



MEMORANDUM

PAC/RESO/714

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **15 September 2020**

Subject: **MAIL VOTE (A353)**
PAC3 (Mail A353)
Proposal on the Process of Changing Legal Representative – China, People's Republic of

Background Information

The relevant laws and regulations in Mainland China specify a requirement for a Legal Representative who is granted with great deal of legal responsibilities. The Agent's "Business License of Enterprise Legal Person" includes information such as business name, location, area of operation, registered capital and operating period as well as the name of the Legal Representative. The Agent should submit the "Business License of Enterprise Legal Person" to IATA when there is a change in the Legal Representative.

However, the Agent currently makes a change to its legal representative by updating the IATA portal (Portal: <https://www.iata.org/cs>) on its own and the change would be effective without the review and approval by IATA as the Agency Administrator. This is because the requirement for Legal Representative is peculiar to Mainland China and as such according to IATA Resolution 812, it is not clearly defined that the change of an Agent's legal representative needs to be notified to IATA as the Agency Administrator.

In order to have better risk control and make sure that the information about the Legal Representative is accurately submitted to IATA, IATA as the Agency Administrator should require the Agent to submit the most updated "Business License of Enterprise Legal Person" to IATA for review before the change in the Legal Representative is approved by IATA.

It is proposed to include the requirement of a "Legal Representative" into the LFC and to specify that IATA as the Agency Administrator must review and approve any change of the "Legal Representative".

1.2 Legal Representative requirement

The Legal Representative registered in IATA should be the same as it is on the company business license at any time. Any modification of the Legal Representative should be reviewed and validated by IATA.

APJC China had voted as below:

Date of APJC meeting: 16 July 2020

APJC CN has 18 members. 9 airlines and 9 agents were present

Voting result: Unanimously endorsed by APJC CN to support the proposal

Effective Date

The proposed effective date of these changes is 1 November 2020

Proposed Action

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

Voting Period: 15 September - 30 September 2020

Filing Period: 1 October - 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

CHINA, PEOPLE'S REPUBLIC OF

(Effective 1 ~~October 2019~~ November 2020 – MV/~~305353~~)

1. GENERAL QUALIFICATIONS

1.1 Finances

1.1 Finances

1.1.1 An International Agent must submit Audited Financial Statements prepared in accordance with Chinese accounting standards. Such statements shall include Balance Sheet and Profit & Loss Account and shall be duly audited and certified by an Authorized Public Auditor according to the Chinese Law.

1.1.1.1 The Audited Financial Statements should not be older than nine months at the time of submission.

1.1.1.2 If the applicant has been operating for less than six months, Capital Verification Report, instead of Audited Financial Statements may be provided.

1.1.2 Registered Capital requirements:

1.1.2.1 In order to obtain or to maintain accreditation, agents must at all times meet the following:

1.1.2.1.1 BSP China International Agents must at all times have a minimum of CNY 1,500,000 in registered capital.

1.1.2.1.2 BSP China Domestic Agents, using cash facility must at all times, have a minimum of CNY 500,000 in registered capital.

1.1.2.1.3 BSP China Domestic Go-Lite Agents must at all times have a minimum of CNY 62,500 in registered capital.

1.1.2.1.4 BSP China International Go-Lite Agents must at all times have a minimum of CNY 150,000 in registered capital

The registered capital figure for agents will be extracted from the business license and/or certificate provided by local authority if applicable.

1.1.2.2 Licenses:

All agents should have and provide to IATA at minimum on annual basis a valid business license and certificate provided by local authority for every approved location if applicable.

1.2 Legal Representative requirement

The Legal Representative registered in IATA should be the same as it is on the company business license at any time. Any modification of the Legal Representative should be reviewed and approved by IATA.

2. CRITERIA FOR THE EVALUATION OF AGENTS' FINANCIAL STATEMENTS

2.1 Agents participating in BSP China as International Agents:

2.1.1 Financial Review:

Agents' financial statements will be evaluated, and Agent's Financial Review Result will be considered as satisfactory if the following criteria are met:

2.1.1.1 Current Ratio > 130%, Current Assets divided by Current Liabilities.

2.1.1.2 Liquid Ratio > 100%, (Current Assets – Inventory – Prepayment) divided by Current Liabilities.

2.1.1.3 Cash Ratio > 30%, Cash and Cash Equivalents divided by Current Liabilities.

2.1.1.4 Debt Ratio < 65%, Total Liabilities divided by Total Assets.

2.1.1.5 Owners' Equity is not less than 65% of Paid-up Capital.

3. FINANCIAL SECURITY

Each approved location of the agent must provide a financial security.

For BSP China International agents, it should be equivalent to 37% of the average monthly cash sales on behalf of airlines BSP-CN participating airlines during the previous 12 months period, with a minimum amount of CNY 1,500,000.

For BSP China Domestic agents using cash facility, it should be equivalent to 37% of the average monthly cash sales on behalf of BSP-CN participating airlines during the previous 12 months period, with a minimum amount of CNY 500,000.

For BSP China Domestic Go-Lite agents, the Financial Security must be equivalent to the sum of highest 3 months of ADMs/ACMs during the previous 12 months period, with a minimum amount of CNY 62,500.

For BSP China International Go-Lite agents, the Financial Security must be equivalent to the sum of highest 3 months of ADMs/ACMs during the previous 12 months period, with a minimum amount of CNY 150,000.

4.ADMINISTRATIVE CHARGE

4.1 For excessive voiding of STDs exceeding 5% of the total tickets sold in the billing period, an administrative charge shall be levied to the agent on the basis of CNY 5.00 per excessive voided ticket.

5.BSP CASH SALES MONITORING

Effective upon migration of BSP China to Resolution 812, all agents with access to cash facility, will have a Remittance Holding Capacity assigned to them, which will be equal to 90% of the financial security level that is held by IATA at any time. The Agency Administrator will restrict Cash Payment Method should the agent at any time reach its Remittance Holding Capacity.

5.1 Cash as a Form of Payment will be reinstated upon either:

5.1.1 Settlement by the Agent of all or part of the cash sales due where the effect of such settlement reduces the total unremitted cash sales to an amount that is below the Agent's Remittance Holding Capacity; or

5.1.2 Receipt by IATA from the Agent of an additional Financial Security. The Agents Remittance Holding Capacity will be recalculated to equal 90% of the total Financial Security Provided.

5.2 Agents may at all times continue utilizing the BSP China Online Payment Solution and Credit Card as forms of payment

5.3 The BSP Cash Sales Monitoring will be conducted daily including weekends and public holidays