



MEMORANDUM

PAC/RESO/702

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **2 July 2020**

Subject: **MAIL VOTE (A341)**
PAC3 (Mail A341)
Changes to Local Financial Criteria – Singapore

Background Information

The Passenger Agency Conference Steering Group (PSG) had careful deliberation concerning the impact of COVID-19, there have been a series of proposals that will be the subject of upcoming PACConf Mail Votes, which aim to help Agents by alleviating some of the financial pressure in their participation of the Agency Programme.

The PSG and the PAPGJC (Passenger Agency Programme Global Joint Council of Agents and Airlines) have agreed that it would be important for each APJC to review their Local Financial Criteria to assess whether there are any elements of their respective LFC that are heavily impacted by COVID-19 in upcoming Financial Assessments that take into consideration the past few. The purpose of this exercise is to consider whether there is a need to temporarily modify certain elements in the criteria, so they fairly represent the market's situation without penalizing Agents during the assessment, but still accurately benchmark the financial health of Agents in the market.

In separate discussions with Airlines and Agency constituents of APJC Singapore, it was decided to change the following section of the Local Financial Criteria for Singapore.

Please refer to the Proposal for sentence in bold to be included on interim basis. The Conference is to adopt the changes to Local Financial Criteria for Singapore as shown in Attachment 'A' with an immediate effectiveness. Such relief measures will apply only till 30th June 2021. Beyond that, the original LFC/ SG will apply, if not changed by the APJC in between.

3. FINANCIAL SECURITY

3.1 Notwithstanding the Risk Status of A or B, the Agent must furnish a minimum Financial Security for an existing agent is SGD 40,000 or equivalent to 21/360 days' average sales based on the last 12 months activity, whichever is higher.

3.2 Agents with Risk Status A and B must at all times provide a Financial Security which will equal their assigned Remittance Holding Capacity.

3.3 An Applicant/Agent may at any time request to reduce or increase the Financial Security amount provided in accordance with Resolution 812 Section 5.9.4.

3.4 Reduction in Financial Security specified in section 3.3 shall not be below SGD 15,000, which is applicable only for the period till 30th June 2021, as a measure to ease the impact of COVID-19 pandemic on the Agency sales.

Effective Date

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

Proposed Action

Conference to adopt the changes to the Local Financial Criteria as shown in Attachment 'A'.
The timetable for this Mail Vote is as follows:

Voting Period: 2 – 16 July 2020

Filing Period: 17 – 31 July 2020

Effectiveness: 1 August 2020

To cast a vote, Members are asked to access the application from the following link:

<https://www.surveymonkey.com/r/A333-341>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Thursday, 16 July 2020**. 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 Passenger Governance team by email to pac-gov@iata.org.



Juan Antonio Rodriguez
Director – FDS Operations, GDC

SINGAPORE

(Effective 1 ~~September 2018~~ August 2020 – MV/294 341)

1. GENERAL RULE

1.1 General:

The term "applicant" where used in these Criteria will be understood to include an Accredited Agent.

The applicant must provide audited accounts in accordance with standard accounting practice and signed by one director or the proprietor(s). Such statements will be evaluated pursuant to the financial standards defined in these Criteria. They must include the following:

- 1.1.1. Detailed Profit & Loss Statement
- 1.1.2. Balance Sheet
- 1.1.3. Notes to the Accounts if applicable
- 1.1.4. Signed Auditor Independent Report (must include auditor's Registration Number).
- 1.1.5. Company Composition (evidence showing: company details including shareholders names, contact details and percentage share) if applicable.

2. CRITERIA FOR THE EVALUATION OF AGENTS' ACCOUNTS

2.1. Finances

An applicant must have a minimum paid up capital of SGD100,000.

An applicant must be established and in business as a travel agent for at least twelve months prior to the date of application. The minimum Financial Security must be SGD 40,000 or equivalent to 21/360 days' average sales based on the last 12 months activity, whichever is higher.

For Applicant with less than twelve months trading record in business as travel agent, the minimum Financial Security must be SGD 50,000 or equivalent to 21 days average sales based on the trading months, whichever is higher, until the receipt of audited annual accounts.

2.2 When assessing whether the applicant meets the financial standing described in Subparagraph 2.1 of this Paragraph, the following will be taken into account.

2.2.a(i) Financial assessment indicators

Leverage	Score
> 25.00	1
>12.50 - 25.00	2
>6.00 - 12.50	3
>4.30 - 6.00	4
>3.10 - 4.30	5
>2.11 - 3.10	6
>1.60 - 2.11	7
>1.00 - 1.60	8
>0.65 - 1.00	9
>=0.00 - 0.65	10

Owner's Equity	Score
<=100,000	1
>100,000 - 150,000	2
>150,000 - 180,000	3
>180,000 - 210,000	4
>210,000 - 300,000	5
>300,000 - 500,000	6
>500,000 - 700,000	7
>700,000 - 1,200,000	8
>1,200,000 - 10,000,000	9
> 10,000,000	10

Profitability	Score
1 - 5,000	1
>5,000 - 16,500	2
>16,500 - 39,500	4
>39,500 - 90,000	6
>90,000 - 213,000	8
> 213,000	10

Liquidity	Score
0.01 - 0.60	1
>0.60 - 0.75	2
>0.75 - 0.95	3
>0.95 - 1.05	4
>1.05 - 1.17	5
>1.17 - 1.26	6
>1.26 - 1.45	7
>1.45 - 1.68	8
>1.68 - 2.50	9
> 2.50	10

Net profit Margin Trend	Score
↑	2
No change	0
↓	-2

Net Profit margin trend will be assessed based on the period of 2 financial years. If an agent/applicant is not able to provide evidence of positive or static trend, points for negative trend will be assigned.

To pass the financial assessment, the Agent must obtain a score of 15 or more.

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4. OTHER

DEFINITIONS OF TERMS USED IN THESE CRITERIA

Definition of Financial assessment indicators

Owner's Equity – is the total of Paid up capital and Reserves.

Paid up Capital is the amount of a company's capital that has been funded by shareholders. Paid-up capital can be less than a company's total capital.

Profitability is the capacity to make a profit. Net Profit is measured by what is left over from income earned after having deducted all costs and expenses related to earning the income in a specific financial year. Profitability is measured as the average Net Profit of the current financial year and previous financial year.

Liquidity is the Liquidity Ratio. The calculation of a company's available cash and marketable securities against outstanding debt.

Leverage is the ratio of a company's loan capital (debt) to its Equity (Equity is the value of its ordinary shares and accumulated profits/reserves).

Reserve is any part of Shareholders' Equity, except for basic share capital. Shareholders' Equity' is a firm's total assets minus its total liabilities.

Net Worth, also known as Shareholders Equity, is a firm's total assets minus its total liabilities.

Net Profit margin trend – is net profit / Turnover % year on year