



MEMORANDUM

PAC/Reso/925

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **13 April 2022**

Subject: **MAIL VOTE (A561)**
PAC3 (Mail A561)
Maintain the Local Financial Criteria in Macau after NGISS implementation

Background Information

According to the submission to PAConf/41, the Local Financial Criteria (LFC) for Macau will follow the same as BSP Hong Kong when New Generation ISS is implemented. New Generation ISS is now planned to be implemented in Macau in May 2022 but as there is no option to use Easy Pay, the cash sales will not be restricted when the Remittance Holding Capacity (RHC) is reached.

Given that cash sales will not be restricted when RHC is reached and furthermore, the Financial Security (FS) should not be related to the RHC, the existing LFC used in Hong Kong is not fit for purpose.

The existing LFC is working well and it is requested to maintain the current LFC when New Gen ISS is implemented in May 2022. The APJC MO will continue to review and strengthen the LFC for BSP Macau.

This proposal has been voted at the APJC MO and details as below:

No. of APJC meeting: 1st APJC meeting

Date of APJC meeting: 24 Jan 2022

APJC MO has 6 members. 3 airlines' members and 3 travel agents' members were present

Voting result: Unanimous from both airlines' and travel agents' members to support the proposal

Effective Date

The proposed effective date of these changes is 1 May 2022

Proposed Action

Conference to adopt the changes to the proposal to maintain the existing LFC to be used in Macau after the implementation in May 2022.

The timetable for this Mail Vote is as follows:

Voting Period: 13 April - 27 April 2022

Filing Period: 28 April - 31 May 2022

Effectiveness: 1 May 2022

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

<https://forms.office.com/r/mzQjYmfYDw>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Wednesday, 27 April 2022**. 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.

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

Juan Antonio Rodriguez
Director, FDS Operations, GDC

MACAU (SAR, CHINA)

(Effective 1 March 2019 or when New Gen ISS is implemented, PAC/41)

1. GENERAL RULE

1.1 General Financial Requirements

New Applicants/Accredited Agents

Applicants/Accredited Agents must:

- a) be established and in business as a travel agent for not less than two years from the date of licensing prior to the date of application, and
- b) submit to IATA a complete set of audited financial statements which must not be older than 9 months at the time of submission and in the auditor's opinion, the financial statements give an unqualified true and fair view of the state of the company's affairs.
- c) In order to become IATA Accredited or to maintain IATA Accreditation, an Applicant/Agent must have a paid up capital of minimum MOP 1 million.

1.2 An Applicant/Agent failing to meet 1(b) or 1(c) will be treated as failing the financial assessment ie below 85 points.

2. FINANCIAL ASSESSMENT

To obtain a satisfactory result of the financial assessment, the Applicant or Agent will be assessed against Tests 1 to 7, and must have a minimum score of 85.

Test 1 – Tangible Net Worth

A minimum requirement of MOP 1 million or 150% of the amount of net loss after tax for the immediately preceding financial year, whichever is higher. The loss must be increased by the amount of expenses which in normal circumstances should have been charged, for example, the fair market price of rent for office premises provided rent-free.

Tangible Net Worth	Score
MOP 1 million or 150% of the amount of net loss after tax, whichever is higher	80
< MOP 1 million	0

Test 2 – Working Capital Ratio

Total current assets less encumbrances and loans to related parties

Working Capital Ratio = $\frac{\text{Total current assets less encumbrances and loans to related parties}}{\text{Total current liabilities}}$

Working Capital Ratio	Score
>= 1	10
0.9 – 0.99	5
< 0.9	0

Test 3 – Liquidity ratio

Total current assets less encumbrances, deposits (except payments in advance to trade suppliers), prepayment, stock in trade, and loans to related parties

Liquidity Ratio = $\frac{\text{Total current assets less encumbrances, deposits (except payments in advance to trade suppliers), prepayment, stock in trade, and loans to related parties}}{\text{Total current liabilities less bank overdraft, loans from related parties, incomplete tours and/or customer deposit}}$

Liquidity Ratio	Score
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=>0.8	10
0.7 – 0.79	5
<0.7	0

