



# MEMORANDUM

## PAC/RESO/696 (Reissue)

To: All Members, Passenger Agency Conference  
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **6 July 2020**

Subject: **MAIL VOTE (A335)  
PAC2 (Mail A335)  
Changes to Local Financial Criteria – Malawi**

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### Background Information

Malawi APJC met on 12 February 2020 to discuss the proposed changes for the LFC of Malawi in line with Resolution 812 and NewGen ISS implementation.

The changes focused on the Financial Security and introducing the categorizing levels of Agent's Risk Statuses A, B & C.

A quorum was present (3 Airlines and 3 ) Agents. The composition of this council consists of 4 Airlines and 4 Agents.

The APJC voted unanimously to recommend the changes to Conference.

#### **Updated 6 July 2020:**

It had been identified that under Attachment 'A', section 4.6.2 there had been an error made by IATA, where the wording does not match the voted LFC by APJC MW. The section should read as follows:

4.6.2 Agents with Risk Status B:

Agents are required to provide a Financial Security covering ~~30%~~70% of their Amount at Risk as per section 4.3.2, or minimum Financial Security as per section 4.4, whichever is higher.

Delegates will find the MoM of APJC MW, in Attachment 'B' of this paper.

## Effective Date

The proposed effective date of these changes is 1 September 2020.

## Proposed Action

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

Voting Period: 2 – 16 July 2020

Filing Period: 17 – 31 July 2020

Effectiveness: 1 September 2020

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

<https://www.surveymonkey.com/r/A333-341>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Thursday, 16 July 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](mailto: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

## MALAWI

### FINANCIAL CRITERIA

- a) ~~An Agent applying for IATA accreditation must have been in operation as a Travel Agency for a minimum of 6 consecutive months.~~
- b) ~~New applicants for IATA approval must submit an audited Balance Sheet and Profit And Loss Statement, duly certified by an external public accountant/auditor for the most recent financial year end/period.~~
- c) ~~A minimum entry-level bank guarantee amount will be USD 18,000.00, based on the IATA exchange rate. Guarantees are to be standard IATA legal format, along with a standard written notice period of 3 months. Newly approved Agents will be re-evaluated on a quarterly basis for one year and the amount of the guarantee will be based on average sales levels. There will be a financial review should a major change in the financial stability/ownership of the agency occur. Bank guarantees will also be re-evaluated if the \$:MWK exchange rate declines more than 20%.~~
- d) ~~Accredited Agents are obliged to submit a copy of their report and audited accounts within 6 months of the end of the financial year. All Agencies will be reassessed every year, in order to determine their financial stability. In the case of private or individually owned organizations (not LTD) a certified statement of the owner's capital assets must be added. An Agent with a Qualified Audit Report will be put on immediate cash basis.~~

### Solvency

- ~~Current ratio (current assets to current liabilities) 1:1 Minimum~~
- ~~Positive net worth/shareholders interest:~~
- ~~Should the balance sheet indicate that the Agent is insolvent, that Agent shall be suspended from trading, with immediate effect. If the position is not re-addressed within 60 days, the Agent agreement will be terminated.~~

### Profitability

~~Agents must operate their business with the intention making a profit.~~

### Guarantee Evaluation

~~Following the submission of the initial guarantee, subsequent annual reviews and settings of the guarantee levels~~

~~will be calculated as follows:~~

- ~~Average 4 weeks' cash sales are to be covered in full based on the most recent 12 month sales. IATA/BSP will have the right to request for additional guarantee if the average sales during a period of any 4 months exceed the annual sales average by 50%.~~
- ~~The guarantees must be obtained from acceptable financial institutions as approved by IATA~~
- ~~All guarantees must be from local banks/ institutions.~~

### Reduction of Guarantee

~~To qualify for any reduction in the guarantee amount the agent must comply with the following:~~

