



MEMORANDUM

PAC/RESO/715

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **15 September 2020**

Subject: **MAIL VOTE (A354)**
PAC2 (Mail A354)
Temporary Changes to Local Financial Criteria – Saudi Arabia

Background Information

SA APJC met on 22 July 2020 to discuss the proposed changes for the LFC of BSP Saudi Arabia.

The changes focused on temporary changes to the existing LFC to mitigate the impact of COVID-19.

A quorum was present (8 Airlines and 6 Agents). The composition of this council consists of 9 Airlines and 9 Agents.

The APJC voted unanimously to recommend the changes to Conference.

Effective Date

The proposed effectiveness is from 1 November 2020 to 30 June 2021.

Proposed Action

Conference to adopt the temporary changes to the Local Financial Criteria in Saudi Arabia as shown in Attachment 'A'.

The timetable for this Mail Vote is as follows:

Voting Period: 15 – 30 September 2020

Filing Period: 1 – 15 October 2020

Effectiveness: 1 November 2020

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

<https://www.surveymonkey.com/r/A342-359>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Wednesday, 30 September 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.

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

Juan Antonio Rodriguez
Director – FDS Operations, GDC

SAUDI ARABIA

(Effective ~~1 April 2016~~ 1 November 2020 - 30 June 2021 - ~~Mail Vote/A268~~ MV/354)

1. General Rules

1.1 All Applicants and Agents must:

- 1.1.1 Hold a valid license to trade from the ~~Saudi Commission of Tourism and National Heritage~~ Ministry of Tourism, in accordance with their resolution.
- 1.1.2 Hold a valid Commercial Registration (CR), covering travel agent activity at the location.
- 1.1.3 Provide an attested copy of their Articles of Association for all types of partnership companies.

2. Criteria for Evaluation of Agents' Accounts

The following financial tests apply to the evaluation of an Agent's Audited accounts:

~~2.1~~ There must be a positive Net Profit

~~2.2~~ 2.1 Liquidity ratio: Current Assets/ Current Liabilities must not be less than ~~1:1~~ 1+:1

~~2.3~~ 2.2 Agent must show a collection period of Accounts receivable, related to BSP sales only, of not more than an average of 21 days.

3. Financial Views

3.1 All Agents must provide Audited Financial Documents (balance sheet, ageing statement of accounts receivable and accounts payable, cash flow statement, profit/loss, and the audit report), no later than 6 months after each financial year end, or as required by legislation, of that agent for the purposes of evaluating against the financial tests in section 2 of this criteria.

3.2 If an Agent has been in business for less than 12 months at the time of application, a certified opening balance sheet must be provided instead

3.3 Financial Statement must be provided in either English or Arabic language and duly audited and signed by a certified chartered public accountant.

4. Financial Security

4.1 The financial Security required must cover at a minimum the "Amount at Risk" calculated as below using the BSP net cash sales, amount equal to the average annual net cash sales. If the 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

"Days Sales at Risk" X (Annual net cash sales/365)

4.2 New applicants that only provide opening balance sheet must provide an auto-renewable Financial Security of SAR 500,000.00 for the first year of accreditation.

4.3 New applicants that provided annual Audited Accounts and who obtain a satisfactory evaluation must provide a Financial Security for an amount equals to the Agent's amount at risk, as described in 4.1. If such applicant obtains an unsatisfactory evaluation, they must provide an auto-renewable Financial Security equals to the Agent's amount at risk as described in 4.1 subject to a minimum of SAR 500,000.00

4.4 Agents that obtain an unsatisfactory evaluation must provide a Financial Security for an amount equal to the Amount at Risk, as described in 4.1.

4.5 Agents that obtain a satisfactory evaluation must provide a Financial Security for an amount equals to the Amount at Risk, as described in 4.1, less the amount of net current assets. If the Amount at Risk increases or decreases in subsequent satisfactory evaluations, they will be liable to increase or eligible for decrease in the Financial Security provided accordingly. ~~However, if their Net Current Assets is greater than their Amount at Risk, they will be eligible for release of the Financial Security provided:~~

~~**4.5.1** The Agent has been approved for at least two years.~~

~~**4.5.2** The Agent has not had a default (including defaults resulting from an accumulation of irregularities) and removal from the agency list in the last 12 months.~~

~~**4.5.3** The Agent also passed all of the financial tests under Section 2 based on the audited accounts provided for the previous two years~~