Test 4 – Net equity is higher than the average BSP payable in previous 12 months and minimum Tangible Net Worth is MOP 1 million or 150% of the amount of net loss after tax, whichever is higher

Net Equity against BSP payable	Score
=>0.5	60
<0.5	0

Test 5 – Net equity divided by long term debt and other long term liabilities

Net Equity against long term debts	Score
=>0.5	20
<0.5	0

Test 6 – Interest bearing ratio

$$\text{Interest bearing ratio} = \frac{\text{EBITDA}}{\text{Interest expenses less interest income}}$$

Interest bearing ratio	Score
=>3	10
<3	0

Test 7 – EBITDA

EBITDA	Score
Positive	10
Negative but Net Equity divided by EBITDA is above 2	10
Negative but Net Equity divided by EBITDA is below 2	0

3. FINANCIAL SECURITY

3.1 Agents with Risk Status A

3.1.1 An Agent with Risk Status A must provide a Financial Security to IATA based on the financial assessment result per section 2.

3.1.2 An Agent with Risk Status A obtaining 95 – 174 points on the financial assessment must at all times provide a Financial Security of 80% of the Remittance Holding Capacity, and never less than MOP 50,000.

3.1.3 An Agent with Risk Status A obtaining more than 174 points on the financial assessment must at all times provide a Financial Security of 50% of the Remittance Holding Capacity, and never less than MOP 50,000.

3.2 Applicants/Agents with Risk Status B

3.2.1 Risk Status B1: An Applicant/Agent obtaining below 95 points on the financial assessment but passed the Risk History assessment must provide a Financial Security to IATA. The Financial Security provided must at all times equal the Remittance Holding Capacity, and never be less than MOP 50,000.

3.2.2 Risk Status B2: An Applicant/Agent obtaining 95 points or above but failed the Risk History assessment must provide a Financial Security to IATA. The Financial Security amount must at all times be 80% of the Remittance Holding Capacity, and never less than MOP 50,000.

3.3 Applicants/Agents with Risk Status C

~~3.3.1 An Applicant/Agent obtaining below 85 points and failed the Risk History assessment must provide a Financial Security to IATA. The Financial Security amount must be at all times equal the Remittance Holding Capacity, and never be less than MOP 50,000.~~

4. ~~REDUCTION OF FINANCIAL SECURITY~~

~~An Applicant/Agent may at any time request to reduce the Financial Security provided in accordance with Resolution 812 Section 5.9.4.1, subject to the minimum percentage and amount established in sections 3.1-3.3 of these criteria.~~

5. ~~DEFINITIONS~~

~~Encumbrance~~

~~Encumbrance means any asset of the applicant or Agent which has been pledged to any person for the security of any arrangement granted by any person for the benefit of any person other than the applicant or Agent.~~

~~Related party~~

~~A related party means any shareholder or director and their immediate families, trustees or partners, associated and subsidiary companies, holding companies and their associated and subsidiary companies, or related company.~~

~~Intangible~~

~~Intangible includes goodwill, trademarks, royalty, deferred expenses, deferred cost of advertising.~~

~~Contingent liability~~

~~Contingent liability does not include bank guarantee provided for trade creditors of the applicant or Agent.~~

~~Tangible net worth~~

~~Tangible net worth is the aggregate amount of:-~~

- ~~_____ - paid-up share capital;~~
- ~~_____ - reserves;~~
- ~~_____ - professional property revaluation reserves; and~~
- ~~_____ - retained profits;~~

~~minus~~

- ~~_____ - retained losses;~~
- ~~_____ - intangibles;~~
- ~~_____ - encumbrances;~~
- ~~_____ - deferred tax assets;~~
- ~~_____ - contingent liabilities; and~~
- ~~_____ - net amount of loans to related parties.~~

~~Tangible net worth deficiency~~

~~Tangible net worth deficiency occurs when the requirement in Test 1 in section 2 has not been met, and the amount of deficiency is the difference between the Tangible Net Worth of the Agent and the requirement in Test 1.~~

~~EBITDA~~

~~Earnings before interest, taxation, depreciation, amortization and extraordinary items.~~

MACAU (SAR, CHINA)

(Effective 1 June 2022, MV/561)

1. GENERAL RULE

1.1 General Financial Requirements

New Applicants

Applicants must:

a) be established and in business as a travel agent for not less than two years from the date of licensing prior to the date of application, and

b) submit a certified complete set of audited financial statements which must not be older than 9 months at the time of submission and in the auditor's opinion, the financial statements give an unqualified true and fair view of the state of the company's affairs.

