



MEMORANDUM

PAC/Reso/919

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **13 April 2022**

Subject: **MAIL VOTE (A555)**
PAC2 (Mail A555)
Extension to Temporary Local Financial Criteria - Switzerland & Liechtenstein

Background Information

Following the COVID-19 crisis, the Passenger Steering Group encouraged APJCs to form a Local Financial Criteria 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 Switzerland and Liechtenstein was held on 3rd November 2021 to discuss and vote on the potential extension of the temporary Local Financial Criteria.

The APJC Switzerland and Liechtenstein unanimously voted in favour of extending the temporary LFC, which will therefore apply to the Annual Review to be conducted in 2022.

APJC participants acknowledged that the exceptionally difficult pandemic-related situation for travel agents has not improved. Airline representatives underlined their agreement and the need to extend the temporary measures for another 12 months. In doing so, they relied primarily on the risk mitigation measure of switching twice-monthly paying IATA agents to weekly remittance (see section 2 below) and the fact that no defaults were recorded in 2021.

With this approach, the APJC Switzerland and Liechtenstein follows the proposals of comparable markets such as Germany, whose temporary financial criteria have already been extended by the positive vote of the PACConf.

Temporary amendment: (Attachment 'A' section 5)

1. IATA will not perform the financial analysis of the 2021 ~~2020~~ balance sheet but use the result of the previous assessment performed in 2020 based on the 2019 annual accounts
2. Agents that had a positive assessment result in 2021 ~~2020~~ are considered to have passed the Annual Review 2022 ~~2021~~. **Agents with Risk Status A and currently remitting twice a month are not required to provide a financial security but must temporarily change to weekly or daily remittance.** Twice a month remitting Agents can reinstate their original frequency after termination of the COVID-19 exemption rules upon request.
3. Agents currently remitting weekly or daily that had a positive assessment result in 2021 ~~2020~~ do not have to provide a financial security in 2022 ~~2021~~ provided the Agent has a Risk Status A.
4. Agents with Risk Status B or C are required to provide 100% financial security and can keep their remittance frequency or voluntarily change to a higher remittance frequency
5. Agents with a negative assessment result in 2021 ~~2020~~ are considered to have failed the Annual Review 2022 ~~2021~~ and will still be required to provide a financial security in 2022 ~~2021~~ according to section 4.3. Agents with Risk Status B can remain on the current remittance frequency or voluntarily change to a higher frequency

6. Agents with a Risk Status A opting to stay on a twice a month remittance will be assessed according the current Local Financial Criteria taking into consideration that government backed COVID-19 loans are to be treated as equity (Regulation 951.261, Section 8, Art 24). Such COVID-19 loans (paid out or as overdraft facility) must be clearly identifiable in the balance sheet or attachment to the balance sheet.
7. APJC CH/LI will monitor the situation and development in the market and eventually adapt or prolong COVID-19 Exemption Rules in due time. First review by the Financial Advisory Group to take place not later than 30th September ~~2022~~ ~~2024~~.
8. The temporary amendments are applicable from 1st March ~~2022~~ ~~2024~~ until 28th February ~~2023~~ ~~2022~~

Effective Date

The proposed effective date of these changes is 1 June 2022

Proposed Action

Conference to adopt the extension to the temporary 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 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.



Juan Antonio Rodriguez
Director, FDS Operations, GDC

SWITZERLAND/LIECHTENSTEIN

(Effective 1 June 2022 – 28th February 2023 MV/555)

1. GENERAL RULE

1.1 All forms of commercial companies have to be entered in the Swiss Trade Register.

2. ANNUAL FINANCIAL REVIEWS

2.1 Balance sheets must be in compliance with Swiss Law' Code of Obligations (OR). The time limit for submission of audited papers is within six months after the closing date of the Fiscal year.

Document requirements:

2.2 All documents have to be prepared according CO 957 ff.

2.3 According to Art. CO 727a, Auditor's control report is not obligatory for those legal entities meeting the conditions for exemption from audit (opting out practice according to Swiss legislation). Such Agencies must provide a copy of the certificate of the Swiss trade register in order to proof the exemption.

2.4 New legal entities without at least one year's trading record are required to provide an Opening Balance Sheet.

2.5 The balance sheet shall be segmented according CO 959.

3. CRITERIA FOR THE EVALUATION OF AGENTS' ACCOUNTS

Formulas used for the financial evaluation:

3.1 Equity:

The owner's equity (capital paid-in, reserves, profit and loss carried forward) must not be lower than CHF 100'000. If this requirement is not met, an Agent cannot be accredited or in case of accredited Agents must provide financial securities.

3.2 Liquidity ratio:

$$\frac{\text{Total current assets} - \text{Total Inventory}}{\text{Total Current liabilities}} \times 100$$

The liquidity ratio (quick-ratio) must be above 100%; i.e. short-term assets must cover to 100% all short-term liabilities.

