MEMORANDUM
PAC/RESO/1018

To: All Members, Passenger Agency Conference
    Accredited Representatives

From: Director, FDS Operations, GDC

Date: 31 October 2023

Subject: MAIL VOTE (A649)
    PAC1 (Mail A649)
    Proposal for Changes to Local Financial Criteria (LFC) for all Agents in Chile

Background Information

Submitted by APJC Bolivia, Chile, Peru

The 27th APJC Bolivia, Chile and Peru was held on 24 August 2023. The Joint Council reviewed the evolution of the market for each of the three countries noting the number of accredited locations, BSP market sales cash vs. credit card, BSP payment compliance vs. defaults and financial reviews vs. satisfactory/unsatisfactory results.

The Joint Council reviewed items pending actions from the previous meeting whereby the Secretariat confirmed communications to the markets, addressed to Agents and Airlines, requesting an update of contact information in BSPlink to ensure the efficient use of the communication channel available through the tool. The Secretariat confirmed two sets of communications had been dispatched, the first in April 2023 and the second in June 2023. The airline members of the APJC confirmed having received the communications and having acted on it. Other carriers confirmed some of the existing contacts were obsolete as personnel was either no longer in the company or had moved to other positions. Agents thanked the carriers for actions taken however were still concerned over contact for off-line carriers.

Agent members of the APJC also requested IATA an update on the progress and criteria of the Airline Risk Management reviews. The Secretariat reminded the group of the video recording prepared by the Director Settlement Risk Management, shared at the previous meeting that provided the elements of the review. The Secretariat also confirmed the airline reviews commenced since April 2022, were on-going and would continue as mandated criteria for any carrier participating in any of IATA’s financial systems.

In addition, the Joint Council had previously agreed to review the Local Financial Criteria for Chile and Peru to ensure clarity, by removing redundancies, and ensuring alignment with Resolution 812. As a result of the on-going discussions, and a final draft before the Joint Council, the APJC unanimously voted in favor of amending the Local Financial Criteria for Agents in Chile and in Peru. Proposals for amended criteria follow as Attachments A and B, for respectively.

The Criteria for Bolivia were also reviewed. For Bolivia, the Local Financial Criteria had already been addressed and aligned to Resolution 812 and did not require further amendments at this point.
Proposed Solution

APJC Bolivia, Chile and Peru unanimously approved changes to the permanent Local Financial Criteria applicable to Agents in Chile and in Peru, in compliance with NGI, Resolution 812. All changes apply as of the annual financial review of the 2023 Agents’ financial accounts. Please refer to:

- Attachment 'A' Changes to Local Financial Criteria for Agents in Chile.

Effective Date

The proposed effective date of these changes is 1 January 2024.

Proposed Action

Conference to adopt changes to the permanent Local Financial Criteria for Agents in Chile and Peru. All changes to apply as of the annual financial review of the 2023 financial accounts year-end.

Voting Period: 31 October-15 November 2023
Filing Period: 16-30 November 2023
Effectiveness: 1 January 2024

To cast a vote, Members are asked to access the application from the following link: [https://forms.office.com/e/GNaQBgexpH](https://forms.office.com/e/GNaQBgexpH)

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on Wednesday, 15 November 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. 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](mailto:pac-gov@iata.org).

Juan Antonio Rodriguez
Director – FDS Operations, GDC
CHILE
(Effective 1 January 2024 – PAC MV/ A649)

1. GENERAL RULE – (Accounts / Documents to be provided)

Financial Statements:
- Must be prepared in accordance with generally accepted accounting principles and will be reviewed against the rules and methodology indicated herewith.
- The financial statements must consist of a Balance Sheet, Profit and Loss Statement and Statement of Cash Flow
- Must not be older than 6 months
- Must be certified by an external public accountant
- Must comply with minimum financial criteria herewith
- Must be evaluated against financial ratios

2. CRITERIA FOR THE EVALUATION OF AGENTS’ ACCOUNTS

Financial Statements will be evaluated against ratio tests below. Ratio Tests Definition and Parameters follow.

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Points</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity ratio</td>
<td>14</td>
<td>A measure of the short-term solvency of the entity</td>
</tr>
<tr>
<td>Debt ratio</td>
<td>14</td>
<td>Amount of assets provided by creditors for each dollar of total assets</td>
</tr>
<tr>
<td>Turnover ratio</td>
<td>7</td>
<td>The average number of days to collect a receivable</td>
</tr>
<tr>
<td>Cashflow ratio</td>
<td>5</td>
<td>Level of debt versus profits</td>
</tr>
</tbody>
</table>

An acceptable financial ratio analysis measured by the application of four ratio tests against which points are allocated. A maximum of 40 points may be attained. For the financial results to be considered as a Satisfactory result, a minimum of 22 points must be scored.