1.2 Definitions

a. Encumbrance

Encumbrance means any asset of the applicant or Agent which has been pledged to any person for the security of any arrangement granted by any person for the benefit of any person other than the applicant or Agent.

b. Related party

A related party means any shareholder or director and their immediate families, trustees or partners, associated and subsidiary companies, holding companies and their associated and subsidiary companies, or related company.

c. Intangible

Intangible includes goodwill, trademarks, royalty, deferred expenses, deferred cost of advertising.

d. Contingent liability

Contingent liability does not include bank guarantee provided for trade creditors of the applicant or Agent.

e. Tangible net worth

Tangible net worth is the aggregate amount of:-

- _____ - paid-up share capital;
- _____ - reserves;
- _____ - professional property revaluation reserves; and
- _____ - retained profits;

minus

- _____ - retained losses;
- _____ - intangibles;
- _____ - encumbrances;
- _____ - deferred tax assets;
- _____ - contingent liabilities; and
- _____ - net amount of loans to related parties.

f. Tangible net worth deficiency

Tangible net worth deficiency occurs when the requirement in Test 1 in section 2.2 has not been met, and the amount of deficiency is the difference between the Tangible Net Worth of the Agent and the requirement in Test 1.

2. CRITERIA FOR THE EVALUATION OF AGENTS' ACCOUNTS

When assessing whether the applicant or Agent meets the financial standing the following shall be taken into account using the criteria set out in section 2.1 & 2.2.

- a) availability of adequate liquid funds to meet normal trading commitments,

- b) capital required to be commensurate with fixed assets,
 c) the existence of preferential claims on the assets and the existence of contingent liabilities.

2.1 Minimum Paid Up Capital

Have as a minimum paid-up capital of MOP 1 million;

2.2 Financial Criteria

To meet the financial criteria, the applicant or Agent must have a minimum score of 85.

Test 1 – Tangible Net Worth

A minimum requirement of MOP 1 million or 150% of the amount of net loss after tax for the immediately preceding financial year, whichever is higher. The loss must be increased by the amount of expenses which in normal circumstances should have been charged, for example, the fair market price of rent for office premises provided rent-free.

<u>Tangible Net Worth</u>	<u>Score</u>
<u>MOP 1 million or 150% of the amount of net loss after tax, whichever is higher</u>	<u>80</u>
<u>< MOP 1 million</u>	<u>0</u>

Test 2 – Working Capital Ratio

$$\text{Working Capital Ratio} = \frac{\text{Total current assets less encumbrances and loans to related parties}}{\text{Total current liabilities}}$$

<u>Working Capital Ratio</u>	<u>Score</u>
<u>=> 1</u>	<u>10</u>
<u>0.9 – 0.99</u>	<u>5</u>
<u>< 0.9</u>	<u>0</u>

Test 3 – Liquidity ratio

$$\text{Liquidity Ratio} = \frac{\text{Total current assets less encumbrances, deposits (except payments in advance to trade suppliers), prepayment, stock in trade, and loans to related parties}}{\text{Total current liabilities less bank overdraft, loans from related parties, incomplete tours and/or customer deposit}}$$

<u>Liquidity Ratio</u>	<u>Score</u>
<u>=> 0.8</u>	<u>10</u>
<u>0.7 – 0.79</u>	<u>5</u>
<u>< 0.7</u>	<u>0</u>

3. ANNUAL FINANCIAL REVIEWS

Accredited Agents must submit annually a certified complete set of audited financial statements which must not be older than 9 months at the time of submission and in the auditor's opinion the financial statements give an unqualified true and fair view of the state of the company's affairs.

Agents must submit their audited annual financial statements within 9 months from the year end date.

Financial Standing

(I) Satisfactory without condition

Where the applicant's or Agent's overall score is 85 or more.

(II) Satisfactory subject to provision of additional financial support

Where the applicant's or Agent's overall score is below 85.