When calculating the liquidity ratio, a safety margin of 5% is deducted from amounts owned by debtors as well as from securities/bonds.

Amounts of doubtful debtors as well as money given to owners and/or managers are not eligible in case company has not been audited.

3.3 Self-financing ratio:

$$\frac{\text{Total equity} \times 100}{\text{Total liabilities}} \geq 15\%$$

The self-financing ratio must reach 15%, i.e. the Owner's Equity must cover at least 15% of the total liabilities. Subordinated claims are considered as equity when calculating the Owner's Equity.

3.4 Fixed Assets Coverage:

$$\frac{\text{Owner's equity} + \text{Long Term liabilities} \times 100}{\text{Fixed assets}} \geq 100\%$$

The coverage ratio must attain the factor 1.0, i.e. the Owner's Equity + long-term liabilities must cover to 100% all fixed assets.

3.5 Capital Loss:

When a loss is carried forward, total equity should not be lower than the total share capital.

3.6 If Art 725 / 725a CO applies, the Agent must provide a Financial Security in accordance with criteria stipulated below.

In order to obtain a satisfactory result of the financial assessment, an Agent must pass all tests in 3.1-3.5 of these criteria.

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 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.

Remittance Frequency:	Days' Sales at Risk
Twice per month	35
Four times per month	27
Daily	5

4.3.2 "Amount at Risk" is calculated using BSP cash turnover amount equal to the net cash sales in

the previous 12 months, as follows:

$$\text{"Amount at Risk"} = \frac{\text{"Days' Sales at Risk"} \times \text{BSP cash turnover in the last 12 month period}}{360}$$

4.3.3. For Agents that are required to provide a Financial Security the following minimum amounts are applicable:

- twice per month remittance: CHF 25.000
- four times per month remittance: CHF 20.000
- daily remittance: CHF 5.000

Agents with Risk Status A

4.4 For Agents with Risk Status A no Financial Security is required.

Agents with Risk Status B

4.5 For Agents with Risk Status B the amount of the Financial Security required must cover at a minimum the Amount at Risk calculated as per Section 4.3 using the BSP cash turnover amount equal to the net cash sales in the previous 12 months, or the minimum amount of financial security as per 4.3.3, whichever is higher.

Agents with Risk Status C

4.6 For Agents with Risk Status C the amount of the Financial Security required must cover at a minimum the Amount at Risk calculated as per Section 4.3 using the BSP cash turnover amount equal to the net cash sales in the previous 12 months, or the minimum amount of financial security as per 4.3.3, whichever is higher. The most frequent standard remittance frequency, i.e. weekly remittance, will be applied. Further information on Risk Status to be found in Resolution 812 (Travel Agents Handbook).

5. COVID-19 EXEMPTION RULES

5.1 IATA will not perform the financial analysis of the 2021 ~~2020~~ balance sheet but use the result of the previous assessment performed in 2020 based on the 2019 annual accounts as follows:

5.2 Agents that had a positive assessment result in 2021 ~~2020~~ are considered to have passed the Annual Review 2022 ~~2021~~. Agents with Risk Status A and currently remitting twice a month are not required to provide a financial security but must temporarily change to weekly or daily remittance. Twice a month remitting Agents can reinstate their original frequency after termination of the COVID-19 exemption rules upon request. Agents with Risk Status B or C are required to provide 100% financial security and can keep their remittance frequency or voluntarily change to a higher remittance frequency.

5.3 Agents with a negative assessment result in 2021 ~~2020~~ are considered to have failed the Annual Review 2022 ~~2021~~ and will still be required to provide a financial security in 2022 ~~2021~~ according to section 4.3. Agents with Risk Status B can remain on the current remittance frequency or voluntarily change to a higher frequency.

5.4 Agents with a Risk Status A opting to stay on a twice a month remittance will be assessed according the current Local Financial Criteria taking into consideration that government backed COVID-19 loans are to be treated as equity (Regulation 951.261, Section 8, Art 24). Such COVID-19 loans (paid out or as overdraft facility) must be clearly identifiable in the balance sheet or attachment to the balance sheet.

5.5 Agents currently remitting weekly or daily that had a positive assessment result in 2021 ~~2020~~ do not have to provide a financial security in 2022 ~~2021~~ provided the Agent has a Risk Status A.

5.6 APJC CH/LI will monitor the situation and development in the market and eventually adapt or prolong COVID-19 Exemption Rules in due time. First review by the Financial Advisory Group to take place not later than 30th September 2022 ~~2021~~.

5.7 The temporary amendments are applicable from 1st ~~March~~ June ~~2022~~ ~~2021~~ until 28th February 2023 ~~2022~~.