To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: 13 April 2023

Subject: MAIL VOTE (A613)
PAC2 (Mail A613)
Changes to Local Financial Criteria - Azerbaijan

Background Information

Since an Airline was planning to shift all its direct sales into BSP system in Azerbaijan as of 01 January 2023, BSP sales volumes would be drastically increased comparing to the previous years, and this would mean that agents’ risks would be also increased.

During the last APJC meeting held on 27 December 2022, APJC AZ members discussed how to strengthen LFC AZ to minimize the risks. After having discussion, removing the multiplier factor (the ratio of 70%) valid for Risk Status A agents, which is being used to calculate the Financial Security amount, was voted and unanimously accepted by the APJC AZ members to be submitted to the Conference mail vote for approval.

Effective Date

The proposed effective date of these changes is 1 June 2023.

Proposed Action

Conference to adopt the change 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 2023
Filing Period: 28 April - 31 May 2023
Effectiveness: 1 June 2023

To cast a vote, Members are asked to access the application from the following link.
Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Thursday, 27 April 2023**. 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.

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, GD
AZERBAIJAN
(Effective 1 February 2019 – 1 June 2023 – MV/A613)

1. GENERAL RULE – (Accounts / Documents to be provided)

1.1 New applicants
New applicants must have been in operation for 12 months as an Air Travel Agent before applying to be an IATA Accredited Agent.

Documents required
The complete file to be sent to IATA, consisting of the following:

- certified copies of the certificate of state registration, tax payer certificate and statistical card,
- certified by an independent auditor: Balance Sheet, Profit & Loss account, Credit and Debt Statement and Cash Flow Account for the last financial year,
- statement of international sales volumes. The applicant must provide proof of sales through other accredited Agents or Airlines. There is no minimum level that an applicant must reach before submitting the application.

2. CRITERIA FOR THE EVALUATION OF AGENTS’ ACCOUNTS

2.1. New Applicants
The financial assessment of a new applicant is considered “Satisfactory” given that the following requirements are satisfied:

1. Net profit (profit less all expenses and less 10% withholding tax) in the accounting period is 0 or higher
2. Short term liquidity coefficient:

\[
\text{Current assets} - \text{Long term business claims}
\]

(cash, accounts receivable, inventory, marketable securities, prepaid expenses and other liquid assets that can be readily converted to cash)

(all losses occurring during the year, whether reported or not, related handling costs and any adjustments to claims outstanding from previous years)
2.2. Accredited Agents

The assessment of an existing Agent is considered “Satisfactory” if the following requirements are satisfied:

- Net profit (profit less all expenses and less 10% withholding tax) in the accounting period is 0 or higher
- Short term liquidity coefficient:

\[
\begin{array}{c|c}
\text{Current assets} & \text{Long term business claims} \\
\text{(cash, accounts receivable, inventory, marketable securities, prepaid expenses and other liquid assets that can be readily converted to cash)} & \\
\text{(all losses occurring during the year, whether reported or not, related handling costs and any adjustments to claims outstanding from previous years)} & \\
\end{array}
\]

\[\geq 1\]

3. ANNUAL FINANCIAL REVIEWS

All Agents are required to submit the following documentation for the last financial year according, prepared in accordance with the international accounting standards and certified by an independent auditor:

- Certified Balance Sheet,
- Profit & Loss account,
- Credit and Debt Statement and
- Cash Flow Account

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 New applicants and those agents accredited for less than two years will be required to submit a Financial Security for an amount corresponding to the average 22 days’ net cash sales at risk, calculated over the last 12 months, but cannot be less than 50,000 USD. For new Applicants, the estimation of the initial level of Financial Security will be calculated based on a statement of International Sales. For Agents accredited for less than two years, Financial Security will be calculated based on BSP Cash Sales.

4.4 For the purposes of calculating the amount of a Financial Security for those agents which have been accredited for two years or more as an Agent, the following definitions will apply:

4.4.1 “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.
4.4.2 “Amount at Risk” is calculated by dividing the Days’ Sales at Risk by number of days in 3 reporting periods, and applying that percentage to the BSP cash turnover amount the Agent made in the three reporting period referred to in Section 4.5, 4.6 or 4.7 of these criteria, as applicable:

“Days’ Sales at Risk” x BSP Cash Turnover of the 3 highest reporting periods of last 12 months
“Amount at Risk” =  
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Number of days in reporting period x 3

Agents with Risk Status A

4.5 Agents with Risk Status A will need to provide a financial security.

4.5.1 For Agents with Risk Status A the amount of the Financial Security required:

“Days’ Sales at Risk” x BSP Cash Turnover of the 3 highest reporting periods of last 12 months
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Number of days in reporting period x 3

4.5.2 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.

Agents with Risk Status B

4.6 For Agents with Risk Status B the amount of the Financial Security required:

“Days’ Sales at Risk” x BSP Cash Turnover of the 3 highest reporting periods of last 12 months
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Number of days in reporting period x 3

4.6.1 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.

Agents with Risk Status C

4.7 For Agents with Risk Status C the amount of the Financial Security required:

“Days’ Sales at Risk” x BSP Cash Turnover of the 3 highest reporting periods of last 12 months
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Number of days in reporting period x 3

4.7.1 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.

4.8 Financial Security requirements

a) The Financial Security must comply with the following conditions:

i. The Financial Security must be issued by a bank, being a financial institution authorized by Central Bank of Azerbaijan to issue Financial Securities for Agents in Azerbaijan and which is duly registered and licensed to operate without limitations in the Republic of Azerbaijan.

ii. The Financial Security must be issued strictly according to IATA template.

b) In the event that the financial institution that has provided the Financial Security on behalf of the Agent has a change in status resulting in their license to issue Financial Securities being suspended by the Central Bank of Azerbaijan, the Agent must provide IATA with a new Financial Security from a financial institution who does have a valid license to issue Financial Securities.
c) In the event that a financial institution breaches the terms and conditions of the Financial Security issued on behalf of an Accredited Agent, IATA may suspend the acceptance of Financial Securities from that financial institution and require the affected Accredited Agents to submit a Financial Security from another financial institution in Azerbaijan within 30 days of prior written notice from IATA.