- ~~Must meet the solvency criteria (Minimum Liquidity ratio 1:1)~~
- ~~The Agent must have been an approved IATA travel agent for more than 3 years~~

- ~~The Agent should not have more than 2 recorded instances of irregularities for late payment against the Agency in the previous 12 months; and, on change of ownership, the instances of irregularities in the last 12 months recorded for the Agency falls away.~~
- ~~The Agent must not have been placed into default in the preceding 3 years of trading.~~

The reduction of the guarantee will be as follows:

<b>No. of Years as IATA Accredited Agent (inclusive)</b>	<b>% Reduction</b>
<del>0-3</del>	<del>0%</del>
<del>4-7</del>	<del>10%</del>
<del>8-10</del>	<del>20%</del>
<del>10+</del>	<del>30%</del>

### **STAFF CRITERIA**

~~The Agent must have in its employment competent and qualified staff able to sell international air transportation and correctly issue electronic travel documents and report these to the BSP.~~

(Effective 1 September 2020 – MV/335)

## **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.

## **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 Accounts.

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

2.2.1 There must be a positive Net Equity

2.2.2 There must be a positive net profit

2.2.3 Net Equity divided by Long Term Debt and other Long-Term Liabilities must be greater than 0.5

2.2.4 EBITDA (Earnings before Interest, Taxation, Depreciation, Amortization and extraordinary items) must be positive

2.2.5 The EBITDA must exceed the Interest Payable by a factor of a minimum of two

2.2.6 There must be a positive net worth

2.2.7 The liquidity ratio must be greater than 1.1

2.2.8 The Current Assets must be in excess of the "Amount at Risk" as per section 4.3.2

2.3 An Agent will pass the financial review when all provisions in section 2.2 of these criteria have been met.

## **3. ANNUAL FINANCIAL REVIEWS**

3.1 All Applicants must provide Audited Accounts no more than 12 months old at the time of accreditation application to become an Agent to be assessed in accordance with section 2 of these criteria.

3.2 If an Applicant has been in business for less than 12 months at the time of accreditation application, an audited opening balance sheet must be provided.

3.3 All Agents must provide an Audited Accounts for the last financial year, no later than 6 months, or as required by legislation, of that Agent for the purposes of evaluation against the financial tests in Section 2 of this criteria.

#### **4. FINANCIAL SECURITY**

4.1 An agent will not be accredited or will not continue to be accredited until IATA receives the Financial Security issued by the organization, a validation by written confirmation of the authenticity of the said Financial Security issued.

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

4.3.1 "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:

<u>Remittance Frequency</u>	<u>Days' Sales at Risk</u>	<u>Days in reporting period</u>
<u>Two times per month</u>	<u>35</u>	<u>16</u>
<u>Four times per month</u>	<u>20</u>	<u>8</u>

4.3.2 "Amount at Risk" is calculated as following:

"Amount at Risk = "Days Sales at Risk X (highest 3 months net cash sales/90)

4.4 A minimum Financial Security amount will be USD 25,000.00 (or the equivalent in local currency) and is mandatory to all travel agencies.

4.5 All Financial Securities must be provided per the format provided by IATA.

4.6 Agents with Risk Status A, B and C:

4.6.1 Agents with Risk Status A:

Agents are required to provide a Financial Security covering 50% of their Amount at Risk calculated as per Section 4.3.2, or minimum Financial Security as per section 4.4, whichever is higher.

4.6.2 Agents with Risk Status B:

Agents are required to provide a Financial Security covering 30% of their Amount at Risk as per section 4.3.2, or minimum Financial Security as per section 4.4, whichever is higher.

4.6.3 Agents with Risk Status C

Agents with Risk Status C must provide a Financial Security equal to their assigned Remittance Holding Capacity (RHC).

## **5. DEFINITIONS OF TERMS USED IN THESE CRITERIA**

**EBITDA** - Earnings before Interest, Taxation, Depreciation and Amortisation.

**Financial Review** means a review of an Agent's financial position or the calculation of the amount of Financial Security required in accordance with this local Financial Criteria.

