and the Agent meets other provisions of Resolution 812.~~

3.1 Subject to Latvian Law, Agents will be required to submit either Audited or Certified financial statements, depending on the size of the company.

3.2 Agents must submit a full set of Audited financial statements, including balance sheet, profit and loss account, notes to financial statements, for their company for the most recent financial year, only if they are classified as:

3.2.1 Big company and on the balance sheet date has met at least 2 of the below criteria:

- 1) total balance sheet exceeds 20 000 000 euro;
- 2) net turnover exceeds 40 000 000 euro;
- 3) average employees per year exceeds 250.

3.2.2 Medium company and on the balance sheet date is not a small company and has met at least 2 of the below criteria:

- 1) total balance sheet does not exceed 20 000 000 euro;
- 2) net turnover does not exceed 40 000 000 euro;
- 3) average employees per year does not exceed 250.

3.3 Agents, classified as Micro Companies and Small Companies are entitled to present Certified financial statements if they meet below criteria:

3.3.1 Micro company which on balance date has met at least 2 of the below criteria:

- 1) total balance sheet does not exceed 350 000 euro;
- 2) net turnover per year does not exceed 700 000 euro;
- 3) average employees per year does not exceed 10.

3.3.2 Small company which on the balance sheet date has met at least 2 of the below criteria:

- 1) total balance sheet does not exceed 4 000 000 euro;
- 2) net turnover per year does not exceed 8 000 000 euro;
- 3) average employees per year does not exceed 50.

In case a Small Company exceeds 2 criteria as per point 3.3.2 for 2 consecutive years, such company will need to present full set of audited financial statement as per point 3.2.

3.4 Notwithstanding the above provisions, Agents falling in any of the above group, for which audited accounts are mandatory, and who fail to present full set of Audited financial statements, will have the financial review result FAIL/UNSATISFACTORY and will need to provide a Financial Security in accordance with Resolution 812, regardless of the result of the financial tests in section 2 of these criteria. Such Financial Security will be kept by IATA until an assessment is performed on the Agent's Audited financial statements and the outcome is satisfactory, and the Agent meets other provisions of Resolution 812.

New Applicants

3.5 New Applicants must submit documents required, depending on the type of company as per point 3.2.

3.6 In case the New applicant is a micro company, it is entitled to present certified accounts only, as per point 3.3.

3.7 The financial statements must be produced by a nationally approved Public Auditor in accordance with International Accounting Standards.

3.8 The financial statements must not be older than 6 months at the time of submission to IATA.

3.9 IATA has the right to request the annual report including balance sheet and profit and loss accounts in original.

3.10 New Applicants which have been established as a company for less than one year must submit a copy of a certified opening balance sheet.

Existing Agents

3.11 Accredited Agents (classified as per point 3.2 must provide IATA with a full set of audited financial statements, including balance sheet, profit and loss account, notes to financial statements, for their company for the most recent financial year their audited balance sheet and profit and loss Accounts in accordance with the time frame for filling reports required by the local authorities (currently 6 months after financial year end)

3.12 The financial statements must be produced by a nationally approved Public Auditor in accordance with International Accounting Standards

4. FINANCIAL SECURITY

Financial Securities must be drafted in the English language, using a standard text provided by IATA.

4.1 Amount of Financial Security required

All Agents must provide Financial Security for the minimum amount of EUR 35,000 during the first two (2) years as IATA accredited Agent.

4.1.1 Other than Applicants

The amount of the Financial Security for Agents that have been IATA accredited for more than two (2) years will be calculated using the provisions in sections 4.1.1.1-4.1.1.3:

4.1.1.1 Agents with Risk Status A

For Agents with Risk Status A no Financial Security is required.

4.1.1.2 Agents with Risk Status B

For Agents with Risk Status B the amount of the Financial Security required must cover at a minimum **three** per cent (**3%**) of the calculated annual average cash sales or EUR 35,000 whichever is the higher.

4.1.1.3 Agents with Risk Status C

Agents with Risk Status C must provide a Financial Security in accordance with the provisions of Resolution 812, with a minimum amount of EUR 35,000

LATVIA

~~(Effective from 1 September 2019 – MV/290)~~

~~(Effective 1 June 2021 – MV/404)~~

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4.1.1.1 Agents with Risk Status A

For Agents with Risk Status A no Financial Security is required.

4.1.1.2 Agents with Risk Status B

For Agents with Risk Status B the amount of the Financial Security required must cover at a minimum five point three per cent (5,3%) of the calculated annual average cash sales or EUR 35,000, whichever is the higher.

4.1.1.3 Agents with Risk Status C

Agents with Risk Status C must provide a Financial Security in accordance with the provisions of Resolution 812, with a minimum amount of EUR 35,000.