



# MEMORANDUM

PAC/Reso/768

To: All Members, Passenger Agency Conference  
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **30 April 2021**

Subject: **MAIL VOTE (A407)**  
**PAC2 (Mail A407)**  
**Temporary Changes to the Local Financial Criteria - Ethiopia**

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## Background Information

APJC met on 25 March 2021 to discuss the Local Financial Criteria of Ethiopia.

Members unanimously voted for the proposal to reflect temporary changes on current Local Financial Criteria until the implementation of NGISS and on the already approved LFC that has been revised previously to adapt to resolution 812.

APJC recommended the following for temporary measures:

1. Changes will be effective as of 1 June 2021 and valid for one year on the current LFC or on the approved NGISS LFC upon implementation of NGISS.
2. **Current LFC changes (as shown in Attachment 'A')**: Under section "Financial Statements"
  - a. Point 1 (b) The financial reports should show net profit. This criterion to be suspended.
  - b. Point 1 (c) The agent must have a minimum liquidity ratio of 1.2:1 to be replaced with the following: 'The agent must have a positive liquidity ratio'
3. **NGISS LFC as shown in Attachment 'B'**: Under section" CRITERIA FOR THE EVALUATION OF AGENTS ACCOUNTS":
  - a. Point 2.2 (a) The financial states should show net profit. This criterion to be suspended.
  - b. Point 2.2 (b) The agent must have a minimum liquidity ratio of 1.2:1 to be replaced with the following: 'The agent must have a positive liquidity ratio'

The composition of this council consists of 8 Airlines and 8 Agents.

## Effective Date

The proposed effective date of these changes is 1 June 2021

## Proposed Action

Conference to adopt the changes to the Local Financial Criteria as shown in Attachments 'A' and 'B'.

The timetable for this Mail Vote is as follows:

Voting Period: 30 April - 14 May 2021

Filing Period: 17 May - 31 May 2021

Effectiveness: 1 June 2021

To cast a vote, Members are asked to access the application from the following link:  
<https://www.surveymonkey.com/r/A399-426>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Friday, 14 May 2021**. 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).

A handwritten signature in black ink, appearing to read 'J. Rodriguez', with a large, sweeping flourish at the end.

**Juan Antonio Rodriguez**  
**Director, FDS Operations, GDC**

## ETHIOPIA

*(Effective ~~1 January 2015 – PAC/37 and MV/253~~ from 1 June 2021 until 31 May 2022 or until NewGen ISS implementation – MV/407)*

### a) FINANCIAL CRITERIA

#### 1. Financial Statements

- (a) Recent balance sheet and Profit and Loss Accounts audited by certified external Public Accountants and Auditors.
- ~~(b) The financial reports should show net profit.~~
- ~~(c) (b)~~ The agent must have a positive liquidity ratio ~~minimum liquidity ratio of 1.2:1~~
- ~~(d) (c)~~ A minimum paid up capital of \$25,000.

#### 2. Guarantee

A bank guarantee or acceptable insurance financial bond will be calculated based on average 4 weeks sales less credit card sales and paid up capital but not less than \$25,000. The amount of paid up capital to be used in calculation of guarantees will be limited to \$35,000. Bank guarantee level will be reviewed yearly.

#### 3. Reduction of Guarantee

- (a) To benefit from reduction of guarantee, the following points must be taken into consideration:
  - (i) The agent should not have more than 2 instances of Irregularities for late payment issued against the agency in the previous 12 months.
  - (ii) The agent must be an accredited IATA agent for a minimum of three years.
  - (iii) The agent must produce minimum sales of Birr 5 million per year.

The reduction in the guarantee will be as follows:

Number of Years In Business	Percentage of Waiver
0–5	NIL
5–7	20%
7–9	40%
9–11	50%
11–13	65%
13 and over	80%

Notwithstanding the guarantee reductions listed above, the minimum guarantee from any agent will not be below \$50,000.

#### (b) Default Insurance Programme

The agent must provide a Financial Security as approved by IATA. This may include a Bank Guarantee or approved Default Insurance Programme (DIP).

#### 4. New Applicants

- (a) Must submit audited opening balance sheet.
- (b) A minimum Bank Guarantee of \$50,000 is required
- (c) Applicants paid up capital should not be less than \$25,000
- (d) Liquidity ratio of 1.2:1

**b) BSP PROCEDURES**

- IATA agents must have adequate qualified employees.
- Information on the procedures and responsibilities of agents in respect of the reporting and settlement rules is contained the BSP Manual for Agents supplied to each Approved Location. Additional copies can be requested through your local BSP contact.
- IATA offers regular BSP procedural training sessions. Any agent wishing to undertake such training is encouraged to contact the local BSP contact.

**c) OTHER REQUIREMENTS**

All agents accredited or new applicants must be equipped with applicable CRS.