**Net Equity or Shareholders'/owners' Funds-Consists of:**

- Share capital
- Share Premium
- Retained earnings
- Other distributive reserves
- Shareholder's loans if subordinated less declared dividends

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

\*Names of delegates have been masked



## AGENCY PROGRAM JOINT COUNCIL APJC - (MW) - MINUTES OF MEETING

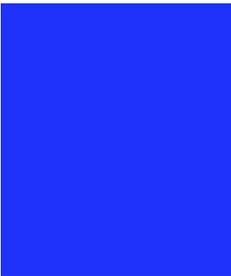
BSP: Malawi (MW)  
DATE: 12 Feb 2020  
VENUE: Protea Hotel - Malawi

### ITEM 1 - OPENING OF MEETING

- M/1 IATA representative welcomed participants. The Chairperson (SA) opened the meeting at 12:00pm.  
M/2 Apology was received by Manica Travel  
M/3 IATA read out the Declaration (legal notice) and reminded all about the importance of adherence.  
M/4 A copy of the full participants list is shown in Attachment A, including apologies/absentees (if any)

### ITEM 2 - CONFIRMATION OF MEMBERS

#### M/5 APJC-MW Delegates

CHAIRPERSON		SA	South Africa Airways
VICE-CHAIRPERSON		3W	Malawian Airlines
MEMBERS		ET	Ethiopian Airlines
		KQ	Kenya Airline
			Interocean Travel
			Galaxy Travels
			Airways Travel
			Eliza Chimbaya

### ITEM 3 - AGENDA

- M/6 The agenda was adopted.

### ITEM 4 - CONFIRMATION OF MINUTES - MEETING HELD ON 01 Oct 2019

- M/7 Minutes of previous meetings were approved, proposed by Interocean Travel and seconded by Galaxy Travels representatives with the follow remarks:
- "Galaxy Travels" email should be changed to 
  - TAAM Chair should be changed to Galaxy Travel (as per message sent by Interocean Travel).



**ITEM 5 - STATUS OF ACTION ITEMS FROM PREVIOUS MEETING**

**M/8 Status of previous action items:**

TOPIC	ACTION / COMMENTS	STATUS
APJC Code of Conduct (CoC)	<ul style="list-style-type: none"> <li>a. Convert the MW CoC documents as per the new template.</li> <li>b. all "Chairman" reference to be replaced to "Chairperson"</li> <li>c. all reference to the process owner should be referred to as "Chairmanship"</li> <li>d. Share documents with members once finalized and proceed to implementation.</li> </ul>	Done
Review of Local Financial Criteria (LFC-MW)	<ul style="list-style-type: none"> <li>a. Send financial security simulations for 10%, 20% and 30% discounts.</li> <li>b. Send financial security simulation for both formulas on the calculation of the "Amount at risk": formula as per reso 800f vs. formula as current LFC ("Days 'Sales at Risk "X Last 12 months sales)365)</li> <li>c. Minimum financial security was agreed for USD 25,000 (set).</li> </ul>	<p>WIP</p> <p>Done</p>
Global Default Insurance (GDI)	IATA to provide them with insights of what is being deliberated in other meetings and will enhance their relationships with their counterparts.	WIP
APJC-P MW Presentation	Send the APJC presentation to all members.	Done

**M/9 Current deliberation – Code of Conduct – (A1) Members provided feedback on the APJC MW CoC and approved the APJC MW CoC draft and agreed to finalize. IATA to share the new version with all members and give a final 2 weeks deadline for any further feedback and comments. IATA to implement the CoC following these steps.**

**ITEM 6 - LOCAL FINANCIAL CRITERIA & REMITTANCE FREQUENCY**

**M/10 Review of Local Financial Criteria (LFC-MW)**

Following the updates provided to the LFC-MW, the review is work in progress (WIP). In order to align to the NewGen ISS implementation, members deliberated on the Financial Security required for Malawi market, based on the new LFC draft. (A12) Members agreed on the following discounts for the Amount at Risk requested:

- a. Risk Status A – 50% discount.
- b. Risk Status B – 30% discount
- c. Members agreed to finalize the version, recirculate with all members and proceed to PACConf submission for adoption.



