



MEMORANDUM

PAC/Reso/920

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **13 April 2022**

Subject: **MAIL VOTE (A556)**
PAC2 (Mail A556)
Changes to Temporary Local Financial Criteria - Western Balkans

Background Information

Following the COVID-19 crisis, the Passenger Steering Group encouraged APJCs to form a Local Financial Advisory Group (LFCAG) to review the existing Local Financial Criteria and consider whether any current ratios should be amended to reflect the market conditions impacted by the COVID-19 outbreak.

APJC Western Balkans Mail Vote took place on the 15 and 16 February and voted unanimously in favour to extend the temporary local financial criteria.

TEMPORARY AMENDMENTS TO CURRENT LOCAL FINANCIAL CRITERIA

- IATA Travel Agents will submit their 2021 annual financial statements only if they wish to do so. However, IATA will not perform the financial evaluation and there will be no financial review result based on these statements.
- The results of the 2019 assessment will be used for the 2021 accounts.
- These measures will be valid for the assessment of the 2021 accounts.
- The provisions of the current document will cease validity on the 31st of August 2022.

Effective Date

The proposed effective date of these changes is 1 June 2022

Proposed Action

Conference to adopt the temporary changes 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 2022

Filing Period: 28 April - 31 May 2022

Effectiveness: 1 June 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 PACConf 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. Rodriguez', written in a cursive style.

Juan Antonio Rodriguez
Director, FDS Operations, GDC

WESTERN BALKANS

(Albania, Bosnia & Herzegovina, Kosovo, Republic of North Macedonia)

(Effective 1 June 2022– 31 August 2022 - MV/556)

FINANCIAL EVALUATION CRITERIA

New Applicants

New applicants will be required to provide a bank guarantee corresponding to an estimated 23 days' worth of cash sales. The minimum amount of a bank guarantee is 20,000 EUR.

Existing IATA Accredited Agents

Financial evaluation for the Agents in Western Balkans will be performed yearly. All IATA Accredited Agents must submit documents listed below. After the analysis of submitted financial documents, the Agents will be considered as 'normal risk' or 'high risk' Agent.

~~An existing Agent must comply with the following elements:~~

~~1. Net profit in the accounting period must be positive (> 0)~~

~~However, a loss in the accounting period will not result in a negative financial standing if the outcome of the two (2) previous financial reviews was satisfactory.~~

~~2. No Notices of Irregularity for overdue/dishonoured remittances in the last 12 months~~

~~3. Short term liquidity coefficient:~~

$$\frac{\text{Current assets} - \text{long term business claims}}{\text{Short term financial and business liabilities}} \geq 1$$

~~If the Agent fully complies with 1 and 2 criteria, a short term liquidity coefficient between 0,75 and 1 is acceptable. The financial review result will be considered as PASS/SATISFACTORY when all financial criteria in sections 1.-3. are met.~~

An existing Agent must comply with the following elements:

1. Net profit in the accounting period must be positive (> 0)
2. No Notices of Irregularity for overdue/dishonoured remittances in the last 12 months
3. Short term liquidity coefficient:

$$\frac{\text{Current assets} - \text{long term business claims}}{\text{Short term financial and business liabilities}} \geq 1$$

If the Agent fully complies with 1 and 2 criteria, a short term liquidity coefficient between 0,75 and 1 is acceptable.

DOCUMENTATION

An Agent who applies for IATA accreditation must provide the following documentation:

1. Official Registration Certificate
2. Official travel agents Licence
3. Current balance sheet – not older than 6 months
4. Profit and loss account

An existing Agent who is subject to a financial assessment:

Yearly balance sheet – as submitted and accepted by relevant financial or tax authority
Profit and loss account - as submitted and accepted by relevant financial or tax authority

An Agent must bear the costs of the provision of all financial documents.

FINANCIAL SECURITY**Bank Guarantees**

Agents will be required to provide a bank guarantee based on 23 days' worth of BSP net cash sales during the last 4 quarters (12 consecutive months) according to the rules below:

1. New applicants will be required to provide a bank guarantee corresponding to an estimated 23 days' worth of BSP net cash sales. The minimum amount of a bank guarantee is 20,000 EUR.
2. Agents with average turnover between 0 EUR and 40.000 EUR will be required to provide a bank guarantee of 20.000 EUR.
3. Agents with average turnover between 40.001 EUR and 100.000 EUR will be required to provide a bank guarantee that covers 50% of their average 23 days turnover but with the minimum amount of 20.000 EUR.
4. Agents with average turnover between 100.001 EUR and 200.000 EUR will be required to provide a bank guarantee that covers 40% of their average 23 days turnover but with the minimum amount of 50.000 EUR.
5. Agents with average turnover over 200.001 EUR will be required to provide a bank guarantee that covers 30% of their average 23 days turnover but with the minimum amount of 80.000 EUR.

In case that the only BSP currency is the local one and that bank guarantees amounts are provided EUR currency, the exchange rate applied will be National Bank's official middle rate valid on the date when the request is sent to the Agent.

The bank guarantee amount will be rounded to the nearest 1.000 EUR above the amount resulting from the calculation.

Any Agent has an option to increase its remittance frequency under VMFR (Voluntary More Frequent Remittance). The minimum amount of any bank guarantee is 20,000 EUR.

All banks approved by National Banks are authorized to issue the guarantee.

Procedure in case of Agent's increased/decreased turnover

A comparison/check of the amount of the financial security provided by an Agent versus actual cash turnover will be executed at least twice a year.

An adjusted bank guarantee will be requested only in case when existing bank guarantee amount required being increased/decreased by more than 10.000 EUR.

Definition of the 'high risk agent'

Agent is considering as a 'high risk agent' if one or more of the following conditions are met:

- 1) Default in last 12 months
- 2) Notice of Irregularity in last 12 months
- 3) Unsatisfactory 'Financial Assessment' annual report

IATA actions related to the 'high risk agent'

- 1) Default in last 12 months
Agent must provide bank guarantee that will be based on 100% of average 23 days turnover (min 20.000 EUR).
- 2) Notice of Irregularity in last 12 months
Agent must provide bank guarantee that will be increased for 25%.
- 3) Unsatisfactory 'Financial Assessment' annual report
Agent must provide bank guarantee that will be increased for 50%.
- 4) Unsatisfactory 'Financial Assessment' annual report (for Agent with average 23 days turnover < 20.000 EUR)

Agent must provide bank guarantee that will be based on additional 50% of an average 23 days cash sales.

Bank guarantee amount must not exceed 100% of average 23 days turnover.

If more than one case applies only one, the highest, increase will be applied.

Post default procedure

In case of Agent's default bank guarantee will be based on 100% of average 23 days turnover (min 20.000 EUR).

TEMPORARY AMENDMENTS TO LOCAL FINANCIAL CRITERIA

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