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## ETHIOPIA

(Effective ~~1 May 2020~~ or upon NewGen ISS implementation from 1 June 2021 until 31 May 2022 – MV/407-  
MV/329)

### 1. GENERAL RULE

- 1.1 An Agent must provide Audited Accounts to IATA. Audited Accounts means accounts reviewed by an auditor recognized as competent by a regulatory authority in the country to perform an audit.
- 1.2 Audited annual financial statements prepared by a statutory auditor must be supplied to IATA within 6 months of each Agent's financial year end.
- 1.3 For New Applications, If an Agent has been in business for less than 12 months at the time of application, an audited opening balance sheet must be provided.

### 2. CRITERIA FOR THE EVALUATION OF AGENTS ACCOUNTS

- 2.1 All financial information used in the financial review will be extracted from the Agent's Audited financial statements.
- 2.2 The following financial tests apply to the evaluation of an Agent's Audited financial statements:
  - ~~a) The financial statements should show not profit.~~
  - b) a) The Agent must have a positive liquidity ratio ~~minimum liquidity ratio of 1.2:1~~
  - e) b) A minimum paid up capital of an equivalent of USD 25,000 in local currency.
- 2.3 An Agent will obtain a satisfactory result on the financial review when all provisions in section 2.2 of these criteria have been met.

### 3. ANNUAL FINANCIAL REVIEWS

3.1 All Agents must provide Audited Accounts for each financial year end for the purposes of evaluation against the financial criteria tests mentioned in the Section 2:

- Balance sheet
- Income statement
- Cash flow statement
- Profit & loss
- Audit report
- Notes to accounts (if the submitted accounts make reference to the notes).

### 4. FINANCIAL SECURITY

4.1 An Agent will not be accredited or will not continue to be accredited until any Financial Security required to be provided to IATA has been received by IATA and confirmed to IATA by way of written confirmation received directly from the third party supporting the Financial Security that the Financial Security was issued

by that third party and is valid.

4.2 Financial Securities will be subject to a minimum notice of termination period on the part of the Financial Security Provider of ninety (90) days and ideally be valid for an unlimited period but will be expected to be valid for a minimum of at least one year.

#### 4.3 Amount at Risk

For the purposes of calculating the amount of a Financial Security the following definitions apply:

"Days' Sales at Risk" means the number of days from the beginning of the Agent's Reporting Period to the Remittance Date in respect of that Reporting Period or Periods, plus a margin of five days.

"Amount at Risk" is calculated by dividing the Days' Sales at Risk by 90 days and applying that percentage to the BSP cash turnover amount the Agent made in the three highest months.

Remittance Frequency	Days' Sales at Risk	Days in reporting period
Two times per month	35	16
Four times per month	20	7

#### 4.3.1 Formula for the Financial Security:

$$\text{"Amount as Risk"} = \frac{\text{"Days' Sales at Risk"} \times \text{BSP Cash Turnover in applicable 3 highest reporting periods of last 12 months}}{90}$$

### 4.4 Agents with Risk Status A, B and C

#### 4.4.1 Agents with Risk Status A

Agents with Risk Status A are required to provide a Financial Security covering 60% of their Amount at Risk calculated as per Section 4.3 using BSP cash turnover amount equal to the average of the 3 months' highest net cash sales in the previous 12 months, or USD 50,000, whichever is higher.

If an 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.

#### 4.4.2 Agents with Risk Status B

Agents with Risk Status B are required to provide a Financial Security covering 100% of their Amount at Risk calculated as per Section 4.3 using BSP cash turnover amount equal to the average of the 3 months' highest net cash sales in the previous 12 months, or USD 50,000, whichever is higher.

If an 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.

#### 4.4.3 Agents with Risk Status C

Agents with Risk Status C must always provide a Financial Security which will equal their assigned Remittance Holding Capacity.

## 5. DEFINITIONS

**Net Equity or Shareholders'/Owners' Funds**

In computing the Net Equity, adjustments must be made to write down to zero the following:

- a) The balance of all intangible assets, including goodwill,
- b) All unamortized research and development costs,
- c) The value of all unquoted investments,
- d) All encumbered Assets,
- e) All trading losses for the current financial period.

**Liquid Current Assets** – are defined as Current Assets as in the Balance Sheet of the Accounts after deducting:

- a) Stocks and work in progress,
- b) Deposits or guarantees given to third parties other than IATA,
- c) Loans to Directors, Associate Companies, (including any subsidiary, associate or company under common ownership)
- d) all intercompany balances
- e) Payments in advance,
- f) Deferred Expenses,
- g) Doubtful debtors,
- h) Blocked funds.

**Long Term Debt** – All debt liabilities where repayment is due more than twelve months after the end of the financial period