Scale of Points per Ratio Test:

**Liquidity Ratio** = \( \frac{\text{Current Assets}}{\text{Current Liabilities}} \)

| Over 1.99 | 14 points |
| 1.50 – 1.99 | 12 points |
| 1.25 – 1.49 | 10 points |
| 1.00 – 1.24 | 8 points |
| 0.96 – 0.99 | 6 points |
| 0.91 – 0.95 | 4 points |
| 0.86 – 0.90 | 2 points |
| Less than 0.86 | 0 points |

**Turnover Ratio** = \( \frac{\text{Net Receivables}}{\text{Total Sales}} \)

| Under 15 days | 7 points |
| 15 – 16 days | 6 points |
| 17 – 18 days | 5 points |
| 19 – 20 days | 4 points |
| 21 – 23 days | 3 points |
| 24 – 26 days | 2 points |
| 27 – 29 days | 1 point |
| More than 29 days | 0 points |
**Debt Ratio** = \[ \frac{\text{Total Liabilities}}{\text{Total Assets}} \]

- Under 0.4: 14 points
- 0.4 – 0.59: 12 points
- 0.6 – 0.89: 10 points
- 0.9 – 0.99: 8 points
- 1.0 – 1.19: 6 points
- 1.2 – 1.34: 4 points
- 1.35 – 1.49: 2 points
- Over 1.49: 0 points

**Cash Flow Ratio** = \[ \frac{\text{Profit After Tax} \times \text{Long-term Liabilities}}{\text{Profit After Tax}} \]

- 0.20: 5 points
- 0.18: 4 points
- 0.15: 3 points
- 0.13: 2 points
- 0.10: 1 point
- Under 0.10: 0 points

### 3. FINANCIAL REVIEWS

3.1 Applicants shall present financial statements.

3.2 Every IATA Accredited Agent shall submit their annual financial statements to ensure continued financial compliance.

3.3 The presentation of Financial Statements for the annual financial review will be 30 days after the date to local fiscal authorities.

### 4. FINANCIAL SECURITY

4.1 Financial guarantees will be requested based on the Risk Status of the Agent, as per Resolution 812, Section 5.

- 4.1.1 Agents with Risk Status A – are not required to present a financial security, except as indicated in Section 5.
- 4.1.2 Agents with Risk Status B – will be required to present a financial security.
- 4.1.3 Agents with Risk Status C – will be required to present a financial security.

4.2 New Applicants will be required to provide a minimum Financial Security equivalent to USD10,000.

4.3 When Accredited Agents are required to provide a Financial Security, the Financial Security will be calculated based on the Agents’ own Day’s Sales at Risk. Days Sales at Risk is calculated based on the number of days in the reporting period plus the number of days to remittance date plus a margin of 5 days, the result is then multiplied by the daily average BSP net cash sales of the Agent’s previous 12 months’ sales or a minimum Financial Security equivalent to USD10,000 will be required, whichever is higher.

4.4 Duration of guarantee:
- Two-years minimum for New Applicants
- One-year minimum for Accredited Agents

### 5. FINANCIAL INFORMATION DEFINITIONS

**Current Assets**
This amount excludes notes or receivables from related parties, including shareholders, employees, officers, associates as well as Cash and Term Deposits pledged for security.

**Current Liabilities**
This amount must include the current portion of long-term debt.

**Gross or Total Sales**
In the event this figure is not specifically identified in the financial statements, please provide the gross sales figures for the period including ticket sales, package tours, hotels, car rental, insurance, miscellaneous income, etc., net of tax.

**Long-term Liabilities**
All long-term loans from third parties. It does not include non-current loans provided by shareholders or proprietors.

**Net Receivables**
This amount should be net of bad debt and should be broken down to reflect separately,
- Trade receivables net of provision for bad debt
- Commissions receivable
- Receivables from related parties. Refer to definition of current assets
- Supplier deposits

**Profit After Tax**
Profit after taxes but before extraordinary items.

**Total Assets**
Total assets including intangible assets such as goodwill, franchise fees, client lists, etc.

**Total Liabilities**
Include current liabilities and all loans from third parties. It does not include non-current loans provided by shareholders or proprietors. Loans from associate parties are included, unless subordinated to other parties.