MEMORANDUM
PAC/Reso/983

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: 13 April 2023

Subject: MAIL VOTE (A616)
PAC1 (Mail A616)
Changes to Local Financial Criteria - Mauritius

Background Information

Mauritius APJC met on 28 October’22 to discuss some editorial changes for Local Financial Criteria. Members agreed to the proposed changes.

1- Correction of point number 4 from “ANNUAL FINANCIAL REVIEWS” to “FINANCIAL SECURITY”
2- Adding in a table to show the calculation of days sales at risk (4.4.1.1)

A quorum was present. The council consists of 5 Airlines and 5 Agents.

The APJC voted 8 Approvals & 2 Abstention (1 Abstention from an Airline and 1 from an Agent) to recommend the changes to Conference.

Effective Date
The proposed effective date of these changes is 1 June 2023.

Proposed Action
Conference to adopt the change to the Local Financial Criteria as shown in Attachment ‘A’.

The timetable for this Mail Vote is as follows:

Voting Period: 13 April - 27 April 2023
Filing Period: 28 April - 31 May 2023
Effectiveness: 1 June 2023

To cast a vote, Members are asked to access the application from the following link.
Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on Thursday, 27 April 2023. 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. 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.

Juan Antonio Rodriguez
Director, FDS Operations, GDC
1. GENERAL RULE

1.1 Audited Accounts means accounts reviewed by an auditor recognised as competent by a regulatory authority in the country to perform an audit that are provided to IATA.

Certificate of Character of owners, shareholders and directors must be provided by all new applicants

2. CRITERIA FOR THE EVALUATION OF AGENTS ACCOUNTS

2.1 There must be positive Net Equity
2.2 The Net Equity must exceed the sum of Long-Term Debt and other Long-Term Liabilities
2.3 EBITDA (Earnings before Interest, Taxation, Depreciation, Amortization, and extraordinary items) must be positive
2.4 The EBITDA must exceed the Interest Payable by a factor of at least three
2.5 Liquid Current Assets must exceed Current Liabilities.

3. ANNUAL FINANCIAL REVIEWS 3.1 Agents Accredited for two years or less:

3.1.1 All Agents must provide Audited 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 as per section 2 of these criteria.
3.1.2 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 instead.
3.1.3 All Agents must provide a Financial Security during the first two years as an agent in accordance with section 4 of this criteria.

3.2 Agents accredited for more than two years:

3.2.1 All Agents must provide Financial Accounts certified by a certified accountant / auditor no later than 6 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 of these criteria.

4. ANNUAL FINANCIAL REVIEWS FINANCIAL SECURITY

4.1 The minimum Financial Security to be provided by an Agent is Mur 1,800,000.

4.2 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.
4.3 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.

4.4 For the purposes of calculating the amount of a Financial Security the following definitions apply:

4.4.1 “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.

4.4.1.1 “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 applicable three months period.

\[
\text{Amount at Risk} = \text{“Days Sales at Risk X (highest 3 months net cash sales/90)}
\]

<table>
<thead>
<tr>
<th>Remittance Frequency</th>
<th>Days' Sales at Risk</th>
<th>Days in reporting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four times per month</td>
<td>21</td>
<td>7</td>
</tr>
</tbody>
</table>

Agents with Risk Status A

4.5 For Agents with Risk Status A, the amount of the Financial Security required must 50% of the Amount at Risk or a minimum of MUR 1,800,000 whichever is higher.

4.6 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 50% of the Amount at Risk.

Agents with Risk Status B

4.7 For Agents with Risk Status B the amount of the Financial Security required must 100% of the Amount at Risk or a minimum of MUR 1,800,000 whichever is higher.

4.8 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.

Agents with Risk Status C

4.9 Agents with Risk Status C to provide a financial security that covers the Amount at Risk with a minimum amount of MUR 1,800,000 and in accordance with the provisions of Resolution 812.

4.10 New Applications are required to provide a Financial Security valid for a minimum of 2 years equal to: ("Days Sales at Risk" x Estimated Annual Sales) / 365

Subject to a minimum amount of MUR 1,800,000.

5. DEFINITIONS OF TERMS USED IN THESE GUIDELINES

Audited Accounts - means the Agent's financial and accounting records and procedures that have been reviewed and certified by an auditor recognized as competent by the regulatory authority in that country to perform an audit that are provided to IATA.

Adjusted Current Assets - are defined as Current Assets as in the balance sheet of the accountants after deducting:

- Stocks and work in progress
- Deposits given to third parties other than IATA
- Loans to Directors, Associate Companies, (including any subsidiary, associate, or company under common ownership)
- Doubtful debtors as revealed in the Accounts.
- Blocked funds except for funds held in favour of IATA.

**Current Liabilities** - are defined as current liabilities in the balance sheet of the accounts

**EBITDA** - Earnings before Interest, Taxation, Depreciation and Amortization.

**Net Equity or Shareholders'/owners' Funds** - Consists of:
- Share capital
- Share Premium
- Retained earnings
- Other distributive 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