**ITEM 7 - ISS UPDATE**

M/11 Updates on airlines and agents participating in the BSP-MW were provided, Gross sales for 2018, 2019 were provided as well as the declared defaults and recoveries.

M/12 Updates were provided on NewGen ISS program and enhancements to the Passenger Agency Program.

M/13 IATA provided members with the key PAConf updates and (AI3) requested the full PAConf 42 Minutes of Meeting.

**ITEM 8 - CONFIRMATION OF NEW PENDING ITEMS**

M/14 Confirmation of New Pending Items

ID #	TOPIC	ACTION / COMMENTS	STATUS
A1	APJC Code of Conduct (CoC)	Members approved the APJC MW CoC draft and agreed to finalize, share the new version with all members and give a final 2 weeks deadline for any further feedback and comments. IATA to implement the CoC following these steps.	
A2	Review of Local Financial Criteria (LFC-ZA)	<ul style="list-style-type: none"> <li>a. Risk Status A – 50% discount.</li> <li>b. Risk Status B – 30% discount.</li> <li>c. Members agreed to finalize the version, recirculate with all members and proceed to PAConf for adoption.</li> </ul>	
A3	PAConf 42 minutes	IATA to circulate the full Mom from PAConf/42	
A4	Any Other Business	<ul style="list-style-type: none"> <li>a. Members asked if IATA can add more information regarding NewGenISS on the BSPLink portal, especially information related to IATA EasyPay.</li> <li>b. Members re-inquired the status of the previous captured action item (MoM, Item 9, M/14) and requested (if possible) to attend other APJC meetings from neighboring countries, as observers.</li> </ul>	
A5	APJC-P MW Presentation	Send the APJC presentation to all members	

**ITEM 9 – ANY OTHER BUSINESS (AOB)**

M/15 AOB (AI4) - a. Members asked if IATA can add more information regarding NewGenISS on the BSPLink portal, especially information related to IATA EasyPay  
 b. (AI5) Members re-inquired the status of the previous captured action item (MoM, Item 9, M/14) and requested (if possible) to attend other APJC meetings from neighboring countries, as observers. This will



provide members with deeper insights of what is being deliberated in other meetings and will enhance their relationships with their counterparts.

**ITEM 10 - DATE AND VENUE FOR THE NEXT MEETING**

M/16 Next meeting scheduled for the week of 16 Sep 2020 to take place in Blantyre.

**ITEM 11 - CLOSE OF MEETING**

M/17 Chairperson thanked all for attendance and closed the meeting session at 13:20pm.

## Appendix 'A' ATTENDANCE RECORD APJC-MW

BSP: Malawi (MW)  
DATE: 12 Feb 2020

**Airlines/Agents**

<u>[Name]</u>	<u>[Code]</u>	<u>[Email Address]</u>
[REDACTED]	SAA ET KQ Interocean Galaxy Travel Airways Travel	[REDACTED]

**Apologies**

<u>[Name]</u>	<u>[Code]</u>	<u>[Email Address]</u>
[REDACTED]	Manica Travel 3W	[REDACTED]

**Absent**

<u>[Name]</u>	<u>[Code]</u>	<u>[Email Address]</u>
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**Observers**

<u>[Name]</u>	<u>[Code]</u>	<u>[Email Address]</u>
[REDACTED]	Skylinks Travel	[REDACTED]

**IATA**

<u>[Name]</u>	<u>[Code]</u>	<u>[Email Address]</u>
[REDACTED]	IATA	[REDACTED]