(III) Unsatisfactory

Where the applicant's or Agent's financial standing has not been found satisfactory without condition and request to provide additional financial support has not been complied with on or before the deadline.

4. FINANCIAL SECURITY

Category A

The applicant or Agent has met the Tangible Net Worth requirement in Test 1:

- A1 - If its Annual BSP Payable Amount exceeds MOP 600 million, it is required to provide a 10-day bank guarantee/insurance bound
- A2 - If its Annual BSP Payable Amount is within MOP 300 - MOP 600 million, it is required to provide a 14-day bank guarantee/insurance bound
- A3 - If its Annual BSP Payable Amount is below MOP 300 million, it is required to provide a 18-day bank guarantee/insurance bound

Category B

The applicant or Agent has failed to meet the Tangible Net Worth requirement in Test 1 and its annual turnover is below MOP 20 million:

- B1 - If its Tangible Net Worth deficiency is below MOP 1 million and its Annual BSP Payable Amount exceeds MOP 600 million, it is required to provide a 10-day bank guarantee/insurance bound
- B2 - If its Tangible Net Worth deficiency is below MOP 1 million and its Annual BSP Payable Amount is within MOP 300 - MOP 600 million, it is required to provide a 14-day bank guarantee/insurance bound
- B3 - If its Tangible Net Worth deficiency is below MOP 1 million and its Annual BSP Payable Amount is below MOP 300 million, it is required to provide a 18-day bank guarantee/insurance bound
- B4 - If its Tangible Net Worth deficiency is MOP 1 million or higher, it is required to provide a 19-day bank guarantee/insurance bound

Category C

The applicant or Agent has failed to meet the Tangible Net Worth requirement in Test 1 and its annual turnover is MOP 20 million or higher:

- C1 - If its Tangible Net Worth deficiency is below MOP 3 million and its Annual BSP Payable Amount exceeds MOP 600 million, it is required to provide a 10-day bank guarantee/insurance bound
- C2 - If its Tangible Net Worth deficiency is below MOP 3 million and its Annual BSP Payable Amount is within MOP 300 - MOP 600 million, it is required to provide a 14-day bank guarantee/insurance bound
- C3 - If its Tangible Net Worth deficiency is below MOP 3 million and its Annual BSP Payable Amount is below MOP 300 million, it is required to provide a 18-day bank guarantee/insurance bound
- C4 - If its Tangible Net Worth deficiency is MOP 3 million or higher, it is required to provide a 19-day bank guarantee/insurance bound

<u>Category</u>	<u>Annual Turnover</u>	<u>Tangible Net Worth Deficiency</u>	<u>Annual BSP Payable Amount</u>	<u>Financial Support</u>
A1	N/A	Nil	> MOP 600 mil	10-day bank guarantee/insurance bond
A2			=> MOP 300 mil <= MOP 600 mil	14-day bank guarantee/insurance bond
A3			< MOP 300 mil	18-day bank guarantee/insurance bond
B1	< MOP 20 mil	< MOP 1 mil	> MOP 600 mil	10-day bank guarantee/insurance bond
B2			=> MOP 300 mil <= MOP 600 mil	14-day bank guarantee/insurance bond
B3		< MOP 300 mil	18-day bank guarantee/insurance bond	
B4		=> MOP 1 mil	N/A	19-day bank guarantee/insurance bond
C1	=> MOP 20 mil	< MOP 3 mil	> MOP 600 mil	10-day bank guarantee/insurance bond
C2			=> MOP 300 mil <= MOP 600 mil	14-day bank guarantee/insurance bond
C3		< MOP 300 mil	18-day bank guarantee/insurance bond	
C4		=> MOP 3 mil	N/A	19-day bank guarantee/insurance bond

Financial Security Amount

For applicants and Agents, the amount of bank guarantee/insurance bond required is equivalent to the applicant's BSP cash turnover based on the previous 6 months. The bank guarantee/insurance bond covers its average 10-day/14-day/18-day/19-day BSP cash turnover, depending on its financial assessment result. Minimum bank guarantee/insurance bond amount is MOP 50,000.

5. LICENCE

The applicant or Agent must be in possession of a valid licence from the Macau Government Tourist Office to operate as a travel agent.